What's All the Fuss about ROI?

How can ROI help your organization and improve fundraising results?

By Carol Belair

It's an acronym you hear constantly — ROI. You see it in articles, tweets, and blogs. You hear it at the water cooler and in meetings with your colleagues. But what does ROI mean for you? It's an important concept, one worth studying in detail. Let's look at the two main ways you may want to use ROI (return on investment) in raising money.

1. Measure your overall ROI for each fundraising initiative.

One of the most helpful ways to use analytics is to measure your return on investment for each of your fundraising efforts. Every time you hold special events, capital campaigns, or annual appeals, establish metrics you can use throughout the process. Do the same for ongoing fundraising endeavors, such as your social-media presence or your e-newsletter. Then use those measures to see how effective each tool is in securing donations.

When choosing metrics, ask yourself questions such as these:

- **What's your goal for this particular fundraising activity?** Keep in mind that your return on investment goes beyond number of dollars raised. It also encompasses such measures as the size of your network and the number of newly identified prospects.
- **How many initial prospects did you contact** (through invitations, social media, mail, e-communication, and so on)?
- **How many prospects do you hope to identify** from these communications?
- **How many donors are you targeting** to renew?
- **How many of your prospects do you expect to donate?** How many past donors do you hope to re-acquire?
- **Do you have a timeline** on which you're going to base your success?

2. Check whether an analytics project, such as predictive modeling, within your database produced a positive ROI.

Suppose you've decided to use a predictive model for major gifts. Your goal is to identify 250 previously unknown major-gift prospects within your pool of 10,000 records for a capital campaign. After the campaign, you can check to see if you met your goal. Next year, and for the following several years, you can note how many of those prospects turned into major donors.

> "Your ROI goes beyond number of dollars raised."

> "There's an infinite number of possible metrics"

Don't forget to look at how many people end up as mid-level donors by increasing their typical annual gift. They may not have given you that capital gift now, but they may transition over time into your major gift threshold. You can measure that as a successful return on investment in itself.

As another example, say that you want to expand your planned-giving program. Here's how you might choose your metrics:

- **From your pool of prospects, identify a group of 2,500 people** to target for your planned-gift marketing efforts.
- **Home in on a smaller group of 250 prospects** to contact over the next three years.
- **Receive 25 bequest gift intentions** from that targeted group of prospects.

You can measure all these pieces to calculate ROI based on those three metrics for your modeling project.

Benchmark your progress.

There's an infinite number of possible metrics. The important thing to remember is that effective ROI analysis depends on a clear definition of where you are now, what your goals are, and the timeline for achieving those goals so that you can keep track of where you're going and how to get there.

Carol Belair is a senior consultant for Target Analytics, a Blackbaud company. Blackbaud (blackbaud.com) is a leading global provider of nonprofit software and solutions.

More Measurement Options

See articles such as these in the Society for Nonprofits' Library (www.NonprofitWorld.org/members) for more ways to gauge your progress:

Measuring Outcomes in the Real World (Vol. 30, No. 6)

Simplify Benchmarking to Raise More Funds (Vol. 31, No. 5)

Before You Plan Where to Go, Figure Out Where You Are (Vol. 29, No. 3)

How to Measure Online Fundraising Success (Vol. 26, No. 1)