



Measuring Online Success

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It's Not Just About Online Gifts

by Vinay Bhagat, Founder and Chief Strategy Officer, Convio, Inc and ePhilanthropy Foundation Trustee

For many nonprofit organizations, the Internet is a significant fundraising tool. And although online donations can be a measure of success, this metric should not be the only way to define a successful Internet strategy. The true value of the Internet is in creating and sustaining relationships with constituents and is achieved by implementing an online Constituent Relationship Management (eCRM) strategy. Using an eCRM approach, a nonprofit can maximize the value of its constituents by involving them, especially donors, in more than one activity so they can provide support for the mission in multiple ways at different times. An effective eCRM strategy not only raises funds online but also:

- Helps drive online and offline giving
- Increases donor lifetime value
- Reduces communication and fundraising costs
- Supports major giving
- Contributes to the success of other activities, e.g., advocacy, volunteering and outreach to new constituents and donors

These impacts can, in many ways, be more significant than the impact of online donations.

Drive Online and Offline Giving

In the commercial sector, consumers with Internet access frequently research products and/or services online before making a purchase. However, when making the decision about where to make actual purchases, consumers generally follow individual preferences based on such factors as convenience, comfort with online transactions, etc. For commercial organizations selling online and offline, research suggests that 73 percent of consumers with Internet access conduct pre-purchase research online while 59 percent of those same consumers actually make their purchases online. A similar study conducted with direct response nonprofit donors, found that 48 percent of donors with Internet access do research online but only 17 percent of those same donors have given online. Donors, like consumers, make gifts or purchases where they feel most comfortable and, for many donors, that still is through traditional methods, i.e., direct mail or telephone.

However, anecdotal evidence suggests that donors and consumers are researching online, communicating via email and responding to online appeals and offers. One large health organization has found that 50 percent of the organization's gifts, which are characterized as online gifts, actually are not online transactions per se, but rather come from donors downloading a pledge form from the organization's Web site.

Nonprofit organizations, too, are realizing that email communications reinforce direct marketing efforts. Another organization has found that donors are more apt to respond to a direct mail piece when the nonprofit sends email messages in advance alerting them to watch for a package in the mail.

Increase Donor Lifetime Value

The lifetime value of a donor is calculated based upon his average gift level, gift frequency and expected retention rate. Each of these variables and, consequently, a donor's lifetime value, depends on the quality of the relationship that the nonprofit organization sustains with the donor. A nonprofit that is able to effectively communicate with donors and involve them in additional activities, e.g., advocacy, volunteering, sending messages to friends, will more likely develop closer and stronger donor relationships. Research by the Indiana University Center on Philanthropy (published in FRM Weekly) suggests how important this is. One thousand lapsed donors from nine charities were asked why they discontinued giving. The study yielded the following "Top Ten Reasons Why Donors Stop Giving":

10. *Charity did not inform donor how contribution was used (1.7 percent)*
9. *Charity asked for an inappropriate donation amount (3.1 percent)*
8. *Charity did not remind donor to give again (3.3 percent)*
7. *Charity's communications were inappropriate (3.6 percent)*
6. *Death (5.2 percent)*
5. *Donor relocated (6.7 percent)*
4. *Donor still supports charity by other means (6.8 percent)*
3. *No memory of ever supporting charity (11.4 percent)*
2. *No longer able to afford support (22.3 percent)*
1. *Feeling that other causes were more deserving (26.5 percent)*

Based on these findings, more than 91 percent of lapsed giving (all reasons in italics) could be attributed to the poor donor relationships. Traditional mass communications such as direct mail and telemarketing focus on solicitation and not developing donor relationships. Newsletters, if sent at all, tend to be outdated, infrequent and not targeted. Higher value donors often get more personalized attention and higher quality materials, but sending more personalized paper communiqués is costly and typically reserved for a very finite pool of major contributors. However, the Internet opens up a world of new possibilities for donor relations because of the ease and lower

cost of sending all constituents frequent, targeted and personalized online communications. Online communications increase an organization's capacity to build stronger, more personalized relationships with many people.

The American Society for the Prevention of Cruelty to Animals (www.asPCA.org), is a case in point. Over the last 12 months, the group has grown its email file from 40,000 to 175,000 addresses and has established frequent communication with a much larger database of constituents through weekly email messages. The ASPCA also has been able to develop detailed "interest" profiles for a subset of its constituency so it can personalize and tailor content in email communications and also during Web site visits, e.g., dog-lovers receive and see different information and content than cat-lovers and vice versa. Additionally, The ASPCA has deepened donors' involvement with the organization by promoting participation in advocacy activities. As a result of these strategies, The ASPCA's online renewals have yielded average gifts that are 28 percent higher than direct mail gifts and 20 percent higher than those generated by telemarketing. Plus, participation in advocacy has yielded additional gifts. Recently, The ASPCA received a large online gift, which was triggered when the donor received an advocacy alert, took action online and then made a very large financial contribution.

Support Major Giving

As donors become more comfortable giving online, nonprofits are seeing larger transactions over the Internet. Recently, one human services organization affiliated with an Arch Diocese reported a \$100,000 gift online. For some organizations, an easy-to-find and prominent Web site can serve as a catalyst for online giving. One prominent cancer organization received a \$1 million gift from a new donor who found the group on the Web after his sister passed away. The gift itself came through email. While these kinds of online gifts are often regarded as anomalies, they will become more and more the norm, as donors increasingly think of the Internet as another medium through which money flows.

That said, nonprofits also should use the Internet to support major giving offline by using online communications to cultivate and steward relationships with big donors. According to nonprofit consultants, the appropriate ratio of gift officers to major gift donors and prospects is one to 100. Convio's anecdotal evidence suggests one to 40 is more realistic. However, the reality is that most organizations operate with much higher ratios and struggle to communicate effectively. Fortunately, today's newest online tools allow nonprofits to cost-effectively expand their capacity to communicate regularly in a personalized manner with large groups of major donors and prospects, resulting in more "marketing coverage" for major gift officers.

Reduce Communication and Fundraising Costs

Substantial paper-based communications (e.g., newsletters, member updates, program guides) are expensive. By moving many of these communications online, any organization can significantly reduce costs without sacrificing the frequency or quality of its communications. In many instances, email and Web site content are a stronger alternative to paper communications. Furthermore, organizations can prevent information overload by only sending relevant information to constituents

based upon preferences they indicate through online registration and other means. Like paper-based mail, emails can push content to people and encourage prospects to visit the organization's Web site for more information. Unlike direct mail, some online tools now include analytics functionality that can help organizations measure the effectiveness of email communications such as determining whether prospects and donors actually are opening email messages and clicking through to the Web site to read more. Organizations can then use this type of information to assess constituents' involvement and interests, and, for example, adjust marketing and communications plans accordingly, if needed.

KUT, a regional NPR station (www.kut.org) has migrated many of its print publications, including its programming guide, to online versions. Members now receive electronic guides through email and are prompted to visit the station's Web site for more information. As a result, the organization has saved approximately \$80,000 annually.

Contribute in Other Areas

Donors and prospects may want to support an organization in ways other than providing financial support. This support can be just as and even more valuable than a direct financial contribution. A nonprofit can use email and Web site content to encourage constituents to: participate in advocacy campaigns; volunteer; attend fundraising events; and raise awareness of the organization and its mission by forwarding a "marketing" message to friends.

Summary

A growing number of nonprofit organizations are starting to realize the strategic value of the Internet on their operations beyond online giving. These foresighted groups are using an eCRM approach to: develop and sustain strong relationships with supporters; increase total fundraising; increase the lifetime value of donors; support major giving; reduce communication costs; and boost participation in other mission-critical activities such as advocacy, volunteering and events. Nonprofits that have not yet adopted eCRM would be wise to do so.



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