

5 Metrics Every Development Director Should Know

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This post is part of a series covering the topic of donor insights. Here, we review key health metrics for fundraising organizations that ensure you keep a pulse on overall donor behavior. To continue learning about how to leverage donor data to raise more money, we recommend what to read next at the close of the post below.

As a development director—or anyone in fundraising—you're focused on one thing: donors. And in order to build relationships, improve your donor retention rate, and ultimately raise more money, you need a firm grasp on donor behavior.

[Free Download: The State of Modern Philanthropy 2019—Trends in Return Donor Behavior](#)

Thankfully, with the right metrics, you can track donor behavior over time and better understand if your collective efforts are driving your intended results. With a little effort, any nonprofit professional can identify and interpret key data points to improve operations and help their organization grow.

Now, without further ado, the top five metrics every development director should know....

1. Month over Month, Year over Year

This is an easy one. How much money did we bring in this month? How many donors did we acquire? How much compared to last month? How much year-over-year?

It's always important to show growth, and observe performance against comparable nonprofits, and those you admire. Every nonprofit is different though, and each faces a unique set of challenges. It's most important to focus on *internal benchmarks* that you and your team determine, and continuously raise the bar for yourselves.

Given the cyclical nature of nonprofit fundraising, pure month-over-month comparisons don't always tell the whole story. You'll want to show steady growth, but once you establish a baseline, compare your growth against the same time period year-over-year, and use that information to measure performance, and set new goals for yourself.

See how your rates compare, download [The State of Modern Philanthropy](#) for a benchmarks worksheet.

Read Next: The State of Modern Philanthropy

2. Donor Acquisition Cost (DAC)

Say what you will about the battle to keep overhead low, I think we can all agree that it's important to know how much it costs to acquire new donors so that we can understand where to place our resources, and where we might need to adapt.

$$\text{DAC} = \$ \text{ spent on new donor acquisition} / \# \text{ of new donors acquired}$$

You don't need to nitpick here. Just look at your marketing/acquisition expenses as a whole and divide by the # of new donors acquired. Take things to the next level by calculating DAC by marketing channel, campaign/event, or period of time. See what has the highest return on your investment (ROI) and what could use some improvement. Identify ways to bring down DAC overall. Even better, if you can demonstrate that every dollar spent on a particular channel nets a higher number of new donors (and whatever contribution they bring) you should be able to make the case to invest more resources into that channel.

Read Next: The Quick Start Guide to Data-Driven Fundraising

3. Donor Retention Rate

Now that we've gone through the trouble of acquiring all those donors, let's do our best to hang onto them as long as we can. Depending on the study you're looking at, between 60 and 90 percent of all first-time donors cease to contribute to the same organization the following year—something which a strong recurring donations strategy can help mitigate.

$$\text{Donor Retention Rate} = \# \text{ of donors who gave last year AND this year} / \# \text{ of total donors}^*$$

Once you know your retention rate, you can work towards making that rate as large as possible. Thankfully, there are many strategies that will help, including:

- Marketing your organization's impact
- Launching a recurring donations campaign
- Balancing data and human interaction

**Note: Keep in mind that you will want to calculate separate retention rates for recurring donors and your annual givers. As you calculate the next two metrics, you can use the different return rates to get insight into these two different categories of donors.*

Free Report: World-Changing Work, The Modern Nonprofit Professional's Experience

4. Donor Lifetime (Annual)

This is more of a helper stat to get to the metric that comes next, but it's still important by itself. As a development professional, you want to know how long your donors stick around before leaving your organization for another. The longer you can keep them around, the greater their overall contribution is likely to be, and the greater the chance they'll help out in other ways, such as volunteering, fundraising, joining an event, or signing an important petition.

Donor Lifetime (for a specific donor) = # of years a specific donor has donated

Donor Lifetime (for average donor) = sum of lifetime values for all donors / # of donors

Say you have three donors. One has given just one year, one has given in 10 years, one has given in 5 years. You have the lifetime for each specific donor, but what's the *average* that you can expect for a new donor? You get 5.3 years $((1 + 10 + 5) / 3)$.

If you find your donor lifetime is shorter than you want it to be (ideally they're donors for life), look for ways to engage with them, and make them a bigger part of your community.

[Read Next: Grow Donor Lifetime With Recurring Revenue](#)

5. Donor Lifetime Value (LTV)

This is one of our favorites, and one of the most important when looking at long-term development. We look at fundraising ROI as transcending the dollar amount raised by a given campaign. One-time gifts are important, but the number of new contacts acquired can provide even more significant value.

Each contact represents an opportunity for future gifts and community involvement. Past value can be determined by summing all prior gifts, but predicting overall lifetime value (LTV) of a new donor is more of a challenge. If they give with regularity, be it monthly, or on an annual basis, here's the formula for you:

Donor LTV (for a specific donor) = sum of all donations from that donor

Donor LTV (for an average donor) = average donation amount across all donors x average donor lifetime

Let's take our three donors again.

Donor 1 who gave in one year gave \$100. Donor 2 who gave in ten years gave \$50 five times and \$75 five times. Donor 3 who gave in 5 years gave \$75 five times.

The donor lifetime value for Donor 1 is \$100 ($\100×1). The donor lifetime value for Donor 2 is \$625 ($\$50 \times 5 + \75×5). The donor lifetime value for Donor 3 is \$375 ($\75×5).

What about for a typical donor though? Of our three donors the average give size is \$79.17 ($(\$100 + \$62.5 + \$75) / 3$). We found out earlier that the average lifetime is 5.3 years. So for a new, typical donor we expect their lifetime value to be \$419.60 ($\79.17×5.3).

If you can figure out how much value each new donor brings to the organization, you can look for ways to maximize that value, and make better decisions about how to spend resources on donor acquisition and prolonged engagement. If your Donor Lifetime Value is greater than your Donor Acquisition Cost (or better yet 3-5x more) you should be seeing some pretty good growth across the board, and your organization should be healthy and thriving for years to come!

If you already have a data-driven culture, hopefully some of these metrics look familiar to you. Perhaps they have already helped you frame things in a new way. If these metrics were new or foreign to you, that's okay too. It's important to start somewhere. Measure what you can, and build towards more advanced reporting and improved accuracy as you grow. For most organizations, this is an ongoing challenge, and requires constant attention. As with many other things, just getting started is half the battle.

Once you establish some baseline metrics you're confident in, identify ways to look deeper into the data. You might analyze each metric by cohorts, or groups based on key identifiers such as age, gender, location, acquisition month, event participation, etc. By comparing donor success, donor retention, and lifetime value by cohort, you can identify the things you're doing well, areas for improvement, and groups you can focus on that may feel underserved. Doing so will help put you on a path to continuous growth and improvement as an organization.

[Read Next: The Guide To Meaningful Nonprofit Metrics](#)

By paying attention to the metrics that matter, and making a commitment to developing your data-driven culture, you can create an environment primed for sustainability—one that will give you the best chances of growing meaningful relationships, improving your donor retention rate, and significantly advancing your mission.

Check out the next post in our series, [5 Giving Trends You Need to Know for 2019 and Beyond](#).
