

Assessing Fundraising Cost/Result Effectiveness

In our firm's experience too few non-profit organizations assess their fundraising effectiveness in terms of the relationship between direct costs and resulting donations. Here are some guidelines which can be helpful in making such assessments. When applying these guidelines, variables such as an organization's size, geographic location and fundamental mission should be taken into consideration.

Overall Cost/Result Effectiveness

A range of 15% and 25% of direct costs to dollars raised is a good guideline for most non-profit organizations involved in a comprehensive fund- and friend-raising, i.e. direct gift solicitations combined with broad constituency relations efforts. It is important to note that comparative studies of fundraising costs emphasize that spending less than 15% may represent an under-investment in fundraising, while spending more than 25% over the near term may represent wise investment in new fundraising programs and initiatives.

Methodology Cost/Result Effectiveness

- ***Direct Response Marketing:*** A 35% to 100% ratio of direct costs to dollars raised is a broad guideline for direct mail and telemarketing fundraising. Ratios in the higher range typically result from new donor acquisition efforts. When soliciting an identified well-informed constituency, such as an alumni body, ratios in the 15% to 35% range can be achieved. The major costs of direct response marketing generally involve the design, printing and distribution of fundraising materials, and, if utilized, the services of a reputable telemarketing firm.
- ***Major Gifts Solicitations:*** A 5% to 15% ratio of direct costs to dollars raised can be achieved through the process of personal solicitation, especially when both dedicated volunteers and experienced professional staff are involved. The direct costs would include professional staff along with personalized solicitation materials and presentations.
- ***Capital and Endowment Campaigns:*** A 5% to 15% ratio is a reasonable guideline for major fundraising campaigns focused initially on securing a number of "transformational" and "lead" gifts. Such campaigns would commonly progress through phases of solicitation from higher to lower dollar gift levels to a final phase of broad solicitation efforts typically utilizing direct response marketing.
- ***Special Events:*** An inaugural fundraising special event may yield disappointing fundraising results. Over subsequent years, however, 50% to 80% of event net proceeds from gross revenues is a reasonable goal.
- ***Website:*** Our firm has not yet seen reliable figures of cost/result effectiveness from web-based fundraising.

Professional Staff Compensation and Benefits

We have found generally that at least two-thirds (66%) of an organization's fundraising budget is reasonably allocated to professional staff compensation and benefits.

“How is your organization assessing its fundraising effectiveness?”