

How Can You Increase Your Donor Retention Rate?

Be sure your donors keep on giving.



Q About 30% of our donors give more than once during the year. I'd like to improve that number to 40%. What can I do to increase the percentage of people making multi-gifts during a year?

A One-time donors come from prospecting. You then take your best shot at persuading them to give second gifts and, thus, become multi-givers. But relatively few of them do so. You keep trying for a time, but at some point, presumably, you stop trying and cycle the one-time donors off into an archive file — or, better yet, throw them back into the prospecting program. (If you're not doing those things now, you might find that that's the answer to your question!)

The nub of your concern, though, appears to be that you're having trouble securing that second gift. If so, you're not alone. The rule of thumb these days is to expect a first-year renewal rate of between

“Expect a first-year renewal rate of between 25 and 35%.”

25 and 35%. Raising that percentage is a big challenge, but there are certain tactics you can try. Here are three tested approaches:

Make sure to mail acknowledgements of first gifts within 24 to 48 hours of receiving the gifts.

Develop a new-donor welcome package based on research into what donors want from you.

Make thank-you phone calls shortly after the first gift (without asking for money).

*Mal Warwick, Chairman
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Can You Raise Money by Selling Ads? Is advertising income permissible for a nonprofit organization?

Q Our executive director would like to supplement our publishing dollars by selling ads. Our grant writer tells me we can't do this because the income would be treated in a different manner than the grants that fund our organization.

A Your grant writer is partially right, but probably not in a way that should cause you serious worry. Income from advertising will be treated differently from grant income in your financial reports and on your tax returns, but it is certainly not prohibited by general tax or corporate law. Unless you have some very weird charter

provisions or prohibitions from some funding source, advertising income is permitted.

The issue with advertising income is whether it's classified as unrelated business taxable income (UBTI). In most cases, it will be UBTI if your publication is regularly carried on, and it will be subject to unrelated business income tax (UBIT) if you make a net profit of more than \$1,000 from the advertising. Unless your unrelated advertising becomes a substantial portion of your activities, you can probably deal with the problem of additional resources for your activities.

*Don Kramer
Nonprofit Issues
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“Income from advertising will be treated differently from grant income.”

For more on UBIT, see these Nonprofit World articles at www.NonprofitWorld.org/members: “Are Your Activities Safe from UBIT?” (Vol. 16, No. 5) and “UBIT: What It Is and How to Avoid It” (Vol. 13, No. 4).

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