Reactivating Lapsed Donors: How to Use Loyalty and Philanthropic Segmentation to Optimize Donor Reactivation

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Business Challenge: Nonprofit organizations are experiencing significant declines in donor acquisition rates, resulting in diminishing direct marketing return on investment (ROI) for acquisition marketing campaigns.

New Techniques to Improve Direct Marketing Profitability: Top performing nonprofit direct marketers are leveraging philanthropic and loyalty-driven segmentation to identify retention and reactivation opportunities, emphasizing long-term value over response.

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Why Lapsed Donors Are an Attractive Target

With a burgeoning array of low-cost channels such as email, social media, online advertising, eNewsletters, and mobile advertising, there is an unprecedented level of "noise" surrounding prospective donors. While mass marketers delight in the ease-of-availability, low-cost, and expansive reach of these new channels, direct marketers cringe at the low barrier of entry they afford new market entrants and the overall marketing saturation that continues to drive down donor response. Never has there been greater competition for the minds, hearts, and wallets of would-be donors.

With a need to optimize direct marketing spend and general wariness of declining acquisition response rates, direct marketers have renewed their focus on mining their active and inactive donor files. These are areas where awareness, favorability, and consideration have already been established.

Predetermined Attributes of Active and Inactive Donors

✓	Awareness	Am I aware of your organization?
✓	Favorability	Do I have a favorable view of your organization and a passion for your cause?
✓	Consideration	Do I have a favorable view of your organization and a passion for your cause?
	Intent to Donate	Have you given me a strong reason to give to your organization at this time?
	Donate	Do I know how to give to your organization at this time?

Perhaps the most fertile ground for direct marketers is their inactive donor file. With first-year retention rates for nonprofits at 27.3% and multi-year donor retention rates at 58.4%, nonprofits have a healthy base of prospects to recapture — all of which have cleared the important first hurdle of being favorably aware and considerate of their organization.

Reactivation and Retention Rates

donorCentrics™ Index of National Fundraising Performance	Reactivation Rate: 1-5 Years Lapsed	Retention Rate: Overall	Retention Rate: First-Year Donors	Retention Rate: Multi-Year Donors
Overall Index	8.2%	50.5%	27.3%	58.4%
Animal Welfare	9.0%	53.7%	32.0%	62.5%
Arts and Culture	9.9%	65.4%	32.6%	70.8%
Environmental	8.3%	53.0%	26.9%	61.7%
Health	6.7%	43.7%	25.7%	53.7%
Human Services	8.4%	51.2%	33.6%	57.1%
International Relief	7.5%	42.8%	21.1%	58.4%
Religion	10.8%	53.3%	30.2%	58.1%
Societal Benefit	10.6%	56.4%	34.3%	64.4%

How to Optimize a Donor Reactivation Campaign

Examining the typical nonprofit inactive file, analysis reveals that the opportunity for reactivation is largely related to a combination of donor loyalty and overall philanthropic characteristics. In a recent analysis conducted by **Target Analytics®**, inactive donors were segmented into six categories representing a combination of a donor's loyalty to a specific organization and overall philanthropic behavior.

Loyalty / Philanthropy Segments for Lapsed Donors

Missed Connections	Donors who at the time of their lapsing had shown engagement to your organization beyond what they typically showed other organizations — and are still active donors to other organizations.
Absent Allies	Donors who at the time of their lapsing had shown engagement to your organization beyond what they typically showed to other organizations — but are not actively giving to other organizations.
Higher Dollar	Donors who have lapsed with your organization — but after lapsing have been identified as consistently giving high-dollar gifts to other organizations.
Giving Stalwarts	Donors who showed little engagement to your organization prior to lapsing — but are currently philanthropic to other organizations.
Constant Low Dollar	Donors who are unlikely to give anything but a low-dollar gift, based on their previous giving to your organization and current giving to other organizations.
Long Shots	Donors who are unlikely to give an additional gift to you, based on their overall giving history to all organizations and relationship with you.

About the Author

Richard Becker is President of Target Analytics (a division of Blackbaud, Inc.), a leading provider of direct marketing, constituent management, fundraising performance benchmarking, and prospect research services to non-profit organizations. Richard is responsible for overall strategy and business operations, leading the sales, technology, delivery, analytics, and product management teams. Prior to joining Target Analytics, Richard held a variety of leadership roles in strategy, marketing, technology, and operations. Most recently he was Vice President of Strategy with Equifax, Inc., a global consumer and commercial information provider.

A frequent speaker and author, Richard is an expert in the areas of predictive analytics, constituent relationship management (CRM), data management, and integrated multichannel marketing, and has been recognized for his innovative work in risk and marketing analytics.

He received his MBA from the University of Georgia – Terry College of Business, and holds a BA in English Literature from Wake Forest University.

For the analysis, these segments were then applied to the lapsed file of a major international relief organization conducting a reacquisition campaign.

Segment	Percent of Lapsed Donor File	Campaign Response	Average Gift	Amount Raised per Mailed Prospect	Percent of Total Amount Raised in Campaign
Missed Connections	**14%**	**6.7%**	**$55.39**	**$6.01**	**15%**
Absent Allies	2%	0.8%	$83.79	$0.83	0%
Higher Dollar	**21%**	**6.5%**	**$128.36**	**$12.70**	**49%**
Giving Stalwarts	**39%**	**6.2%**	**$48.83**	**$4.46**	**31%**
Constant Low Dollar	3%	2.1%	$12.89	$0.35	0%
Long Shots	21%	1.0%	$70.77	$1.00	4%

As evidenced in the campaign metrics, three of the segments (Missed Connections, Higher Dollar, and Giving Stalwarts) exhibited substantially higher campaign response and amount per mailed prospect metrics, driving approximately 95% of the total program dollars raised.

Consistent with results seen in other nonprofit campaigns, organization-specific loyalty was not the only driver of likelihood to reactivate. Rather, loyalty combined with the degree and consistency of a donor's overall philanthropic behavior across all organizations yields the most effective use of campaign dollars (as evidenced by Missed Connections and Higher Dollar segments outperforming on percent of total amount raised in campaign).

Essentially, the analytics demonstrates three key elements:

- Understanding a consumer's overall giving profile (having a 360-degree view of the donor) is essential to understanding his likelihood to reactivate. Undivided loyalty to a single organization is extraordinarily rare. Ultimately, donors with a consistent and sustained giving history across multiple organizations have the highest likelihood to reactivate – as evidenced by the fact that Giving Stalwarts out-contribute Absent Allies.

- Constant Low Dollar donors (also known as "Tippers") can easily be misconstrued as strong targets due to their better-than-average response rates and the fact that they tend to be active with multiple nonprofit organizations. Their long-term value and overall contribution to campaign performance as measured in dollars raised, however, often better suit them for a suppression file. Ultimately, historical consistency of giving combined with variety or progression in giving amount is indicative of sustainability, upgradeability, and long-term value.

- Short of a long-term value calculation, dollar per mailed prospect is one of the best metrics for campaign evaluation. Average Gift Amount for campaign responders can lead a direct marketer

astray. Absent Allies and Long Shots would appear to be a strong target segment based on average gift amount; however, their dollar per mailed prospect tells a much different story, as these segments combine for a minimal amount of the dollars raised within the overall campaign.

Key Takeaways and Recommendations for Reactivation Campaigns

In the end, the overall recency, frequency, and monetary (RFM) amount characteristics of inactive donors prove most essential. Additional segmentation incorporating loyalty can assist in fine-tuning the target population for a reactivation campaign and directing segment-specific strategies.

For example:

Missed Connections	Survey or conduct focus groups to determine why they stopped giving.
Absent Allies	Remind them of the value of their previous contributions, but also that more still needs to be done.
Higher Dollar	If they are older, use infrequent stewardship-only mailings.
Giving Stalwarts	If they are younger, reconnect through non-traditional channels such as events and online.
Constant Low Dollar	Mail them as part of an acquisition campaign with a higher ask string.
Long Shots	Mail them as part of an acquisition campaign as if they were a new donor.

While demographic and life stage-driven segmentation schemes have long been utilized by nonprofit and for-profit organizations alike, philanthropic behavioral segmentation offers a more effective alternative. With the prevalence of historical giving behavior and loyalty characteristics available through nonprofit industry cooperative databases, donor behavioral segmentation offers the most comprehensive, useful, and accurate level of insight for segmentation and prospect selection.

Ultimately, nonprofits willing to take the extra step beyond simple RFM, incorporating loyalty- and philanthropic-based segmentation within their active (0-24 month), lapsed (24-120 month), and deep-lapsed (120+ month) files are consistently able to isolate over 90% of the dollars likely to be raised within a campaign, better enabling optimization of constrained marketing dollars and focusing on segments that prove most profitable.

About Blackbaud

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