

# Are your fundraising ROIs good enough?

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Marcus Lees-Millais, Finance Manger

14 January 2021

# WEBINAR ROUTE MAP

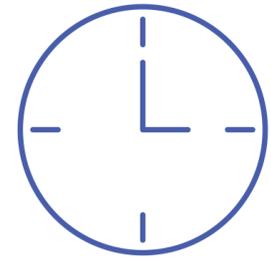
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Defining  
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to plan

Pitfalls and  
Solutions

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questions



Top in England for

## Overall Service

Charity Finance Audit Survey  
2020/21

Over

# 700

charity clients



Grown from  
formation in

# 1923

OVER 90 YEARS OF EXPERIENCE

  
**14** charity  
specialist partners

# 67

 PARTNERS

609 offices  
in 112  
countries

An independent member firm of Moore  
Global Network Limited, a global  
accountancy and consultancy network

# MKS Fundraising & Management Team



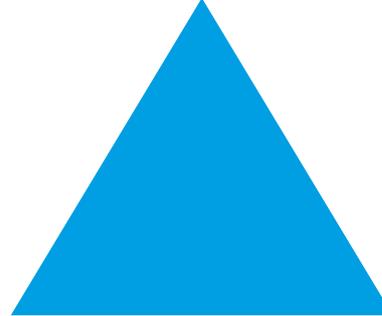
## Impact Management

- Predictive impact modelling
- Impact function review
- Covid-19 impact assessment

## Good Financial Management

- Building model reviews
- Costing and cost recovery
- Finance function reviews

Impact



Finance

Fundraising

## Strategic Fundraising Advice

- Strategic fundraising support
- Funding reviews
- Compliance and good governance



# LOTS COMING UP ... STAY CONNECTED!

## Webinars @ 4.00pm

4 Feb Let's talk about measuring impact

4 Mar Reserves. More than just for a rainy day

## Training half days @ 9.30pm

18 Feb Investing in your fundraising team in a post Covid world

## Useful resources on our MKSFM website

- [What we do and how we can help you](#)
- [What have we learnt since Lockdown?](#)
- [What will fundraising look like in 2021?](#)
- [Effective grant applications in Covid-19](#)
- [MKSFM Impact Measurement Toolkit](#)
- [Full Cost Recovery webinar and thought-piece](#)
- [The Strategic Sweet Spot where Impact and Finance meet](#)

**Ongoing services:** bid-writing, cost recovery, impact measurement, stakeholder engagement, fundraising

Get in touch on [MKSAdvisers@mks.co.uk](mailto:MKSAdvisers@mks.co.uk) to arrange a 30-minute surgery about your impact-led strategy challenges

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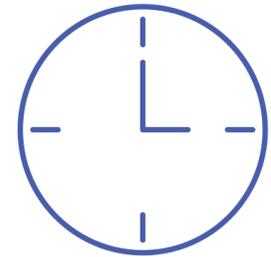
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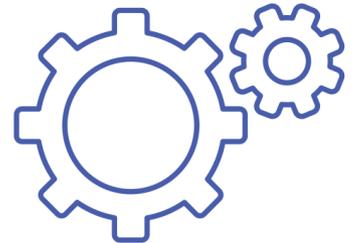


## How do you work it out?

**Return on investment (ROI)** is a ratio between **net** profit (over a period) and cost of investment (resulting from an investment of some resources at a point in time).

$$\frac{(\text{Income} - \text{Cost})}{\text{Cost}} \quad \text{i.e.} \quad \frac{(\pounds 6,000 - \pounds 1,500)}{\pounds 1,500} = \frac{\pounds 4,500}{\pounds 1,500} = \mathbf{1:3}$$

For every £1 invested a return of £3 is received, in addition to the initial investment made.



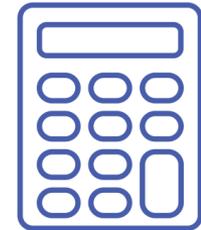
# Defining Return on Investment

What do the different terms mean?

**Profit** can also be substituted for **surplus** in non-profit organisations

It is the difference between the **cost of the fundraising activity** and the **value of the benefit that the activity creates**.

Assigning figures to both these concepts involves various assumptions and calculations.



## Cost of fundraising activity

It is important to be consistent about what is included, but it is a judgement call to decide what that is. It can include:

- Fundraisers' salaries
- Overheads related to fundraisers' salaries and their work
- Management costs
- Cost of volunteer management
- Fundraising supplies and consumables



## Value of the benefit that the fundraising activity creates

The result of a fundraising activity takes place over time, and can be both tangible and intangible. Even where it can be measured, it can't always be attributed. It can include:

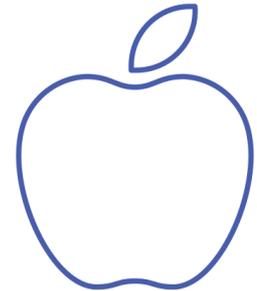
- Direct cash payments
- A regular payment, but for what time period?
- A revocable decision to include a gift in someone's will
- Increased propensity to donate in the future
- Awareness and increased uptake of a charity's services



## Consistency matters

ROI is best used as an internal tactical tool where all other factors are equal.

- It is important to know and decide what your charity means by profit or surplus
- It is generally helpful to either include very limited items or every single item when it comes to calculating costs and income.
- There is always a danger in using ROI from not allowing a long-enough timeframe or comparing apples with oranges.



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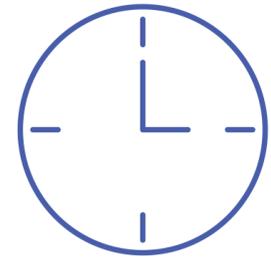
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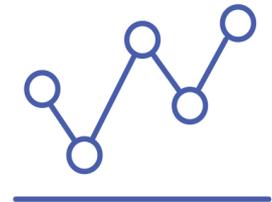
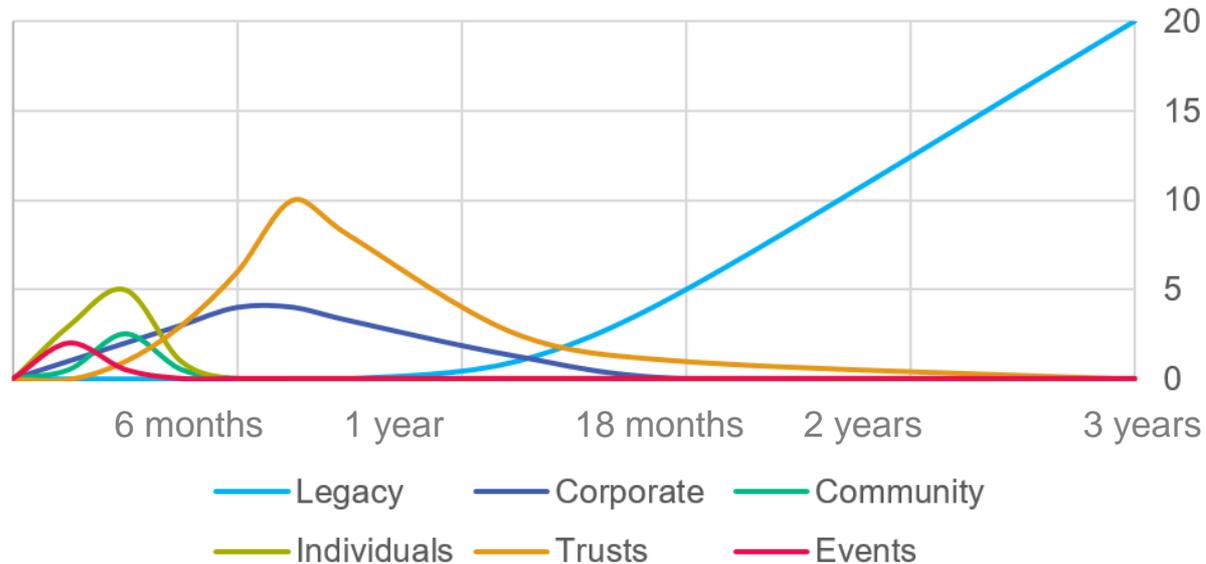
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## Typical ROIs over time for different fundraising disciplines



## What impact has Covid-19 had on ROI and lead times?

The Pandemic has changed both ROIs and lead times

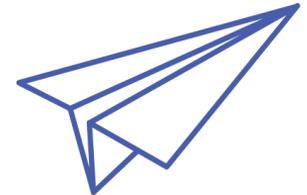
- Legacy returns are probably increasing, but so are lead times
- Corporate fundraising is decreasing
- Community fundraising ROIs improving, due to lower costs
- Individuals ROIs have improved, with similar lead times
- Trust fundraising has improved with shorter lead times
- Events fundraising may also be improving, due to lower costs



## Predicting likely ROI and lead times to make tactical decisions

Predicting likely ROI helps inform investment decisions

- Use budget gaps to work backwards to decide when to make fundraising investments
- Blend fundraising disciplines to create a portfolio of investment returns
- Consider how intangible benefits work together e.g. direct marketing appeals can influence trust and corporate responses



## Understanding internal efficiency and effectiveness

Where 'all factors are equal' ROI can indicate what works best, e.g.

- Understanding different ROIs for two 'identical' direct mail appeals can show which creatives worked best
- Comparing ROIs for two fundraising challenge events can help make decisions about where to apply or cut costs
- It is important to account for the influence of all variable factors



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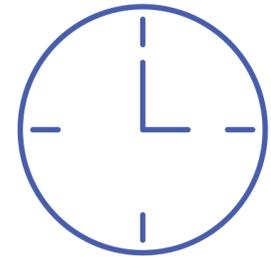
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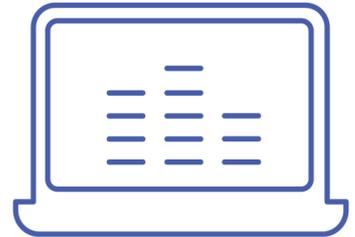
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## Can ROIs be used to benchmark my charity?

While there are average fundraising ratios, it's hard to benchmark with them, unless these factors are identical for each charity:

- Organisation type and size
- Causal area
- Fundraising mix
- Geography/demographics
- Maturity of fundraising programmes
- Senior management involvement
- Skills and diversity of the fundraising team



## Can ROIs be used to sense check the fundraising team's targets?

Yes and No – be careful

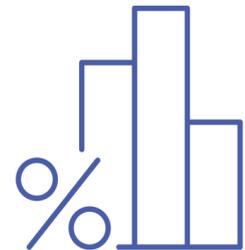
- It depends what ROI values are used.
- Thinking about ROI can help guide questions about the validity of targets.
- Targets are best set by adding up all likely income streams and referring to the funding gap with the charity's case for support.



## Can ROIs show if my charity spends too much on admin?

No, these are two different things that shouldn't be conflated

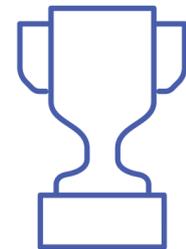
- It is important to know how much is spent on 'admin' as this is part of the ROI calculation
- The public generally under-estimate how much a charity spends on raising its funds
- Not spending money on admin generally results in the generation of less income overall



## Can my charity rely on achieving specific ROIs for each fundraising activity?

Yes and No – be careful

- ROI is best used to plan ahead, but plans can't predict all eventualities.
- ROI values are based on averages, and there are always going to be outliers.
- Other metrics need to be tracked to manage the performance of fundraising income

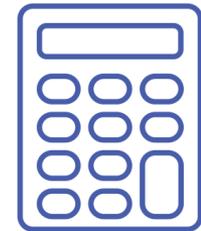


## What other metrics are useful for measuring fundraising activity?

ROI is best used in combination with other metrics:

- Donor Net Present Value (similar to Life-Time Value)
- First Year Donor Retention Rates
- Percentage of donors making a second gift
- Average gift per year
- Income per donor per year

Each metric trend should beg a question about what you will do differently with the data.



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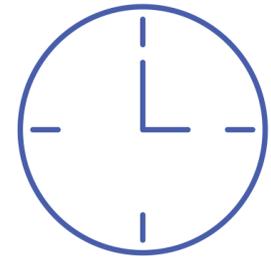
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