Our Digital Dilemma

New data reveals our approach to donor retention may be all wrong: How Netflix changed the way we need to fundraise.
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The Dilemma

Nonprofit organizations in the United States are now being challenged by major political, demographic, economic, and technological factors outside of their control, and are not able to adapt. There has been a tectonic shift in how consumers—our donors—engage with content, favoring more frequency that can be accessed through multiple, digital channels.

Nonprofits with operating budgets of less than $3 million, a segment that comprises more than 85 percent of our sector, spend roughly $33,000 each year on consultants, training, conferences, and donor management software, hoping to not only acquire, but retain and upgrade their current donors. However, not only do 77 percent of nonprofits still fall short of their budgeted revenue goals, they are generally raising less money than the previous year. What’s more, they are retaining fewer and fewer donors.

Network for Good conducted a study among 2,000 nonprofit organizations, analyzing the relationship between gift size, retention rate, and number of channels used to deliver content leading up to and throughout year-end giving campaigns 2016 through 2018. The study revealed a strong relationship between donor retention and consistent multi-channel engagement; the average gift size and overall philanthropic yield for year-end giving was nearly doubled for nonprofits who used and integrated more than one digital communication channel to engage current donors between October 1 and December 31 each year.

To better understand these bright spots in an otherwise now-flat giving environment, they were compared and contrasted to the strategies, tactics, and channels used by Netflix to sustain a year-over-year customer retention rate of 91 percent—and arguably changed consumer behavior in the process. As a result, Network for Good believes the sector’s chronic underinvestment in technology, at an organizational level, presents the greatest threat to overall philanthropic growth, opposed to the circumstantial conclusions being used to rationalize low donor participation and retention.
Summary

Whenever the calendar turns to a new year, fundraisers in the United States breathe a collective but short-lived sigh of relief, having closed another calendar or fiscal year. In most cases, that year culminated with a December fundraising sprint that ostensibly began on #GivingTuesday. Then, after having just enough time away from the office to recuperate, reinvigorated fundraisers look to their next twelve months to reset, recommit to the creative solutions perhaps thwarted by time and budget constraints, and resolve to do things better than before.

At the same time of the fundraiser’s “Great Introspection,” the consultants, professional associations, vendors, and software companies who comprise the other part of our sector, offer up a timely stream of content to help nonprofits retain donors, beginning with ones just acquired and renewed. While no one can deny the value of the ideas their content brings to a fundraiser, there is new data to suggest it may not even be helping them (or the sector)—and we all may be approaching donor retention in the wrong way.
Since the inception of fundraising as a professional discipline, as a sector we have generally relied on the same strategies and tactics to retain donors, and we’re failing. Beginning with a timely acknowledgment letter, followed by a newsletter or two, maybe an annual report, or an invitation to a donor recognition event, we have relegated our construct of donor retention to a hope that, through some unknown combination of the preceding tactics, donors notice, value, and will later reward our perfunctory gratitude. Without doubt, the gestures are noticed, important, and even appreciated, but are no longer sufficient—nor are they predictive of donor retention. In a time where companies like Amazon, Google, and Netflix have forever changed consumer behavior, nonprofits must immediately adapt to retain donors, and arguably, to even be relevant. Given social media, text messages, email, and websites are the most prevalent ways people access and receive information—and thoughtfully curate their preferences around channel and frequency of this content—nonprofits must do the same. We must personalize the experience and content for each donor, prospect, volunteer, and event attendee in a way that creates a narrative—for every level of giving—that comes from communicating the programmatic outcomes that are financed by philanthropy.

Gratitude and recognition can no longer adequately retain donors, let alone the expression of financial need or another fundraising goal. Instead, the consistent and integrated delivery of program-based content, through all relevant channels, that describes the impact a nonprofit has on its community and service population will. It’s what donors now demand from the organizations they support.

So, to retain donors, we need to embrace and invest in technology that transcends donor management so that we can create the types of digital relationships that consumers, who are also our donors, now expect from any organization that wants their attention long enough to buy a product and more over time. The same is now true of philanthropy.

Our missions too are products. Our donors are consumers. Our relationships are in jeopardy. It’s time to act—and think like consumers, not just fundraisers.
Key Findings

Over a three-year period beginning in 2016, Network for Good created a sample of 2,070 nonprofits, documenting the fundraising activities each deployed from October 1 through December 31—calendar year-end giving. We provided additional technical assistance, online training, and in some cases, virtual one-on-one coaching to help each organization consistently communicate the impact and outcomes of their mission, integrating direct mail, email, SMS/text messages, Facebook, and their website into coordinated campaigns.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2018</th>
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<tbody>
<tr>
<td>5+ Digital Touches</td>
<td>14.17%</td>
<td>45.96%</td>
</tr>
<tr>
<td>2+ Digital Channels</td>
<td>4.79%</td>
<td>20.47%</td>
</tr>
</tbody>
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Adopting a Multi-Channel Communication Framework and Plan

After hosting trainings and providing corresponding reference material on the need and utility of multi-channel communication, we saw a material increase in the number of nonprofits who have used multiple channels to deliver five or more touches between solicitation periods.

Deploying a Multi-Channel Campaign Appeal for Year-End Giving

The number of nonprofits who used two or more channels to deliver coordinated appeals that comprised a year-end fundraising campaign also saw a material increase.
Fundraising Results: Comparison of Single- and Multi-Channel Campaigns

Nonprofits who used two or more different types of communications (e-mail, direct mail, or text) had a higher median donation total, and a higher median average donation amount.

<table>
<thead>
<tr>
<th>2018 GIVING SEASON DONATION TOTALS</th>
<th>2018 GIVING SEASON DONATION SIZE ($/DONATION)</th>
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</thead>
<tbody>
<tr>
<td><strong>Multi-Channel Median Yield</strong></td>
<td>$64,746.25</td>
</tr>
<tr>
<td><strong>Single-Channel Median Yield</strong></td>
<td>$32,116.67</td>
</tr>
<tr>
<td><strong>Multi-Channel Median $/Donation</strong></td>
<td>$301.60</td>
</tr>
<tr>
<td><strong>Single Channel Median $/Donation</strong></td>
<td>$272.80</td>
</tr>
</tbody>
</table>

Impact of Multi-Channel Communication on Donor Retention

Nonprofits that increased the number of channels used to engage donors retained more donors year-over-year. Conversely, nonprofits who were using a multi-channel framework but reverted to single-channel retained far fewer donors.

<table>
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<th>MEDIAN CHANGE IN DONORS RETAINED</th>
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<tbody>
<tr>
<td>Increasing Channels Used to 2+</td>
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<tr>
<td>Decreasing Channels Used to 1</td>
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Fundraising Through the Lens of Netflix

Netflix has forever changed the way we watch our favorite shows and arguably, our general construct of television. At the end of 2018, Netflix had more than a third of households in the United States as their customers, eclipsing their distant second- and third-place competitors, Amazon Prime and Hulu Plus. They have disrupted and redefined the category they have also led for more than a decade. What’s more, it’s how they do it—and what nonprofits can learn from it.

To further illustrate some of these findings, we wanted to contextualize the construct and results of multichannel fundraising by looking to a brand that not only leverages the same, general concepts, but one in which we may be universally familiar. To that end, after reviewing publicly available data and insights about Netflix’s customer acquisition and retention model, we arrived at three things Netflix would do if they were fundraisers.

Adopt technology that integrates and automates multi-channel communication.

There probably aren’t many current Netflix users who haven’t been overwhelmed with the seemingly unending programming options they have as a subscriber. For this reason, Netflix developed a relatively straight-forward, simple, but highly effective multi-channel strategy to consistently curate an experience for each individual user. They send us emails and smartphone push-notifications based upon our existing viewing habits—and they align yet-undiscovered and new programming to predict the dates and times we casually- and binge-watch our programs.
We need to understand that content relevancy and channel drive engagement, not frequency. As such, we only need to worry about frequency if we choose to continually produce content that is based upon long-held assumptions. Imagine if we sent an email with a subject line and reinforcing content closer to “Recommended for you based upon your gift” versus “Newsletter.”

Their goal is to make you feel like you are a segment of one and perhaps even infer that there is a person at Netflix who is always thinking about what you want to watch. There isn’t, but that is not the point.

Netflix doesn’t just use sophisticated algorithms to do all that work (for you). They also use automation to deliver the experience, knowing that they need to engage you where you are, not just where they want you to be, to drive engagement. That is, they know that they will not keep you engaged if they wait for you to log in at home to access alerts that get embedded in your profile.

Netflix knows you leave your home and don’t bring your “television” with you. As such, they are automating engagement by email and with the aforementioned “push-notifications,” that are functionally text messages (because who doesn’t like to clear their accumulating alerts, the enumerated red circles, telling us something needs our attention, on their phones?). The best part of all this automating and alerting: Users welcome, and even anticipate, it. They see it as a service associated with their subscription. As such, Netflix doesn’t just use open and click-through rates to gauge the efficacy of their customer communications. They appear to prioritize a more fundamental “key performance indicator.”

Use engagement as a composite metric to measure your fundraising activity.

As nonprofits, we have generally relegated ourselves to erroneously worrying about sending too many emails too often to our donors. To be clear, we should, but only if our content is not relevant to our donors, and the only way to know if it’s relevant is to segment and track our communications.
In 2016, Parks Associates conducted market research that showed only nine percent of households in the U.S. with broadband internet access canceled their Netflix service after their first year of a subscription. By comparison, almost 60 percent of Hulu Plus customers canceled their subscription within a year, which presumably drove Hulu to expand their platform to now live-stream network television. Even with blockbusters like HBO’s *Game of Thrones*, Netflix remains the most prolific, effective, and efficient producer of original content. It originates with a deep understanding of data, beginning with how users engage with the content, including:

- **What device(s) users access programming, when, where, and how long.**
- **Amount of time lapsing between watching one episode and the next.**
- **Number of users watching an entire series and over what period of time.**
- **Combinations of programming watched by user age, ethnicity, and zip code.**
- **The day(s) users watch what type of content and genre.**

While Netflix’s engagement indicators are not stage-appropriate nor wholly relevant to nonprofits and their donors, they are directional. They inform a set of questions a fundraiser should be asking about the value of the content they share with donors to discern its relevancy. If you accept the notion that “people will pay for what they value,” we, as fundraisers, must ask ourselves, “Am I creating true value (for my donors) or just producing outputs (for my job function)?”

Netflix not only focuses on engagement (the extent to which a customer is consuming and interacting with their content) to just drive retention, but predict it. Arguably, nonprofits could dramatically affect the retention rates of their donors if they, too, focused on engagement above near everything else we (can) measure.
Capture and apply donor preferences to create a real donor experience.

These engagement metrics, along with a proprietary set of others, are used to determine the programmatic preferences of their users. Simply put, what they watch. User content preferences, such as programming titles, actor and cast demography, subject matter, to name just a few, proved so valuable and powerful, that they led Netflix to make a $100 million bet in purchasing the exclusive rights to the series House of Cards. To be sure, especially if you’re a fan, its storyline juxtaposed with the current political environment and personalities in the U.S. align current events with television drama, but it was actually user preferences that drove the decision for Netflix to boldly take such a risk.

Fans of the acclaimed series may recall—or maybe weren’t even aware—they were seeing multiple trailers to uniquely compel wholly different demographics of users to watch the pilot and become hooked. For example, fans of Kevin Spacey, who repeatedly watched some of his iconic roles in his films that streamed on Netflix, saw trailers that exclusively featured the actor (and conversely, the fan exodus that led to his removal from the final season). Women who watched, for example, the movie Thelma and Louise saw trailers featuring female protagonists, beginning with Robin Wright who played Claire Underwood. So, you could imagine the hundreds of permutations of user segments, all based on preferences, that were leveraged to expand the House of Cards audiences well beyond “political junkies.”

As nonprofits, we don’t have systems or data analysts to capture and analyze this level of data science, but again, directionally, Netflix should inspire us to think more creatively about segmentation.

Further, nonprofits need to reimagine segmentation, moving beyond gift history, frequency, size, and an attributional relationship to the organization. To be sure, all these data points are important, but mostly to the fundraiser, not the donor. Excepting the obligatory gift acknowledgment (to receipt a gift), donors want information based upon what connects them to our missions, not our databases.

For the same reason Netflix probably would not try to communicate the value of a subscription to customers by just reminding them of the date and price of their subscription, nonprofits should also leverage their “programming” to reinforce the value (and utility) of their donors’ philanthropy.
Make no mistake, the quality, variety, and sheer volume of their programming options drives Netflix’s ability to acquire customers, but alone does not retain them. Instead, Netflix has figured out that their content—along with how to continually communicate and reinforce the value of a Netflix subscription—is what keeps their customers.

With an astounding retention rate of 91 percent, one has to wonder how does Netflix keep their customers engaged in the immediate- and long-term, and every day in between? To be sure, it’s not a timely acknowledgment letter mailed with their CEO’s signature on it. Nor is it a well-written email or letter sent 30 days before the anniversary date of when the user’s last “gift” was received.

Netflix knows they need to immediately and continually demonstrate the value and utility of a subscription to each new customer, but they do it in the simplest way possible. As described in the previous sections, they rely on data, segmentation, personalization, and multi-channel communication to engage and keep their customers coming back for more, and often.

Nonprofits need to do the same. It doesn’t just make sense, there’s now data to substantiate that our technological needs transcend managing donors—and need to shift to engagement. Further, we need to build digital, content-driven relationships with each of our donors, beginning with the smallest donors, not just the ones who can (potentially) make the largest gift.
Next Steps

- **Download your Digital Dilemma Navigation Kit, now.** To help fundraisers begin the work to apply the concept presented in our study, Network for Good has created a kit to help nonprofits get started—but not from scratch.

- **Self-assessment Checklist.** Use these twenty questions to audit your organization’s digital communication capacity and readiness to implement new strategies.

- **Stakeholder Training Deck.** Use this presentation with staff, board and/or your development committee to create a shared understanding of donor behavior and digital needs.

- **Methodology Infographic.** Use this visualized overview of how the organizations in our study increased the average gift and campaign yield with multi-channel campaigns.

- **Board Memo and Request.** Edit this first draft memo to help make a strong and urgent case to your board to more easily get their approval to make investments in technology.

- **Attend one of our National Town Hall Meetings.** To give you some insights on how to use the preceding tools and see the fundraising tech stack used in the study, we’re hosting online and in-person town halls to help nonprofits increase their digital fundraising capacity. The town halls will also provide you with the training and templates required to:

  1) **Select stage-appropriate digital channels to expand fundraising activities.**

  2) **Create calendar and revenue projections for your next fundraising campaign.**

  3) **Build a case for support that accentuates your unique mission-related outcomes.**

[DOWNLOAD]  [SEE SCHEDULE]
Appendix

Given the extent to which donor retention has been studied over the last 40 years, our study also set out to validate the generally accepted assumptions about what comprises donor retention, and we wanted to make this information available for organizations who are just starting their own introspection about donor retention.

Donor Satisfaction with Speed of Being Thanked

That Includes Explanation of the Gift’s Impact

- Nearly all donors who had made multiple gifts said they were satisfied with how quickly the organization thanked them for their gift (91 percent) and how well the organization explained the impact of their gift (89 percent) in that acknowledgment.

- About 1 in 5 donors gave repeat gifts to health charities and social service charities who were able to humanize the impact of the giving, suggesting a need for all nonprofits to make a case for giving through the lens of tangible, human impact and outcomes.

- Most donors who had made one-time gifts were also satisfied at the speed at which they were thanked (90 percent) and the extent to which the organization explained the impact of the gift (90 percent).
• About 2 in 5 donors (41 percent) said that receiving personalized communication explaining the impact of their continued support would make them *much more likely* to consider donating again. A similar proportion of donors (39 percent) said that receiving an engaging email or text message explaining the impact of the gift would make them *much more likely* to donate again.

• Receiving fast acknowledgment that the gift was received would make about 1 in 3 donors (34 percent) *much more likely* to give again.

• 29 percent of donors would be *much more likely* to make a repeat contribution if the organization makes it easy to donate.
About 2 in 5 donors (40 percent) would like updates 1-2 times per month. A similar proportion (35 percent) want to receive updates every 3-6 months. Only 1 in 9 donors (11 percent) want to receive updates weekly.

Millennials were particularly likely to prefer frequent updates, with about 3 in 4 wanting updates at least once per month. Older individuals generally preferred to receive updates less frequently.

Over 1 in 3 donors (36 percent) prefer to receive information from the charities they support in the form of shorter, regular updates. Donors also like other forms of updates such as via social media, short videos, longer e-newsletters, and newsletters via mail (roughly 1 in 4 donors said they would like to receive updates via each of the aforementioned forms of communication).

As might be expected, Millennials were more likely than all previous generations to prefer social media updates and short video updates.

While there are varying preferences based upon age, it’s clear that donors want monthly, consistent updates from the organizations they support. For nonprofits that provide this level of engagement, it is reasonable to expect a higher rate of blended donor retention.
References


“Loyal subscribers: Why Netflix is no.1 in customer retention: Competitors such as Hulu, DirecTV Now, CBS All Access and Sling TV want to overtake Netflix but they still have a lot to do,” by Desmond O’Flynn. November 2017

“This stat shows how much Netflix crushes Hulu and Amazon Prime in subscriber loyalty,” by Nathan McAlone. April 2016.


About Network for Good

For more than fifteen years, Network for Good has led and powered a movement among 200,000 nonprofit organizations in the United States, expanding the scope of their fundraising activities to effectively raise money online. As a result, it has helped raise and disbursed over $2 billion from over 87 million donors giving to the causes most important to them. While a significant milestone for our sector, it is just our first.

Network for Good is a mission-focused, Certified B Corporation™ created by and for nonprofits to fulfill a responsibility to leverage all of our data and determination from a legacy of fundraising enablement to help nonprofits in our sector to more effectively acquire, retain, and upgrade their donors.

To accomplish its mission, Network for Good offers an integrated software solution for donor management, online giving pages, peer-to-peer campaigns, and one-one-one virtual coaching from trained and accredited fundraising consultants.

Network for Good’s software is used and trusted by more than 10,000 nonprofit organizations, nationwide. Designed for fundraisers who focus their practice on enhancing the giving experience and creating meaningful, scalable relationships with each donor at any giving level, its fundraising framework and technology fuses simplicity, guidance, and automation to enable fundraisers to create an actual experience for their donors—like Netflix does for their customers.
Donor Management Made Easy

Every piece of information about your donors and contacts adds a new layer to your relationship with that individual. Use your data to discover why they support your nonprofit, what programs interest them, what communications they respond to, and what events they attend. Organized, accessible information improves engagement, deepens relationships, and reveals a treasure trove of stories and testimonials.

Network for Good believes in the power of small nonprofits. We believe a donor management system should save you time and improve efficiency, in order to free you up to do the good you do in your community.

GET STARTED TODAY