

Raise More Money By Showing Donors The ROI Of Their Gift

6 min read



Key Takeaways

- Calculating program efficiency does double duty by helping you assess how efficiently your nonprofit is fulfilling its mission statement, while also giving you a powerful tool to show your donors how effectively your organization operates
- The number one reason why donors leave an organization is that they fail to understand if the organization is accomplishing its mission.
- Keep track of each donor's ROI on their gifts, and make a point to include the information in each donor's personalized hero story that you include in your follow-up donor messaging.

One of the biggest misconceptions of the Nonprofit world is that corporations and larger foundations are the biggest givers. In fact, it's actually the complete opposite- **over 70% of donations come from individual donors** [1].

Of course, there's always the draw of making a tax-deductible donation, but there are several additional factors that motivate donors to give. They might be moved by your foundation's cause, its proximity, or by its unique marketing.

However, one of the most important factors that determine where donors choose to direct their gifts is the potential impact that their dollars will have within the organization.

In order to inspire, motivate, move, or convince your potential donors to choose your organization, you need to learn how to show donors the complete ROI on their donations.

Dollars & Cents: ROI by Donation & Other Useful Nonprofit Fundraising Metrics

Program Efficiency

What will this tell you? Calculating program efficiency does double duty by helping you assess how efficiently your nonprofit is fulfilling its mission statement, while also giving you a powerful tool to show your donors how effectively your organization operates (i.e. how much of their donation will go toward good deeds rather than administrative costs).

How can this help your Nonprofit? Donors want to know exactly how their dollars are being spent. Measuring this will help your donors determine which program they will want to contribute the largest amounts to. They are usually the programs with the most tangible results.

The more you can demonstrate to a donor how their contribution impacts the agency and its clients, the more money you can raise to improve outcomes.

How we help our Nonprofit clients see this:

$$\text{Program Efficiency} = \text{Program Expenses} / \text{Total Expenses}$$

When you have visibility into the economics of your programs, you are able to assess the value of each program output. The programs with the highest efficiencies are the programs you want to focus your fundraising efforts around- the ones with the highest outputs. You know these will have the highest impact that you will be able to show donors.

Donation ROI

What will this tell you? Use the donation ROI equation to determine how much your organization spends to bring in donation dollars.

How can this help your Nonprofit? Using this metric, you can determine your most successful events, fundraising channels, and donor types. You can see whether any fundraising channels are costing your organization more money than they're generating. Using this information will help you strategize which channel to target.

How we help our Nonprofit clients see this:

$$\text{Donation ROI} = \text{Total Fundraising Costs} / \text{Total Dollars Raised}$$

This metric can be used both organization-wide, and a microscopic view- by fundraising event, campaign, donor type, or channel. For example, look at the donation ROI for a silent auction event, a direct mail campaign, funds raised through your website, or for a social media campaign.

Beneficiaries Served

What will this tell you? Calculate the number of beneficiaries served over a specific period of time or program to compare various outreach efforts and to see how your impact grows.

How can this help your Nonprofit? To determine your impact, you need to know how many people your organization has reached. This will further help you see if your efforts are reaching them enough to achieve the nonprofit's intended missions. Plus, this will give you a nice number to be able to share with Donors, so they have a tangible number on how many people they have reached from their gift.

How we help our Nonprofit clients see this:

$$\text{Beneficiaries Served} = \text{Number of Beneficiaries} / \text{Period of Time or Program}$$

Measuring these outcomes will help you determine which programs you should allocate more of your fundraising budget to increase your impact.

Beyond the Numbers: 3 Ways to Show Donors the Impact of Their Donations

You know better than anyone else that donations to your organization cultivate an ROI that extends beyond the dollars and cents.

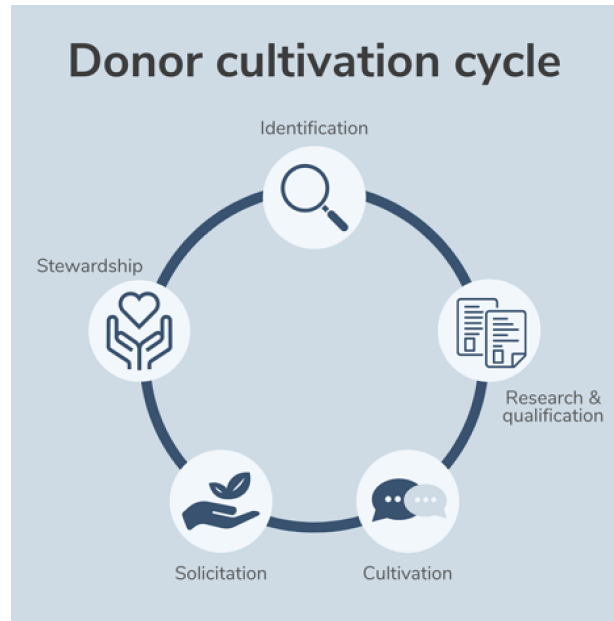
The true impact of a nonprofit is priceless. Nonprofits impact entire communities. They feed, educate, shelter, connect, and inspire. The cumulative impact of any single nonprofit's efforts is powerful enough to change the future.

So, how can you show your potential donors the full extent of the potential impact of their donations?

1. Get Started With A Donor Stewardship Program

Let's go back to the basics. By definition, "Stewardship is the job of supervising or taking care of something, such as an organization or property." Following suit, Donor Stewardship focuses on communications and relationship-building that take place after a gift has been received from a donor. [2]

Donors want to know their gift is making a difference. The number one reason why donors leave an organization is that they fail to understand if the organization is accomplishing its mission.



<http://lp.freewill.com/donor-stewardship>

Nailing your Donor Stewardship is key. This is where Donor Stewardship Programs come in. Creating a systematic process to recognize donors after their gift will improve your donor retention rate, and yield a higher gift (making sure no donor will fall through the cracks).

Take action here are three next steps to create a donor stewardship program:

1. **Segmentation**: Segment your donors. This can be done by multiple different thresholds (example: gift size, geographic area, etc.). Once your donors are segmented, this will help you set guidelines on how to recognize and tailor your message.
2. **Communication**: Create a communication schedule. This is arguably the most important piece of donor stewardship. Communications should be personalized based on each segmentation. While these efforts should be consistent, they should not be overwhelming (we'll get to messaging in a few).
3. **Feedback**: Following up on your communication strategy, include a feedback portion. Check-in with the donor to see how they are feeling. This will help increase

the donor's engagement and make them feel like a valuable part of your organization.

Keep track of each donor's ROI on their gifts, and make a point to include the information in each donor's personalized hero story that you include in your follow-up donor messaging.

2. Tell a Story About Donation Dollars

Speaking of storytelling, use it to transform donation ROI from abstract numbers into concrete narratives.

When you tell stories about the impact that donations have on specific beneficiaries, you connect your [donors to the intrinsic reward of supporting a good cause.](#)

For example, a nonprofit that provides professional clothing to single mothers who are struggling to enter the workforce can share specific stories about how they helped someone dress for their first interview, secure a second interview, and get hired, and how that job subsequently helped give a single mother the resources to support her family.

Every nonprofit has these types of stories to tell. Whether you help a woman make ends meet, provide shoes to poor communities, increase access to healthcare, connect individual members to their community through art, or something else, you have the immense power of storytelling that can inspire your donors to give.

3. Attach Each Dollar Amount or Giving Level to an Outcome

With good expense allocation, you can determine the exact cost of all the services you provide to connect different levels of giving with the specific services those dollars will enable you to provide.

When soliciting donations, this allows you to outline various levels of giving and what each means to your nonprofit.

For example, you could advertise that \$10 plants a tree in the park, \$25 funds a day of outdoor education, \$50 supports park maintenance, \$100 supports staffing, and so on.

By connecting different donation tiers with specific short-term outcomes, you can inspire new and repeat donors alike to continue and/or increase their gifts.

How It's All Possible with a Better Back Office

With an outdated bookkeeping and accounting system, calculating your donors' ROI cannot be easily or accurately done. Attempting to track metrics related to your nonprofit's impact and ROI – without a system of robust, streamlined accounting tools – will only serve to strain your already limited resources.

Instead, we recommend investing in an up-to-date system that automates your back office, allowing you to easily track and allocate donations, record and categorize expenses, and generate all the useful nonprofit KPIs that'll help you lead your organization into the future.

[1] <https://garecht.com/fundraising-roi/>

[2] <https://www.qgiv.com/blog/donor-stewardship-guide/>