# LEIGOS PARA O DESENVOLVIMENTO: FUNDRAISING DYNAMICS AND DEVELOPMENT OF DONOR'S LOYALTY IN A NGDO

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**Resumen:**

La institución "Leigos para o Desenvolvimento" (sea "Legos para el Desarrollo") es una organización no gubernamental para el desarrollo (ONGD) que inició su actividad en 1986 y viene sintiendo la necesidad de mejorar el marketing de la organización para poder asegurar los fondos necesarios para sus proyectos. Sin embargo, para la definición de las técnicas y estrategias de marketing a utilizar es esencial conocer el comportamiento de sus donantes. De hecho, diferentes acciones de marketing pueden tener diferentes resultados y diferentes dinámicas en la recaudación de fondos. El objetivo de este estudio es comprender la dinámica de la recaudación de fondos y de los donantes, y, con este conocimiento, apoyar la toma de decisiones sobre las acciones de marketing futuras, ya sea en su aspecto "online", ya sea en su aspecto "offline". A lo largo del estudio, es evidente que hay una fuerte dependencia de los donantes que lo hacen una sola vez, por lo que, con el conocimiento obtenido a través de este trabajo, se recomienda que las futuras campañas de marketing tengan en cuenta la retención de los donantes.

**Abstract:**

Leigos para o Desenvolvimento is a Non-Governmental Development Organization whose activity began in 1986 and has come to feel the need to increase the organization's marketing. However, in order to be able to apply the techniques of marketing to the tertiary sector, it is essential to know the behaviour of donors, for different marketing actions may show different performances and different dynamics in fundraising. The object of this study is to understand the dynamics of fundraising and donors, and thus support the decision making on future marketing actions, either online or offline. Throughout the study, there was confirmed a strong dependence of the donors that donate only once, so using the obtained knowledge that it's recommended that future marketing campaigns take into account the donor preservation.

## 1. Introducción

This case study was applied to the NGDO (Non-governmental development organization), Leigos para o Desenvolvimento. This organization, founded in 1986, is a Catholic association that shares Jesuit principles, officially recognized as an NGDO and holds the status of legal person of public utility since 1995.

They develop projects in Angola, Mozambique, S. Tome and Principe and Portugal. Their missions aim to promote development projects and community organization, entrepreneurship and employability, training of local staff, promotion of voluntary labour and pastoral. Their area of intervention is motivated by the needs of different regions, as well by the existing support for its pursuit.

In Portugal, through the St. Peter Claver Center, since 1994 they support educational, social and professional integration of students coming from PALOP in order to allow their entry into the labour market in Portugal or in home countries. In Sao Tome and Principe, the projects are mainly education, community promotion and entrepreneurship and employability promotion.

Angola and Mozambique were the countries where Leigos para o Desenvolvimento made their first intervention. In Angola they develop dynamic projects and community organization, education and training, entrepreneurship and employability, by local Agents training, promotion of the voluntary and pastoral work. These projects have the contribution of the dioceses and the authorities and local population and sometimes the international organizations with headquarters in Angola. In turn, in Mozambique, projects in progress have as main targets the education from pre-school to university, personal, professional and economic development of women and the promotion of entrepreneurship and self-employment.

Leigos para o Desenvolvimentos release their projects and initiatives through its official website (http://www.leigos.org/) (Image 1) and also on their Facebook page (https://www.facebook.com/leigosparaodesenvolvimento?ref=ts&fref=ts).

**Image 1.** Frontpage of the homepage of Leigos para o Desenvolvimento



Source: Leigos para o Desenvolvimento (2014).

## 2. Case Development

This case study is part of a research project that aims to study the fundraising trends and dynamics of an NGDO, using data mining techniques, particularly creating inputs to create an information system for the simulation and optimization of planning campaigns and strategic marketing actions with resource to data analysis techniques.

These organizations have always had great support from the Government. However, within a change of the economic scenario, this support has been reduced. Currently, these organizations need to be able to resort to private financial support in order to maintain and carry out projects that require more efficient organizational strategies and therefore the fundraising study is on the agenda (Villar et al., 2009).

Fundraising means the way how non-profit organisations are structured in order to obtain donations and contributions to the organization. Fundraising for a cause is an unique business and involves a range of human emotions that must be managed in the interests of those involved. Fundraising objectives are:

getting donations and donors; and more than getting donors is to assemble a donor achievement system; a system that, above all, allow to get larger donation sums and always more often (Abreu, 2009).

Therefore, it's understandable that donors are the main core of fundraising and that it is essential to know them and understand how they are related to the organization.

According to the donors pyramid (Barry et al., 2010), on the bottom are supportive donors, followed by occasional donors, above on are the transition donors and on the top are the regular donors (Image 2).

**Image 2.** Donar Piramyd.



Source: adapted from Barry et al. (2010: iv).

The presentation of the pyramid presumes not only the categorization of donors, but also the various stages which donors go through. These evolution involving donors may depend on various factors which, if known, will allow a larger number of donors to reach the top of the pyramid. Although the motivations to donate for the first time may be different from those who donate because they identify themselves with the cause, it's the NGDO responsibility to develop marketing strategies to strengthen the motivation for a higher commitment (Durana 2011).

Therefore, knowing the donors behaviour in every step of the pyramid becomes essential to enhance fundraising. The challenge is to convert the donors need to respond immediately to a particular campaign in loyal donors who help the organization to prepare new projects (Barry et al., 2010).

Faced with the reality of non-profit organizations, this study focuses on private donors and the amounts donated by themselves to the Leigos para o Desenvolvimento between 1995 and 2014, in order to understand the evolution and the dynamics of donors and their donations.

**Overview**

Because the aim is to study the behavior of donors and donations of Leigos para o Desenvolvimento through a given time period, it became essential to understand the dynamics of the organization, starting with an evolutionary analysis of some indicators that seem relevant to the study: i) number of new donors; ii) the total value of donations; iii) average donation; iv) standard deviation of the average donation; v) dynamic of the number of asleep donors.

The starting point for the analysis was focused on the number of donor's dynamics. We found that the number of new donors do not have a constant behaviour over the months (Image 3), which may reveal that they are under various influences: influence of endogenous variables like launching fundraising campaigns by the organization, and exogenous variables, such as the economic situation of the country and the annual disposable income. Within the framework of the donor´s fundraising, the answer may be in fundraising campaigns that are not producing expected results. This raises a main question: what does influence donors to make their first donation?

We should emphasize the fact that many new donors registration peaks occur in December, which is the month when fundraising campaigns are conducted. Another event that may explain the high points in August/October is related with the sponsorship of the volunteers who leave on a mission which usually occurs during this period.

The importance that non-profit organizations give to donors is directly related to donations. Once more, it is clear that there's a right pattern of donated amounts (Image 3) that may imply the same influences patterned on fundraising new donors. In fact, it turns out that the peaks of donations occur in December

by the same period in which there is an increase of the number of donors. This raises the question: is the total amount of donations related to the increasing number of new donors?

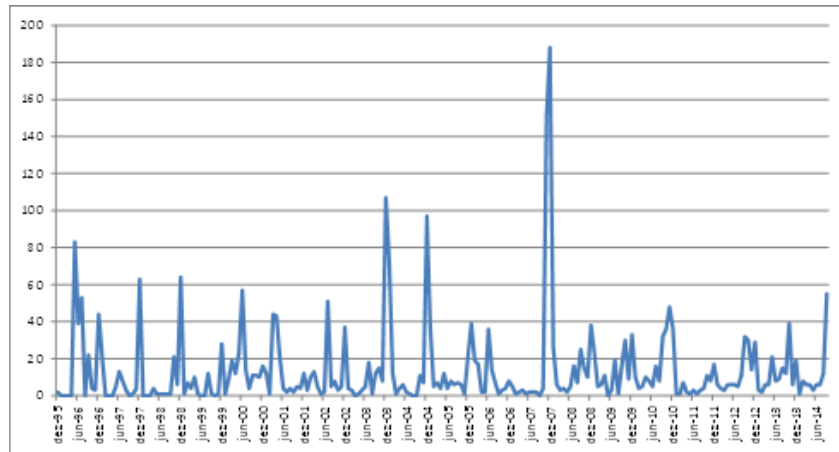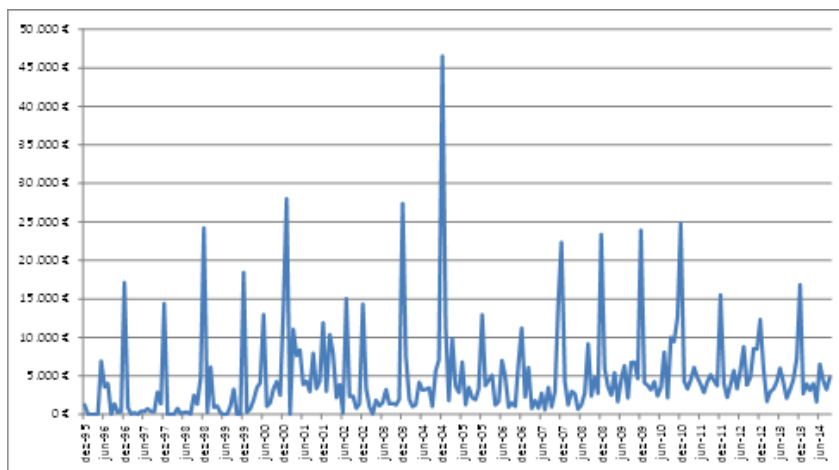**Image 3.** Dynamics of the number of new donors.



**Image 4.** Dynamics of the total value of donations.



The average donation dynamics behaviour (Image 5) and the standard deviation dynamic, measurement of dispersion around the average value (Image 6), also reveal large variations in donations. We can see, on the one hand, a tendency for a decrease of the average amount of donation and, on the other hand, a tendency for a smaller dispersion of donor amount. This means that in macro terms the amounts are usually smaller and gradually concentrated around these smaller amounts. That is, there is an increasing number of donors who donate less.

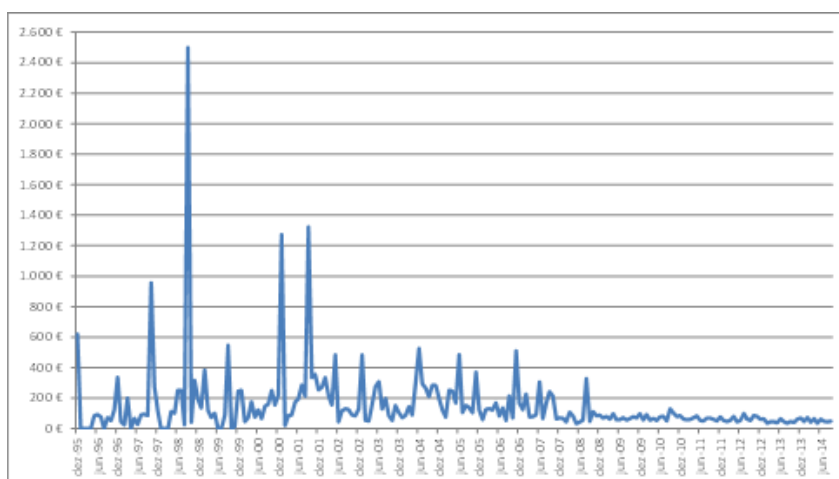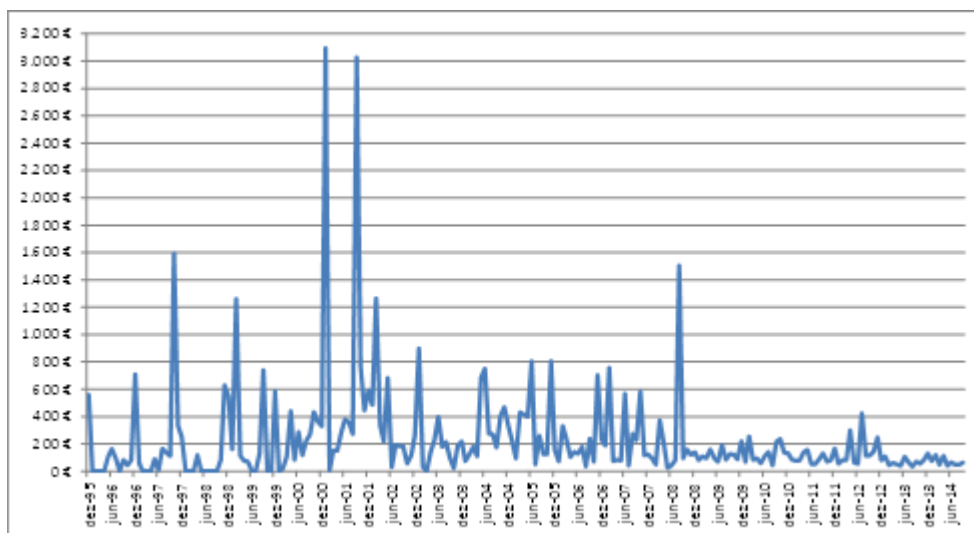**Image 5.** Dinamics of the average donor.

**Image 6.** The standard deviation of the average grant dynamics.



During a serial of decades in the 1990s and in the beginning of the new century, volunteers exercised tasks and activities in the missions that were paid locally or by the Portuguese government and which, due to organization policy, were compensated with donations. Another factor that influences in recent years the decreasing of the average donation amount is the increase of the number of donations of each donor throughout the year (frequency of donations), decreasing the value of each donation, but not always the average annual value of each donor. Despite these facts explain the decreasing of the average values, it's a fact that the overall trend shows a value decreasing of each donation. So, what can be influencing the donations amounts?

Another important factor to be taken into account during the fundraising is the donor retention. Contrary to what has been observed with other indicators in this case there are no oscillations. It seems that there's a growth trend of dormant donors, i.e. donors that don't donate for over four years (Image 7). Given the evidence, what may influence the donor infidelity behaviour? It is significant that in recent years we can see some stabilization in the number of active donors, who made donations in the past two years around 800 donors and also the number of inactive donors, who made donations between two and four years (but not in the last two years) around 400 donors.

**Image 7.** Dynamic number of donors
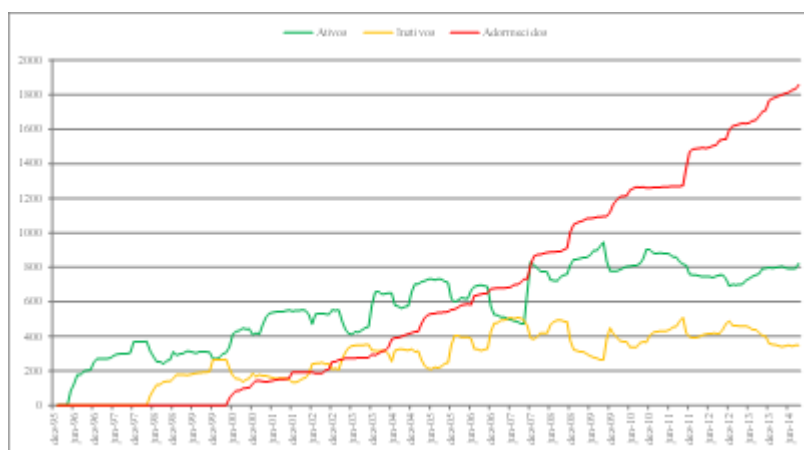


The overview of donors' behaviour of Leigos para o Desenvolvimento raised some issues: what's the organization's dependence regarding new donors? Is the total amount of donations related to the increase of the number of new donors? What could be influencing the donated amounts? What may be influencing the donor's infidelity behaviour? We should try to answer to these issues by identifying factors that contribute to explain the dynamics and donors loyalty.

For this purpose, we estimate linear regression models in order to assess: i) the effect caused by the number of new donors in the amount of donations; ii) the effect of the average donation of one time donor

(only made a donation in the period of almost 20 years under review) and the confidence consumer indicator in Portugal (indicates consumer feeling regarding the personal economic situation and also of the country and is published by the Bank of Portugal) in the average donation (average value of fundraised donations); iii) the effect of the number of one time donors in the variation of the total number of donors (total donors who made donations, whether active or not); iv) the effect of consumer confidence indicator in Portugal on the variation of the number of dormant donors (donors that do not make a donation for more than four years). In these analyses, whose results are presented in the following paragraphs, we consider the monthly values for the period from December 1995 to September 2014, that is, we have a sample of 226 months.

Predictors of the values of donations

The results of the regression model (Model 1, Table 1) show a positive influence of the number of new donors in the total amount of donations, explaining the factor of 42% of the variation of the total value of donations (R2=42%). In fact, for each new fundraised donor, the total value of donations increase, on average, 170.47 euros (coefficient = 170.472). Thus, there's a significant dependence of new donors in the dynamics of the given values. We highlight that a new donor is identified from the date of its first donation, which means that each donor is accounted as new only in the month of the first donation.

If, on the one hand, we found that there is a strong dependence of donated amounts on donors fundraising, another important analysis sets in explaining the donated average amounts. The phenomenon is to know what explains the dynamics of the global donated amounts, but equally important is to realize if will donors donate larger or lower amounts. Is it possible that fundraising is specializing itself in high-value donors? In this sense, Model 2 from Tble 1 allows to identify the main factor behind the average donation.

We can see that both the average donation only from donors underwent a donation (one time donor), or consumer confidence, significantly explain the average donation value, being however the first one which get greater importance. Both factors have a positive effect on the average donation and explain, as a whole, 33.9% of the variation of the average donation. It is noteworthy that when the donation (medium) made by one of these donors (one time donor) varies one euro, the average donation of all donors varies in the same direction and on average 0.34 euros, maintaining consumer confidence constant.

Is, in this case, the economic situation of the country influencing the average donation? The results lead to an affirmative answer, that is, as expected, the higher the confidence's consumer, the higher the value of their donations on average.

**Table 1.** Predictors of the values of donations - regression results.

| Model | Dependent variable | Independent variable | Coefficients | Standard error | Method standardized coefficient | T- test | Model quality |
|---|---|---|---|---|---|---|---|
| 1 | Total value donations (€) | Constant | 25 05,720 | 348,906 | | 7,182 *** | Coefficient of determination (R²) 42,0% |
| | | Number of new donors | 170,472 | 13,396 | 0,648 | 12,726 *** | Standard error estimate 4,498 € |
| 2 | Value average grant (€) | Constant | 246,661 | 35,858 | | 6,879 *** | R² adjusted 33,9% |
| | | Nº one time donors | 0,344 | 0,041 | 0,502 | 8,362 *** | Standard error estimate 193 € |
| | | Consumer confidence | 4,587 | 1,008 | 0,273 | 4,548 *** | |

Notes: *** if sig ≤ 0,001; ** if sig ≤ 0,01; * if sig ≤ 0,05; + if sig ≤ 0,1; ns if sig> 0,1; n= 225 months

This analisys allows us to draw two important conclusions for the organization:

- **First Conclusion**: the value of donations has an enormous influence on the raise of new donors. Of course, the amount depends not only on new but on all donors and on other factors.

- **Second Conclusion**: the economic situation of the country and the value of the average donation of the donors that just made a donation in the period under review (one time donor) explain the value of each donation (on average), thus there's a marked dependence of this one on the economy and of those who donate only once.

Concisely, the average donation has two strong components: the economy and fundraising profile. In addition to the economy (measured by economic confidence indicator of consumers), fundraising of

donators of lower values significantly explain the decreasing trend of the average donation. Thus, the one time donors should be taken into consideration in fundraising campaigns, either for their relevance, either for the strong possibility of becoming regular donors.

### Predictor of fundraising and donor loyalty

With relevance to the fundraising, has already occurred, either for the total values, whether to the average given values, the importance of either the economy or fundraising donors. However, the fundraising must also look for other sources: the already existing donors and the available donors. In this sense, we analyze the dynamics of fundraising and loyalty.

It is evident the impact of the one time donors (donors contributing only once) in the variation of the total number of donors. These very specific donors explain the variation in 86.3% of the total number of donors, i.e., there is a strong dependency between the one time donors and the dynamic of the amount of existing donors (Table 2). We can see that the simple increasing of one doner in the number of one time donors increases the total number of donors in average 1.9 donors.

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**Table 2.** Predictor of change in the total number of donors - Regression Results.

| Model | Dependent variable | Independent variable | Coefficients | Standard error | Method standardized coefficient | T- test | Model quality |
|---|---|---|---|---|---|---|---|
| 3 | Total number donors variation | constant | 0,684 | 0,671 | | -1,019 $^{ns}$ | Coefficient of determination (R²) 86,3% |
| | | Nº one time donors | 1,905 | 0,051 | 0,929 | 37,467***'''' | Standard error estimate 8,3 |

Notes: *** if sig $\leq$ 0,001; ** if sig $\leq$ 0,01; * if sig $\leq$ 0,05;+ if sig $\leq$ 0,1; ns if sig> 0,1; n= 225 months

Being the one time donor a donor who made a single donation and if both the number of donors increases over time, we can see that, on the one hand, the dynamics of donor fundraising presents a positive trend and secondly, the loyalty (the ability to retain and keep active donors) shows a weak performance. So, we sum up the following conclusion:

**Third Conclusion**: there is a dependence on the variation of the number of donors which donate only once (one time donors) and the fundraising explains the dynamics of donors. But, more importantly, we verify that the unfaithful donors will support this dynamic in the future.

If, on the one hand, the marketing activity is working in terms of fundraising capacity, on the other, in terms of loyalty does not show an effective action. By the observed dependence on the dynamics of one time donors, will the action of marketing be focused on attracting donors with suitable profiles?

### Predictor of donor accumulation

Prospecting for new donors is expensive, regardless of the adopted strategy and although the donor retention is not easy to achieve, it is not impossible. Some projects will always benefit the one time donors. However, it is a chalenge being able to get the same donors back to donate (Center on Nonprofits and Philanthropy, 2013).

Facing with this challenge, we found that it would be appropriate to analyze the loyalty dynamics of the donors and to confirm if there's a relationship between the economic situation and the variation (higher) of the number of dormant donors (donors that do not contribute financially for about four years).

The values shown in Table 3 were not entirely a surprise. We noticed that the consumer confidence indicator contributes 6% to explain the variation of the number of dormant donors. There is an inverse relationship between the reliability and the variation of the number of dormant donors, that is, the lower the trust, the greater the number of dormant donors. We highlight that the dormant donor classification is dynamic, that is, if someone who donated in 2000 and then in 2006, it was considered a dormant donor in 2005 and then in 2006 turned out to be active again.

**Table 3.** Predictor of variation in the number of dormant donors – regression results.

| Model | Dependent variable | Independent variable | Coefficients | Standard error | Method standardized coefficient | T- test | Model quality |
|---|---|---|---|---|---|---|---|
| 4 | Variation in the number of donors asleep | constant | 0,055 | 2,393 | | 0,023 $^{ns}$ | Coefficient of determination ($R^2$) 6,1% |
| | | Consumer confidence | -0,276 | 0,072 | -0,248 | -3,817$^{***}$ | Standard error estimate 15,8 |

Notes: *** if sig?0,001; ** if sig? 0,01; * if sig? 0,05;+ if sig?0,1; ns if sig> 0,1; n= 225 months

Over time it is apparent that the number of dormant donors increases, which reveals that the donor is not faithfull. If the economy explains a small part (in a significantly way) of the dormant donors, this relationship reveals that there will be many other factors in which the NGO should operate in order to increase customer loyalty.

We should highlight that the dormant donors always tend to grow, which does not necessarily means a bad loyalty work (although it can also mean), because there are no 100% loyalty rate in any organization and resilience of inactive and dormant donors is always limited. Thus, the balance between donors which are lost every year and the dormant donors which are recovered normally has an unfavorable trend, seeing that the recovery rate/number of recovered donors can hardly approach the attrition rate/number of the lost donors, ranging the size of the two groups. The central question will always be the percentage size of this dynamic, analyzing retention and recovery rates and also the consequent evolution of the number of active donors. So, we sum up the following conclusion:

**Fourth Conclusion**: the economy significantly influences the variation of the number of dormant donors, revealing a weak loyalty of donors. As the economy does not explain everything, which are the variables that motivate the phenomenon of growing of disloyalty? Could it be the lack of proactivity in strategic marketing actions?

## 3. Debate questions

The presented case leads us to the following issues that will certainly lead to some thoughts:

Question 1. Has the NGDO an effective donor management?

   a) Does the collection of donations take into account accumulated donors in its marketing campaigns?

   b) Are marketing actions and campaigns focused on "product/project" or in the strategic management of donors?

Question 2. Since the average grant is dependent on the economy as well as on the *one time doners*, will the fundraiser be directed to collecting donations or to donators fundraising?

Question 3. The fundraising is capturing donors with a non-faithful profile. Should the fundraising be more selective and based on criteria and analytical profiles, i.e, in already loyal donor profiles?

   a) Can the NGDO benefit from a segmented model of donation life cycle? Should donors be targeted by the probability of generating future flows?

   b) Can the NGDO benefit from a system which allows planning and simulate the marketing action, indicating when, how, how much and to whom must the shares be developed?

    c) In the digital world, beeing easier to create actions for fundraising, how mus these tools be used to solve the main problem: the loyalty?

## 4. Conclusiones

The dynamics of fundraising donations, donors and their retention come to show that there are several factors that can influence it: the economy, the fundraising strategies and the marketing strategies. In this sense, we can notice the importance of generating useful knowledge in the fundraising area from the data, a lot of existing data, existing in organizations.

Nowadays, non-profit organizations have accumulated information, only missing to extract knowledge from it. This case study shows that this is possible and that it could be a very useful practice in the strategic management of these organizations.

Through the analysis we made, it can be concluded that with a deeper understanding of donors and their behavior, more or less regular and predictable, we can achieve improvements in the interaction of the Leigos para o Desenvolvimento with its donors and potential donors. The study also shows that the acquisition of new donors presents results. However, the donor loyalty is an area to be developed. Applying the pyramid donor to the reality of the Leigos para o Desenvolvimento, this pyramid should be in reverse, since in the top of the pyramid we find the supporters and potential donors, followed by small or occasional donors, lying major and planned donors in the bottom of the pyramid. This issue reveals the importance of working area of the donor retention.

Loyalty of donors can be achieved with the use of digital marketing, thereby improving communication between the various stakeholders. In view of the various tools available in the digital world, non-profit organizations can take advantage of these technologies and develop digital marketing strategies targeted to their donors and potential donors.

But more important than developing digital marketing actions, we should understand the factors that explain the dynamics of fundraising understand the strategic needs and frame the digital channels in integrated and proactive plans of strategic marketing and strategic management of existing donors. Among the strategies that can be directed appear online donations, personalized acknowledgments via email, online merchandising sales and disclosure of donations calendar on the official web page.

However, the raised issues and the given answers by numbers alone do not make a difference. Can the strategic decisions taking into account the numbers and the dynamics of the Leigos para o Desenvolvimento make the difference?

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