Target Analytics™
a Blackbaud Company

2008 DonorCentrics™ Internet Giving Benchmarking Analysis

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About the donorCentrics™ Internet Giving Collaborative Benchmarking Project

Over the past three years, Target Analytics, a Blackbaud company, has held a series of annual meetings with a total of twenty-four major national non-profit organizations on the subject of online fundraising. The primary purposes of this effort were to give each participating organization the information needed to benchmark their own online fundraising program performance against that of peer organizations and to provide a forum for sharing best practices about online fundraising techniques and developing a successful integrated marketing strategy.

A separate goal of the project was to use the aggregated organization data to derive a set of general discoveries about internet giving in the context of an overall fundraising program. Target published a summary of initial discoveries following the meeting of the first twelve participants in 2006. This document is an update to those findings that incorporates two more years of analysis and giving data from double the number of organizations.

Summary of 2008 Key Findings

- Online giving continues to grow rapidly in 2007 and 2008, even in the absence of major disasters which fueled the growth of online giving for relief and animal welfare organizations in previous years.

- Even with this growth, online giving is still dwarfed by direct mail giving.

- Online donors are younger and have higher incomes than traditional, primarily direct mail donors.

- Over the past few years, online giving has become an increasingly significant source of new donor acquisition.

- Online donors give much larger gifts than traditional donors.

- Online donors have slightly lower retention rates overall than traditional donors.

- Higher acquisition giving levels and higher revenue per donor in subsequent years may mask issues with cultivation and retention of online donors.

- Online giving is not a strong renewal channel; every year, large numbers of online donors migrate away from online giving and to other channels, primarily direct mail.

- Donors to direct mail – the primary giving source for most organizations – rarely give online.

- In the relatively rare cases when mail donors do give online, they tend to give higher average gifts – both before and after their first online gift.

- Online donors downgrade when they switch to offline, primarily direct mail giving.

- Having an email address on file makes a positive difference in the giving behavior of offline donors.

- Donors in the southwest and mountain regions of the United States are disproportionately more likely to give online.

- Differences in revenue per donor and retention rates between online and offline donors are consistent across geographical regions.

These findings are examined in further detail on the following pages.

The donorCentrics™ Internet Giving Benchmarking Analysis

Project Background

Three years ago, Target Analytics held a meeting with a group of twelve national non-profit organizations on the subject of online fundraising. This group has continued to meet every year since and the service has expanded to include another group of twelve organizations which also meet annually. The purpose of these meetings is to provide a collaborative environment in which non-profit organizations can learn from each other's experiences in developing a successful integrated online marketing strategy.

Target convenes many of these forums every year, often organized around particular non-profit sectors such as health, the environment, and international relief, as part of the firm's donorCentrics service. This year's online fundraising forum was facilitated by Carol Rhine of Target Analytics and Nick Allen of Donordigital. Donordigital is a full-service online fundraising, advocacy, and marketing agency and Nick brings real-world experience in managing online programs to our forums.

To provide a factual basis for discussion, Target provided participants in each meeting with a set of reports that allowed them to compare the behavior and characteristics of their online and offline donors. The report gave each participating organization quantitative information derived from their own transactional data – not anecdotal or solely self-reported data – so that organizations could benchmark their own program performance against that of peer organizations.

The reports presented the actual individual performance of each participating organization so that every organization could compare its performance to the other eleven participants and learn which programs had the most success in specific areas. These reports did not focus on internet giving operational metrics, such as email click-through or open rates; rather, they examined internet giving in the context of a primarily direct mail fundraising program, and how this emerging channel impacts donor value.

Online Marketing in the Context of the Direct Mail Machine

The participating non-profits have well-established direct mail programs with which they have been acquiring and cultivating donors for decades. Organizations have honed these programs over the years so that direct mail practices are relatively efficient and well-understood. Direct mail fundraisers are skilled at selection and segmentation for mailings and many have mastered the art of testing to discover the packages, copy, and offers that yield the best returns.

In contrast, online fundraising is new, multi-faceted, and complicated. Many organizations are not yet sure how to best use the web and email to raise significant amounts of revenue. Online giving is growing rapidly but can appear to be somewhat spontaneous and donor motivation is not always understood. Some groups have had great success cultivating large numbers of supporters who read newsletters, sign petitions, play games, and refer friends, but have not had as much success turning these warm prospects into donors.

Some recent studies and presentations have examined techniques of online fundraising such as web site hits or email open and click-through rates. But the challenge of online fundraising also goes beyond technique; it also involves integrating this robust new channel into the existing fundraising practices to maximize overall donor value. The donorCentrics analysis focuses on a donor's entire giving to an organization, and how online giving affects and is affected by the larger direct marketing program.

While online giving is proving to be a great source of new donor acquisition, it is not clear that online donors are being cultivated to their true potential once they are brought onto the file. Online donors have lower retention than donors to other channels. At a given acquisition dollar level, direct-mail-acquired donors yield higher long-term revenue than online-acquired donors. Many donors cease giving online after their initial online gift; they may continue to give to the organization through direct mail but often downgrade when they switch from online to offline giving. Long-term value to the organization far exceeds a donor's initial gift, so learning to fit this growing channel effectively into the existing well-oiled direct marketing machine will be of great benefit.

Participants

The twenty-four organizations participating in online benchmarking in 2008 were divided into two groups of twelve. One group used a July-to-June reporting year and one group used a January-to-December reporting year. The organizations included:

Group 1	Group 2
Reporting Year: July to June	Reporting Year: January to December
Alzheimer's Association	American Humane Association
Amnesty International	AmeriCares
CARE	Catholic Relief Services
Defenders of Wildlife	Doctors Without Borders
Earthjustice	Environmental Defense Fund
Humane Society of the United States	Habitat for Humanity International
Mercy Corps	Human Rights Campaign
National Multiple Sclerosis Society	International Fund for Animal Welfare
National Parks Conservation Association	International Rescue Committee
Project Hope	Save the Children
Trout Unlimited	Sierra Club
U.S. Fund for Unicef	Special Olympics

Key Findings from 2008 Internet Giving Benchmarking

Overview of Findings

Online giving still represents a relatively small portion of donors and revenue at most organizations, but it is growing rapidly. While 2008 is the high point for most organizations in terms of online giving, relief organizations experienced higher spikes in earlier years due to disaster-related giving. Online giving is becoming an important source for new donor acquisition, a key to any organization's long-term stability.

Online donors are younger and have higher incomes than traditional direct mail donors. These are important constituents that non-profits very much want to attract and keep, given the older average donor age in many files.

Online donors give larger gifts and, as a result, have a higher overall long-term value than donors to more traditional giving channels like direct mail, but they are less loyal in terms of repeat giving. Higher average gifts mask the lower retention rates of online donors, which may present an opportunity for improvement at many organizations.

The online giving channel must be an integrated part of an entire direct marketing program because although offline donors do not generally migrate to online giving, online donors do migrate to offline channels in large numbers. In addition, online donors tend to downgrade when they move offline, further evidence that online donors are not cultivated to their full potential.

Individual key findings are examined in further detail on the following pages.

Group 1 and Group 2 Results

The graphs throughout this analysis show medians for the group of twelve organizations using a July-to-June reporting year (Group 1). Data for this group includes giving through June 2008 and is the most recent data available at this time.

The most recent results for the twelve organizations using a January-to-December reporting year (Group 2), which include giving through December 2007, are very similar. Almost all of the general conclusions drawn from Group 1 results can also be applied to Group 2.

The chief differences between Group 1 and Group 2 results are in the magnitude of growth in online giving over time. Overall median rates of growth in the two groups are impossible to compare accurately because of the differences in the reporting years between the two groups and the timing of major disasters. For Group 1, fundraising surrounding the Indian Ocean tsunami occurred in reporting year 2005 and fundraising surrounding the U.S. Gulf Coast hurricanes occurred in reporting year 2006; for Group 2, fundraising for both events occurred in reporting year 2005. Both groups, however, have seen significant growth in online fundraising over the past five years.

For a table of detailed results from both groups, please see the appendix at the end of this document.

Online giving continued to grow rapidly in 2007 and 2008, even in the absence of major disasters which fueled the growth of online giving for relief and animal welfare organizations in previous years.

Since major disasters affected revenue during both 2005 and 2006 – the Indian Ocean tsunami of December 2004 and the U.S. Gulf Coast hurricanes of September 2005 – there was a possibility that the dramatic growth in online giving for many organizations over those two years was solely disaster-related.

Animal welfare and international relief organizations did see spikes in online giving in 2005 and 2006, and for most of these organizations these years still account for the greatest amounts of online donors and revenue. However, organizations from all sectors had significant online giving growth in both 2007 and 2008, even though neither year was a major disaster year.

The exact magnitude of recent online giving growth is difficult to assess across the two benchmarking groups because of differences in their reporting years and in the timing of past disasters. Most recently, however, Group 1 – the group of twelve organizations participating in the most recent benchmarking meeting in January 2009 – had a median increase in online donors of 39% from 2007 to 2008, while their offline donors decreased a median -3% over the same period (see Figure 1).
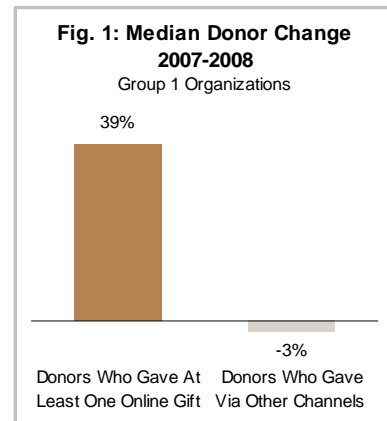
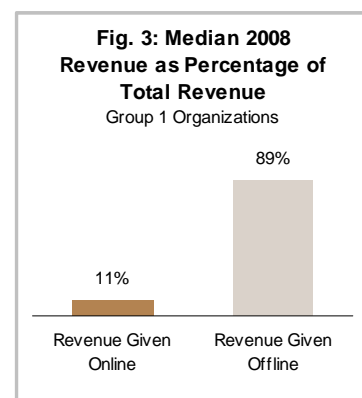Cumulative long-term growth in online donors has been dramatic. This same group of organizations had a median increase in online donors of 315% over the five years from 2004 to 2008 while offline donors declined a median -6% over the same period. The number of donors giving online in 2004 was relatively small, however, at a median of just over 7,000 – compared to 290,000 offline donors – so changes since then are necessarily large.

Fig. 1: Median Donor Change 2007-2008
Group 1 Organizations

Even with this growth, online giving is still dwarfed by direct mail.

Online giving continues to make up a relatively small percentage of overall donors and revenue for most organizations. For the twelve organizations participating in the most recent forum in January 2009, a median 9% of all donors gave online in 2008 (see Figure 2).

Online giving makes up a somewhat larger proportion of revenue than it does donors. For the same group of organizations, online giving accounted for a median 11% of all 2008 revenue (see Figure 3).

This difference is due to the larger size of online gifts, which will be examined below.

Fig. 2: Median 2008 Donors as Percentage of Total File
Group 1 Organizations

Fig. 3: Median 2008 Revenue as Percentage of Total Revenue
Group 1 Organizations
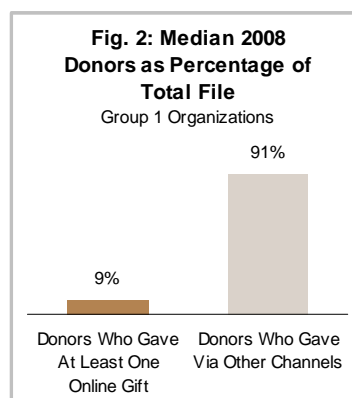
The organizations that chose to participate in online benchmarking are a self-selected group of organizations that are particularly interested in online giving and which therefore may actually have relatively large online giving populations. It is highly likely that online giving makes up an even smaller portion of donors and revenue for other large national non-profits.

Online donors are much younger and have higher incomes than traditional, primarily direct mail donors.

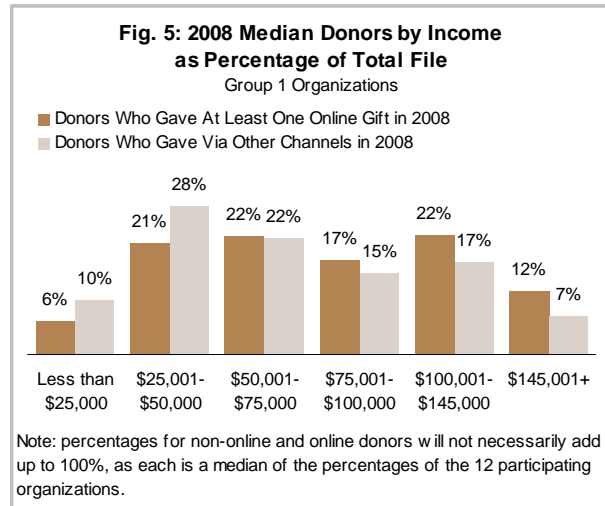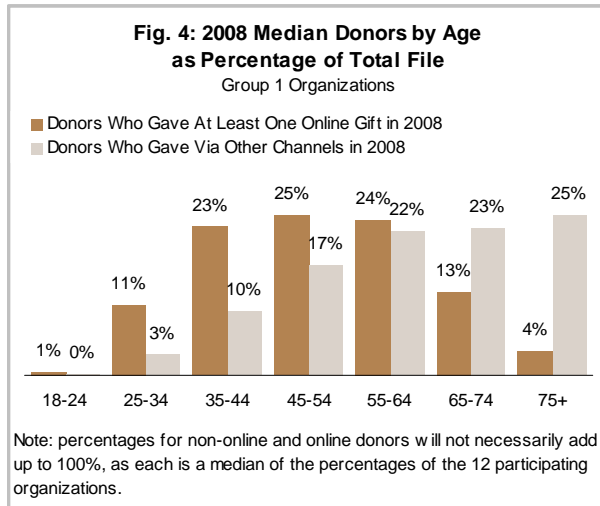Online donors are significantly younger and have higher incomes than donors giving through traditional channels. They also appear to skew somewhat slightly more male. These proportions have not changed noticeably over the past three years.

For Group 1, the twelve organizations participating in the most recent internet benchmarking forum in January 2009, a median of 11% of online donors were under 35, while a median of only 3% of offline donors were in that age group (see Figure 4).
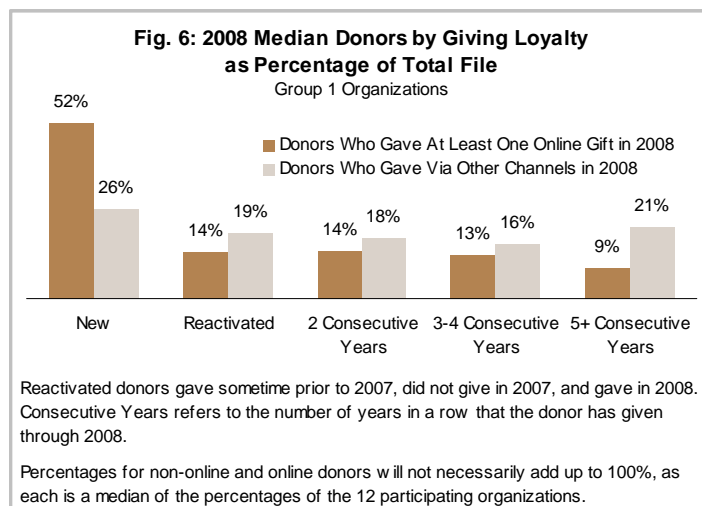

Fig. 4: 2008 Median Donors by Age as Percentage of Total File
Group 1 Organizations

- Donors Who Gave At Least One Online Gift in 2008
- Donors Who Gave Via Other Channels in 2008

Note: percentages for non-online and online donors will not necessarily add up to 100%, as each is a median of the percentages of the 12 participating organizations.

Fig. 5: 2008 Median Donors by Income as Percentage of Total File
Group 1 Organizations

- Donors Who Gave At Least One Online Gift in 2008
- Donors Who Gave Via Other Channels in 2008

Note: percentages for non-online and online donors will not necessarily add up to 100%, as each is a median of the percentages of the 12 participating organizations.

For the same set of organizations, a median of 34% of online donors earned over $100,000 annually, compared to a median of only 24% of offline donors in the same income range (see Figure 5).

The differences in income distribution between online and offline donors to organizations in Group 2 were similar although both online and offline donors to Group 2 organizations generally fell into higher income brackets than those in Group 1.

Over the past several years, the internet has become an increasingly significant source of new donor acquisition.

Online donors are disproportionately new to the organization's file. For the typical non-profit in this analysis, about half of all online donors are new each year. A much smaller proportion of offline donors are new (see Figure 7).

Online donors are, as yet, a small portion of overall donor files. But, due to rapid growth in online giving over the past several years and a high percentage of new donors among online donors, online giving now makes up a significant portion of new donors and revenue.

Fig. 6: 2008 Median Donors by Giving Loyalty as Percentage of Total File
Group 1 Organizations

- Donors Who Gave At Least One Online Gift in 2008
- Donors Who Gave Via Other Channels in 2008

Reactivated donors gave sometime prior to 2007, did not give in 2007, and gave in 2008. Consecutive Years refers to the number of years in a row that the donor has given through 2008.

Percentages for non-online and online donors will not necessarily add up to 100%, as each is a median of the percentages of the 12 participating organizations.

For the 12 organizations participating in the most recent forum, the proportion of new donors acquired online has more than doubled over the past five years, to the point where they accounted for a median 16% of all new donors and a median 27% of all new revenue in 2008 (see Figures 7 and 8). Several organizations also saw large spikes in new online donors in earlier years due to fundraising surrounding disasters.

Fig. 7: Trends in the Percent of New Donors That Are Online Donors
Group 1 Organizations

Year	Percent
2004	3%
2005	7%
2006	16%
2007	10%
2008	16%

Fig. 8: Trends in the Percent of New Revenue Coming in Online
Group 1 Organizations

Year	Percent
2004	6%
2005	14%
2006	22%
2007	20%
2008	27%
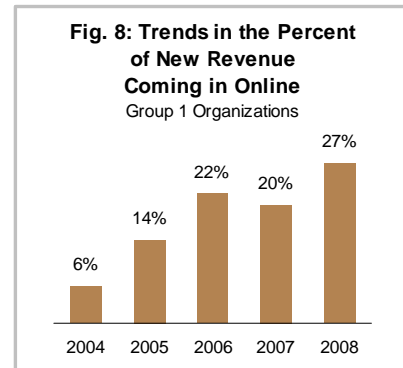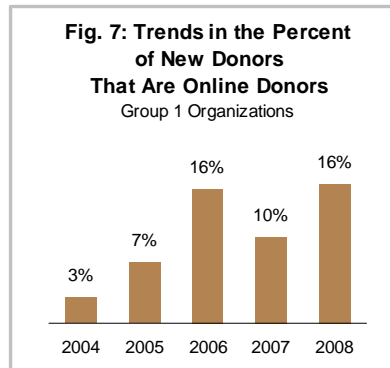
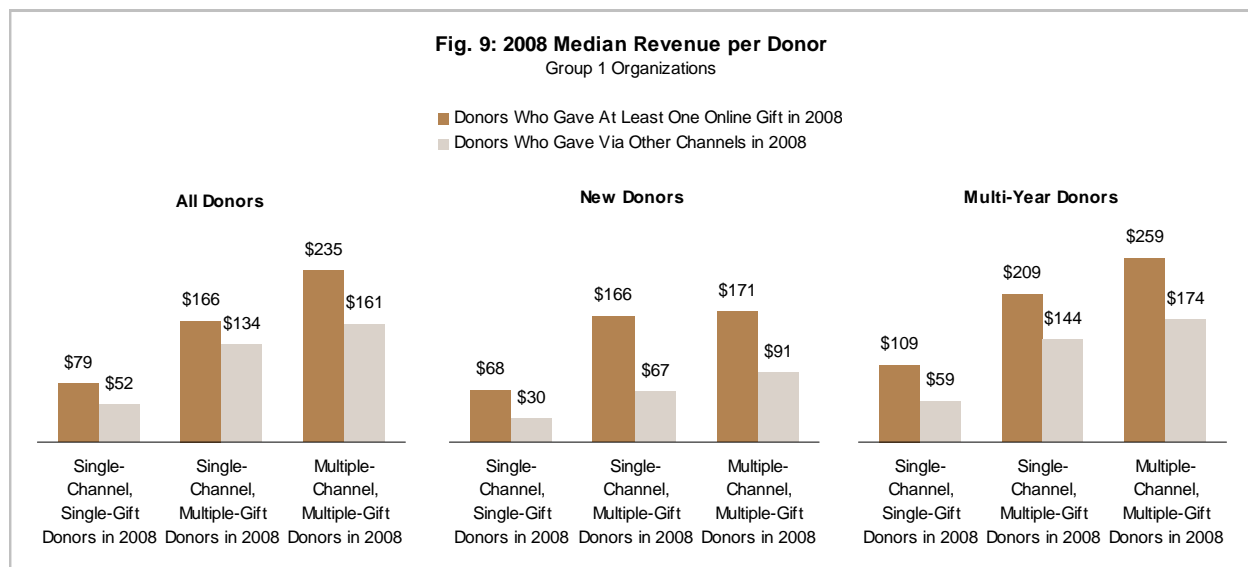The most recent results for the organizations in Group 2 show that they have smaller proportions of online donors among their new donor populations. In 2007, their most recent year of giving, online giving accounted for a median 7.7% of all new donors and 10.6% of all new revenue. This may be due in part to the mix of organizations in Group 2 and may also be due to the timing of their reporting year resulting in older results.

Again, given that Group 1 and Group 2 are both self-selected groups of organizations particularly interested in online fundraising, these percentages are likely higher than the industry as a whole.

Online donors give much larger gifts than traditional, primarily direct mail donors.

Online donors join at much higher acquisition giving levels and give much larger gifts when they renew or reactivate in subsequent years than donors giving through other channels.

Single-gift online donors in Group 1, the most recent benchmarking group in January 2009, gave a median $27 more in 2008 than single-gift offline donors in the same year (see Figure 9). The disparity was greater for new donors than it was for multi-year donors. These single-gift donors accounted for almost three-quarters of both online and offline donors for Group 1 in 2008.

Fig. 9: 2008 Median Revenue per Donor
Group 1 Organizations

■ Donors Who Gave At Least One Online Gift in 2008
□ Donors Who Gave Via Other Channels in 2008

All Donors

	Online	Other Channels
Single-Channel, Single-Gift Donors in 2008	$79	$52
Single-Channel, Multiple-Gift Donors in 2008	$166	$134
Multiple-Channel, Multiple-Gift Donors in 2008	$235	$161

New Donors

	Online	Other Channels
Single-Channel, Single-Gift Donors in 2008	$68	$30
Single-Channel, Multiple-Gift Donors in 2008	$166	$67
Multiple-Channel, Multiple-Gift Donors in 2008	$171	$91

Multi-Year Donors

	Online	Other Channels
Single-Channel, Single-Gift Donors in 2008	$109	$59
Single-Channel, Multiple-Gift Donors in 2008	$209	$144
Multiple-Channel, Multiple-Gift Donors in 2008	$259	$174

Online donors are also disproportionately more likely to have given a mid-level or major gift at least once.

Even when controlling for the donor's loyalty and household income, revenue per donor is still higher for online donors than it is for offline donors.
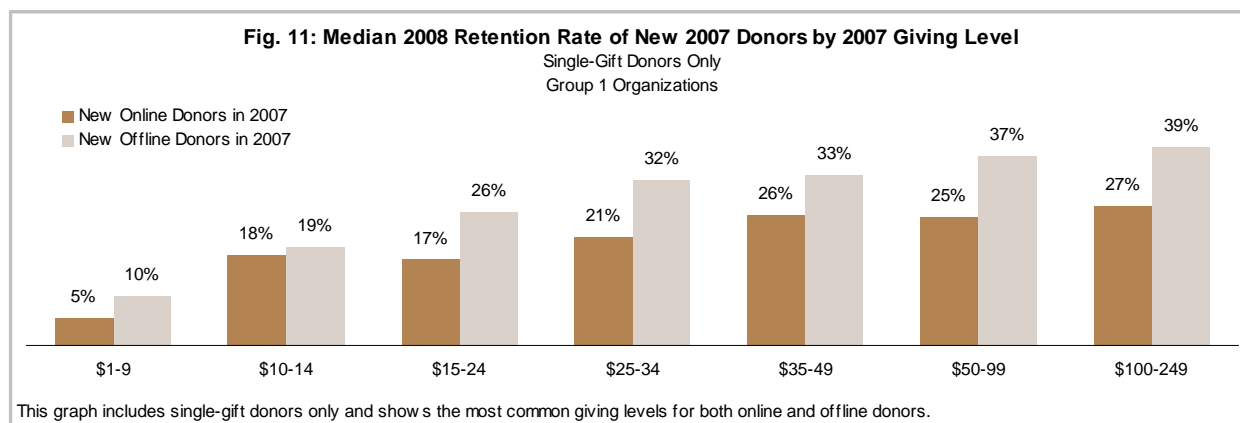
Revenue per donor was much higher for the organizations in Group 2 than the organizations in Group 1, for both online and offline donors. For example, single-gift online Group 2 donors gave a median $109 in 2007, the group's most recent year of giving. Single-gift offline donors gave a median $64 that year.

Online donors have slightly lower retention rates overall than traditional donors.

Over the past three years of analysis, online donors have consistently renewed at rates slightly lower than traditional donors. This is more pronounced for new donors; as loyalty to the organization increases, renewal rate differences diminish (see Figure 10).

Fig. 10: 2008 Median Retention Rate of 2007 Donors
Group 1 Organizations
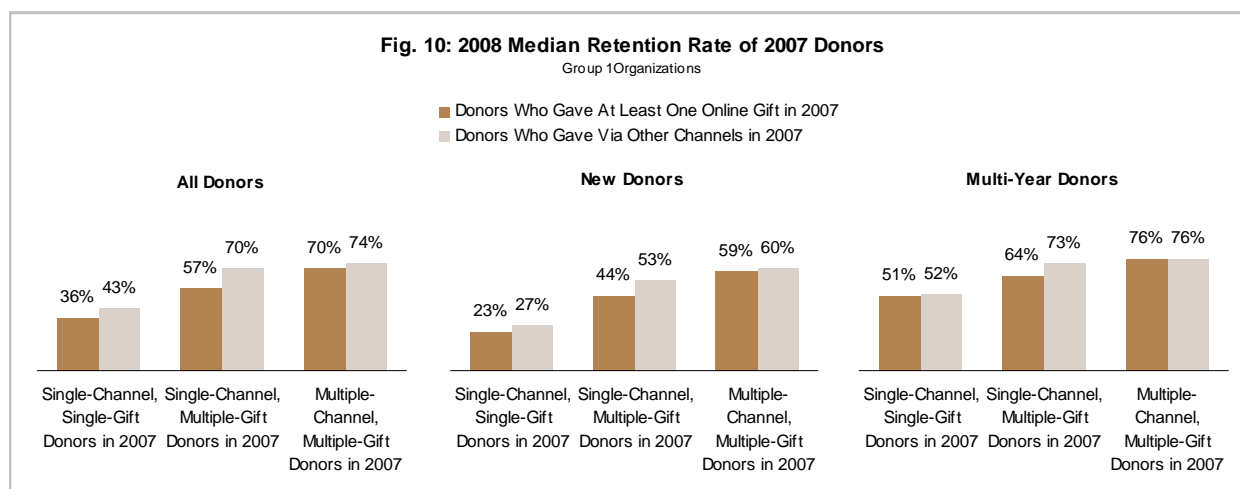
However, when controlling for prior-year giving level, the disparity in retention rates between online and offline donors becomes more evident. This is especially true for new donors (see Figure 11).

Fig. 11: Median 2008 Retention Rate of New 2007 Donors by 2007 Giving Level
Single-Gift Donors Only
Group 1 Organizations

This graph includes single-gift donors only and shows the most common giving levels for both online and offline donors.

As we saw in the previous section, online donors tend to give at higher giving levels than offline donors. Donors at higher giving levels, in turn, tend to have higher retention rates than donors at lower giving levels. The greater proportion of online donors at better-retaining higher giving levels partially compensates for their tendency to be less loyal – resulting in deceptively similar overall retention rates, as shown in Figure 10. We will explore this further in the following section.
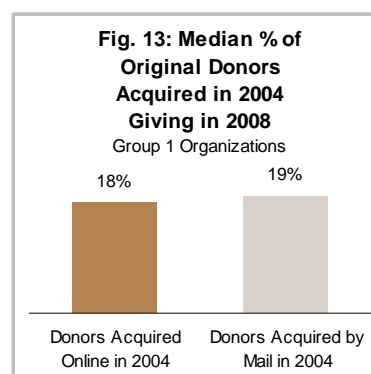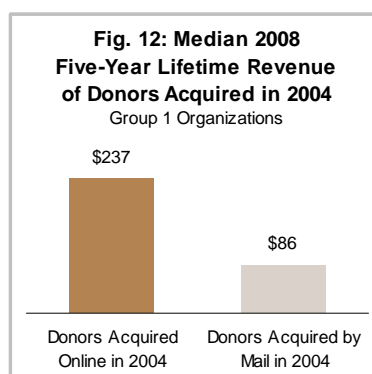
Higher acquisition giving levels and higher revenue per donor in subsequent years may mask issues with cultivation and retention of online donors.

In aggregate, online donors have much higher cumulative value over the long term than traditional mail-acquired donors.

For donors participating in the most recent benchmarking forum in January 2009, the average lifetime revenue per donor as of 2008 of each donor acquired in 2004 was a median $237 for donors acquired online, but only $86 for donors acquired offline (see Figure 12).
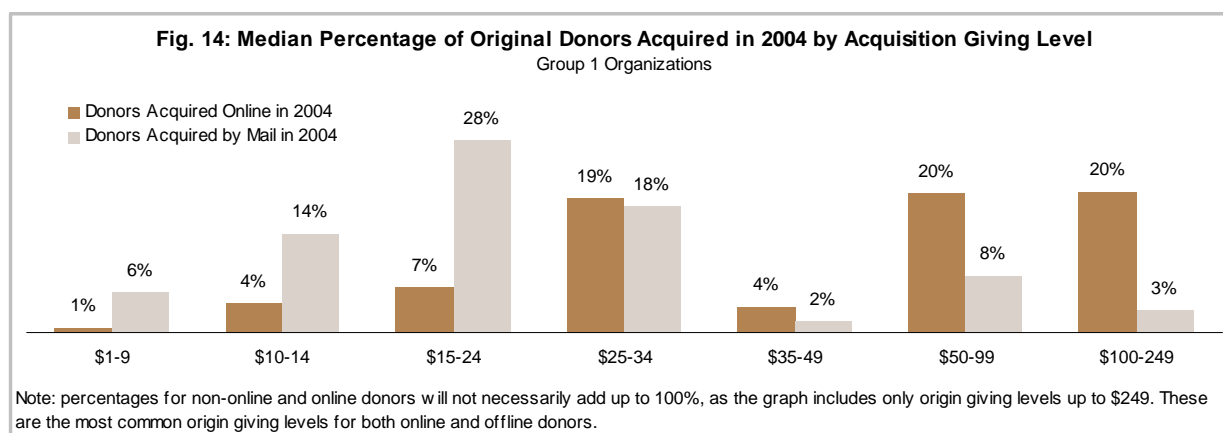
In addition, in aggregate, online and offline donors appear to have similar loyalty to the organization over the long term.

For the Group 1 organizations, for example, the percentages of donors who were acquired in 2004 and are still giving in 2008 were essentially equal for mail-acquired and online-acquired donors (see Figure 13).

Fig. 12: Median 2008 Five-Year Lifetime Revenue of Donors Acquired in 2004
Group 1 Organizations

- $237 — Donors Acquired Online in 2004
- $86 — Donors Acquired by Mail in 2004

Fig. 13: Median % of Original Donors Acquired in 2004 Giving in 2008
Group 1 Organizations

- 18% — Donors Acquired Online in 2004
- 19% — Donors Acquired by Mail in 2004

These aggregate results imply that online donors are universally better donors than donors to offline channels. In fact, however, they mask a real difference in giving loyalty between online and offline donors, as explained below.

Online donors are acquired at much higher levels than donors acquired by mail. For the most recent group of benchmarking organizations which met in January 2009, most online donors were acquired between $25 and $249 while most mail donors were acquired between $1 and $34 (see Figure 14).

Fig. 14: Median Percentage of Original Donors Acquired in 2004 by Acquisition Giving Level
Group 1 Organizations

- Donors Acquired Online in 2004
- Donors Acquired by Mail in 2004

Giving Level	Online	Mail
$1-9	1%	6%
$10-14	4%	14%
$15-24	7%	28%
$25-34	19%	18%
$35-49	4%	2%
$50-99	20%	8%
$100-249	20%	3%

Note: percentages for non-online and online donors will not necessarily add up to 100%, as the graph includes only origin giving levels up to $249. These are the most common origin giving levels for both online and offline donors.

In general, the higher a donor's giving level, the higher their retention rate tends to be. Since online donors are acquired at significantly higher levels than mail donors, we would expect their average retention rate to be higher as well.

But this is not the case; as we saw in the previous section on retention, online donors tend to have slightly lower retention rates than mail donors. The reason that they have similar retention in aggregate is only because online donors tend to cluster at higher-retaining higher giving levels than donors to other channels. And this difference in loyalty persists over the long term.

When we control for acquisition giving level, the effect of the lower loyalty of online donors on long-term donor value is evident.

For Group 1, for the acquisition giving levels where there is a significant number of online donors, a much higher percentage of 2004 mail-acquired donors are still giving to the organization in 2008 than the online-acquired donors who started at the same giving level (see Figure 15).

The end result of this is that, for the acquisition giving levels most prevalent among online donors, online-acquired donors tend to have a lower cumulative lifetime value than traditional mail-acquired donors acquired at the same giving level (see Figure 16).

In other words, online-acquired donors have significantly higher lifetime value in aggregate than mail-acquired donors because their larger initial gifts and greater gifts in later years compensate for their lower levels of loyalty. But online-acquired donors are actually underperforming their mail-acquired giving-level equivalents.

Fig. 15: Median Percent of Original Donors Acquired in 2004 Giving in 2008 by Origin Giving Level
Group 1 Organizations

- Donors Acquired Online in 2004
- Donors Acquired by Mail in 2004

This graph includes only origin giving levels with significant numbers of online donors.

Fig. 16: Median 2008 Lifetime Value of Donors Acquired in 2004 by Origin Giving Level
Group 1 Organizations

- Donors Acquired Online in 2004
- Donors Acquired by Mail in 2004

This graph includes only origin giving levels with significant numbers of online donors.

A key question remains, however, whether this is a function of fundraising techniques to renew the donor and therefore presents an opportunity – or whether it has more to do with the donor themselves.

It may be that the heavy use of direct mail to cultivate donors is not as effective for online-acquired donors as it is for donors who have already shown themselves to be responsive to direct mail. On the other hand, while a $50 gift is a fairly significant direct mail acquisition gift and may indicate substantial donor affinity with the organization, a $50 gift from a disproportionately younger and higher-income online donor may not indicate the same level of affinity.

In this analysis, we have chosen to focus on the long-term value of donors of acquired in 2004. This is because 2004 was one of the first years in which participating organizations received significant numbers of online gifts and it was also a year in which giving was not influenced by any major disaster. Results for donors acquired in 2005 and 2006 are, however, similar to those for donors acquired in 2004.

Online giving is not a strong renewal channel; every year, large numbers of online donors migrate away from online or email giving and to other sources, primarily direct mail.

Most online donors continue to give online in successive years and the percentages of both first-year and multi-year online donors who renew and reactivate online have been growing steadily since 2004.

However, for many organizations, a sizeable portion of online donors do migrate to offline giving.
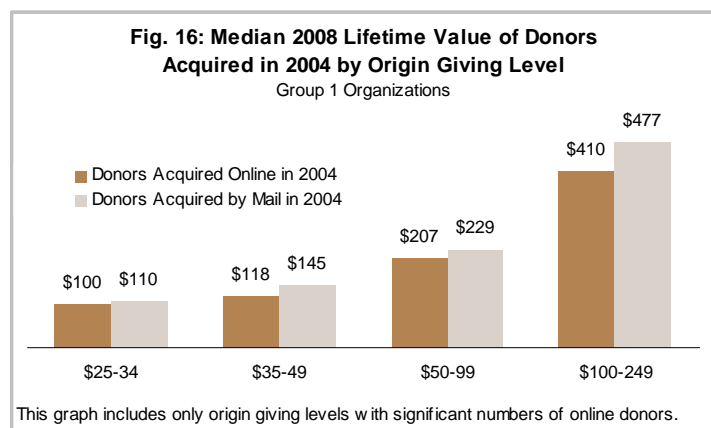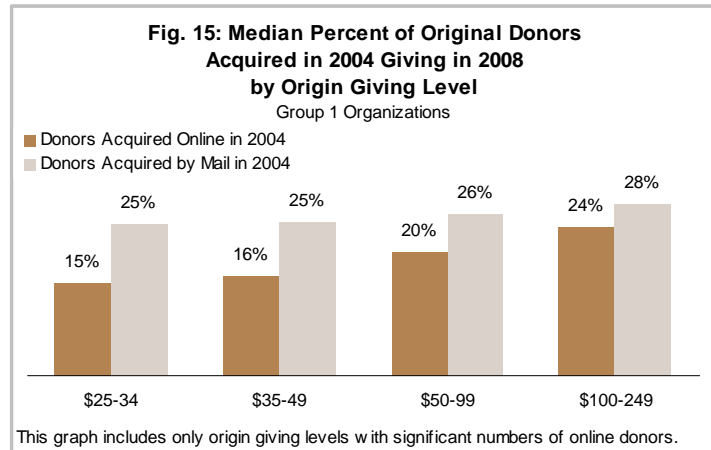
This is particularly true for new donors; significant portions of donors who were acquired online switch to traditional direct mail in their second year of giving. For the twelve organizations participating in the most recent forum in January 2009, a median 33% of the donors who were acquired online in 2007 gave offline when they renewed in 2008 (see Figure 17).

Fig. 17: Channel Migration of Donors Acquired in 2007 Who Renewed in 2008
Group 1 Organizations

Since donors may give both online and via mail in a single year, or may give to neither of these two sources in a single year, percentages may add to more or less than 100%.

Fig. 18: Channel Migration of Donors Acquired Online in 2006 Who Gave All Three Years 2006-2008
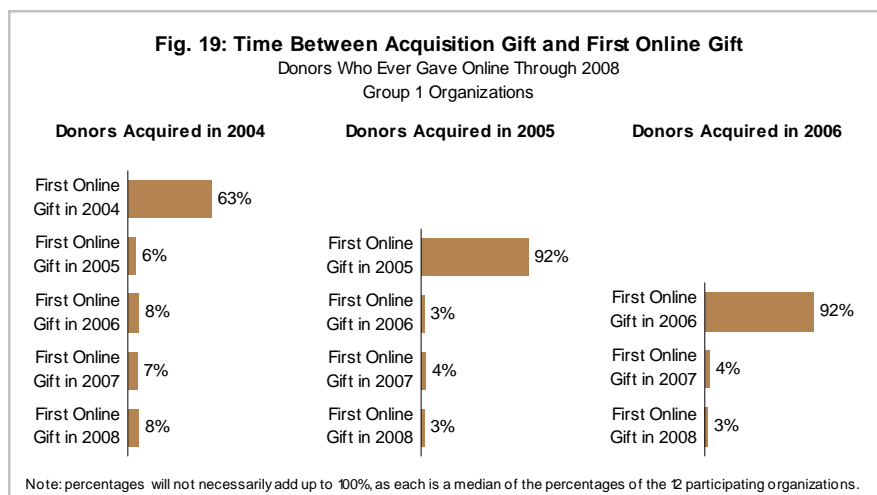Group 1 Organizations
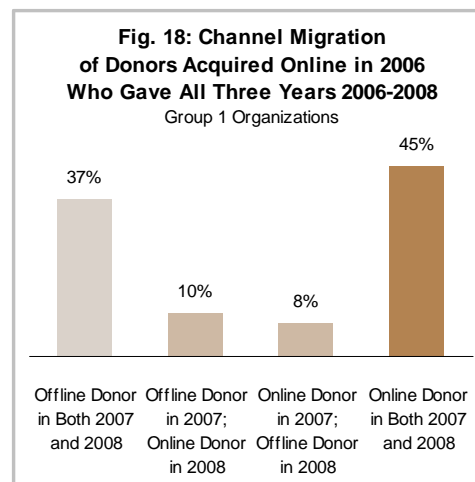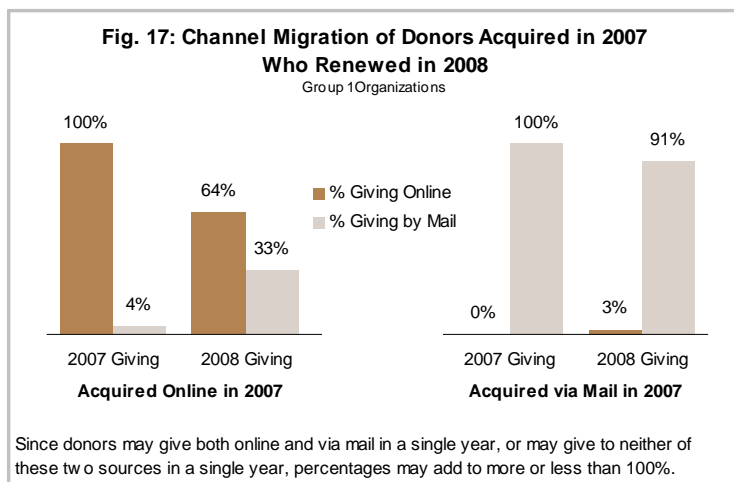
This online-to-offline migration continues into later giving years as well. For the same group of organizations, a median 37% of the donors acquired online in 2006 who gave in both 2007 and 2008 never gave online again in either of their subsequent years of giving after their acquisition year (see Figure 18).

Donors to direct mail – the primary giving source for most organizations – rarely migrate to online giving.

Most donors are direct mail donors who have never given online. The percentage of these offline donors who later give online has grown over the past five years but nevertheless remains very small. For organizations in the most recent benchmarking group, a median of only 3% of all donors acquired via mail in 2007 gave online when they renewed in 2008 (see Figure 17 above).

Most online donors give their first online gift in their acquisition year. If a donor has not given online in their acquisition year, they are unlikely to do so in the future. Of all the donors who were acquired in 2004 by Group 1 organizations and who gave online at some point between 2004 and 2008, 63% of them gave their first online gift in their acquisition year (see Figure 19). Only very small percentages of original

Fig. 19: Time Between Acquisition Gift and First Online Gift
Donors Who Ever Gave Online Through 2008
Group 1 Organizations

Note: percentages will not necessarily add up to 100%, as each is a median of the percentages of the 12 participating organizations.

donors acquired in 2004 began as offline donors and then gave online in later years. For donors acquired in 2005 and 2006 this pattern is even more pronounced; this may be at least in part due to the large number of disaster-related donors acquired online in those years.

Donors who gave online in their last year of giving are the most likely to give online again when they renew or reactivate in later years (see Figures 20 and 21). In addition, if a donor has given online at any point, even if it was not their most recent year of giving, they are far more likely to renew or reactivate online than donors who have never given online before.

Fig. 20: Percent of
2008 Retained Multi-Year Donors
Giving Online in 2008
Group 1 Organizations

72% — 2007 Online Donors
20% — 2007 Offline Donors with a Prior History of Online Giving
2% — 2007 Offline Donors with No Online Giving History

Fig. 21: Percent of
2008 Reactivated Multi-Year Donors
Giving Online in 2008
Group 1 Organizations

62% — Lapsed Donors Giving Online in Their Last Giving Year
26% — Lapsed Donors Giving Offline in Their Last Giving Year with a Prior History of Online Giving
3% — Lapsed Donors Giving Offline in Their Last Giving Year with No Online Giving History

Even for those donors who did not give online in their last year of giving but who had a previous history of online giving, however, the proportion who give online when they retain or reactivate is still generally a quarter or less of the retained or reactivated donors (see Figures 20 and 21). Online reactivation is still in its infancy in most fundraising programs and will likely grow as practices mature.
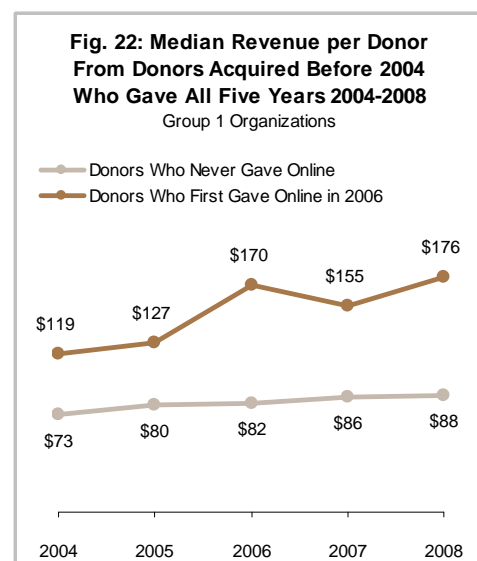
In the relatively rare cases when mail donors do begin giving online, they tend to give larger gifts – both before and after their first online gift.

Organizations are often understandably interested in the value of long-time offline donors who convert to online giving and how it compares to that of long-time offline donors who never give online at all. For the most recent internet benchmarking forum in January 2009, we analyzed the participating organizations' most loyal donors to see what difference, if any, conversion to online giving made in their giving behavior. The analysis isolated donors who had been acquired offline at any time before 2004 and who had given consecutively in all five years from 2004 to 2008, and split this population into donors who had never given online and donors who eventually gave online in some later year.

It is important to note that only a small proportion of these long-time donors acquired offline before 2004 gave online in later years. A median of only 4% of these donors gave online for the first time between 2004 and 2008, while 96% never converted to online giving at all.

In keeping with their higher average gift amounts, offline donors who converted to online giving tended to give more in the years following their first online gift than those who never give online.

They also, however, tended to have given more in the years *before* their first online gift as well (see Figure 22). This indicates that donors who give online are already predisposed to give higher gifts, regardless of channel. Revenue per donor rises substantially in an offline donor's first year of giving online. Giving falls to a lower level the next year, but does not drop all the way back down to the donor's pre-online level of giving.

Fig. 22: Median Revenue per Donor
From Donors Acquired Before 2004
Who Gave All Five Years 2004-2008
Group 1 Organizations

— Donors Who Never Gave Online
— Donors Who First Gave Online in 2006

Donors Who First Gave Online in 2006: $119 (2004), $127 (2005), $170 (2006), $155 (2007), $176 (2008)
Donors Who Never Gave Online: $73 (2004), $80 (2005), $82 (2006), $86 (2007), $88 (2008)

In keeping with online-to-offline migration patterns we have seen already, even when long-time offline donors do convert to online giving in a given year, they frequently do not tend to continue giving online in later years.
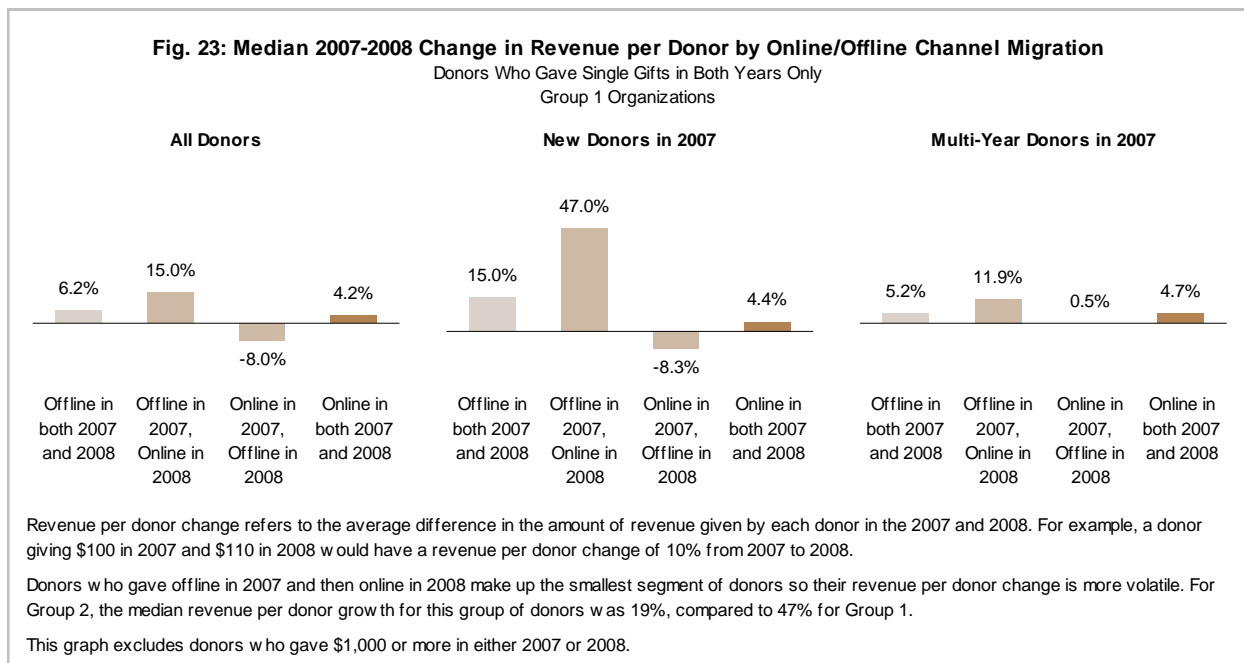
Of these 2004-to-2008 continuous-giving donors who gave online for the first time in 2006, a median of 47% gave online in 2007 and 45% gave online in 2008.

Online donors downgrade when they switch to offline, primarily direct mail giving.

While analyzing the revenue migration of the donors to the most recent group of benchmarking organizations, it became clear that while donors tend to upgrade significantly when they move from offline to online giving, they downgrade when they move from online to offline giving.

To remove the possibility that some of this might have been due to donors giving an additional gift online in one year and then downgrading the next year because they were no longer giving that additional gift, we narrowed the population to only those donors giving one gift in both 2007 and 2008. The tendency to downgrade when moving online to offline, while not as pronounced, still remained.

This overall downgrading is due to the behavior of new online donors, who make up the majority of online donors. For organizations in the most recent benchmarking group, revenue from each 2007 new donor declined by a median of 8% when they gave offline in their renewal year (see Figure 23).

Fig. 23: Median 2007-2008 Change in Revenue per Donor by Online/Offline Channel Migration
Donors Who Gave Single Gifts in Both Years Only
Group 1 Organizations

Revenue per donor change refers to the average difference in the amount of revenue given by each donor in the 2007 and 2008. For example, a donor giving $100 in 2007 and $110 in 2008 would have a revenue per donor change of 10% from 2007 to 2008.

Donors who gave offline in 2007 and then online in 2008 make up the smallest segment of donors so their revenue per donor change is more volatile. For Group 2, the median revenue per donor growth for this group of donors was 19%, compared to 47% for Group 1.

This graph excludes donors who gave $1,000 or more in either 2007 or 2008.

When multi-year online donors move offline, their retention year revenue per donor remains essentially the same as the year before; they had a median change of 0.5% in 2008. This was still lower than the revenue per donor change of those donors staying within the same channel, and substantially lower than the revenue per donor change of donors moving from offline to online giving.

In the most recent benchmarking forum in January 2009, it also became evident that the tendency to downgrade when moving offline was not true for membership organizations.

For the eight organizations in the group that were predominantly donor-based organizations, online donors who moved offline in their renewal year downgraded by a median -11% when they renewed (see Fig. 24).
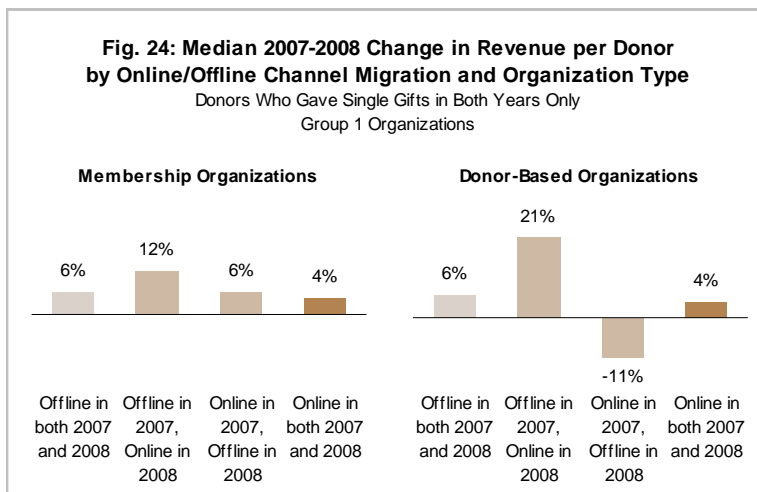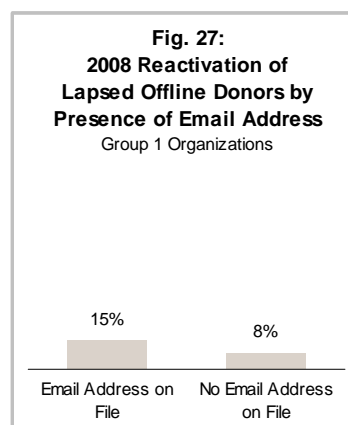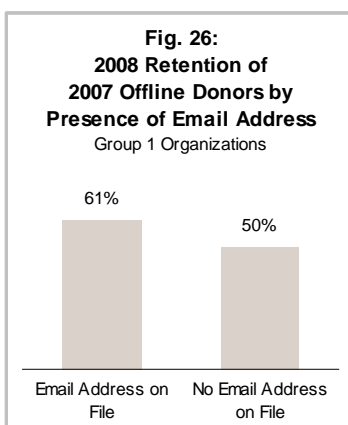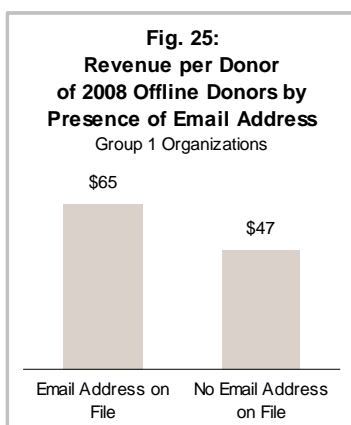
For the four primarily membership organizations in the group, on the other hand, online donors who moved offline in their renewal year upgraded by a median of 6% – an upgrade rate similar to that of donors who stayed within the same channel.

Fig. 24: Median 2007-2008 Change in Revenue per Donor by Online/Offline Channel Migration and Organization Type
Donors Who Gave Single Gifts in Both Years Only
Group 1 Organizations

Membership Organizations

	6%	12%	6%	4%

Offline in both 2007 and 2008 | Offline in 2007, Online in 2008 | Online in 2007, Offline in 2008 | Online in both 2007 and 2008

Donor-Based Organizations

	6%	21%	-11%	4%

Offline in both 2007 and 2008 | Offline in 2007, Online in 2008 | Online in 2007, Offline in 2008 | Online in both 2007 and 2008

It is likely that donors to membership organizations are less likely to downgrade from one year to another because of the defined member benefits they receive at specific defined giving levels. In addition, examination of organizational ask strategies for online and offline efforts were not a part of this analysis but may be affecting donor revenue migration from year to year.

Having an email address on file makes a positive difference in the giving behavior of offline donors.

Online donors typically have an email address on file with the organization and most offline donors do not. For both online and offline donors, younger donors are disproportionately more likely to have an email address on file than older donors.

Offline donors who have an email address on file, and who have no record of giving online, give far more per year and retain and reactivate at higher rates than those who do not have an email address on file (see Figures 25-27).

Fig. 25:
Revenue per Donor of 2008 Offline Donors by Presence of Email Address
Group 1 Organizations

$65	$47
Email Address on File	No Email Address on File

Fig. 26:
2008 Retention of 2007 Offline Donors by Presence of Email Address
Group 1 Organizations

61%	50%
Email Address on File	No Email Address on File

Fig. 27:
2008 Reactivation of Lapsed Offline Donors by Presence of Email Address
Group 1 Organizations

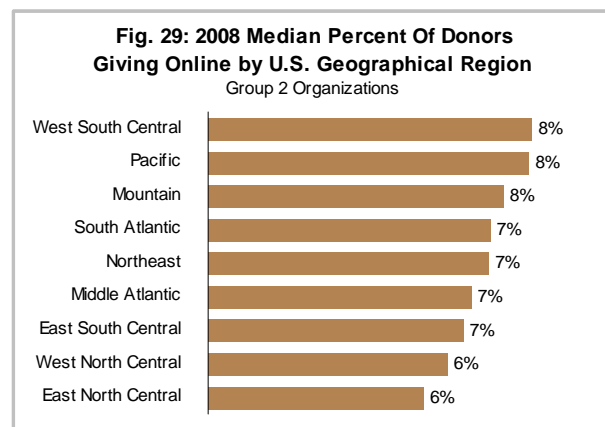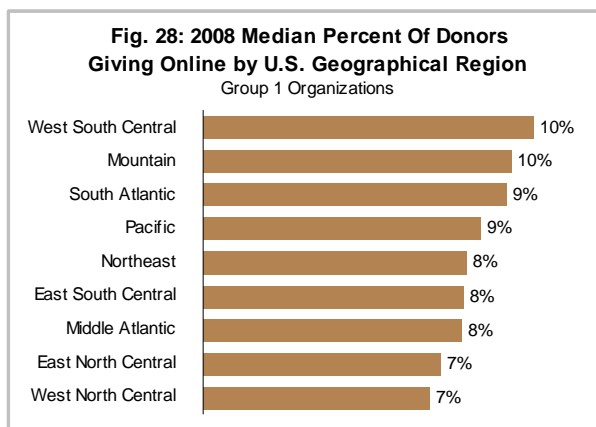| 15%	8%
Email Address on File	No Email Address on File

Providing an email address may indicate greater affinity towards an organization. In addition, donors who have email addresses on file may tend to be those who have had more opportunities to provide it to the organization, and who would therefore be those with greater giving loyalty or who receive more frequent communication from the organization.

Donors in the southwest and mountain regions of the United States are disproportionately more likely to give online.

Most organizations' donors live along the Atlantic and Pacific coasts and in the rust belt states of the Midwest. Southern states and the mountain regions account for the fewest donors. This correlates strongly with population centers.

Donors in southwestern and mountain states are disproportionately more likely to give online. Donors in mid-Atlantic and upper Midwest states are generally disproportionately less likely to give online. This correlates strongly with age; states with younger populations are disproportionately more likely to give online.

The same five U.S. regions have the highest percentage of online donors for the organizations in both Group 1 and Group 2 (see Figures 28 and 29). The five regions fall in a somewhat different order but the West South Central region is the top region for both groups. The same two regions – East North Central and West North Central – have the lowest proportions of online donors for both Group 1 and Group 2.

Fig. 28: 2008 Median Percent Of Donors Giving Online by U.S. Geographical Region
Group 1 Organizations

Region	Percent
West South Central	10%
Mountain	10%
South Atlantic	9%
Pacific	9%
Northeast	8%
East South Central	8%
Middle Atlantic	8%
East North Central	7%
West North Central	7%

Fig. 29: 2008 Median Percent Of Donors Giving Online by U.S. Geographical Region
Group 2 Organizations

Region	Percent
West South Central	8%
Pacific	8%
Mountain	8%
South Atlantic	7%
Northeast	7%
Middle Atlantic	7%
East South Central	7%
West North Central	6%
East North Central	6%

For a list of the states in each region, please see page 16.

Differences in revenue per donor and retention rates between online and offline donors are consistent across geographical regions.

Generally, donors in coastal states – particularly Pacific and Mid-Atlantic states – tend to give more per year and donors in the southeast and southwest give less per year than donors in other areas. However, there is no significant pattern of difference in revenue per donor between online and offline donors by geography; single-gift online donors typically tend to give two to three times more than single-gift offline donors in the same region.

Generally, donors in Midwestern and Mid-Atlantic states tend to renew at higher rates and donors in southeast, southwest, and mountain states renew at lower rates than donors in other areas. However, there is no significant pattern of difference between online and offline donors by geography; single-gift online donors tend to renew at rates about ten percentage points lower than single-gift offline donors in the same region.

How to Participate

Target Analytics will be convening more donorCentrics internet benchmarking forums in 2009. Interested organizations should contact Kathy Gallagher at kgallagher@targetanalysis.com or 617-583-8610.

Notes

- All data is calculated directly from transactions downloaded from each organization's fundraising system. Participants have had the opportunity to review and approve a diagnostic report of revenue and gift totals by source for the years included in this analysis.

- All gifts below $5,000 are included in the analysis. Larger gifts are excluded so as not to skew benchmarking results, particularly average gifts.

- For the most part, this analysis includes direct marketing giving only. Large-scale event giving is, with a few exceptions, generally not part of the fundraising programs of these participating organizations.

- The terms "web giving" and "online giving" are used interchangeably throughout the reports and analysis. These terms refer to gifts given through the organization's website or in response to an e-solicitation, regardless of what motivated the donor (e.g. an e-mail, an online marketing effort, direct mail, etc.)

- Classification of online gifts into finer categories that signified motivation for the gift (e.g. email, banner ads, web site visits) was inconsistent or missing from most transactional giving data files, so it could not be used reliably for cross-organizational benchmarking.

- The demographic characteristics of household income and age generally refer to the age of the person listed as the head of the household, whether or not the head of household was actually the donor to the organization. Gender generally refers to the gender of the actual donor to the organization.

- Cultivation and other investment costs are not part of this analysis. Organizations do differ in their investment levels for various direct marketing activities and relative costs of different fundraising channels are discussed at benchmarking meetings.

- United States geographic regions used in the analysis are as follows:

Northeast	West North Central	Mountain	East South Central
Connecticut	Iowa	Arizona	Alabama
Maine	Kansas	Colorado	Kentucky
Massachusetts	Minnesota	Idaho	Mississippi
New Hampshire	Missouri	Montana	Tennessee
Rhode Island	Nebraska	Nevada	
Vermont	North Dakota	New Mexico	South Atlantic
	South Dakota	Utah	Delaware
Middle Atlantic			District of Columbia
New Jersey	Pacific	West South Central	Florida
New York	Alaska	Arkansas	Georgia
Pennsylvania	California	Louisiana	Maryland
	Hawaii	Oklahoma	North Carolina
East North Central	Oregon	Texas	South Carolina
Illinois	Washington		Virginia
Indiana			West Virginia
Michigan			
Ohio			
Wisconsin			

Appendix: Internet Giving Data

Overall Giving and Demographics

	Group 1 Medians Reporting Year: July to June Most Recent Year Ended: June 2008		Group 2 Medians Reporting Year: January to December Most Recent Year Ended: December 2007	

Key Current Year Donor Metrics

Metric	Offline Donors	Online Donors	Offline Donors	Online Donors
% of Total Donors in Current Year	91%	9%	93%	7%
1-Year Donor Change through Current Year	-3%	39%	-3%	9%
3-Year Donor Change through Current Year	-8%	133%	0%	-35%
5-Year Donor Change through Current Year	-6%	315%	1%	360%

Key Current Year Revenue Metrics

Metric	Given Offline	Given Online	Given Offline	Given Online
% of Total Revenue in Current Year	89%	11%	90%	10%
Average Gift in Current Year	$43	$79	$43	$76
Revenue per Donor in Current Year	$76	$104	$102	$170

Current Year Donors by Age as a Percent of Total File

Age	Offline Donors	Online Donors	Offline Donors	Online Donors
18-24	0%	1%	0%	1%
25-34	3%	11%	3%	10%
35-44	10%	23%	10%	23%
45-54	17%	25%	18%	26%
55-64	22%	24%	23%	24%
65-74	23%	13%	22%	12%
75+	25%	4%	23%	4%

Current Year Donors by Household Income as a Percent of Total File

Household Income	Offline Donors	Online Donors	Offline Donors	Online Donors
Less than $25,000	10%	6%	6%	3%
$25,001-$50,000	28%	21%	19%	13%
$50,001-$75,000	22%	22%	21%	19%
$75,001-$100,000	15%	17%	16%	17%
$100,001-$145,000	17%	22%	22%	27%
$145,001+	7%	12%	16%	21%

Current Year Donors by Loyalty as a Percent of Total File

Loyalty	Offline Donors	Online Donors	Offline Donors	Online Donors
New	26.1%	51.8%	29.0%	47.4%
Reactivated	19.0%	13.8%	17.2%	13.9%
2 Yrs Consecutive	17.7%	13.9%	15.5%	12.4%
3/4 Yrs Consecutive	16.1%	12.8%	15.4%	11.5%
5+ Yrs Consecutive	21.3%	8.7%	20.2%	7.9%

Trends in Online Donors and Revenue as a Percent of All New Donors and Revenue

Year	Donors	Revenue	Donors	Revenue
Four Years Ago	3.0%	6.2%	2.1%	5.7%
Three Years Ago	7.1%	14.2%	9.2%	10.6%
Two Years Ago	15.5%	22.0%	7.7%	13.6%
One Year Ago	10.0%	20.3%	6.7%	9.9%
This Year	16.0%	27.2%	7.7%	10.6%

Channel Migration

| | **Group 1 Medians**
Reporting Year: July to June
Most Recent Current Year Ended: June 2008 | | **Group 2 Medians**
Reporting Year: January to December
Most Recent Current Year Ended: December 2007 | |

Current Year Multi-Channel Donors as a % of Total File

Number of Channels and Sources	Offline Donors	Online Donors	Offline Donors	Online Donors
Single-Channel, Single-Gift Donors	73%	74%	60%	53%
Single-Channel, Multiple-Gift Donors	23%	12%	34%	13%
Multiple-Channel, Multiple-Gift Donors	6%	15%	9%	31%

Current Year Revenue per Donor by Number of Channels and Sources (All Donors)

	Offline Donors	Online Donors	Offline Donors	Online Donors
Single-Channel, Single-Gift Donors	$52	$79	$64	$109
Single-Channel, Multiple-Gift Donors	$134	$166	$184	$195
Multiple-Channel, Multiple-Gift Donors	$161	$235	$334	$299

Current Year Revenue per Donor by Number of Channels and Sources (New Donors)

	Offline Donors	Online Donors	Offline Donors	Online Donors
Single-Channel, Single-Gift Donors	$30	$68	$45	$99
Single-Channel, Multiple-Gift Donors	$67	$166	$107	$168
Multiple-Channel, Multiple-Gift Donors	$91	$171	$220	$310

Current Year Revenue per Donor by Number of Channels and Sources (Multi-Year Donors)

	Offline Donors	Online Donors	Offline Donors	Online Donors
Single-Channel, Single-Gift Donors	$59	$109	$75	$139
Single-Channel, Multiple-Gift Donors	$144	$209	$198	$238
Multiple-Channel, Multiple-Gift Donors	$174	$259	$345	$297

Current Year Retention Rate for All Donors in Previous Year by Number of Channels and Sources

Number of Channels and Sources	Offline Donors	Online Donors	Offline Donors	Online Donors
Single-Channel, Single-Gift Donors	43%	36%	40%	33%
Single-Channel, Multiple-Gift Donors	70%	57%	73%	61%
Multiple-Channel, Multiple-Gift Donors	74%	70%	79%	76%

Current Year Retention Rate for New Donors in Previous Year by Number of Channels and Sources

Number of Channels and Sources	Offline Donors	Online Donors	Offline Donors	Online Donors
Single-Channel, Single-Gift Donors	27%	23%	25%	24%
Single-Channel, Multiple-Gift Donors	53%	44%	52%	45%
Multiple-Channel, Multiple-Gift Donors	60%	59%	61%	60%

Current Year Retention Rate for Multi-Year Donors in Previous Year by Number of Channels and Sources

Number of Channels and Sources	Offline Donors	Online Donors	Offline Donors	Online Donors
Single-Channel, Single-Gift Donors	52%	51%	49%	46%
Single-Channel, Multiple-Gift Donors	73%	64%	76%	67%
Multiple-Channel, Multiple-Gift Donors	76%	76%	80%	78%

Current Year Channel Migration of Donors Acquired in Previous Year

	Aquired via Mail	Acquired Online	Aquired via Mail	Acquired Online
% Giving Mail Gifts in Previous Year	100%	4%	100%	3%
% Giving Mail Gifts in Current Year	91%	33%	90%	38%
% Giving Online Gifts in Previous Year	0%	100%	0%	100%
% Giving Online Gifts in Current Year	3%	64%	1%	56%

Percent Change in Revenue per Donor of Prior Year Donors Renewing in Current Year
Excludes donors giving more than $1000 in either prior or current year.

Channel Migration	New in 2007	Multi-Year in 2007	New in 2006	Multi-Year in 2006
Offline in Both Prior and Current Years	15.0%	5.2%	7.9%	5.2%
Offline in Prior Year, Online in Current Year	47.0%	11.9%	19.4%	6.8%
Online in Prior Year, Offline in Current Year	-8.3%	0.5%	-5.5%	1.7%
Online in Both Prior and Current Years	4.4%	4.7%	3.9%	5.3%

Lifetime Giving, Email Address, and Geography

| | **Group 1 Medians**
Reporting Year: July to June
Most Recent Current Year Ended: June 2008 | | **Group 2 Medians**
Reporting Year: January to December
Most Recent Current Year Ended: December 2007 | |

Lifetime Giving Behavior of Donors Acquired Five Years Ago

	Aquired via Mail	Acquired Online	Aquired via Mail	Acquired Online
Cumulative Lifetime Value in Current Year	$86	$237	$91	$265
% of Donors Still Giving in Current Year	19%	18%	18%	15%

Percent of Original Donors Acquired Five Years Ago by Acquisition Giving Level

Acquisition Giving Level	Aquired via Mail	Acquired Online	Aquired via Mail	Acquired Online
$1-9	6%	1%	12%	2%
$10-14	14%	4%	20%	4%
$15-24	28%	7%	25%	10%
$25-34	18%	19%	19%	21%
$35-49	2%	4%	5%	5%
$50-99	8%	20%	7%	23%
$100-249	3%	20%	2%	23%

Percent of Original Donors Acquired Five Years Ago still Giving in Current Year by Acquisition Giving Level

Acquisition Giving Level	Aquired via Mail	Acquired Online	Aquired via Mail	Acquired Online
$1-9	7%	8%	9%	2%
$10-14	14%	17%	12%	8%
$15-24	19%	13%	16%	13%
$25-34	25%	15%	21%	11%
$35-49	25%	16%	21%	14%
$50-99	26%	20%	24%	15%
$100-249	28%	24%	26%	22%

Current Year Lifetime Value of Donors Acquired Five Years Ago by Acquisition Giving Level

Acquisition Giving Level	Aquired via Mail	Acquired Online	Aquired via Mail	Acquired Online
$1-9	$13	$31	$17	$18
$10-14	$34	$91	$33	$46
$15-24	$63	$67	$63	$87
$25-34	$117	$132	$99	$87
$35-49	$146	$116	$144	$120
$50-99	$246	$210	$227	$206
$100-249	$493	$397	$457	$451

Key Metrics by Presence of Email Address

Revenue per Donor in Current Year	Offline Donors	Online Donors	Offline Donors	Online Donors
Donors with an Email Address on File	$65	$79	$154	$170
Donors with No Email Address on File	$47	$130	$92	$155

Retention Rate in Current Year	Offline Donors	Online Donors	Offline Donors	Online Donors
Donors with an Email Address on File	61%	47%	63%	45%
Donors with No Email Address on File	50%	30%	51%	26%

Reactivation Rate in Current Year Includes donors lapsed 1-5 years only.	Offline Donors	Online Donors	Offline Donors	Online Donors
Donors with an Email Address on File	15%	9%	14%	8%
Donors with No Email Address on File	8%	3%	7%	3%

Current Year Percent of Donors Giving Online by Region

Region	% Giving Online	% Giving Online
Northeast	8.2%	7.3%
Middle Atlantic	8.0%	6.8%
East North Central	7.4%	5.6%
West North Central	7.0%	6.2%
Pacific	8.6%	8.3%
Mountain	9.5%	7.6%
West South Central	10.2%	8.3%
East South Central	8.1%	6.6%
South Atlantic	9.4%	7.3%

About Target Analytics

Target Analytics, a Blackbaud Company, delivers data-driven, collaborative solutions designed to help non-profit organizations maximize their fundraising potential. Founded in 1989, Target Analytics was the first company to bring forward-thinking non-profit organizations together to establish industry-standard benchmarking and openly discuss successful strategies and practices.

About Blackbaud

Blackbaud is the leading global provider of software and services designed specifically for nonprofit organizations, enabling them to improve operational efficiency, build strong relationships, and raise more money to support their missions. Approximately 22,000 organizations use one or more Blackbaud products and services for fundraising, constituent relationship management, financial management, website management, direct marketing, education administration, ticketing, business intelligence, prospect research, consulting, and analytics. Since 1981, Blackbaud's sole focus and expertise has been partnering with nonprofits and providing them the solutions they need to make a difference in their local communities and worldwide. Headquartered in the United States, Blackbaud also has operations in Canada, the United Kingdom, and Australia. For more information, visit www.blackbaud.com.