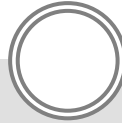


Return on Investment measures fundraising efficiency internally, over time and, to a limited extent, in comparison with other agencies.



What is ROI?

- **Measures efficiency**
- **ROI = (Revenue-Cost)/Cost**
 - Count staff time and overhead in the cost
- **Overall return 300%-400%**
 - Spend 20-25 cents to earn a dollar *on average*
- **Measure against prior year performance and among internal programs**
- **“The bottom line is the bottom line”**
 - Look at not only efficiency (ROI) but total net dollars. A program may be less efficient yet produce greater net income after expenses are covered.
- **Activities such as events may serve other purposes including building loyalty, increasing communications, or raising awareness.**

ROI Varies

- **New donors**
 - **Dollar or more per dollar earned**
 - **Profits come later** (with sufficient renewal rate)
- **Events**
 - **50 cents per dollar earned** (or more)
- **Larger, more mature organizations**
 - **Higher ROI**

"The 'overall fundraising Cost to Raise a Dollar' is a myth. There is NO such standard, and anyone who tells you there is one should survey the real world of fundraising in all its diversity. One organization might be embarrassed to spend more than a dime to raise a dollar, while another might be fortunate to squeak by with 40 or 50 cents on a dollar -- and both might be ethically run, well managed organizations...The cost of fundraising varies from one nonprofit organization to another based on a host of variables: the age of the organization, the size of the budget, the popularity of the cause, the fundraising methods used, the skills of the development staff, the strength of the organization's leadership -- and many more."

- Mal Warwick

“It’s becoming increasingly common for nonprofit organizations to pay a net initial cost of between \$5 and \$50 to acquire an average new donor. In such circumstances, I advise clients that – if it’s worth paying, say, \$30 to enroll a new donor – it’s worth paying at least that much to reactivate a donor who has lapsed.”

- Mal Warwick



Return on Investment measures fundraising efficiency internally, over time and, to a limited extent, in comparison with other agencies.

Reasonable Cost Guidelines for Solicitation Activities

Direct Mail (acquisition)	\$1.25 to \$1.50 per \$1.00 raised
Direct Mail (renewal)	\$0.20 to \$0.25 per \$1.00 raised
Membership Associations	\$0.20 to \$0.30 per \$1.00 raised
Activities, Benefits and Special Events	\$0.50 per \$1.00 raised (gross revenue and direct costs)*
Donor Clubs and Support Group Organizations	\$0.20 to \$0.30 per \$1.00 raised
Volunteer-led Personal Solicitation	\$0.10 to \$0.20 per \$1.00 raised
Corporations	\$0.20 per \$1.00 raised
Foundations	\$0.20 per \$1.00 raised
Special Projects	\$0.10 to \$0.20 per \$1.00 raised
Capital Campaigns	\$0.10 to \$0.20 per \$1.00 raised
Planned Giving	\$0.20 to \$0.30 per \$1.00 raised

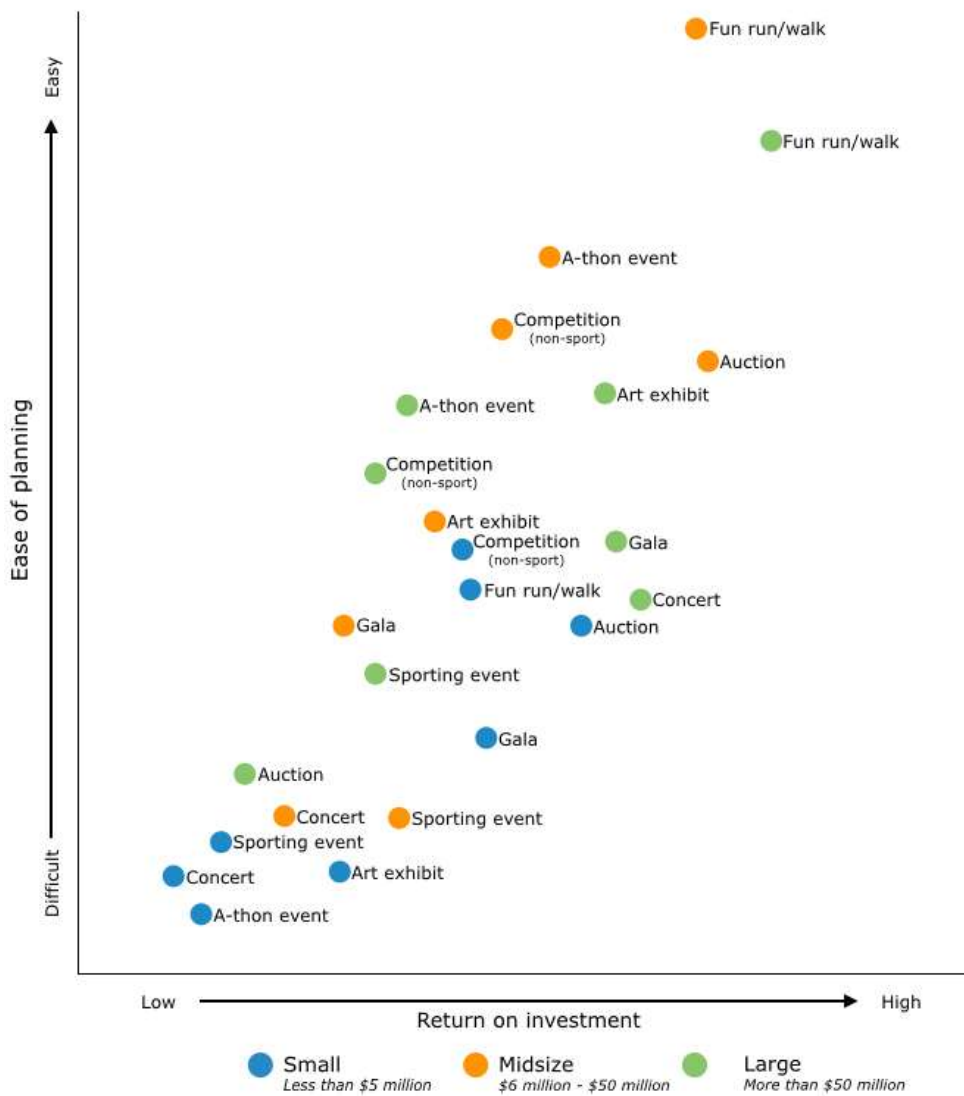
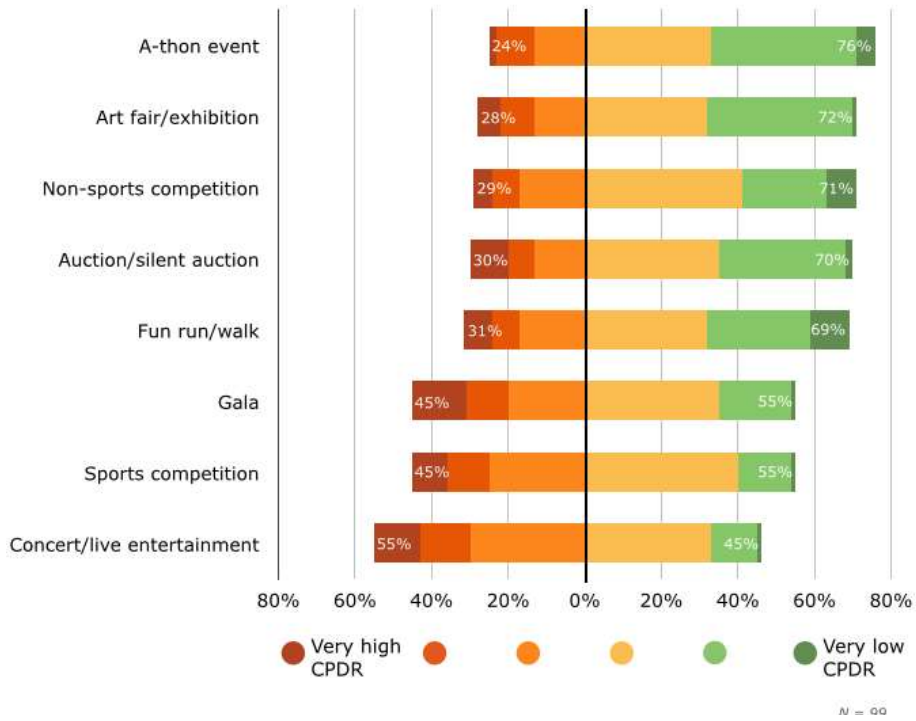
National Averages for Fundraising Costs and Return on Investment

Method	Cost	ROI
Direct Mail to General Lists (non donors)	115%	-15%
Special Events	50%	50%
Planned Giving	25%	75%
Direct Mail to Prior Donors	20%	80%
Foundations/Corporations	20%	80%
Major Gifts	5-10%	90-95%
National Average, all methods	20%	80%

ROI on Fundraising Events

Software Advice published an interesting story on ROI for fundraising events. The results are listed not only in aggregate, *but also by size of agency*. Key findings:

1. Respondents say fun runs and walks are the easiest events to plan, generating moderate to high revenue for nonprofits of all sizes.
2. Small nonprofits are at a disadvantage compared to larger nonprofits: Respondents say the upfront investment for an event is a strain on resources.
3. On average, a-thon events have the lowest cost per dollar raised (CPDR), and thus are suitable for all nonprofits. Concerts have the highest CPDR, requiring a larger budget.
4. CPDR, number of new donors and number of attendees are the most popular metrics to measure event success, used by 83 percent, 80 percent and 75 percent of respondents, respectively.



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More from Software Advice at <http://www.softwareadvice.com/nonprofit/fundraising-software-comparison>