Return on investment ratios and fundraising lifecycles

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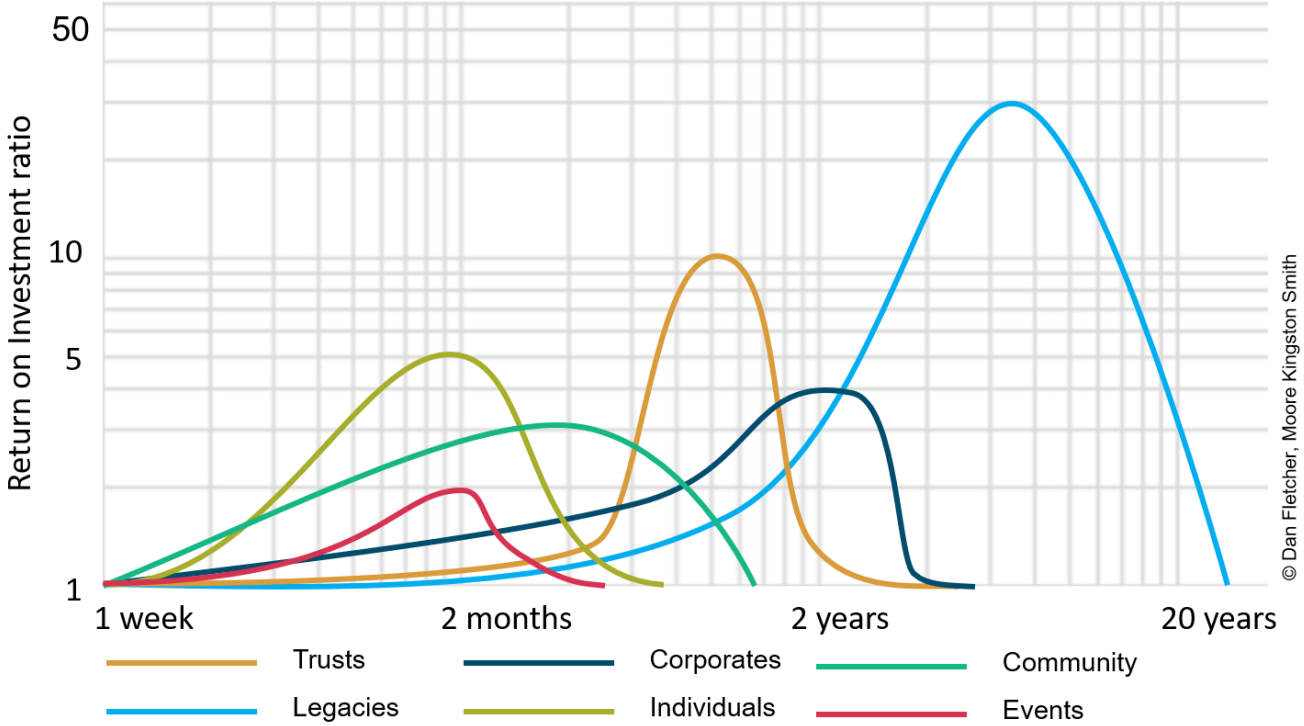
Overview

Fundraising ratios and life cycles over time



How it works

Each fundraising discipline has a different average return on investment ratio and ‘product’ life cycle. The graph shows six typical profiles from events fundraising to legacy marketing. Each coloured line shows how the income from each activity peaks after a certain time period and then returns back to zero. The size of the peak represents the highest return on investment ratio expected for that activity.

For example, a direct marketing approach to individuals would be expected to create a fairly immediate response as some recipients of the email or letter make a donation when they receive it. Others will make donations over a period of up to six months or so from the date of receipt, although the number that do so will tail off quite quickly from the peak response. A direct marketing approach to individuals is likely to return a rate of 5:1 on the investment made to send the communication.

By contrast, legacy marketing takes much longer. It is unlikely that there will be any financial response to a request for a gift in someone’s will for several years. The average response is closer to seven years from the date of marketing, and in many cases it can be decades before a potential legator passes away and their pledge is realised. However, the return on investment is very high. The average pecuniary legacy is more than £20,000, and a return on investment ratio of 30:1 can be expected from a legacy marketing campaign.

Fundraisers can use these average life cycles and ROI ratios to plan over-lapping fundraising campaigns. Normally, different approaches would be staggered over the year and wouldn’t all start at the same point in time, as in the graph. Activities with short life cycles need to be repeated regularly – an events programme may include different events every 2-3 months to maintain cashflow, while legacy campaigns can be more sporadic. However, legacy marketing does still need to be repeated regularly, due to the long lead time and the need to ensure legacies do arrive on an ongoing basis. Understanding how ROI and life cycles interact will however help to benchmark an annual fundraising programme and predict the phasing of expected fundraised income.

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