

donorCentrics™ Index of Direct Marketing Fundraising

2016 Fourth Calendar Quarter Results

By Helen Flannery, Paige Grainger, Rob Harris, and Carol Rhine

Contents

About the donorCentrics Index of Direct Marketing Fundraising.....	1
Q4 2016 Index Participants.....	2
Q4 2016 Summary.....	3
Overall Index Performance.....	4
Industry Sector Performance.....	11
Animal Welfare.....	14
Arts and Culture.....	15
Environment.....	16
Health.....	17
Human Services.....	18
International Relief.....	19
Societal Benefit.....	20
References.....	21
Industry Sectors Used in the Index.....	22
Looking Ahead.....	23
Index Methodology.....	23
About Medians.....	23
Participation.....	23
Online Resources.....	23
About Target Analytics.....	23

About the donorCentrics Index of Direct Marketing Fundraising

The Target Analytics donorCentrics Index of Direct Marketing Fundraising analyzes direct marketing giving for many of the largest non-profit organizations in the country. For the twelve months ending Q4 2016, Target Analytics evaluated transactions from 67 organizations, including more than 33 million donors and more than 77 million gifts totaling over \$2.8 billion in revenue.

The Target Index reports on direct marketing giving only. Direct mail is the dominant revenue source for most organizations but web, telemarketing, canvassing, and other gifts considered to be direct marketing are also included. Individual payments greater than \$10,000, soft credits, and matching gift payments are excluded.

Quarterly results are reported on a calendar year basis. This report includes results through December 2016.

Index findings are based on analysis of actual donor transactions, not survey responses from fundraisers. All calculated measures have been reviewed by participants for accuracy.

Q4 2016 Index Participants

Animal Welfare

ASPCA
Best Friends Animal Society
Humane Society of the United States
International Fund for Animal Welfare
People for the Ethical Treatment of Animals

Arts & Culture

Colonial Williamsburg Foundation
National Law Enforcement Officers Memorial
National Trust for Historic Preservation
National World War II Museum
The Smithsonian Institution

Environment

Defenders of Wildlife
Earthjustice
Environmental Defense Fund
Greenpeace USA
National Audubon Society
National Parks Conservation Association
National Wildlife Federation
Natural Resources Defense Council
The Nature Conservancy
The Ocean Conservancy
Sierra Club
The Wilderness Society

Health

ALSAC / St. Jude Children's Research Hospital
Alzheimer's Association
American Cancer Society
American Diabetes Association
American Heart Association
American Institute for Cancer Research
American Lung Association
BrightFocus Foundation
Easter Seals
The Foundation for AIDS Research
Leukemia and Lymphoma Society
March of Dimes
Mayo Clinic
Muscular Dystrophy Association
Special Olympics

Human Services

American Indian Relief Council
Cal Farley's Boys Ranch
Covenant House
Disabled American Veterans
Feeding America
Make-A-Wish Foundation
Paralyzed Veterans of America
United States Olympic Committee

International Relief

AmeriCares
CARE USA
Catholic Relief Services
ChildFund International
Doctors without Borders
Habitat for Humanity International
Heifer Project International
International Rescue Committee
Mercy Corps
Operation Smile USA
Oxfam America
Project Hope
Save the Children USA

Societal Benefit

American Association of University Women
American Civil Liberties Union
Amnesty International USA
Human Rights Campaign
NAACP
National Committee to Preserve Social Security & Medicare
Planned Parenthood
Public Citizen

Index Revenue Grows Moderately in 2016

Increases in Revenue per Donor Compensate for Continuing Long-Term Donor Declines; Post-Election and Emergency Giving Lifts Some Sectors in Fourth Quarter

Q4 2016 Summary

Overall **revenue** for the index grew modestly in 2016, increasing a median 2.4% from the same period a year before (see Fig. 1). 58% of the organizations in the index had revenue increases over the year.

Overall **donors** declined a median 1.8% from 2015 to 2016, continuing a trend that predates the recession. Only 40% of the organizations in the index had positive donor growth in 2016. This continues a long-term trend which predates the recession: the index has not experienced positive year-to-year donor growth since the Gulf Coast hurricanes in 2005, more than eleven years ago.

For the past seven years, since the end of the recession, revenue has been able to increase at a modest pace each year on the strength of increases in **revenue per donor**. In keeping with normal patterns, revenue per donor increased this year by 3.4%.

Shrinking donor populations in the index have been caused primarily by declines in **new donor acquisition**, and these acquisition declines also continued into 2016. New donor numbers for the index as a whole declined a median 1.2% from 2015 to 2016.

Declines in retention rates did also contribute to donor declines as well, however. Overall **donor retention rates** decreased a median 1.0% from 2015 to 2016. First-year retention rates decreased a median 1.8% and multi-year retention rates remained essentially flat.

The overall pattern seen in the index as a whole in 2016—decreases in donors offset by increases in revenue per donor, resulting in modest revenue increases—was echoed to greater or lesser extent by three of the seven sectors in the index. Performance across the other four sectors was varied, as each was affected in different ways by organizational strategy, natural disasters, economic factors, and the recent U.S. presidential election.

- The **arts and culture** sector was one of the strongest in the index in 2016, consistently turning in some of the greatest growth in revenue, donors, new donor acquisition, and reactivation throughout the year. The sector also had some of the lowest retention rate declines during the year.
- The **environmental** and **societal benefit** sectors both had significant increases in most key metrics in 2016. These were almost entirely due to significant spikes in giving in the fourth quarter, likely related to donors' concerns about the policies of the incoming presidential administration. The **human services** sector experienced a smaller, potentially election-related boost in the fourth quarter as well, but it was not large enough to compensate for large donor declines in the first three quarters of the year.
- The **international relief** sector had a small amount of donor growth and essentially flat revenue in 2016. The sector was generally experiencing a return to typical donor giving patterns after significant disaster-related giving the previous year, but this was partially offset by giving related to a humanitarian crisis in Haiti in October 2016.
- Donor numbers for the **animal welfare** sector remained essentially flat, but organizations in the sector were able to achieve modest revenue growth through increased acquisition and revenue per donor.
- The **health** sector had declines in most key metrics in 2016. For this sector, revenue per donor continued to increase as overall revenue, donors, and new donor acquisition declined. These declines are a continuation of a longer-term pattern for this sector.

Overall Index Performance

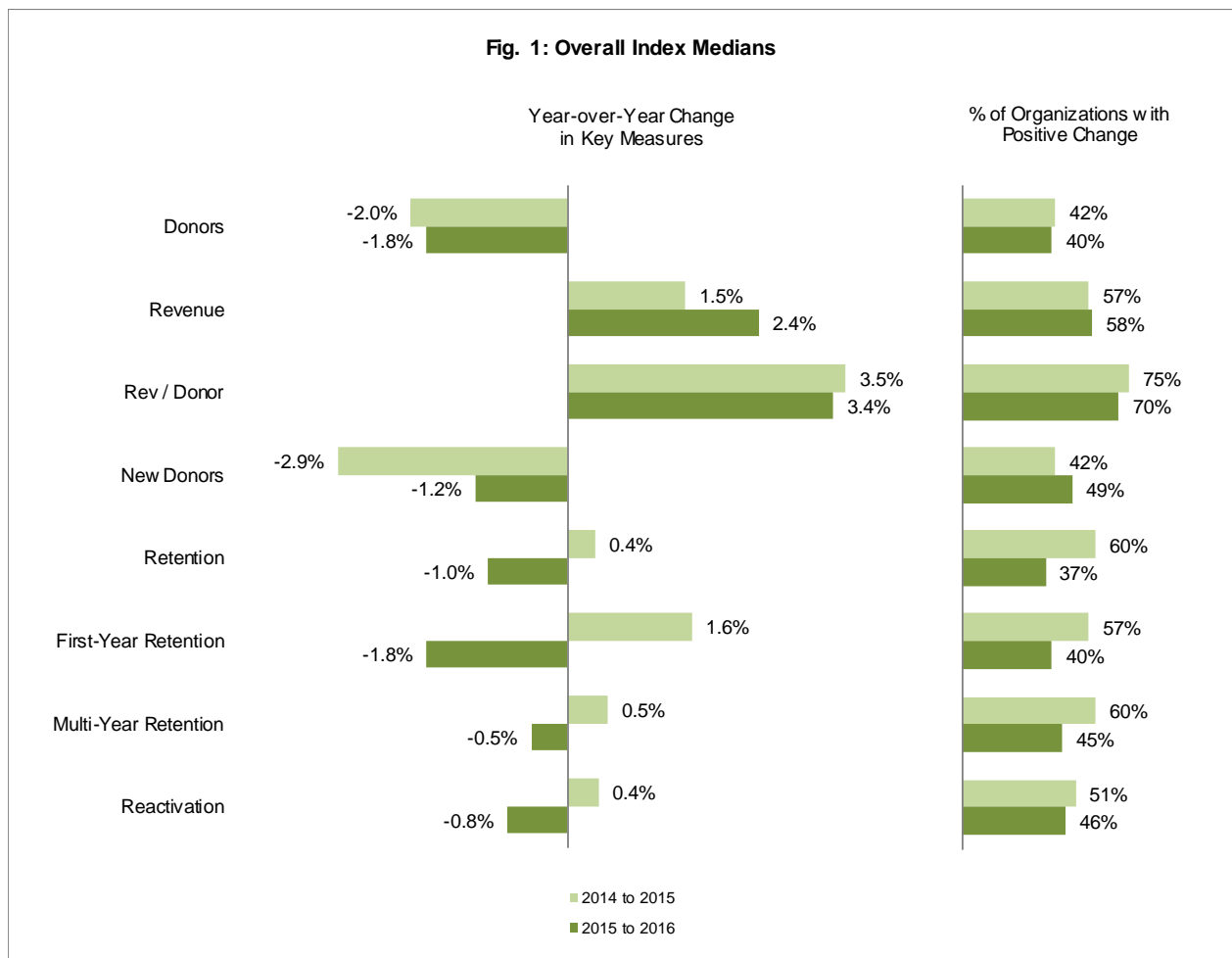
All index results are medians unless otherwise specified.

Year-to-Year Change

Overall **revenue** for the index grew modestly in 2016, increasing a median 2.4% from the same period a year before (see Fig. 1). 58% of the organizations in the index had revenue increases and 42% had revenue declines over the year.

Overall **donors** declined a median 1.8% from 2015 to 2016, continuing a trend that predates the recession. Only 40% of the organizations in the index had positive donor growth in 2016.

Current donor declines continue a long-term trend that predates the recession. Donor populations have been shrinking for more than a decade; the index has not experienced positive year-to-year donor growth since the Gulf Coast hurricanes in the third quarter of 2005, more than eleven years ago.



For the past seven years, since the end of the 2007-2009 recession, overall index revenue has usually been able to increase at a modest pace on the strength of increases in **revenue per donor**. Under normal circumstances, revenue per donor amounts tend to increase, due to a combination of organizational practice and inflationary adjustments by donors. This year, in keeping with normal patterns, revenue per donor increased by 3.4%.

The long-term declines in overall donor numbers have been driven primarily by declines in **new donor acquisition**, which also continued in 2016.

Declines in retention rates did also contribute to donor declines as well, however. Overall **donor retention rates** decreased a median 1.0% from 2015 to 2016. First-year retention rates decreased a median 1.8% and multi-year retention rates remained essentially flat, decreasing a median 0.5% over the year.

Actual Median Values for Performance Metrics

In our index analyses, we typically focus on the change in metrics over time, such as year-to-year comparisons and long-term trends. In a fourth-quarter analysis, however, we can examine actual median values of key metrics based on a full year of data.

Median revenue per donor was \$80 for the index in 2016 (see Fig. 2). The international relief sector had the highest revenue per donor, with each donor giving \$184. The health sector had the lowest revenue per donor, with each donor giving \$50.

Index donors each gave a median 1.81 gifts in 2016. Animal welfare organizations had the highest gift frequency of any sector, receiving a median 3.04 gifts per donor. The international relief and societal benefit sectors also had gift frequencies of 1.99 or more. Sustainer giving programs, which are prevalent at both animal welfare and societal benefit organizations, will drive up gifts-per-donor metrics for organizations that have them.

Fig. 2: 2016 Medians by Industry Sector

	<u>Revenue</u>	<u>Donors</u>	<u>Revenue per Donor</u>	<u>Average Gift</u>	<u>Gifts per Donor</u>
Overall Index	\$23,062,466	264,176	\$80	\$43	1.81
Animal Welfare	\$30,235,488	296,272	\$102	\$29	3.04
Arts & Culture	\$12,505,113	122,425	\$83	\$56	1.56
Environmental	\$17,123,511	274,351	\$71	\$41	1.75
Health	\$22,078,209	701,696	\$50	\$32	1.52
Human Services	\$21,176,761	257,845	\$58	\$36	1.76
International Relief	\$36,525,062	218,345	\$184	\$62	2.64
Societal Benefit	\$19,996,565	220,858	\$88	\$48	1.99

	<u>% New Donors</u>	<u>Overall Retention Rate</u>	<u>First-Year Retention Rate</u>	<u>Multi-Year Retention Rate</u>	<u>Reactivation Rate (1-5 Yrs Lapsed)</u>
Overall Index	25.9%	50.5%	27.7%	60.4%	8.3%
Animal Welfare	30.4%	55.1%	36.0%	62.0%	7.3%
Arts & Culture	23.9%	57.5%	29.8%	69.1%	9.7%
Environmental	27.4%	51.3%	26.7%	62.2%	9.3%
Health	23.6%	44.7%	25.4%	53.5%	6.7%
Human Services	22.5%	49.4%	27.7%	56.6%	7.9%
International Relief	30.8%	50.4%	26.6%	61.3%	6.6%
Societal Benefit	29.5%	53.5%	32.0%	63.9%	8.5%

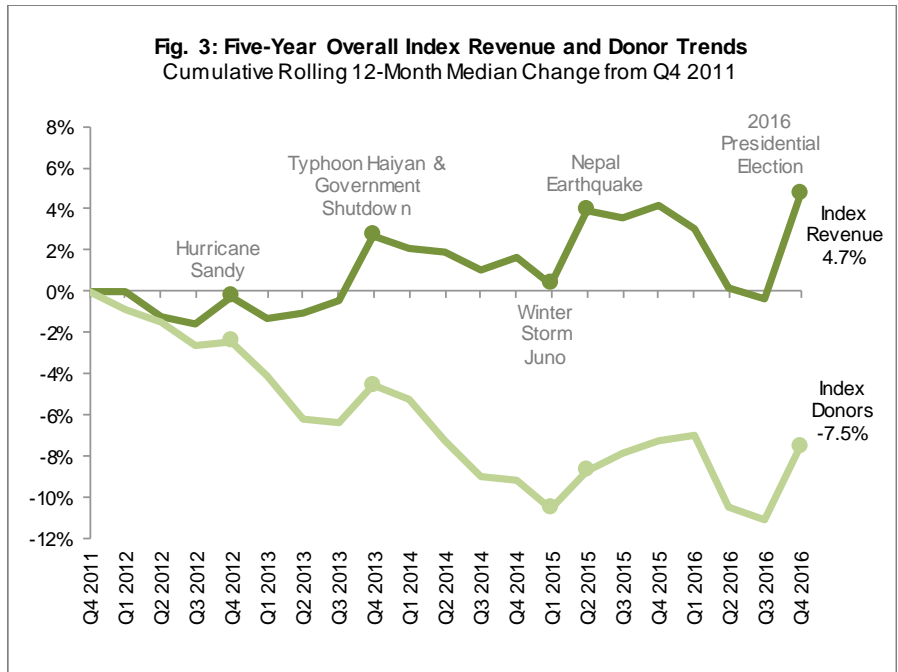
The index as a whole had a median 50.5% donor retention rate in 2016. The arts and culture sector, which generally includes organizations with membership-driven programs, had the highest overall retention rate at a median 57.5%; the health and human services sectors had the lowest retention rates at a median 44.7% and 49.4% respectively.

Five-Year Revenue Trends

Rolling twelve-month revenue growth can provide longer-term context for year-to-year trends.

A rolling analysis compares the twelve months of revenue ending in each quarter to the twelve months of revenue ending in a specified starting quarter. This helps to smooth out seasonal differences and allows us to see continuous movement from one quarter to the next, instead of simply comparing one full or partial year to the next full or partial year.

Over the past five years, the index has generally seen halting, inconsistent revenue growth punctuated by periodic disaster-related revenue spikes (see Fig. 3). In the most recent quarter, Q4 2016, roughly a quarter of the organizations in the index across three separate sectors had spikes in revenue and donors which are likely related to the results of the November presidential election and donor concern over the policies of the incoming presidential administration.



The end result is that overall index revenue has grown a cumulative median 4.7% from the twelve months ending Q4 2011 to the twelve months ending Q4 2016.

Real index revenue has declined by 2.1% over the past five years, however, when revenue dollar amounts are adjusted for inflation¹.

Fig. 4: Long-Term Index Revenue and Donor Trends

	Five-Year Change 2011 to 2016	Four-Year Change 2012 to 2016	Three-Year Change 2013 to 2016	Two-Year Change 2014 to 2016	One-Year Change 2015 to 2016
Revenue					
Median Change	4.7%	10.0%	5.1%	5.6%	2.4%
Effective Annual Change	1.0%	2.6%	1.7%	2.9%	2.4%
% Orgs with Positive Change	55%	63%	60%	57%	58%
Donors					
Median Change	-7.5%	-6.1%	-4.7%	-2.5%	-1.8%
Effective Annual Change	-1.5%	-1.5%	-1.5%	-1.2%	-1.8%
% Orgs with Positive Change	42%	43%	46%	48%	40%

Shows the cumulative median change from the twelve-month period ending the first date to the twelve-month period ending the second date in each column. Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

Five-Year Donor Trends

A rolling twelve-month analysis provides additional context for donor trends as well. It shows that, in spite of recent disaster- and election-related spikes, donors have been declining at a relatively steady pace over the past five years.

The cumulative result is that donors declined a median 7.5% from the twelve months ending Q4 2011 to the twelve months ending Q4 2016 (see Fig. 3). This is an effective annual rate of decline of 1.5% per year (see Fig. 4).

These donor declines are a continuation of a longer-term pattern. Overall donor numbers have generally been in decline since we first began conducting the index in 2001. The U.S. Gulf Coast hurricanes in Q3 2005 lifted donor numbers temporarily, and the 2007-2009 recession intensified the declines while it lasted, but at all other times donors have generally been declining at a slow but consistent pace of roughly 2% each year.

As we have said in previous editions of the index, falling donor populations in the index may be due to a mix of factors. The recession certainly had an impact, but so also may have a changing generational profile in the United States, changing attitudes of donors about giving, changing investment in new donor acquisition strategies by organizations, and a change in focus by fundraisers toward higher-dollar and sustaining donors.

New Donors

Long term overall donor declines have been caused mainly by declines in new donor acquisition. Over the past five years, from the twelve months ending Q4 2011 to the twelve months ending Q4 2016, new donor numbers have fallen a cumulative median 17.2% (see Fig. 5). This is an effective annual rate of decline of 3.2% per year (see Fig. 6).

Declines in new donor acquisition have been less severe in the most recent two years than they had been in the years immediately following the 2007-2009 recession. It is likely that new donor acquisition in 2014 and 2015 was buoyed somewhat from disaster relief efforts related to typhoon Haiyan and a Nepalese earthquake. And, as with revenue and donors, a small spike in the fourth quarter of 2016 is likely due to increased giving to certain sectors following the U.S. presidential election in November.

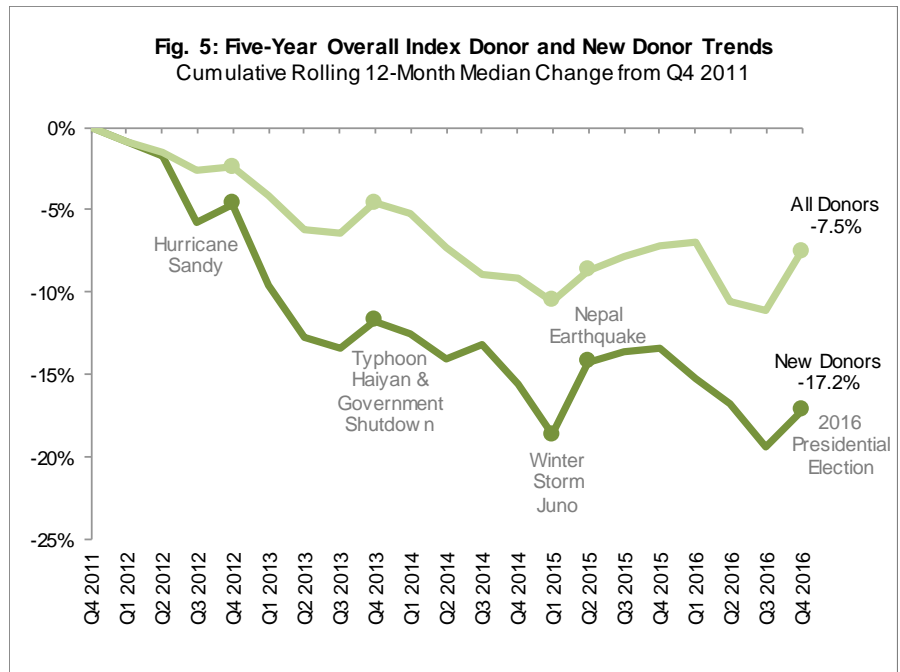


Fig. 6: Long-Term Index New Donor Trends

	Five-Year Change <u>2011 to 2016</u>	Four-Year Change <u>2012 to 2016</u>	Three-Year Change <u>2013 to 2016</u>	Two-Year Change <u>2014 to 2016</u>	One-Year Change <u>2015 to 2016</u>
Median Change	-17.2%	-4.8%	-3.3%	-1.2%	-1.2%
Effective Annual Change	-3.2%	-1.2%	-1.1%	-0.6%	-1.2%
% Orgs with Positive Change	39%	45%	48%	48%	49%

Shows the cumulative median change from the twelve-month period ending the first date to the twelve-month period ending the second date in each column. Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

Retention Rates

Lack of new donor growth is the primary cause of overall donor declines in the index, but flat or declining donor retention rates in recent years have also been partly responsible. Overall retention declined slightly in 2016, after remaining essentially flat the previous year (see Fig. 7). Only 37% of the organizations in the index had positive retention rate growth in 2016.

Fig. 7: Retention Rate Change

	Overall Retention		First-Year Donor Retention		Multi-Year Donor Retention	
	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016
Overall Index	0.4%	-1.0%	1.6%	-1.8%	0.5%	-0.5%
Animal Welfare	0.4%	-1.0%	-1.8%	-4.4%	0.8%	-2.2%
Arts & Culture	-2.9%	-0.8%	-5.1%	-2.6%	-1.8%	1.1%
Environmental	0.0%	-1.5%	-0.2%	-7.0%	-0.1%	0.0%
Health	0.1%	-0.5%	-0.4%	-1.4%	0.5%	-0.9%
Human Services	-1.0%	1.9%	3.4%	-0.3%	-0.4%	0.8%
International Relief	5.0%	-2.7%	22.4%	-2.7%	3.4%	-2.8%
Societal Benefit	4.0%	-1.4%	3.4%	14.0%	2.1%	-1.6%

Overall retention rates may not always fall between first-year and multi-year donor retention rates for a given sector, since each rate is a median of the rates of all organizations in that sector.

First-year retention increased modestly in 2015, but declined in 2016. Only 40% of the organizations in the index had positive first-year retention growth in 2016 and 60% had declines. The societal benefit sector had the largest increases in first-year retention, likely driven by post-election-motivated giving.

Overall, multi-year retention has remained essentially flat for the past two years. Multi-year retention tends to be less volatile than first-year retention, and this was generally true across most index sectors in 2016. The international relief sector had the greatest declines in multi-year retention in 2016, but this was likely largely a return to more typical donor behavior after strong disaster-related giving in the previous year.

The Growth of Internet Giving

By the time of publication of this edition of the index, we were able to identify and verify gift channels for 61 of the 67 participating organizations, and so are able to include a giving channel analysis in this report.

The organizations that participate in the index are large direct marketing organizations that rely primarily on direct mail. Revenue from other channels, such as telemarketing and the internet, makes up a relatively small portion of the overall total, and revenue from large-scale events is generally not included in the index analysis.

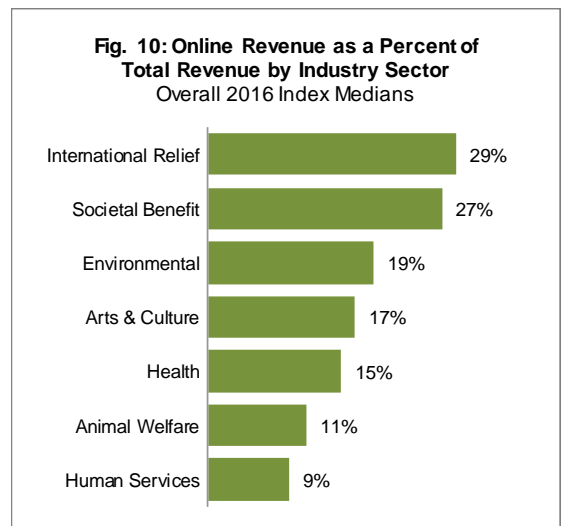
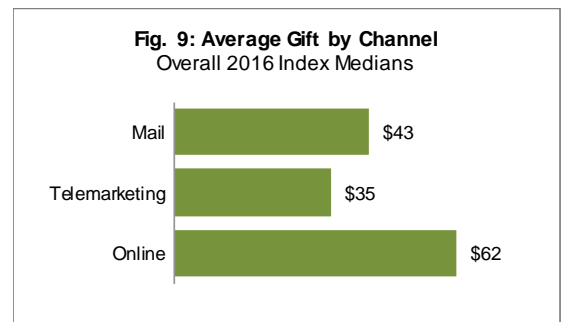
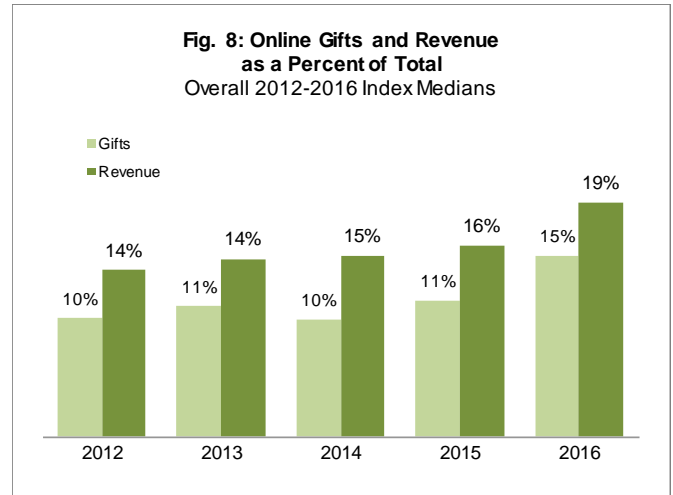
In 2016, a median 19% of all index revenue came in through online sources (see Fig. 8).

The percentages of gifts and revenue coming in online have both been growing over the past five years. In 2012, online giving accounted for 10% of all gifts and 14% of all revenue. By 2016, online giving accounted for 15% of all gifts and 19% of all revenue. However, while online giving has grown from 2012 to 2016, it continues to make up a relatively small percentage of overall revenue in the index as a whole.

There is a great difference in the relative sizes of mail and internet gifts; internet gifts tend to be significantly larger than gifts given through direct mail. For index organizations in 2016, the median mail gift was \$43 while the median online gift was \$62 (see Fig. 9). For this reason, online giving makes up a larger proportion of overall revenue than it does of overall gifts.

There is also a great deal of variation in the prevalence of online giving among the different industry sectors in the index (see Fig. 10). In general, international relief, societal benefit, and environmental organizations currently receive proportionately more gifts online than do the other sectors in the index.

Relief and societal benefit organizations have taken good advantage of the online giving channel for several years, using it to enable their donors to respond immediately to fundraising appeals related to emergencies or current events. Environmental organizations have not had a great deal of online giving in the past, but are now seeing some success in shifting donors to the online channel—perhaps at least partly due to an emphasis on it in membership renewal appeals as a more environmentally responsible choice.



Effects of the Economy on Giving

Research by the Giving USA Foundation™ tells us that charitable giving rises during periods of strong economic growth and slows during periods of relative economic weakness². The donorCentrics index has consistently supported these findings. Median index revenue growth has generally followed national economic performance and tends to grow more slowly or even to decline during periods of relative economic hardship.

Although the stock market has performed well at times in recent years, most indicators of US economic health, including job growth and home ownership rates, have remained sluggish since the declared end of the 2007-2009 recession^{3,4}. Not surprisingly, nonprofit revenue growth in the index has been weak since then as well.

Giving USA Foundation research has told us that, in the past, once a recession is over, it has taken an average of three to four years for inflation-adjusted charitable giving to rise back up to pre-recession levels⁵. The recession of 2007-2009 was the worst in recent memory, however, and the post-recession recovery one of the slowest; the Foundation predicted that total charitable giving in the U.S. would not recover completely until the end of 2015 or 2016⁶. And, indeed, we have found that most organizations participating in the index have only just in the past two years regained the ground they lost during the recession that started eight years ago.

Effects of Presidential Election Cycles on Giving

With the presidential campaigns in full swing throughout the first three quarters of 2016, many organizations were concerned about the effect that ongoing presidential campaigns might have on non-profit revenue. The Giving USA Foundation, which estimates national charitable giving over a 40-year span, reports that campaign fundraising has historically had no discernible impact on overall individual giving⁷. And we, too, have seen no effect on overall index revenue growth from political campaigning in previous presidential election years.

Indeed, political campaign giving by ordinary individuals is dwarfed by their nonprofit charitable giving. In their publication *Giving USA 2013*, the Giving USA Foundation reported that individuals gave a total of \$228 billion to charity in 2012⁸, which was 164 times the total raised by all of the presidential campaigns and candidates in that same year⁹. And while an estimated 70% of the U.S. population gives to charity every year, less than half of one percent of the population gives reportable gifts to presidential candidates or campaigns in a given campaign cycle¹⁰.

Past index results do indicate, however, that while the nonprofit industry as a whole appears to be unaffected by political fundraising, election year campaigning may have an effect on specific sectors or individual organizations that are working on issues highlighted during those campaigns. The effect appears to be, if anything, a positive one; it may be that the organizations involved are benefiting from the heightened awareness of their causes.

And, indeed, we are now in all likelihood seeing this happen in dramatic fashion with the presidential election of 2016. The campaigns leading up to the election appear not to have had much of an impact by themselves in terms of overall donor and revenue growth. But in the fourth quarter of 2016, there were marked spikes in giving—in revenue, donors, and new donor acquisition—for about a quarter of the organizations in the index. And for several organizations in the environmental and societal benefit sectors in particular, those spikes were massive. It is probable that what we are seeing is a reaction to heightened concern by donors about the policies of the incoming presidential administration.

Industry Sector Performance

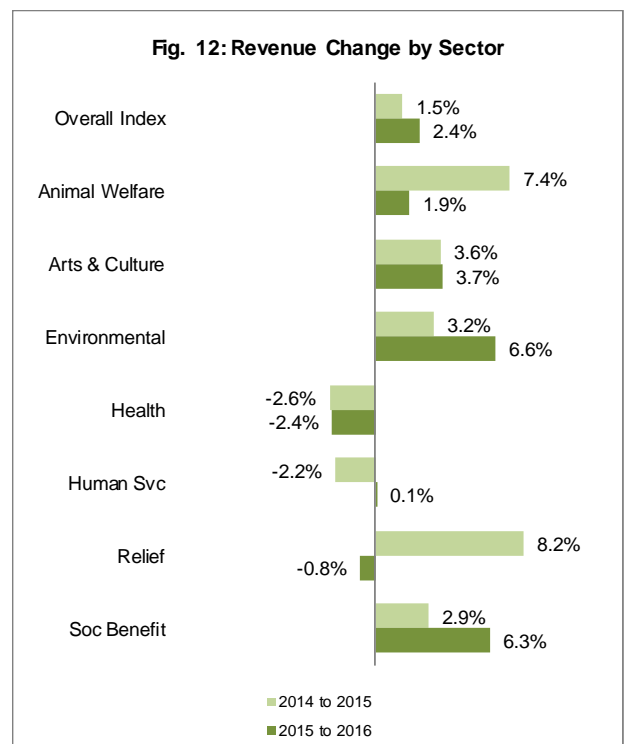
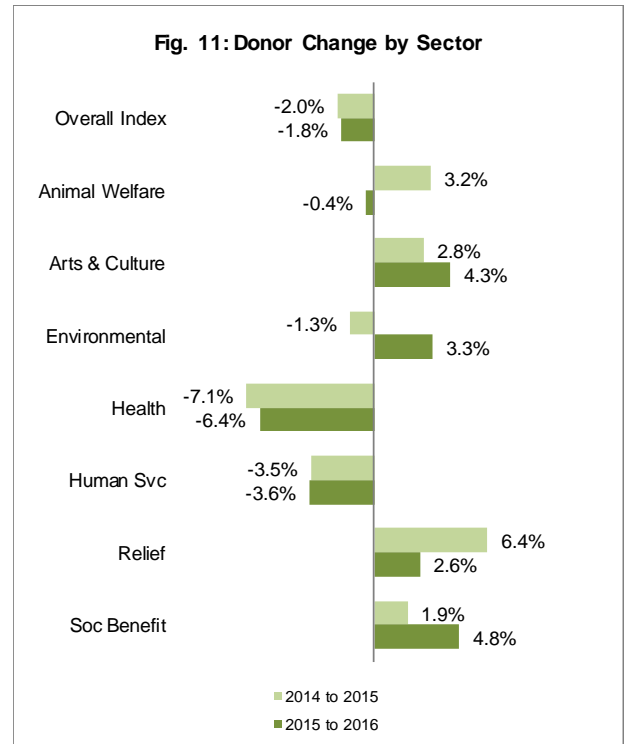
All sector results are medians unless otherwise specified.

Revenue and Donors

The overall pattern seen in the index as a whole in 2016—decreases in donors offset by increases in revenue per donor, resulting in modest revenue increases—was echoed to greater or lesser extent by three of the seven industry sectors in the index: animal welfare, health, and human services (see Figs. 11-12).

Performance across the other four sectors was quite varied, as each was affected in different ways by organizational strategy, natural disasters, economic factors, and the recent U.S. presidential election.

- The **arts and culture** sector was one of the strongest in the index in 2016, consistently turning in some of the greatest growth in revenue, donors, new donor acquisition, and reactivation throughout the year. The sector also had some of the lowest retention rate declines during the year.
- The **environmental** and **societal benefit** sectors both had significant increases in most key metrics in 2016. These were almost entirely due to significant spikes in giving in the fourth quarter, likely related to donors' concerns about the policies of the incoming presidential administration.
- The **human services** sector experienced a smaller, potentially election-related boost in the fourth quarter as well, but it was not large enough to compensate for large donor declines in the first three quarters of the year.
- The **international relief** sector had a small amount of donor growth and essentially flat revenue in 2016. The sector was generally experiencing a return to typical donor giving patterns after significant disaster-related giving the previous year, but this was partially offset by giving related to a humanitarian crisis in Haiti in October 2016.
- Donor numbers for the **animal welfare** sector remained essentially flat, but organizations in the sector were able to achieve modest revenue growth through increased acquisition and revenue per donor.
- The **health** sector had declines in most key metrics in 2016. For this sector, revenue per donor continued to increase as overall revenue, donors, and new donor acquisition declined. These declines are a continuation of a longer-term pattern for this sector.



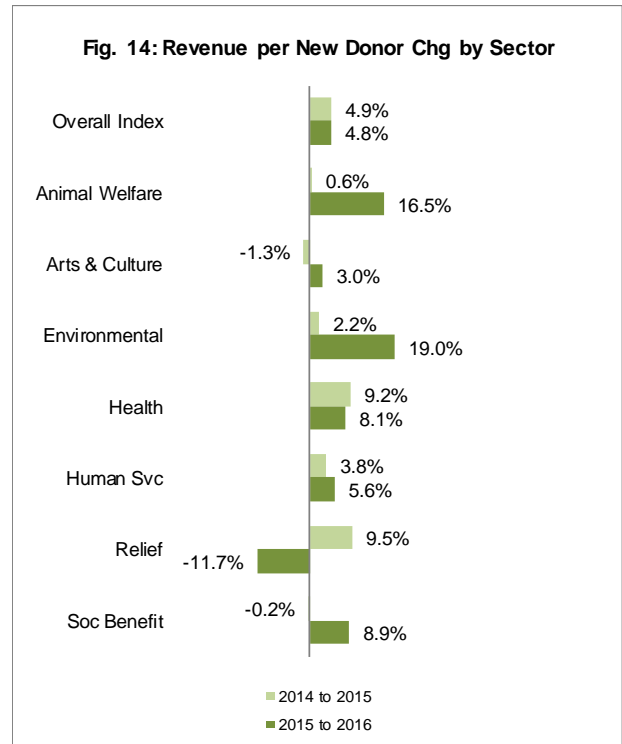
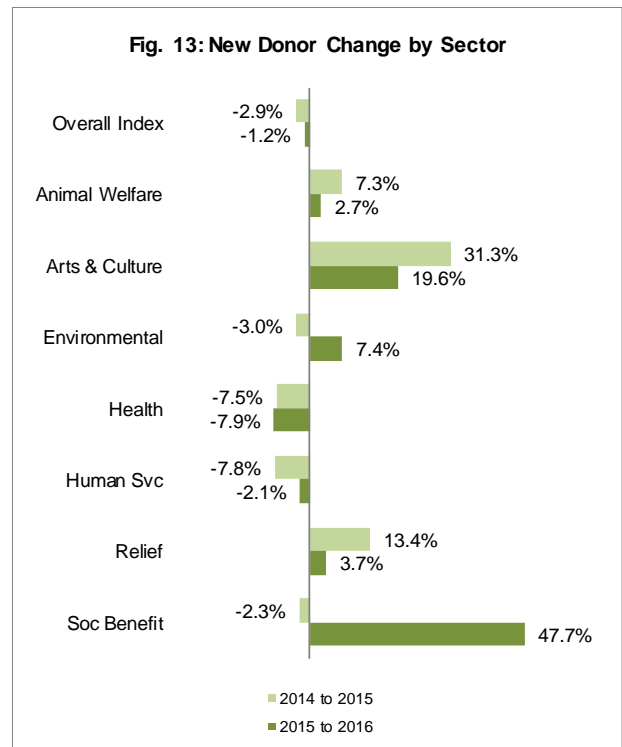
New Donor Acquisition

For most of the past five years, declines in overall donor numbers have been driven primarily by declines in new donor acquisition. Acquisition has generally been shrinking for the index as a whole since 2005.

Five sectors in the index had increases in new donors from 2015 to 2016. Of the three sectors with the greatest increases in acquisition, one—arts and culture—had strong performance in this area throughout all of 2016. The other two—environmental and societal benefit—had steep spikes in acquisition in the fourth quarter following the presidential election (see Fig. 13).

As with overall revenue per donor, under normal circumstances, we would expect revenue per new donor to increase from year to year. Six of the seven sectors in the index did experience increases in revenue per new donor from 2015 to 2016. The only sector to have declines in revenue per new donor was the relief sector, which was experiencing a return to normal giving after large amounts of disaster-related giving in the previous year (see Fig. 14).

- The **arts and culture** sector consistently had some of the greatest growth in new donor acquisition throughout all four quarters of 2016, and ended up with the second-largest increase in new donor acquisition for the year. This sector also had an increase in revenue per new donor during the year, which can be difficult to do when receiving a large influx of new donors.
- The **environmental** and **societal benefit** sectors both also had significant increases in acquisition and revenue per new donor in 2016. These were almost entirely due to significant spikes in giving in the fourth quarter, likely related to donors' concerns about the policies of the incoming presidential administration.
- The **international relief** sector had small growth in new donors and declines in revenue per new donor. This sector was generally experiencing a return to typical donor giving patterns after significant disaster-related giving the previous year, moderated somewhat by giving related to a humanitarian crisis in Haiti in October 2016.
- The **animal welfare** sector had modest growth in new donors in 2016, and was also able to achieve significant growth in revenue per new donor during the year. Over the last five years many animal welfare organizations have made strategic shifts to sustainer giving programs, which may be helping to boost the value of new donors.
- The **health** and **human services** sectors had the only sector-wide median declines in new donor acquisition in 2016. The declines in both sectors follow declines in both of the prior two years.



Retention Rates

Donor retention has been an area of concern in the index in recent years. While declining new donor acquisition has been primarily responsible for overall long-term index donor declines, falling retention rates—particularly first-year retention rates—also certainly played a part.

Overall, first-year retention declined moderately for the index as a whole, and multi-year retention stayed relatively stable. But this relative stability masks wide differences from sector to sector.

- Five of the seven sectors in the index (**animal welfare, arts and culture, environmental, health, and relief**) had declines in first-year donor retention rates from 2015 to 2016 (see Fig. 15).
- The **human services** sector had essentially flat growth in first-year retention in 2016.
- Only the **societal benefit** sector had increases in first-year retention in 2016, and those were substantial. It is likely that much of this growth is due to the significant spike in giving the sector experienced in the fourth quarter of the year, following the U.S. presidential election.
- Multi-year retention was, as always, more stable than first-year retention across most sectors (see Fig 16). The **relief** sector had the greatest declines in multi-year retention of any sector in the index from 2015 to 2016, but this was likely largely a return to more typical donor behavior after strong disaster-related giving in the previous year.

Individual sector results are explained in more detail on the following pages.

Fig. 15: First-Year Retention Rate Change by Sector

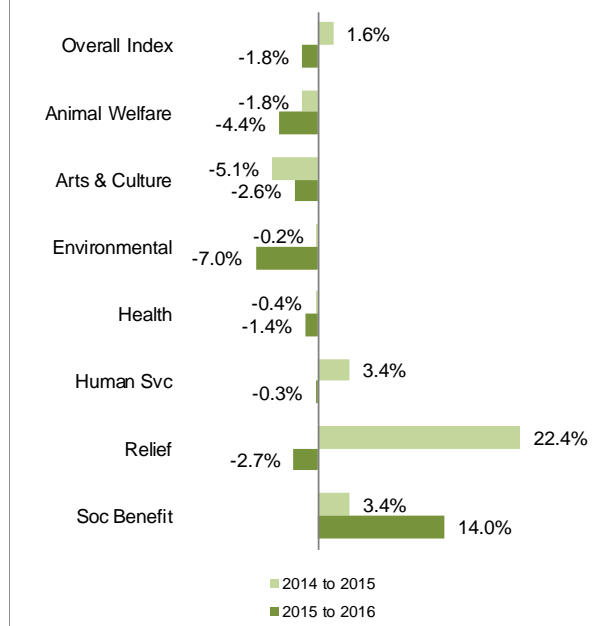
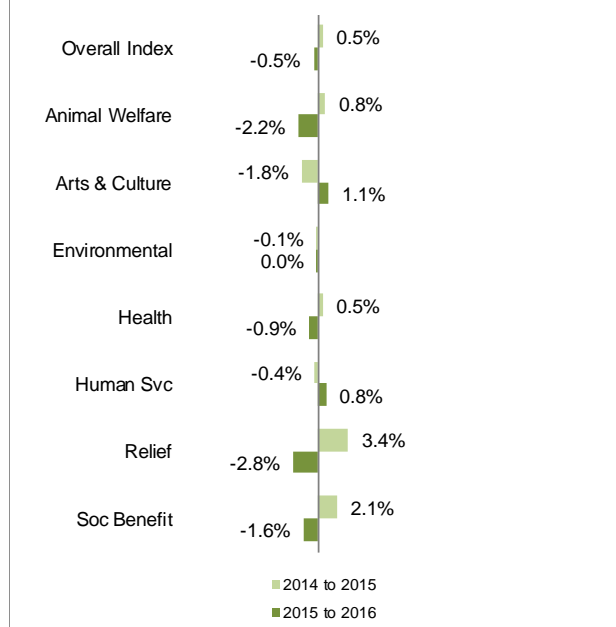


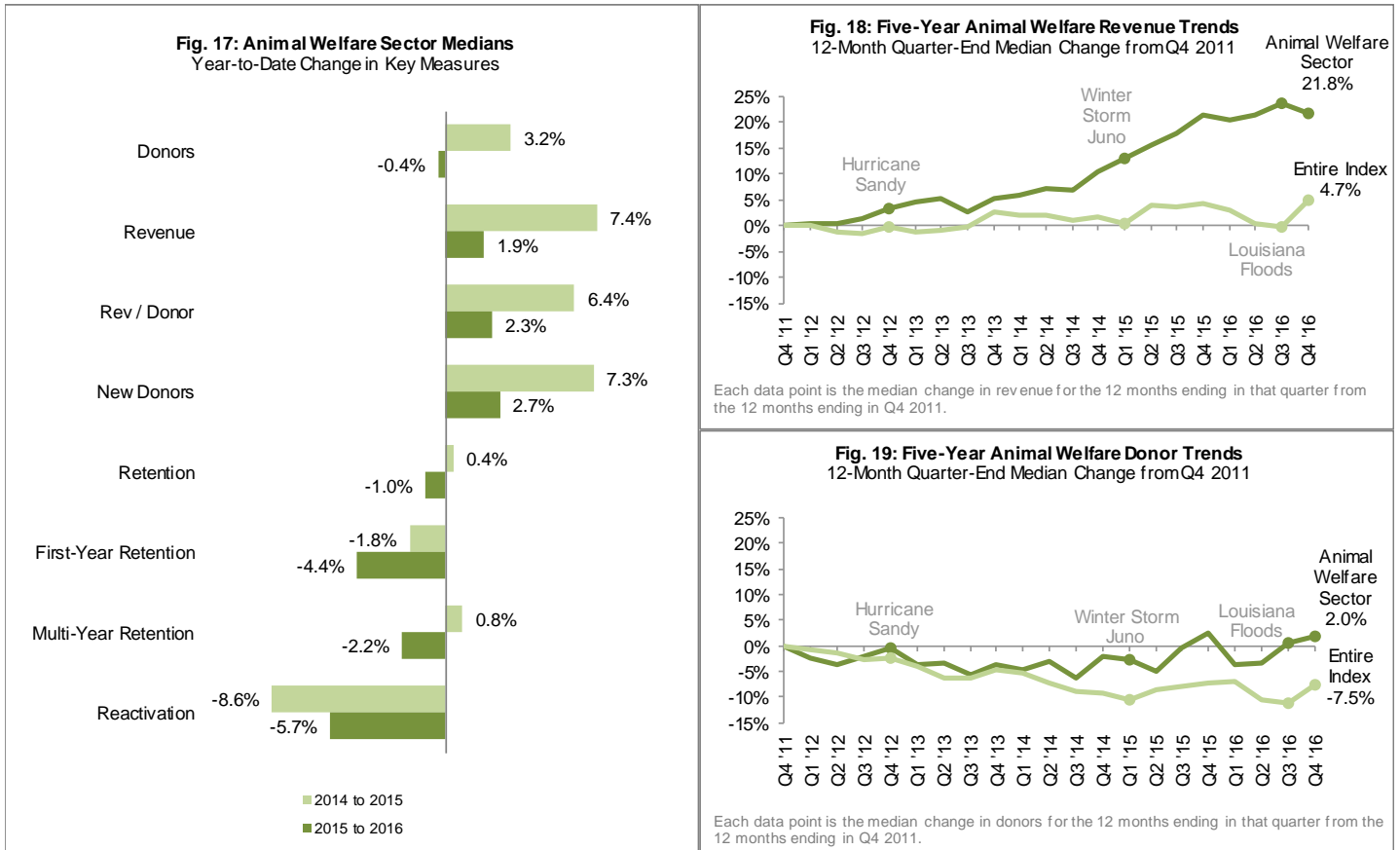
Fig. 16: Multi-Year Retention Rate Change by Sector



Animal Welfare

5 organizations

The animal welfare sector has traditionally been one of the strongest in the index, experiencing significant revenue and donor growth even at times when most other sectors had flat or declining performance. In 2016, the animal welfare sector had uncharacteristically modest performance in most metrics, but was still able to achieve fair growth in both revenue and new donor acquisition and to avoid the donor declines experienced by most of the organizations in the index. Over the last five years many animal welfare organizations have made strategic shifts to sustainer giving programs, which may be helping to preserve donor files while many other organizations are seeing donor declines.



Animal welfare organizations had moderate revenue growth from 2015 to 2016, while donor numbers remained essentially flat during the year (see Fig. 17). The sector was able to achieve its revenue growth through growth in revenue per donor.

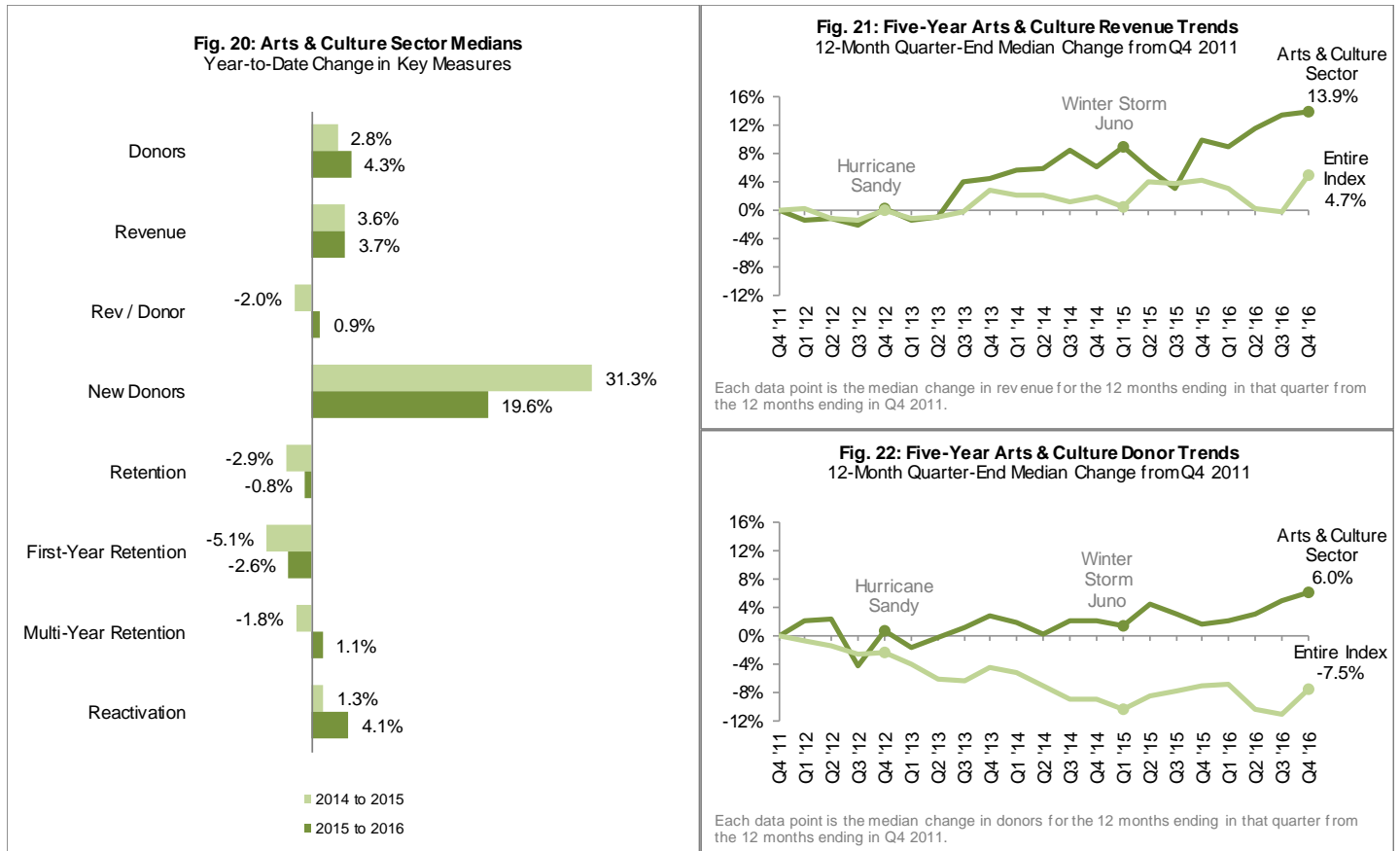
The animal welfare sector had slight increases in new donor acquisition in 2016, which largely balanced out steep declines in both first-year and multi-year donor retention. These retention rate declines were both the second-greatest declines of any sector in the index.

Rolling twelve-month trends give us more long-term context for recent animal welfare sector performance (see Figs. 18-19). They show us that even though the sector has experienced no apparent particular gains from recent current events or emergency relief efforts, it has nevertheless outperformed overall index revenue and donor growth significantly over the past five years.

Arts and Culture

5 organizations

The arts and culture sector is a diverse group of organizations with quite a bit of fluctuation in performance from quarter to quarter. In spite of recent declines, the sector has generally outperformed index revenue and donor growth since the end of the 2007-2009 recession, largely because of spikes in new donor acquisition. This sector was one of the strongest in the index during 2016, with some of the greatest growth in revenue, donors, new donor acquisition, and reactivation; the sector also had some of the lowest retention rate declines.



The arts and culture sector had the second-highest median increase in overall donors of any sector in the index from 2015 to 2016 (see Fig. 20), and relatively strong growth in revenue as well.

The sector also had the second-greatest median increase in new donor acquisition in the index in 2016. Revenue per donor did remain essentially flat for the sector during the year, but it is not unusual to see revenue per donor staying flat or declining during times of strong donor acquisition.

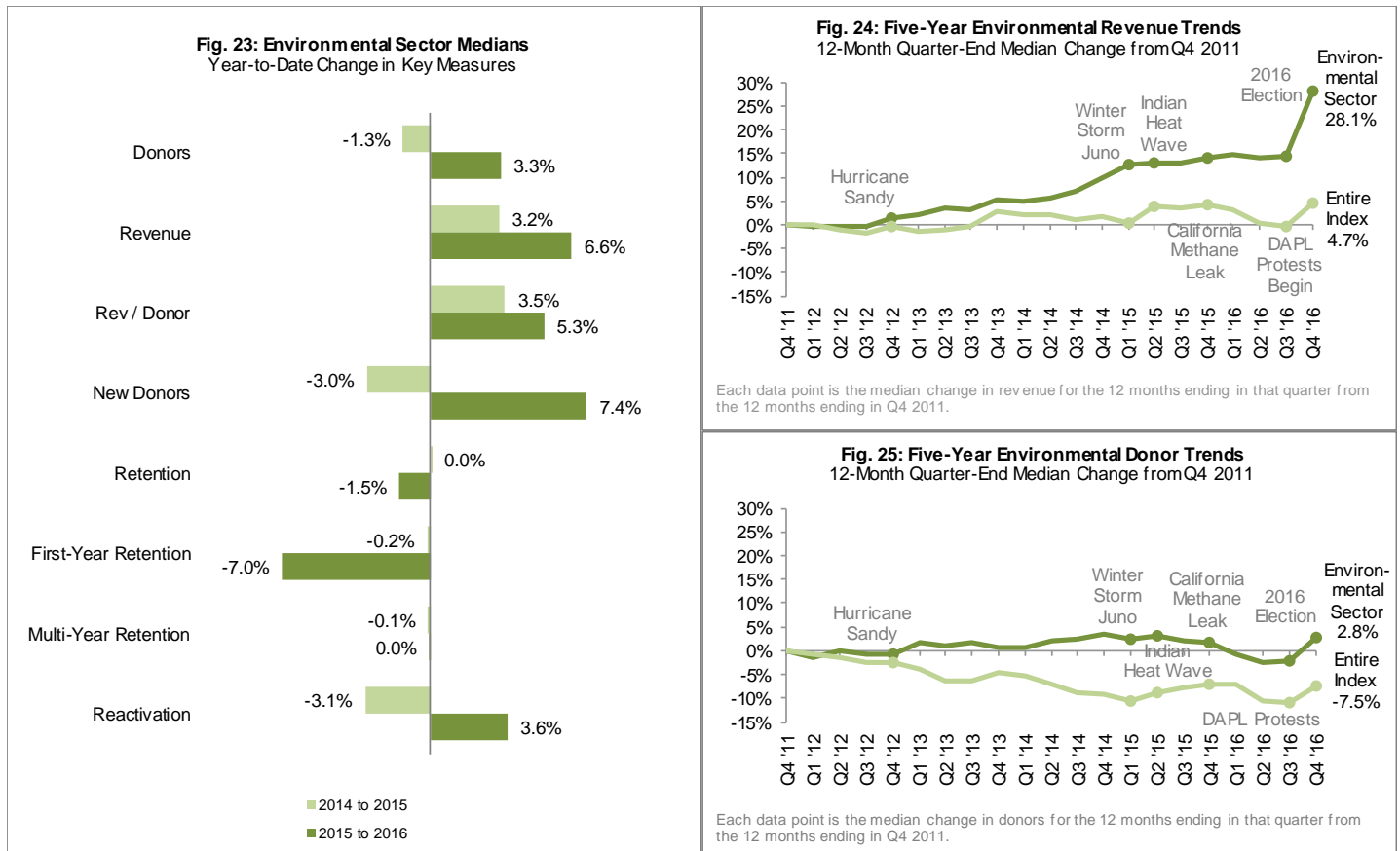
The arts and culture sector had relatively strong performance in donor retention and reactivation as well. Sector retention declined only slightly from 2015 to 2016, during a year when most other sectors had much greater declines. And the sector had the greatest growth in lapsed donor reactivation of any sector in the index in 2016.

Twelve-month rolling trends can provide longer-term context for recent arts and culture sector results, and allow us to see beyond recent year-to-year declines (see Figs. 21-22). While donor retention has been inconsistent, periodic spikes in new donor acquisition and, less occasionally, reactivation have resulted in revenue and donor trends for the sector well outperforming those of the overall index over the past five years.

Environment

12 organizations

For most of the past ten years, the environmental sector did not typically have a great deal of fluctuation in giving from quarter to quarter or from year to year, and closely paralleled the overall index in most key metrics. During the most recent three years, however, the sector has seen a great deal more volatility—most of it positive. And the environmental sector was one of two in the index to have dramatic increases in giving in the fourth quarter of 2016, likely related to the results of the 2016 U.S. presidential election.



The environmental sector had the greatest year-over-year revenue growth of any sector in the index from 2015 to 2016. The sector had strong growth in overall donors and in new donor acquisition as well. (see Fig. 23).

The sector did have sizeable declines in first-year donor retention in 2016, but was able to hold multi-year retention stable, and had the second-largest increases in reactivation of any sector in the index during the year.

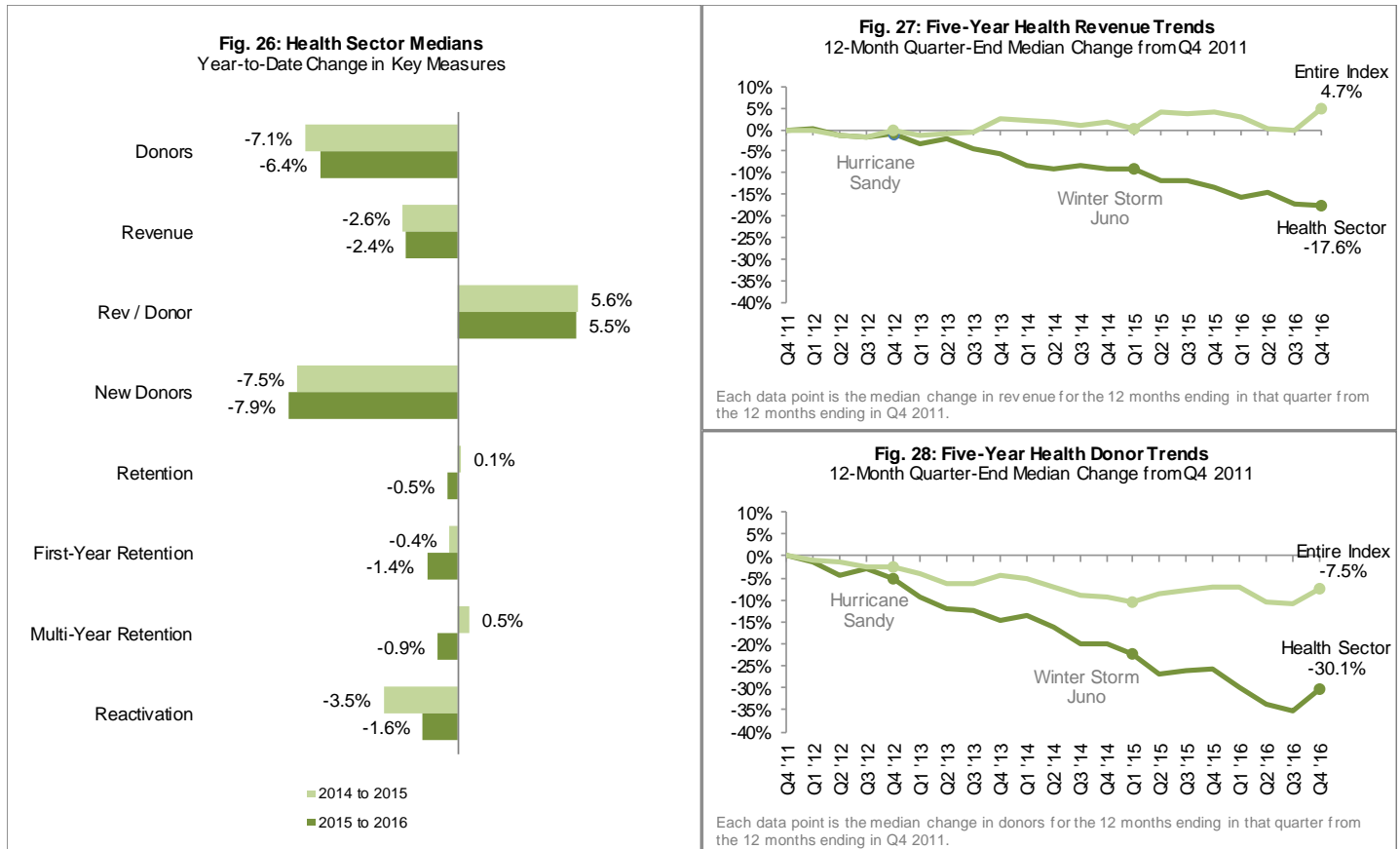
Twelve-month rolling trends can provide longer-term context for recent sector trends (see Figs. 24-25). This analysis shows that environmental revenue and donor growth both followed the index relatively closely until 2014, and then began to rapidly outpace the index from 2014 to 2016. It is possible that increased attention on environmental issues—particularly catastrophic weather events related to climate change—over the past three years may be having a positive effect on fundraising for this sector.

By itself, this recent growth would have enabled the sector to well outperform index medians over the long term. But the sector had an additional, dramatic surge in giving in the fourth quarter of 2016, most likely related to the proposed environmental policies of the incoming presidential administration. Seven of the twelve organizations in the environmental sector had at least some degree of fourth-quarter spike in giving. For this sector, most of the fourth-quarter increases consist of additional revenue given by existing donors, as opposed to new donor growth.

Health

15 organizations

Health organizations have had some of the greatest fundraising challenges in the index for most of the fifteen years that we have been conducting this analysis. Although the health sector has had significant increases in revenue per donor in recent years, overall revenue and donor growth continue to lag behind overall index trends.



The health sector had the largest declines in both donors and revenue from 2015 to 2016, and the largest declines in new donor acquisition as well. All of these follow similar declines in the previous year (see Fig. 26).

These declines were widespread; only two of the organizations in the sector had donor increases in the first three quarters, only six organizations had increases in revenue, and only three had increases in new donor acquisition.

Revenue per donor for the sector has consistently increased over the years as donor populations—particularly new donors—have declined. The health sector had the largest increases in revenue per donor in the index from 2015 to 2016.

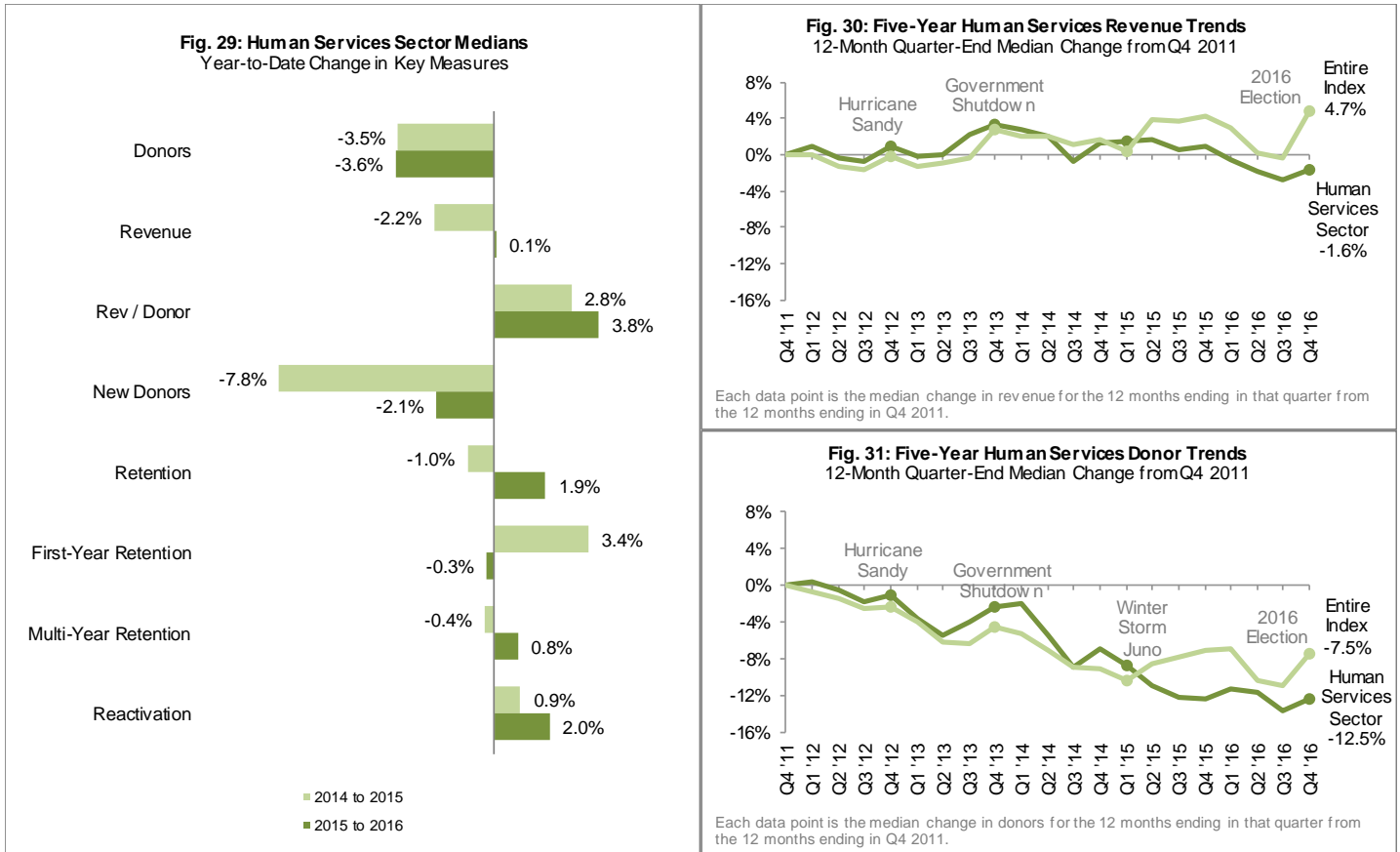
A twelve-month rolling trend analysis shows that sector revenue and donor growth have both lagged overall index median trends significantly over the long term (see Figs. 27-28).

This study considers direct marketing revenue, not event revenue. Several health charities have shifted their fundraising strategy to large-scale events over the last decade that are not included in this analysis.

Human Services

8 organizations

The human services sector was one of the highest-performing sectors in the index during the recession of 2007-2009, as donors stepped up their contributions to meet an immediate perceived need. Since the end of the recession, however, donors have reverted to more typical levels of giving and the sector has performed close to or slightly below overall index medians, with moderate increases in revenue per donor partially offsetting moderate donor declines and resulting in essentially flat revenue growth. 2016 was not a particularly strong year for the sector as a whole, but three of the organizations in this sector had small spikes in both revenue and donors in the fourth quarter of 2016 that may be related to donors' concerns about the results of the recent presidential election.



From 2015 to 2016, the human services sector had the second-largest donor declines in the index. Sector revenue remained flat, well below overall index medians (see Fig. 29).

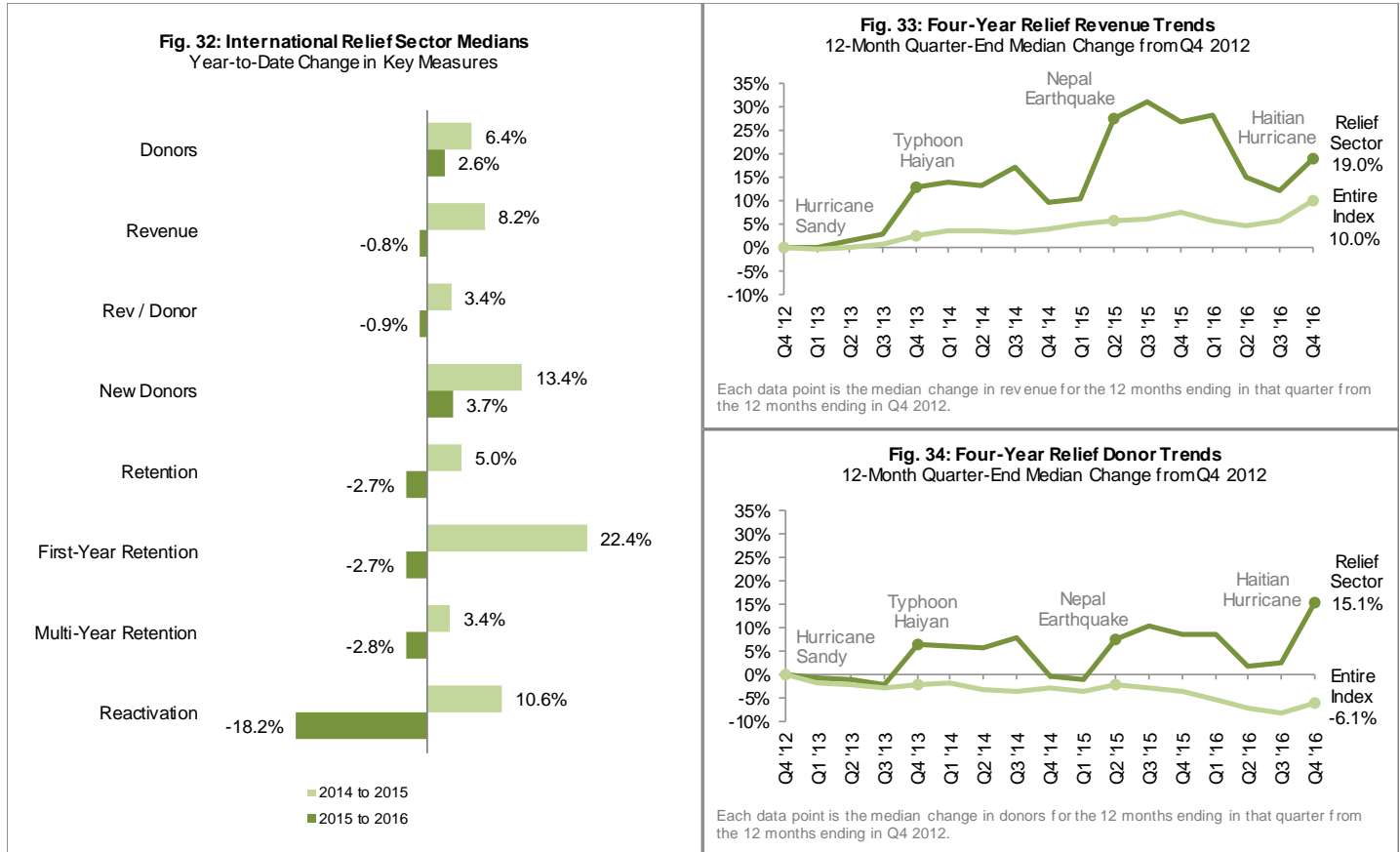
Human services organizations had moderate declines in new donor acquisition from 2015 to 2016, at a rate close to index median declines. The sector had relatively strong increases in both donor retention and lapsed donor reactivation during the year.

Rolling twelve-month trends give a longer-term context to these recent trends, and show that the human services sector has generally paralleled overall index performance quite closely over the past five years (see Figs. 30-31).

International Relief

13 organizations

The international relief sector is typically subject to dramatic volatility due to event-based emergency-related giving. In years without significant emergency fundraising, sector revenue and donor growth have roughly paralleled overall index medians. This combined pattern has resulted in the sector well outperforming the index as a whole over the long term. 2016 was, in general, free of international-scale disasters; the fourth quarter likely did include some disaster giving related to a humanitarian crisis in Haiti following Hurricane Matthew in October, but at nowhere near the scale of giving related to an earthquake in Nepal the previous year.



Modest overall donor and new donor growth, slight revenue and revenue per donor declines, and declines in both retention and reactivation in 2016 all suggest that relief sector donors are returning to more typical giving patterns after significant disaster giving in 2015 (see Fig. 32).

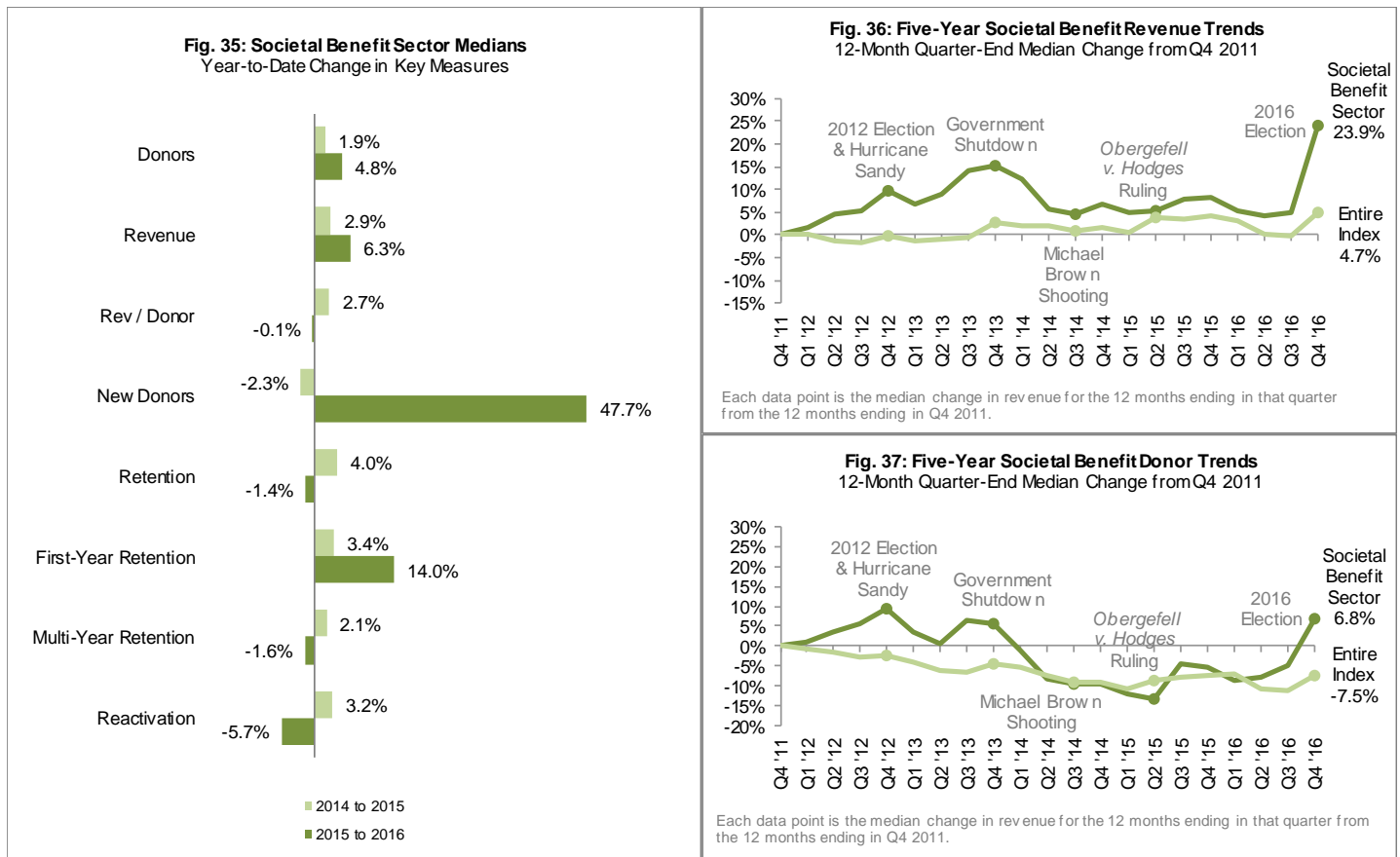
Rolling revenue and donor trends can give a longer-term context for recent relief sector performance (see Figs. 33-34). Over the long term, the sector is performing in line with, or slightly better than, the index as a whole in most metrics.

This analysis shows that since 2012, relief sector performance has been dominated by spikes in fundraising related to Typhoon Haiyan, which hit the Philippines in November 2013, and a major earthquake in Nepal in April 2015. Other ongoing relief efforts, such as those related to an Ebola outbreak in West Africa and the Syrian refugee crisis, may have contributed to increases in revenue and donors last year as well. Spikes in both revenue and donors in the fourth quarter of 2016 are likely largely due to giving related to the landfall of Hurricane Matthew in Haiti in October of that year.

Societal Benefit

8 organizations

For the past five years, the societal benefit sector has generally performed more strongly than the index as a whole. Organizations in this sector are arguably the most likely to be affected by increased attention to their missions during presidential campaign cycles, and societal benefit organizations did see increases in both donor and revenue growth during the run up to the 2012 presidential election. The most recent race, in 2015 and 2016, did not appear to have much of an impact on donor and revenue growth in and of itself. However, the societal benefit sector was one of two in the index to have a dramatic spike in giving in the fourth quarter of 2016, *after* the election—a spike significantly larger than anything sector organizations have experienced in the past ten years, and which is likely related to the policies of the incoming administration.



The fourth-quarter election-related spike served to boost total year-over-year performance for the societal benefit sector significantly. Societal benefit organizations had the largest increases in overall donors of any sector in the index from 2015 to 2016, and the second-largest increases in overall revenue (see Fig. 35). The sector also far outpaced all other sectors in the index in terms of new donor acquisition, with median new donor growth of 47.7% from 2015 to 2016. The sector had declines in both multi-year retention and reactivation from 2015 to 2016, but strong growth in first-year donor retention.

A rolling twelve-month revenue and donor analysis give a longer-term context for recent trends (see Figs. 36-37). In spite of some fluctuations due to current events that may affect organizations in the sector, cumulative revenue and donor growth for the societal benefit sector over the past five years would likely have both been above overall index medians, even without the election-related fourth-quarter giving surge.

Six of the eight organizations in the societal benefit sector had at least some degree of fourth-quarter spike in giving. For this sector, the fourth-quarter increases are primarily a result of the acquisition of new donors, rather than additional revenue given by existing donors.

References

1. Bureau of Labor Statistics Analysis, "Seasonally adjusted month-end Consumer Price Index (U.S. city average, all items)," *U.S. Department of Labor*, retrieved April 3, 2017, <http://www.bls.gov/>.
2. *Giving USA: The Annual Report on Philanthropy for the Year 2006 (2007)*. Chicago: Giving USA Foundation, pp 22 and 29.
3. Bureau of Labor Statistics Analysis, "Employment Situation News Release", *U.S. Department of Labor*, March 10, 2017, retrieved April 4, 2017, <https://www.bls.gov/news.release/pdf/empisit.pdf>.
4. U.S. Census Bureau, "Quarterly Residential Vacancies and Homeownership, Fourth Quarter 2016", *U.S. Department of Commerce*, January 31, 2017, retrieved April 4, 2017, <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>.
5. Giving USA Foundation, "Giving Recovery after Economic Depression or Recession," *Giving USA Spotlight*, Issue 2, 2009, p. 8. Article written by Melanie Miller, Sarah Schaefer, and Corinne Wagner of the Center on Philanthropy at Indiana University.
6. *Giving USA: The Annual Report on Philanthropy for the year 2013 (2014)*. Chicago: Giving USA Foundation, pp 2-3.
7. *Giving USA: The Annual Report on Philanthropy for the Year 2007 (2008)*. Chicago: Giving USA Foundation, p 50.
8. *Giving USA: The Annual Report on Philanthropy for the Year 2012 (2013)*. Chicago: Giving USA Foundation, p 65.
9. "Presidential Campaign Receipts Through December 31, 2012," *Federal Election Commission*, retrieved March 28, 2016, http://www.fec.gov/press/summaries/2012/tables/presidential/Pres1_2012_24m.pdf.
10. Donor Demographics", *Open Secrets*, retrieved March 28, 2016, <https://www.opensecrets.org/bigpicture/DonorDemographics.php>.

Industry Sectors Used in the Index

Animal Welfare Organizations

Organizations that focus on the care, protection, or understanding of pets or specialty animals, other than livestock. Includes humane societies, veterinary services, aquariums, and zoos.

Arts & Culture Organizations

Organizations that promote enjoyment or understanding of the visual, performing, folk, or media arts or the humanities; communications organizations; and organizations that promote the appreciation or understanding of historical events, including historical societies and genealogical or heredity-based organizations.

Environmental Organizations

Programs that focus on the preservation and protection of the environment, including pollution control and abatement programs; conservation and development of natural resources (land, plant, water, energy); control or elimination of hazardous and toxic substances (including pesticides); solid waste management programs; botanical gardens and societies; urban beautification and open spaces programs; and environmental education. Also includes programs that focus primarily on the protection and preservation of wildlife or fisheries.

Health Organizations

Programs which help people achieve and maintain physical well-being through prevention, screening, evaluation and treatment; programs that promote mental health and treatment of mental illness; voluntary health organizations that are organized on a national, state or local basis and supported primarily by voluntary contributions from the public at large, which are engaged in a program of service, education and some research that is related to a particular disease, condition or disability, or group of diseases, conditions or disabilities; research institutes and other organizations whose primary purpose is to promote the advancement of knowledge about specific diseases, disorders, or medical disciplines.

Human Services Organizations

Organizations that promote or provide a broad range of social or human services to individuals or families; organizations that focus on protecting the public from antisocial elements; organizations that help individuals to find and sustain gainful employment; organizations that focus on the development and improvement of food resources; organizations that focus on promoting adequate housing for individuals, families and communities; organizations which aim to prevent, predict or control the effects of domestic disasters (e.g., floods, earthquakes, fires, tornadoes); organizations that work to build character and develop leadership and social skills among children and youth.

International Relief Organizations

Organizations that provide development and relief services to foreign countries and/or organizations that raise and distribute funds for the benefit of overseas institutions.

Societal Benefit Organizations

Programs that focus on protecting and promoting the broad civil rights and civil liberties of individuals, improving relations between racial, ethnic, and cultural groups, and promoting voter education and registration; advocacy and citizen action groups that work to change public policy and opinion in a variety of areas; organizations that work to strengthen, unify, and build community spirit and increase the capacity of various community organizations to improve the quality of life for all.

Sector definitions are based on a modification of the Foundation Center's National Taxonomy of Exempt Entities.

<http://fdncenter.org/ntee/index.html>

Looking Ahead

The next installment of the index, to be released in July 2017, will examine activity for the first quarter of 2017. Findings can be found at <http://www.blackbaud.com/donorcentrics>.

Index Methodology

Target Analytics applied the following rules to standardize data from each of the organizations participating in the Index of Direct Marketing Fundraising:

Individual payments greater than \$10,000, soft credits, and matching gift payments are excluded. Direct mail is the dominant or only revenue source for most organizations; however, web, telemarketing, event, and other sources are included. Indicators are calculated on a cash payment basis, as opposed to a pledge basis. Gifts or donors are defined as new, retained, or reactivated according to relative gift dates rather than organization-specific business rules or source codes. Retention rates for quarterly analysis are calculated by dividing the number of donors giving in the current year-to-date quarter(s) who also gave during the previous calendar year by the total number of donors who gave in the previous calendar year. Revenue per donor refers to the cumulative giving per donor per current period.

About Medians

Unless otherwise noted, index trends are measured by using the median percent change among a group of organizations. The median is the middle value in a ranked order of numbers. Using this statistic to describe historical trending minimizes distortion caused by the wide range of organizations' file sizes or extreme changes at a few organizations.

Participation

Participation in the index is limited to organizations that meet size and geographic requirements as well as other terms and conditions. For information about index eligibility contact Amanda Williams at Amanda.williams@blackbaud.com. Please direct questions or requests to reproduce these findings to Denise Santoro at denise.santoro@blackbaud.com

Online Resources

Participating organizations are granted access to an online, interactive graphical system where they can chart their own performance results against overall and sector-specific medians. Please contact your account representative for your password and for more information.

About Target Analytics

Target Analytics, a division of Blackbaud, delivers data-driven, collaborative solutions designed to help non-profit organizations maximize their fundraising potential. Target Analytics was the first company to bring forward-thinking non-profit organizations together to establish industry-standard benchmarking and openly discuss successful strategies and practices.