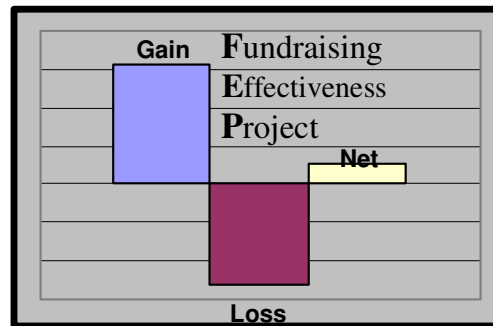


FEP



Fundraising Effectiveness Project January, 2008

**Measure Your Growth in Giving By Gain/Loss Category and
Increase Your Net By Maximizing Your Gains & Minimizing Your Losses**

Annual FEP surveys are provided by the [AFP Donor Software Workgroup](#)

Compass Technology
Donor2/Campus Management Corporation*
DonorPerfect Fundraising Software*
eTapestry*
GiftWorks (Mission Research)*
MatchMaker FundRaising Software*
Metafile

PhilanthrAppeal (FundTrack Software)*
PledgeMaker (SofTrek)
The Raiser's Edge ® (Blackbaud)*
ROI Solutions
Sage Software*
Telosa Software (Exceed!)

* Charter member of the
AFP Donor Software Workgroup

Fundraising Effectiveness Project Sponsors

*Association of Fundraising Professionals (AFP), *Center on Nonprofits and Philanthropy at the Urban Institute, Council for Advancement and Support of Education (CASE), Council for Resource Development (CRD), Center on Philanthropy at Indiana University, National Committee on Planned Giving (NCPG), Association of Donor Relations Professionals (ADRP).

* Founding partners, providing resources for the project.

Knowing Your Gain/Loss Ratios Will Help You Raise More Money

You can...

Pinpoint strengths and weaknesses in your fundraising performance
Gauge how much donor attrition may be stunting your growth in giving
Learn where to commit more resources to make the biggest difference

...by participating in the

Fundraising Effectiveness Project (FEP) And annual FEP Surveys

Summary

The annual FEP surveys -- for the first time -- measure growth in giving by gain/loss category (e.g., new or lapsed donors). AFP is advocating that nonprofits increase their net growth in giving by maximizing gains and minimizing losses (i.e., attrition).

AFP published the Pilot FEP 2004-05 Survey Report in July of last year, indicating gains in both amount of gifts and number of donors in excess of 60 percent off-set by losses (attrition) in the 50 percent range. The report is now available in PDF format at http://www.afpnet.org/content_documents/FEP%20report%20final.pdf

The FEP has been collecting data for 2005-2006 since last August and will publish a report of these findings in spring 2008. Preliminary results of this second FEP survey are virtually the same results as the pilot survey, continuing to indicate attrition (losses) in the 50 percent range. For this reason, the FEP is focusing on strategies for reducing attrition.

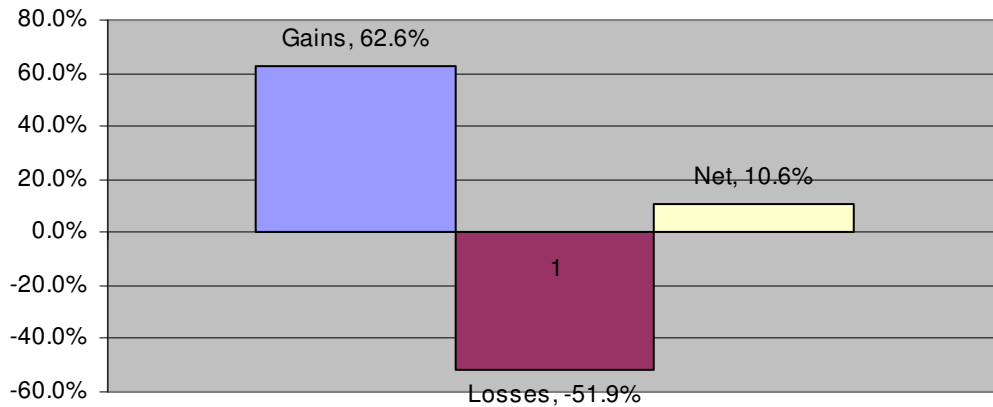
The donor software firms listed on page 1 are making free FEP software available that allow their clients to participate in the annual surveys with the click of a button.

How It Works

The FEP surveys measure growth in giving from year to year by examining gains and losses in different categories (e.g., new or lapsed donors) and determining in which areas charities can most improve. Organizations can then compare their fundraising performance to other organizations by total amount raised, type of organization, age of development program and geographic location, as well as combinations of these criteria.

“The real key to using the survey is to calculate your gain and loss ratios for each category, such as upgraded donors, and be able to compare your results to other organizations,” said Paulette V. Maehara, CFRE, CAE, president and CEO of AFP. “This information will be incredibly useful for planning and budgeting decision making and can show an organization in which areas it is doing well and where it needs additional emphasis and resources.”

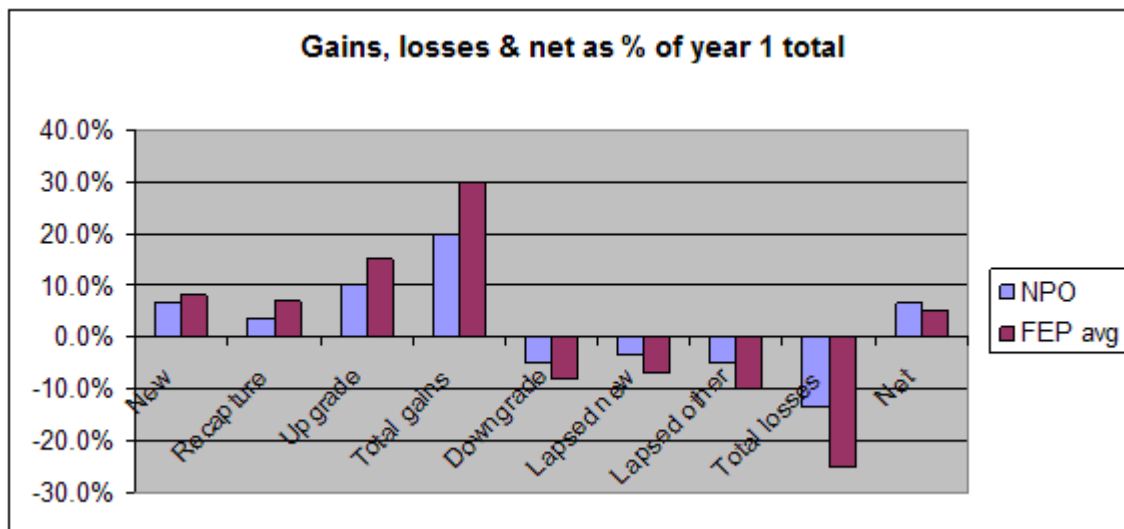
The pilot 2004-05 survey had 275 respondents that raised \$325.9 million in 2004 and \$360.5 million in 2005, an overall increase of \$34.6 million, or 10.6 percent. However, this *overall ratio* of 10.6 percent is actually a *net ratio* consisting of *gain ratios* minus *loss ratios*.



The basic FEP concept is that growth in giving from one year to the next is the net of gains minus losses, and that growth in giving is increased both by *maximizing gains* and by *minimizing losses*. FEP predicts that with just a 10 percentage point decrease in losses from -51.9% to -42%, *average* respondents would see their overall fundraising revenue double to more than 20 percent.

Gains consist of gifts by new donors and recaptured lapsed donors and increases in gift amounts by upgraded donors. *Losses* consist of decreases in gift amounts by downgraded donors and lost gifts from lapsed new and lapsed repeat donors. Figure 1 illustrates how nonprofits will be able to compare their growth-in-giving performance with benchmarks and performance statistics of similar organizations.

Figure 1 – Comparison of NPO’s Growth-in-Giving Performance to Illustrative Fundraising Effectiveness Project (FEP) Averages



Gain/Loss categories and definitions

Gains:

New -- donors who never gave prior to current period

Recapture -- previously lapsed donors who gave again in current period

Upgrade -- donors who gave more in current period than in previous period

Losses:

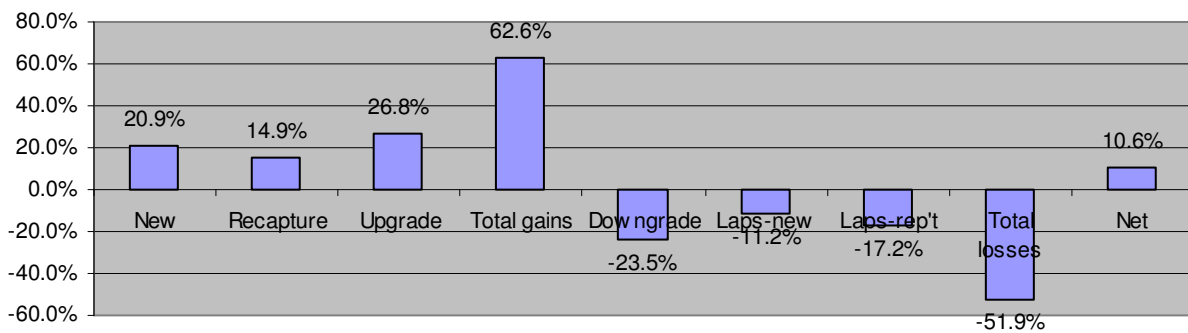
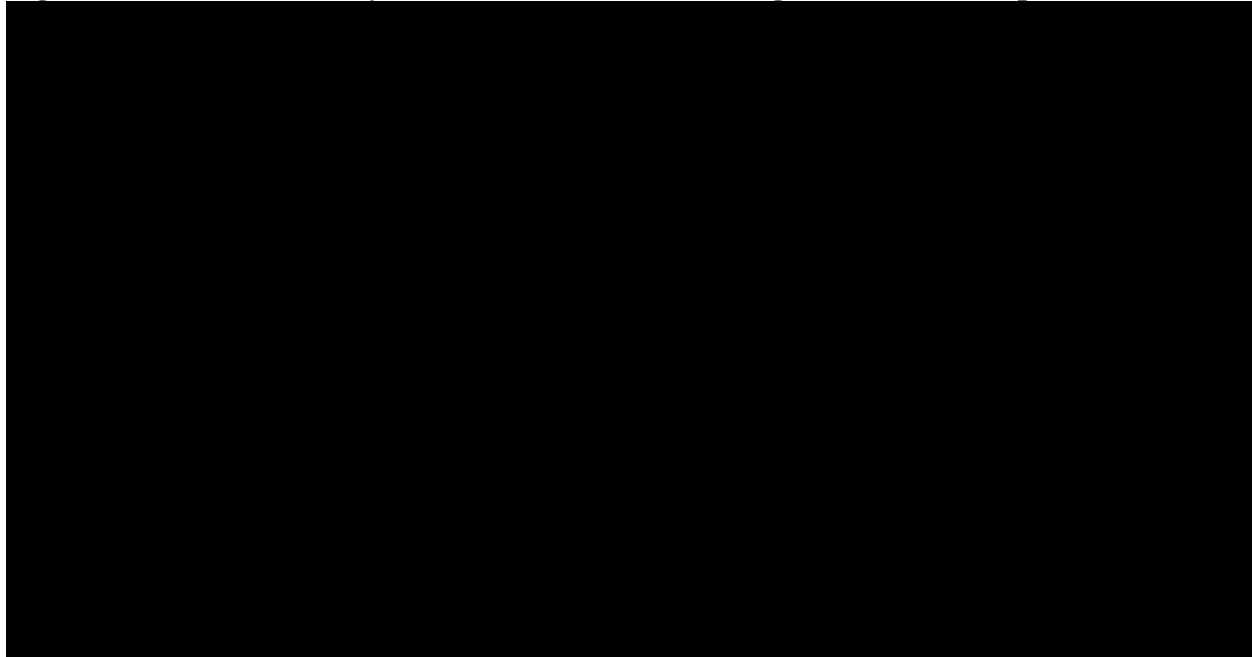
Downgrade -- donors who gave less in current period than in previous period

Lapsed new -- new, first-time donors in previous period who did not give in current period

Lapsed other -- other prior donors who gave in previous period but not in current period

Net growth -- total of all gains in giving minus total of all losses in giving

Figure 2 - FEP Pilot Survey Gain/Loss Growth-in-Giving Performance Report



Nonprofits need to track the gain/loss performance indicators in Figure 2 to ensure that their growth-in-giving goals are achieved.

The July 2007 pilot survey report argues that nonprofits are not investing enough money in efforts to raise their share of the untapped giving potential. Growth-oriented budgeting for fundraising requires that, year-after-year, nonprofits make significant, incremental increases in

their fundraising budgets, by categories of fundraising effort. Then they need to measure the corresponding incremental increases in results by categories and make additional incremental increased investments in fundraising effort, category by category, based on the performance of previous fundraising activities.

Software Community Pitching In

To make responding to the survey as easy as possible and eliminate the need for each nonprofit to figure out how to extract the needed data from their respective donor databases, donor software firms working with nonprofits have agreed to help. The FEP annual surveys will now be implemented by the AFP Donor Software Workgroup.

The firms listed on page 1 have assisted with the design of the 2004–2005 and 2005–2006 surveys and are ready to help their clients respond to the surveys. They are in various stages of developing “all-electronic” software modules for the FEP surveys that eliminate the need for their clients to manually key the fundraising performance data into AFP’s web-based version of the surveys.

AFP’s On-line Version of the FEP Surveys

The FEP survey for 2005-2006 began Aug. 1, 2007. The online link for the survey is <http://vovici.com/wsb.dll/s/c13g2ad8e>. Nonprofits are encouraged to contact their donor software providers and inquire if they will be able to assist with measuring performance by gain/loss categories and with responding to the 2005–2006 survey.

Templates in Excel are available for downloading from www.afpnet.org for your use in preparing gain/loss reports and analyses based on your FEP survey data and based on data you develop that reflect the unique characteristics of your fundraising programs. To obtain URL, email FEP@afpnet.org.