

Donor Retention: What Do We Know and What Can We Do About It?

By

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Introduction

In the seven years since the first academic article on the topic of donor retention was published, the state of our knowledge has changed very little. Academic researchers continue to emphasise motives for giving, rather than the determinants of switching or lapse and even practitioner interest in the topic has been scant (Burnett 2002, Burk 2005). The emphasis remains firmly on donor acquisition, with donor retention coming a very poor second.

As a consequence the sector continues to waste a substantial proportion of its annual fundraising expenditures. In a large scale analysis of database records, Sargeant (2001) identified that even small improvements in the level of attrition can generate significantly larger improvements in the lifetime value of the fundraising database. A 10% improvement in attrition can yield up to a 200% increase in projected value, as significantly more donors upgrade their giving, give in multiple ways, recommend others and ultimately perhaps, pledge a planned gift to the organization. In this sense the behavior of 'customers' and the value they generate appears to mirror that reported in the for-profit consumer sector where similar patterns of value and behavior are exhibited (See for example Reichheld and Sasser 1990). Indeed, the marketing literature is replete with references to the benefits that a focus on customer retention can bring, including:

a) reducing marketing expenditure because of the ability to avoid the necessity of replacing customers. It typically costs around five times as much to solicit a new customer as it does to do business with an existing one. Acquisition costs through direct forms of marketing are high (Maltby et al 1991). This is particularly the case in the context of fundraising where it typically costs nonprofits two to three times as much to recruit a donor than they will give by way of a first donation. As Gaffney (1996) notes, it can take 12-18 months before a given donor relationship becomes profitable.

b) the opportunities that existing customers present for 'cross' and 'up-selling' (Christopher et al 1991). In other words existing customers can be cross sold other product/service lines, or upgraded to increase the value of their future purchases. In the fundraising context, existing donors can be persuaded to upgrade their giving, make additional donations, purchase from the trading catalogue, volunteer, leave a bequest etc (Sargeant and Jay 2004a).

c) the additional feedback that customers are willing to supply as relationships grow stronger. Continuing contact can enable organizations to improve the quality of the service they deliver (Zeithaml 1981).

d) the good word of mouth, or 'word of mouse' advertising, that successful relationships can generate (Palmer 1994; Chaffey and Smith 2008).

Despite all the potential advantages that enhancing donor retention could convey, the scale of the opportunity remains as sizeable as ever. McGrath (1997) identified that a typical UK charity experiences an annual attrition rate of between 10-20% of all supporters who make more than one contribution. More recently Sargeant and Jay (2004a) suggest the picture has worsened and break the aggregate retention figure down to examine both cash and sustaining donors, concluding that a typical charity will lose 50% of its cash (i.e. annual) donors between the first and second donation and up to 30% year on year thereafter. In respect of regular or sustained giving, attrition rates of 20-30%, year on year are common. Recent data collected by the Association of Fundraising Professionals suggests that the pattern of retention in the U.S. may be even lower than that in the U.K., with attrition rates in initial cash giving being reported at a mean of 74% (Levis 2008).

Given the scale of the opportunity, it seems timely to consider what we now know about the factors that drive donor retention and what other lessons there may be from the wider marketing literature for nonprofits to take account of in the pursuit of a loyalty strategy. While there may have been little academic interest in donor retention per se, research into the determinants of customer retention has continued apace. I will therefore draw on both the for-profit and the not-for-profit literature below.

My Approach

In this paper it is therefore my intention to review both the marketing and the fundraising literature to determine the factors most likely to drive switching (to another nonprofit) or lapsing behaviors. To achieve this Oliver (1990) argues it is necessary for the reader to understand the evaluations, attitudes and intentions that affect behavior. Accordingly I consider what the marketing literature regards as the primary drivers of loyalty, namely customer satisfaction, identification, trust and commitment (Bendapudi and Berry 1997; Fullerton 2003). I also explore the issue of 'triggers' drawing a distinction between situational, influential and reactional factors with the capacity to cause a review of giving behavior and as a consequence drive switching or lapsing. Finally, I examine what I term here 'value determinants' and focus on the key forms of utility that may be derived from the fundraising relationship. I believe this to be relevant since some donors will consciously evaluate the service provided by a nonprofit and compare it with what could be achieved 'in return' for their donation elsewhere. As will be explained later, the benefit returned to the individual and the benefits delivered to beneficiaries are both at issue.

The literature I present was compiled in the Spring of 2008 by reference to the Proquest and Business Source Premier databases. In addition, since a number of the nonprofit journals are not abstracted on these services a manual review was undertaken of all articles published in these sources. The keywords of customer/donor retention, loyalty, attrition and switching behavior, were employed for the purposes of each search. While

it is impractical here to cite every work identified, the works listed in the review that follows are felt to be representative of the current state of research in this field.

I begin our discussion with an analysis of the key determinants of donor loyalty.

Key Drivers of Loyalty

Satisfaction

Johnson and Fornell (1991) define customer satisfaction as a customer's overall evaluation of the performance of an offering to date. It is now well established that satisfaction has a strong positive effect on loyalty intentions in a wide variety of product and service contexts (Fornell et al 1996; Mittal and Kamakura 2001). Satisfaction is viewed as the consequence of a comparison between expectations and overall evaluations of delivered service quality (Gustafsson et al 2005). In other words, people compare what they expected to get with what was actually delivered. They only experience satisfaction when their expectations are either met or surpassed. Recent work by Mittal and Kamakura (2001) has shown that the nature of the satisfaction-retention relationship can vary by customer characteristics such as demographics. For some people, the issue of satisfaction with the quality of service received is a more important determinant of loyalty than for others.

These studies suggest that in the context of fundraising donor satisfaction with the quality of the service they are provided with (as donors) would drive subsequent loyalty, but that the strength of this impact may vary by the profile of the donors in question. The position for nonprofits, however, is further complicated by the agency role that they play and it is probable that both donor service quality *and* the perceived quality of service delivered to the beneficiary group may be at issue, since it may be argued that donors are in fact purchasing both. Empirical work has so far failed to address this issue and the nature of these interrelationships.

In the first study to address donor satisfaction Sargeant (2001) identified a positive correlation with loyalty, donors indicating that they were 'very satisfied' with the quality of service provided being twice as likely to offer a second or subsequent gift than those who identified themselves as merely satisfied. More recent work by Sargeant et al (2001) and Sargeant and Woodliffe (2006) has confirmed this relationship, while in the latter case simultaneously identifying a link between satisfaction and commitment to the organization. Work by Bennett and Barkensjo (2005) similarly provides support that there is a significant and positive relationship between satisfaction with the quality of relationship marketing activity (in this case, relationship fundraising) and the donor's future intentions and behavior, particularly the likely duration of the relationship and the levels of donation offered.

Despite the weight of evidence that it is the single biggest driver of loyalty, few nonprofits actually measure and track levels of donor satisfaction over time (Sargeant and Jay 2004, Burk 2004). That said, a number of major charities are now measuring and tracking donor satisfaction, with a handful constructing supporter satisfaction indices that can be fed into their organizational reporting systems (e.g. a balanced scorecard). Managers are thus now being rewarded for changes in the level of aggregate satisfaction expressed. Given the foregoing analysis, this would seem a long overdue practice.

Identification

Originally developed in social psychology and organizational behavior the concept of identification is regarded as satisfying a need for social identity and self definition (Ahearne et al 2005). When a person identifies with an organization, he or she perceives a sense of connectedness with it and defines him or herself in terms of the organization (Mael and Ashforth (1992, p104). As an example, they might thus see themselves as a Greenpeace supporter, or an environmental campaigner, or a 'responsible person' when it comes to taking care of the environment. Unsurprisingly, studies have consistently shown that higher levels of identification lead to higher levels of loyalty to the organization (Adler and Adler 1987) and more supportive behaviors on the part of consumers (Scott and Lane 2000). Researchers working in the domain of marketing have now shown that identification is a critical concept in driving loyalty in both membership (Bhattacharya et al 1995) and non-membership contexts (Scott and Lane 2000, Bhattacharya and Sen 2003).

Despite its utility the concept of identification is little researched in the fundraising context. In particular we understand very little about what drives identification between a donor and the charities he/she supports. Although he has not specifically employed the term, Schervish (1993, 1997) has shed some light on the issue of donor identification, arguing that a basic connection to a cause (e.g. being a graduate of a school) is not enough in itself to prompt subsequent donations to that school and that some degree of socialization is required. This, the author argues, is experienced through 'communities of participation' and thus donors will be predisposed to give to causes connected in some way with these communities. This reflects many of the themes developed in the psychology and sociological literatures where the concept of 'we-ness' is seen as a spur to caring (e.g. Piliavin et al. 1981; Jenks 1990; Coleman 1990) and in the only study of its type Brady et al (2002) in a study of University giving, found that the construct is a key determinant of 'intention to give.'

In an interesting twist, there is some evidence that emphasizing the development of identification may not always be an optimal strategy to pursue. Self perception theory (Bem 1972) tells us that 'external' triggers for giving such as membership, or perceived membership can cause a donor to discount any intrinsic motives they might have had (Scott 1977) making it difficult to sustain that giving in the longer term, particularly when

contact with that community comes to an end. Again, the need for further work to investigate the role of identification in fostering loyalty is highlighted.

A related strand of research has explored the issue of identification with a brand. As long ago as 1959, Levy noted that people buy things not only for what they do, but also for what they mean. In electing to purchase brands with particular personalities, consumers can thus seek to convey to representations of themselves (Fournier 1991; Ligas 2000) and/or to reinforce their self-image. As Wee and Ming (2003, p. 216) note, 'symbolic values and meanings are desirable and useful to consumers for the construction of their self, whether that is self-enhancement or self-reinforcement.'

This may be particularly important in the context of giving as writers such as Berger and Gainer (2002) have identified that giving carries important psychosocial meaning and that 'fundraisers should recognize that the philanthropy opportunities they provide represent identity props or tools for their donors' (p. 412). Donors are drawn to (and perhaps remain loyal to) brands that are perceived as having a personality encompassing values congruent to their own, be they actual or aspired. Similarly Schervish (2000) has argued that philanthropy provides donors the opportunity 'to excavate their biographical history, or moral biography ... and their anxieties and aspirations for the future' (p. 25). The act of giving is therefore influenced not only by perceiving the brand's personality but also by the individual perceiving his or her personality or self-conception, through the brand (Aperia 2001; Blackston 1993; Fournier 1994).

Venable et al. (2005), following Aaker (1997), identify four dimensions to the nonprofit brand personality, namely integrity, nurturance, sophistication and ruggedness. Sargeant and Ford (2006) argue that in the voluntary sector the picture is more complex identifying three facets of charity personality shared by the sector as a whole. In a study of 9000 individual donors the authors find that only values pertaining to the dimensions of 'emotional stimulation', 'service', 'voice' and 'tradition' are capable of distinguishing between organizations. Interestingly, it is only these distinctive facets of personality that are linked to donor behavior, explaining the proportion of the variation in an individual's charitable pot that would be received by a given organization as opposed to being split among the other organizations they support. The facets of an organization's personality that are linked to behavior are described below.

Emotional stimulation: Personality traits that have the ability to evoke an emotional response can be source of differentiation. These might include traits such as being exciting, heroic, innovative, and inspiring.

Voice: Brands can also be differentiated on the basis of the tone of voice they project in the media. Is the organization perceived as serious, bold, confrontational, challenging, impartial, balanced, etc.

Service: The style or philosophy behind how an organization delivers its services can be an effective route to differentiation. Human service charities in particular might carve out

a unique personality on the basis of characteristics such as inclusive, approachable, dedicated, or compassionate in the way they deal with their service-users.

Tradition. Donors view some nonprofits as traditional, and may even regard giving as a duty, particularly during certain events or seasons. Who can deny the power of the Salvation Army kettles positioned outside shops across the U.S. around Christmastime?

In seeking to differentiate brand personality it is important to remember that it is NOT appropriate to simply find different words to describe the organization. What is required is that the balance of the personality stands out from relevant local and national competitors for funds. These characteristics must also be perceived as desirable by donors and ideally have resonance with aspects of their own personal identity.

On balance, the literature on identification does suggest that nonprofits seeking to foster retention should think through the various identities that supporters might have, that the organization could seek to reinforce through fundraising and other communications. Aiding donors to foster a favorable image of themselves, not merely because they are donors, but because of the values they aspire to or already possess, would be an effective strategy to adopt.

Commitment

The relationship marketing literature suggests a further driver of customer loyalty, namely relationship commitment (Bendapudi and Berry 1997, Morgan and Hunt 1994). Moorman et al (1993) define this as a desire to maintain a relationship, while Dwyer et al (1987) regard it as a pledge of continuity between two parties. What these definitions have in common is sense of 'stickiness' (Gustafsson et al (2005) 'that keeps customers loyal to a brand of company even when satisfaction may be low' (p211). It differs from satisfaction in that satisfaction is an amalgam of past experience, whereas commitment is a forward looking construct.

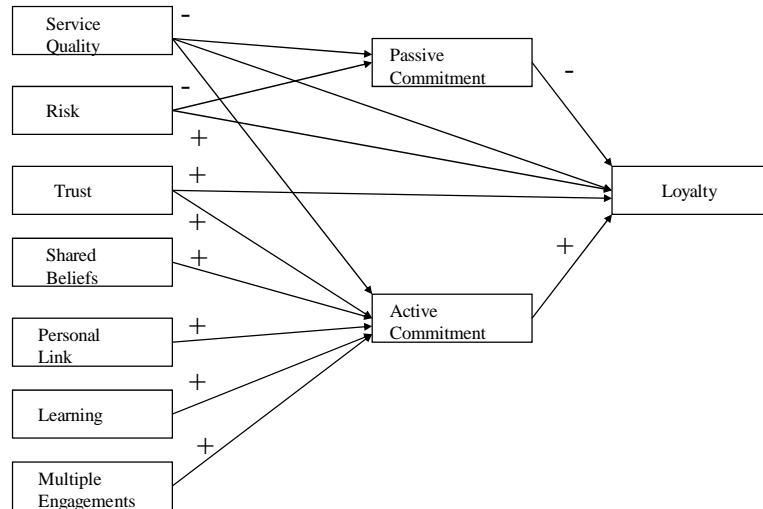
It is now generally accepted that relationship commitment comprises two dimensions. Gililand and Bello's (2002) helpful summary of commitment conceptualizations reveals that a majority of studies include an affective component (a strong and emotional attachment – i.e. 'I really care about the future of this organization') and a component specific to relationship marketing called 'calculative commitment' (Kumar et al, 1995; Geyskens et al, 1996; Gililand and Bello, 2002). This is simply an intention to maintain a relationship that develops because of a conscious evaluation of the costs and benefits of continuing it. In the for-profit context this would normally include an evaluation of the costs of switching supplier. There are risks inherent in doing this because, for example, their performance might not live up to expectations and individuals have to spend time learning how to use a new variant of the product or service.

The reader will appreciate that this latter construct is probably of less relevance to the fundraising context where the costs of switching one's philanthropy are typically negligible. The notable exception here is the realm of planned giving, but the role of commitment in this context remains to be researched.

Indeed, only one study has specifically addressed the issue of donor commitment and while Sargeant and Woodliffe (2007) support a two dimensional model, they replace the calculative component with what they term 'passive commitment.' In their study a significant number of individuals 'felt it was the right thing to do' to continue their support, 'but had no real passion for either the nature of the cause or the work of the organization.' (p53). Indeed some supporters, particularly regular givers (sustainers) were found to be continuing their giving only because they had 'not gotten around to cancelling' or had actually forgotten they were still giving.

By contrast, Sargeant and Woodliffe label the affective component of commitment as 'active' commitment which they define as a genuine passion for the future of the organization and the work it is trying to achieve. The literature suggests that this 'active' commitment may be developed by enhancing trust (Sargeant and Lee 2004), enhancing the number and quality of two way interactions (Sargeant 2001 and Sargeant and Woodliffe 2007) and by the development of shared values (Swasy 1979, Sargeant and Woodliffe 2007). Other drivers include the concept of risk which the authors define as the extent to which a donor believes that harm will accrue to the beneficiary group were they to withdraw or cancel their gift and trust, in the sense of trusting the organization to have the impacts that it promised it would have on the beneficiary group or cause. Finally, the authors conclude that the extent to which individuals believe that they have deepened their knowledge of the organization through the communications they receive will also impact positively on commitment. The authors term this latter concept 'learning' and argue that it serves to reinforce the importance of planning 'donor journeys' rather than simply a series of 'one-off' campaigns. The full model that the authors develop is depicted in Figure 1. A positive sign (+) above an arrow indicates a positive relationship between two concepts, while a negative sign (-) indicates a negative impact. Thus, for example, the poorer the perception of the service quality delivered by the fundraising team, the more likely it is that a donor will develop passive commitment.

Figure 1: Drivers of Commitment and Loyalty



Trust

The role of trust in driving retention has already been highlighted in Figure 1 but its role in fostering retention is highly significant and it therefore warrants further examination. Indeed, Berry (1995) argues that trust is the single biggest tool of a marketing organization.

Anderson and Weitz (1992, p20) define it as ‘one party believing that its needs will be fulfilled in the future by actions taken by the other party.’ Successive studies have demonstrated its utility in driving customer retention, either directly or indirectly through either satisfaction or commitment. Trust is built by the trusted party being seen to exercise good judgement (Gabarro 1987, Kennedy et al 2001), demonstrating role competence (Morgan and Hunt 1994; Kennedy et al 2001) adherence to a desired set of principles, perhaps a Code of Practice (McFall 1987) and by delivering a good quality service (Kennedy et al 2001) possibly through high quality interaction with front line employees (Reichheld 1993; Sirdesmukh et al 2002).

In the nonprofit context Sargeant and Lee (2004) have demonstrated that levels of trust drive giving behavior albeit that its impact is mediated by commitment. More recent work in the nonprofit context by MacMillan et al (2005) confirms the relationship between trust and commitment although suggests that this relationship is in turn mediated by ‘non-material benefits.’ This they define as ‘the belief that the nonprofit is making efficient use of its funds and having a positive impact on people for whom the funds were

intended' (p810). Their model also stresses the significance of 'shared values' and 'communication' which both have the capacity to build trust. For Morgan and Hunt (1994), communication was originally conceptualised as having three dimensions namely frequency, relevance and timeliness. MacMillan et al extend this by considering, in addition, informing, listening and the quality of staff interactions

So in the fundraising context trust may be viewed as a driver of donor loyalty and it, in turn, may be enhanced by:

1. Communicating the impacts achieved on the beneficiary group.
2. Honoring the promises, or rather, being seen to honor the promises made to donors about how their money will be used.
3. Being seen to exhibit good judgement and hence communicating the rationale for decisions taken by the organization in respect of its overall direction and/or the services offered to beneficiaries.
4. Making it clear what values the organization espouses, so communicating not only the content of service provision to beneficiaries, but also the style, manner or ethos, underpinning that delivery.
5. Ensuring that communications match donor expectations in respect of content, frequency and quality.
6. Ensuring that the organization engages in two way conversation, engaging donors in a dialogue about the service that they can expect as supporters of the organization and the service that will be delivered to beneficiaries.
7. Ensuring that donor (customer) facing members of staff are trained in customer service procedures and have the requisite knowledge and skills to deal with enquiries effectively, promptly and courteously.

Triggers

Gustafsson et al (2005) categorize triggers that can cause customers to re-evaluate their relationship with an organization as situational, influential and reactive. I consider each in turn.

Situational

Situational triggers are events that occur in the customer's own lives and over which the service provider has no control. Factors such as the birth of a child, the death of a loved one, or an increase or decrease in income all have the potential to impact on an individual's charitable giving. Sargeant (2001) found that a change in financial circumstances was the most frequently cited reason in donor 'exit polls' in the U.S and

the second most cited factor in the U.K (the leading factor being a desire to switch giving to another cause or organization). More recently Sargeant and Jay (2004b) in a study of direct dialogue donors found that donors may lapse because of a change in financial circumstances and that younger donors were particularly likely to lapse for this reason. As a consequence they advise charities engaged in recruiting donors to ‘sustaining’ or regular gift programs to focus on individuals aged 30 or over. Individuals aged under 30 exhibit lower levels of loyalty than their older counterparts.

Influential

Influential triggers are those derived from the competitive situation. In the giving context, it may be that a donor is won by another organization, perhaps because they are perceived to be doing more worthy work, or because the package of benefits available to its donors/members is more attractive. As was noted above, many donors will switch their giving between organizations and a typical direct mail donor now supports an average of 6 charities, with those who have been subject to a reciprocal or list swap program giving to an average of 12 (Sargeant and Jay 2004c). Crosby (2002) identified that resistance to relationship marketing could develop from perceptions of a deluge of such communications. This is a view shared by Evans et al (2001) who found the public highly sceptical of direct marketing and questioned its relevance (in such volume) and potential to invade privacy.

In the fundraising context, organizations seeking to maximize retention will wish to evaluate the merits of participation in list swap programs. Extant research indicates that lower value donors (who are almost always the focus of such programs) can be just as likely to consider a bequest as other value segments in the database and that once swapped donors will lose around 15% of their subsequent (annual giving) lifetime value. In deciding whether or not to participate in list swaps it is therefore not as simple as comparing the immediate return on investment that accrues from the use of this technique as opposed to the use of traditional ‘cold’ lists.

Reactive

Finally, reactive triggers are responses to the way in which the organization interacts with the customer. In this sense they are more directly manageable than either of the other two categories and as a consequence have been the subject of a good deal more research.

To group our discussion we will first consider those aspects of research that have considered the nature of solicitation itself, before moving on to consider issues pertaining to the acknowledgement and thanks of any gift.

Burnett (2002) stresses the need to recognise individual donor motivation and to reflect such motives in fundraising communications. While this may be difficult at the point of acquisition, it should thereafter be possible to focus on a particular donor's interests and concerns. It appears, however, as though many fundraising solicitations are product focused in the sense that they focus on the organization's need and are formulaic in approach. Ritzenhein (1998) in a content analysis of fundraising solicitations identified common arguments used in fundraising solicitations which revolve around the quality of institution, the fact that an individual's gift matters and the beneficiary needs that will be addressed. The author also identified that fundraisers tend to arrange their arguments according to the Monroe Motivated Sequence (i.e. quality-need-your gift matters-ask).

Much of the creative approach will change to respond to changing motives over the duration of the relationship. In acquisition marketing creative, the portrayal of the beneficiary needs to be strong and emotive in order to make an immediate impact with a prospective donor and cut through what Sargeant (1999) regards as the perceptual clutter of other charity appeals. In a bid to secure the all important second and subsequent gift, many organizations have developed welcome cycles where individuals receive a differentiated pattern of communication until the 2nd or 3rd gift is secured. Only then does the organization regard them as a donor and subject them to the 'standard' communications program. Organizations that have experimented with welcome cycles in the context of direct mail have found that these work best when they comprise a series of the best performing 'cold' recruitment packs the organization has been able to produce (Sargeant and Jay 2004c).

Work by Miller and Suls (1977) also identified that it may be appropriate to ask for different sums at different points in the relationship. It appears that asking for too much initially can lead people to conclude that they have done their bit and to ignore subsequent solicitations (Aderman and Berkowitz 1971). Freedman and Fraser (1966) also argue that charities should solicit new donors by beginning with requests for smaller sums and then build these up over time. This is echoed in modern fundraising practice where many UK charities solicit gifts of as little as \$6 per month (Pidgeon 2001) and then work on developing these amounts over time. Zuckerman et al. (1979) suggest that this process works well since a low value ask eliminates many potential barriers to giving. Where donors cannot post-rationalize their giving as a response to social or other pressures they are significantly more likely to attribute their first donation to caring about the cause and hence to continue their support.

The implication of the above arguments is that the charity needs to consider its marketing approach differently to an existing donor compared to an acquisition prospect. A mature donor may need a more considered proposition that has taken more account of the charity brand, its position versus competing charities, the donor's unique characteristics and so on, compared to a first time acquisition contact. (see Bendapudi et al 1996). Empirical evidence from Sargeant (2001), Sargeant and Jay (2004b) and Sargeant and Hudson (2008) supports this proposition. A significant number of donors lapse because they find the communications they receive inappropriate. This is a particular issue for younger donors who typically express a need for more control over what they receive and the

media through which it is delivered. Gainer and Padanyi (2004) see the development of a client focused culture as critical in the generation of loyalty.

Turning to the issue of post gift communications, the issue of labelling has received the most research attention. The idea behind labelling is simple. If people can be induced to believe something new about themselves, then they may start behaving on the basis of that belief. In thanking donors for their gift organizations often append labels to the donor such as kind, generous and/or helpful. Work by authors such as Swinyard and Ray (1977) has implied that this elicits a greater motivation to help and fosters favorable attitudes on the part of the donor (Moore et al. 1985). The impact of labels will be particularly potent when there are concrete prior behaviors to be labeled and when the label stresses the uniqueness of the donor's behavior (McGuire and Padawer-Singer 1976). Consolidating donor self-perceptions via labeling thus furnishes an intrinsic motive to sustain behavior (Kraut 1973). Repetitive labeling has been found to enhance efficacy (Tybout and Yalch 1980) and labels have been found to work only where the donor accepts the label (Allen 1982), emphasizing the need for the label to be credible and be supplied by a credible source.

The fundraising literature is also replete with references to the need for adequate donor recognition (e.g. Warwick and Hitchcock 2001, Irwin Wells 2002, McKinnon 1999). Failure to provide adequate and appropriate recognition, it has been argued, will lead either to a lowering of future support or its complete termination (Boulding 1973). Sargeant et al. (2001) provide the first empirical support for this proposition indicating a link between the perception of adequate recognition and the level of gifts/lifetime value. Where gifts are offered as part of the recognition process, they will be more effectual where the gift is clearly tied to the organization and its services. Generic gifts, obtainable from other nonprofits (or even for-profits) are significantly less effective in stimulating loyalty (Sargeant and Jay 2004a).

Value Determinants

Value determinants are components of the product/service that are considered to be critical from the customer's perspective and where a poor evaluation of performance would lead to switching. In a previous section we have already examined the issue of the service quality delivered to donors. Here we are concerned with the utility that derives from the gift and the dimensions of the product/service itself that deliver this.

Utility in the context of giving can take many forms. Two forms of utility are relevant here; personal, which may be further subdivided into tangible and emotional, and delivered (i.e an evaluation of the impact a gift will have on the beneficiary group). Beginning with the former it has long been argued that utility could take 'material' form and under this view donors will select charities to support on the basis of whether they have benefited in the past or believe that they will in the future (Frisch and Gerrard 1981,

or Amos 1982). Individuals could, for example, give to those organizations that will do them political good and/or serve to enhance their career, perhaps through the networking opportunities that will be accorded (Amos 1982, Frisch and Gerrard 1981). Donors may also evaluate potential recipient organizations against the extent to which their support will be visible, or noticeable by others within their social group, thereby enhancing the donor's standing therein (Stroebe and Frey 1982, Cnaan and Goldberg-Glen 1991). Equally, in the membership context, members will evaluate the package of benefits received against the costs of renewal, stressing the need for ongoing research on the part of such organizations to ensure that the optimum 'value for money' is maintained.

The prestige-based model proposed by Harbaugh (1998) suggests that utility arises from having the amount of a donation made publicly known. Being seen to give may enhance a donor's social status, or serve as a sign of wealth or reliability. Donors may wish to access a particular group, and thus desire to be defined by their philanthropic activity (Ostrower 1996). Prestige is clearly about recognition and is therefore also relevant to the notion of feedback referred to earlier. To respond to the motive of prestige, charities can create gift categories and then publicly disclose donors who contribute to various categories. This type of motivation is typically more relevant to certain categories of nonprofit such as educational and cultural organizations, rather than national charities. It may also be more relevant when addressing younger givers since Mathur (1996) identified that for older adults, esteem enhancement motivations were negatively related to gift-giving.

It is now widely accepted, however, that utility can also derive from the emotions evoked from giving (Arrow 1972). Indeed Sargeant et al (2001, 2006) demonstrate a positive relationship between the degree of emotional utility afforded and gift giving behavior. This may either take the form of a 'feel-good' factor or it may be what Sargeant et al (2001) refer to as 'familial utility' in the sense that giving is prompted by events such as the loss of a loved one, or a donor being related to, or a close friend of, an individual with a particular condition or need. Sargeant and Woodliffe (2007) demonstrate that donors in this latter category exhibit very high degrees of loyalty.

Extant research also suggests that utility derives from the impact achieved with the beneficiary group. Individuals will also evaluate potential recipient organizations on the basis of the extent to which their performance is viewed as acceptable (Cutlip 1980). Both efficiency and effectiveness are at issue. In respect of efficiency, donors appear to have a clear idea of what represents an acceptable percentage of income that may be applied to both administration and fundraising costs. Warwick (1994) identified that donors expect that the ratio between administration/fundraising costs and so-called charitable expenditure would be 20:80. It is interesting to note that despite this expectation most donors believe that the actual ratio is closer to 50:50. For example, Bennett and Savani's (2003) research shows that respondents perceived that only 46% of the focal charities' expenditures reached beneficiaries, when in reality the average figure was 82%. Harvey and McCrohan (1988) found that 60% was a significant threshold, with charities spending at least 60% of their donations on charitable programs achieving significantly higher levels of donation.

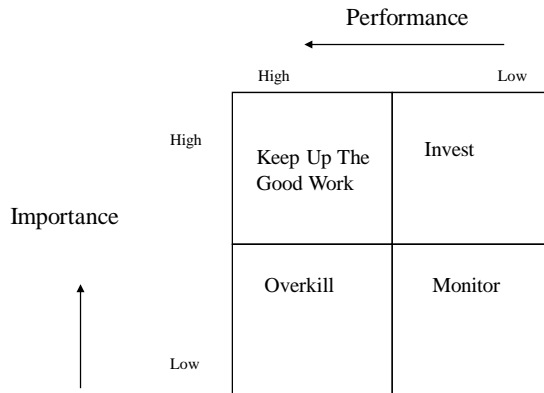
In respect of effectiveness, Sargeant et al. (2001) identify that the degree to which the organization is seen to achieve its stated goals impacts on gift making decisions, the total amount donated and the lifetime value of individual donors. This is a view supported by Baily and Bruce (1992) who argued that perceived mismanagement by charity administrators and trustees can impact negatively on donations, although it remains unclear how donors actually draw such conclusions. To help individuals rate charity performance more accurately, it has been shown that charitable organizations simply need to provide relevant information in the public domain (for example, the number of people aided, the quality of outcomes achieved, etc.). They appear to form holistic views about an organization's performance based on small pieces of relevant information. Providing a more complete picture appears unnecessary with most classes of donors (Bennett and Savani 2003).

Conclusions

Overall, the brief review of the literature suggests a number of actions that nonprofits might take to improve donor loyalty.

1. They should begin by developing an understanding of the economics of loyalty and thus identify for themselves the difference in the lifetime value of the fundraising database that would be garnered by achieving small improvements in the level of donor loyalty achieved (1%, 2%, 5% etc). This is essential if staff and board members are to understand the rationale for an enhanced focus on loyalty and therefore to 'buy-in' to the process necessary for this to become a reality.
2. Perceptions of the quality of service offered to donors are the single biggest driver of loyalty in the fundraising context. Organizations should therefore take steps to measure the quality of service provided by their organization and take steps to improve on those areas where weakness is detected. It should be remembered that in measuring the quality of service provided it is necessary to measure separately the importance that individuals place on each aspect of the service. As Figure 2 illustrates, effort may then be expended on those aspects of the service that are perceived to be important and yet currently underperforming.

Figure 2 Importance/Performance Matrix



Care should be taken to measure satisfaction on at least a five point scale, thus:

1. Very dissatisfied
2. Dissatisfied
3. No opinion/neutral
4. Satisfied
5. Very satisfied.

As was noted earlier, individuals who claim to be very satisfied will exhibit much higher levels of loyalty than those who regard themselves as merely 'satisfied.' Any measurement system must therefore be sensitive enough to capture this distinction. Mere satisfaction is not in itself, enough.

In seeking to develop a measure of service quality, organizations will want to develop a scale tailored to their specific context and needs. It will need to reflect their existing pattern of communication, the different ways in which donors can interact with the organization, the pattern of benefits offered (particularly in the membership context) etc. The following scale is offered as an example. An aggregate satisfaction score can easily be created by calculating the average rating across all the various dimensions, or by simply calculating the total score.

Please rate your level of satisfaction with each of the following aspects of the service that XXX provides you with as a donor, where 1 = very dissatisfied and 5 = very satisfied

	<i>Very Dissatisfied</i>	2	3	4	<i>Very Satisfied</i>
Informing me how my money is spent.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not asking for support too often.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Offering me some choice in the communications I receive.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thanking me appropriately.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recognizing the contribution I've made in the past.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demonstrating they care about my needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Making it clear why my continued support is needed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giving me opportunities to support XXX in other (non-financial) ways.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Using an appropriate style/tone in their communications.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

An identical scale can be employed to measure importance, modifying the five point scale to range from 'very unimportant' to 'very important.'

It may also be helpful to measure the quality of service provided by other organizations the donor supports so that a comparative strand to the analysis can be developed. Donors used to a high quality of service elsewhere will tend to be dissatisfied with a mediocre standard of service provided by a focal organization. Where I have measured this in the past I use a third bank of statements asking donors to indicate the quality of service they receive from 'other' charities.

3. Organizations should think through and ideally conduct their own primary research program to understand why donors support their organization, or more specifically, from which aspects of the organization's operations (or fundraising) that individuals derive the most value. Value can then be engineered that directly reflects and satisfies donor motives for supporting the organization.

4. Allied to the above, nonprofits should consider how and under what circumstances they might contribute to a donor's sense of self identity. Are there circumstances where a donor would be likely to start defining themselves, at least in part, through their support of the organization? Donors may, for example, derive value because they identify with aspects of an organizations brand or personality. They may also identify with an issue, an activity, with specific categories of beneficiary or indeed other stakeholder groups such as senior members of staff or celebrity endorsers. The psychological benefit that accrues from making the gift is enhanced because these positive associations reinforce the donor's own sense of self worth or esteem. Looking for ways of strengthening the bond of identification is therefore a critical step in fostering loyalty.

5. Allied to the above, organizations should give greater thought to the labels they append to donors in their thank you and other communications. Donors can be persuaded to adopt an identity if it is fostered consistently over time and reinforced with credible messages from a credible source.

6. Nonprofits can seek to build donor commitment to their cause, by considering each of the determinants we alluded to earlier. They can therefore:

- Clearly articulate their organization's values
- Make it clear to the donor the difference that their support is or has been making and therefore the consequences to the beneficiary if they withdraw.
- Consider the 'journeys' that they will take supporters on through ongoing communications. This might be as simple as considering what 'a year in the life' of each category of supporter might look like, or it may be more sophisticated looking at how each segment of donors will be educated about the cause (and bought closer to it), over time.
- Allied to the above, consider ways in which donors can be actively encouraged to interact with the organization. In the electronic environment, for example, this is relatively easy. Supporters can be asked to sign up for specific forms of communication, to offer recommendations or suggestions, to take part in research, to 'ask the expert', to campaign on behalf of the organization, to 'test' their knowledge in a quiz, etc. The more two-way interactions that are engendered, the higher will be the level of loyalty achieved.

6. Similarly, organizations should seek to foster trust, by considering all of the antecedents we alluded to earlier. They can therefore:

- Demonstrate to the donor that they have exhibited good judgement in their dealings with beneficiaries, stewarding organizational resources and where applicable, in respect of their approach to campaigning.
- Stress that they adhere to appropriate standards of professional conduct (e.g. subscribe to codes such as the AFP's Donor Bill of Rights).
- Ensure that all outward facing members of staff receive appropriate training in customer service.
- Design and instigate a complaints procedure, so that individuals who wish to, can take issue with the quality of an organization's fundraising or approach.
- Communicate the achievements of the organization and where possible relate these to the individual contributions made by individuals or segments of supporters.
- Ensure that all promises made to donors are adhered to and critically, seen to be adhered to.

7. Provide donors with ongoing cues as to the organization's overall performance. Drip feeding relevant data, rather than merely providing annual accounts etc, will improve donor perceptions of the nonprofit and greatly facilitate loyalty.

8. Consider the development of regular or 'sustained' giving programs. Levels of attrition are much lower than those achieved in traditional annual giving. Younger donors are also significantly more comfortable with regular giving than their older counterparts, so offering regular giving, particularly as an online giving option, will greatly reduce the level of attrition experienced.

9. Evaluate the continuation of activities that lower loyalty, such as list swap programs. Managers need to assess the impact on donor lifetime value, rather than looking at the short-term attractiveness (i.e. ROI) of such programs.

10. Consider the creation of donor welcome cycles. E-mail and mail versions of these cycles should be considered. Newly acquired donors should be exposed to a differentiated standard of care while their relationship with a nonprofit develops. The historically strongest recruitment messages would be likely to be the most effectual components of such cycles.

11. Where donors are offered gifts as recognition for gifts of specific levels, ensure that these gifts are linked in some way to the service provided by the organization and thus 'intrinsic' rather than 'extrinsic' in the sense of being capable of being supplied by any comparable organization. Thus in the case of NPR, offering discounts at local restaurants or discounts at local traders in response to a gift will not be an effective way of engendering loyalty. Such schemes develop loyalty to the promotion, not loyalty to the organization. Providing CDs of music linked to the programs and thus only obtainable from NPR, by contrast, would be likely to be highly effectual.

12. Finally, those organizations seeking to facilitate higher levels of loyalty would be advised to maintain regular contact with their donors, researching ongoing needs and preferences. As a consequence of this research database segmentation can then be regularly reviewed and updated as necessary. It would also be helpful to conduct regular exit polling of lapsed supporters to identify the reasons for this behavior that predominate. Corrective action can then be taken where possible.

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