



Total Giving Momentum

How healthy is your donor base? By Ron Frey

YOUR INCOME IS UP. YOU'RE THRILLED. So you walk into the board meeting and report "Income is up 11.9 percent over last year; it's a record for the last five years and one of the best increases we've ever had." You think to yourself: *We must be growing, right?*

But then something changes. At first, it's a subtle shift; donation income is flat for a month or two. Your fundraising efforts are still going full steam ahead, but you feel like you're crawling as income eases off for a few more months. Fundraising seems harder and more costly. You know something's missing but you don't know what or why. By December, some major gifts come in but they just help you squeak out a small gain over the prior year.

As this pattern continues, you finally wake up to the realization that you're not growing. Giving is sluggish and income is flat. You've lost momentum and could be headed for the slippery slope of organizational decline. Why?

"The proverbial 'goose laying the golden egg' isn't healthy!" The key is to stop looking at donation income alone and ask a deeper question: How healthy is your donor base?

There are only six things your givers can do:

1. Increase their giving from the prior year (upgrade)
2. Decrease their giving from the prior year (down grade)
3. Give the same amount as the prior year (same)
4. Stop giving (lapse)
5. Reactivate their giving after a year or more (renew), or
6. Give for the first time (new donors)

By tracking this information you can develop a simple giving dashboard tool that will help you understand your current situation and what to do about it. I call it the "Total Giving Momentum Score" and it requires two simple calculations to figure it out. The first is your "Upgrade Momentum" score, which looks at the relationship between donors who upgrade versus those who downgrade.

In this example, the organization had 2,548 donors who gave \$390,876 in 2011 and then gave \$715,985 in 2012 for a total upgrade of 83.2 percent for that particular group. However, they had 1,721 donors who had given \$441,781 in 2011 and downgraded to \$266,746 in 2012 for a loss of \$175,035 — a decrease of 39.6 percent

DONOR MOVEMENT REPORT – 2012

	# Donors	\$ Given 2012	\$ Given 2011	Giving Variance	% Variance
Upgrade	2,548	\$715,985	\$390,876	\$325,109	83%
Same	704	\$130,723	\$130,723	\$0	0%
Downgrade	1,721	\$266,746	\$441,781	(\$175,035)	-40%
New	1,145	\$109,642	\$0	\$109,642	100%
Renewed	1,502	\$127,642	\$0	\$127,642	100%
Lapsed	2,067	\$0	\$185,541	(\$185,541)	-100%
Total Giving		\$1,350,738	\$1,148,921	\$201,817	17.5%
Total Donors		7,619	7,039	580	8%
Upgrade Momentum	827			150,074	13%
Growth Momentum	580			51,743	4.5%
Total Giving Momentum Score				\$201,817	17.57%

from the prior year. Therefore, the “Upgrade Momentum” score is:

Upgrades	\$325,109
Minus Downgrades	-\$175,035
Net Upgrade Income	\$150,074

Upgrade Momentum Score: 13.0% (\$150,074/\$1,148,921)

It’s simple math; in order for an organization to grow, there must be more givers upgrading than downgrading!

Obviously, this is still an incomplete picture of what is going on, but it does provide insight into whether or not an organization is effectively motivating its current givers. Since this score looks only at donors who gave in the prior year, it acts as a barometer of *current givers’* interest and commitment.

A negative upgrade score is a clear indicator that your organization is at risk of a significant decline. If your current donors are giving less, their commitment to your cause could be waning or they feel that their giving to your organization is not producing the impact they expect it to have. You need to strengthen your value proposition and win back their commitment to your organization and cause. Of course, external economic factors could play a role in this score, but a multi-year pattern of downgrade amongst your most loyal and active givers is a serious threat!

The next data point is the “Growth Momentum” score, which compares the increase of the donor base through new donor acquisition and reactivation against the number who are lost through attrition.

This organization gained 1,145 new donors and regained 1,502 for a total of 2,647. These groups contributed \$109,642 and \$127,642 respectively, for a total of \$237,284. However, it lost 2,067 donors who had given \$185,541 in 2011. So the “Growth Momentum” score is:

New Donors	\$109,642
Plus Renewed Donors	\$127,642
Total New plus Renewed income:	\$237,284
Minus Lapsed	-\$185,541
Net Growth Income	\$ 51,743

Growth Momentum Score: 4.5% (\$51,743/\$1,148,921)

“The proverbial ‘goose laying the golden egg’ isn’t healthy!”

It’s obvious that an organization cannot grow when more donors exit the back door than come in the front! Fortunately, this organization is still in positive territory, but only because they had a strong number of renewals. New donor acquisition fell far short of replacing their lapsed givers. Without a strong reactivation program, they would have found themselves in negative territory.

Add these two simple calculations together to result in a Total Giving Momentum score of 17.5 percent for 2012. It’s a very respectable number for any nonprofit organization in a year when, according to the Giving USA 2013 report on philanthropy for the year 2012, overall charitable giving was up 3.5 percent over the prior year (GivingUSA.org).

Upgrade Momentum:	13.0%
Growth Momentum	4.5%
Total Giving Momentum	17.5%

TOTAL GROWTH MOMENTUM ANALYSIS

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+	1. Growth and upgrade momentum is positive Your fundraising systems are working. Current givers are giving more and new donors are attracted to your cause in greater numbers than those who are leaving.	2. Growth momentum is positive but upgrade momentum is negative The organization is acquiring or keeping donors but not seeing upgrade. The commitment and interest of current givers is softening. Improve your value proposition.
-	3. Upgrade is positive but Growth is negative. Loyal donors are giving more, but the organization is failing to acquire or keep the donors it has. Invest more in donor base growth through acquisition and reactivation.	4. Both growth and upgrade are negative. The organization is losing its donor base and failing to acquire new givers or reactivate past givers. This may be due to serious flaws in fundraising strategy, poor leadership, inadequate fundraising budget or neglect.
	Upgrade Momentum (Upgrades minus downgrades)	

So what do these numbers really tell you and why are they important? First, unless these numbers are kept in positive territory, an organization simply will not grow. As a practical matter, organizations that experience more than two years in a row in Quadrant 4 of Chart 2 are in trouble. Double negative scores are an indicator that something is seriously wrong. Organizations that find themselves in Quadrant 2 or 3 for multiple years in a row also have some significant challenges to overcome.

A similar phenomenon occurs in Quadrant 3, where positive upgrade momentum can mask the reality that your donor base is actually eroding. You can be deceived into thinking that things are better than they actually are. A better understanding of where your giving income is originating can help you more strategically allocate your fundraising activities for the most important areas for growth. Your Upgrade and Growth Momentum scores can help you pinpoint where you need to spend your time and fundraising budget.

Your next step is to calculate your Total Growth Momentum scores over a period of several years. In Chart 3, a multi-year view reveals the long-term pattern of donor base growth or decline and helps you understand what you should do about it. Your cumulative growth momentum can also be charted using these numbers. By establishing a baseline for *Upgrade and Growth Momentum* you can establish your goals for the future.

Finally, these numbers reflect the quality of relationships that you have with your givers or prospects. They indicate the attractiveness of your cause, the perceived value of your program and the long-term loyalty to your organization. Use Total Growth Momentum to help drive your donor development strategy and then watch your income grow as well. ●

Ron Frey is President of Frey Resource Group; a consulting firm that helps organizations grow through strategic leadership in fundraising. To learn more about Total Giving Momentum, visit (FreyResourceGroup.com). Ron and his family enjoy life together in Happy Valley, Oregon.

DONOR BASE GROWTH MOMENTUM

