How nonprofits can drive more giving from their current donor base

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Researchers from University of Hawaii and Cornell University published a new paper in the *Journal of Marketing* that explores the challenges and opportunities with nonprofit fundraising to provide organizations with strategies they can use to increase sustainable giving and profitability.

The study, forthcoming in the *Journal of Marketing*, is titled "Managing Members, Donors, and Member-Donors for Effective Non-profit Fundraising" and is authored by Sungjin Kim, Sachin Gupta, and Clarence Lee.

Individual philanthropy is the primary funding source for many nonprofit organizations. A major challenge facing such organizations is the volatility of individual giving: Nearly half of newly acquired donors only give once. Because of this instability, nonprofits strive to increase repeat giving by individuals as well as to identify and retain donors who are more committed.

The researchers worked with a large, successful nonprofit organization that conducts research and outreach related to an animal species and engages with more than 100,000 individual givers each year. The organization structures individual giving in two different forms: donations and memberships. One reason for members to give is the benefits they receive, depending on the membership tier, which range from a quarterly magazine to exclusive guided tours and online courses. By contrast, donors do not receive any benefits from the nonprofit in return for their donation and give largely because of a "warm glow" (i.e., the *good feeling* that comes from giving) and *tax deductions*.

Using detailed data provided by the nonprofit, the researchers studied the behaviors of first-time givers in the US over five years and obtained several insights about fundraising. First, the two forms of giving attract different kinds of individuals. For instance, donors were more likely to be women, while members were more likely to be men. Second, during the five-year period, over half of the individuals transitioned to becoming multi-form givers. That is, those who started out as members added donation to their giving portfolio and those who started out as donors added membership as another form of giving. These "member-donors" were especially important to the nonprofit: They gave more each year than those who gave in a single form and gave more frequently. Thus, multiple options for giving served as a pathway to engage more committed givers over time. Third, appeals sent by the organization tended to primarily increase the likelihood of repeat donations or membership renewal, but not the amount given. Fourth, while lapsed donors were likely to donate again even when two years had passed since their last donation, lapsed members were positively disposed to renewing even three years after their last renewal. This insight can guide the nonprofits efforts to bring back lapsed givers.

Kim adds that "We also developed a predictive model that can help identify individuals who are more likely to become member-donors in the future, based on their characteristics and past giving patterns. Once identified, the nonprofit can focus on nurturing longer-term relationships with them."

"Collectively, the data-driven insights we derived can help nonprofits develop strategies to structure their giving options better, retain givers for longer, and target their marketing resources on more committed individuals," says Gupta. The net impact of these strategies is to make fundraising more effective, implying that a larger share of every dollar raised goes to serve the organization's mission rather than to fundraising efforts.
