

# Should you **invest** in a **Donor Management System?**

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# Table of Contents

Do We Really Need A Donor Management System?	3
Know Your Donors	3
Improve Your Stewardship	4
Retain Valuable Donors	4
Be More Efficient	6
Plan For The Future	6
What's In It For: The Executive Director	7
What's In It For: The Fundraising Manager	8
What's In It For: The Bookkeeper	9
What's In It For: The Communications Coordinator	10
Conclusion	11

# Do we really need a donor management system?

This is a common topic of conversation amongst board and staff at many small and medium-sized charities.

**That question is best answered with a few follow-up questions:**

- Are you looking for ways to be more efficient and effective at fundraising?
- Do you want to double down on your commitment to good stewardship, and drive donations?
- Do you toss and turn at night, thinking about what would happen if key members of your team left and took their knowledge of your donor interactions with them?

There's no need to lose sleep! A Donor Management System, or DMS, can help you strengthen your organization's relationship with your donors, increase donations, and maintain institutional knowledge, no matter what the size of your organization.

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## Know Your Donors

It's critical to understand as much as possible about your donors - the frequency, value, timing and source of their giving - in order to identify your most loyal donors, retain existing supporters, and build strong relationships, especially at scale.

If you were asked to identify your top 20 donors, you may have that institutional knowledge in your head. However, what if you need to know their best giving year, or the average value of their transactions, or which campaigns most resonate with them? All these data points can help you better understand why these donors are in your

top 20, so you can create and execute on plans to steward them, and attract more donors like them; but it's nearly impossible to remember all that about each donor.

Good donor data can help you raise more money, and make more strategic decisions. If you're like many charities out there, your donation data is spread out across a dozen or more spreadsheets, or in online tools like CanadaHelps. Finding your most loyal donors, or under-stewarded donors, is almost impossible when your data isn't consolidated and well organized.

## Improve Your Stewardship

Most small charities want to know how they can attract new donors. The better question is; how well are you building on the relationship with the donors you already have?

The big nonprofits have this figured out. They invest tens of thousands of dollars every year tracking their donor data so that they can ask them with just the right story, at just the right time, and at just the right amount. They know how, when and what to ask for, because they're able to see patterns in how, when and why donors give. They leverage those patterns to develop relationships with their existing donors - and raise more money.

It may seem like this level of donor data management is too expensive, or time consuming, for a small charity to take on.

The good news is that it's never been more affordable or easier for small nonprofits to leverage some of the same tools and tactics that make the big organizations such impressive fundraising machines.

With a donor management system, donors can be tracked by donation amount and date, by which campaigns and requests they responded to, and understood from a 360 degree perspective. Are they also a volunteer? Do other people in their household donate? Have they attended an event? Have they raised money by asking their friends, family or company (soft crediting)?

Acquiring new donors is time-consuming and costly so it's critical that you get to know your donors and steward them effectively!

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## Retain Valuable Donors

According to the Association of Fundraising Professionals (AFP)'s Fundraising Effectiveness Project, "taking positive steps to reduce gift and donor losses is the least expensive strategy for increasing net fundraising gains."<sup>1</sup>

Unfortunately, most small charities are only retaining a small fraction of first time donors due to lack of stewardship and lack of knowing donors well. The average retention rate for Canadian nonprofits last year was almost 51% according to AFP's inaugural Canadian Quarterly Fundraising report.<sup>2</sup>

However, small charities typically perform worse than that. AFP's report notes, "Smaller nonprofits with under \$500,000 in annual revenues often do not have adequate resources to maintain such communications with current and past donors. The result of lack of contact is high donor losses".

Imagine that you could retain an additional 25 - 30% of first time donors by applying good data and good stewardship. With a donor management system, retaining more first time donors is within your reach. If you know which program they chose to first

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<sup>1</sup> Levis et al, (2018) <https://afpfep.org/wp-content/uploads/2018/04/2018-Fundraising-Effectiveness-Survey-Report.pdf>

<sup>2</sup> [http://www.givingindex.net/GiG19Q4\\_CA\\_3326DFF2CC.pdf](http://www.givingindex.net/GiG19Q4_CA_3326DFF2CC.pdf) (2020)

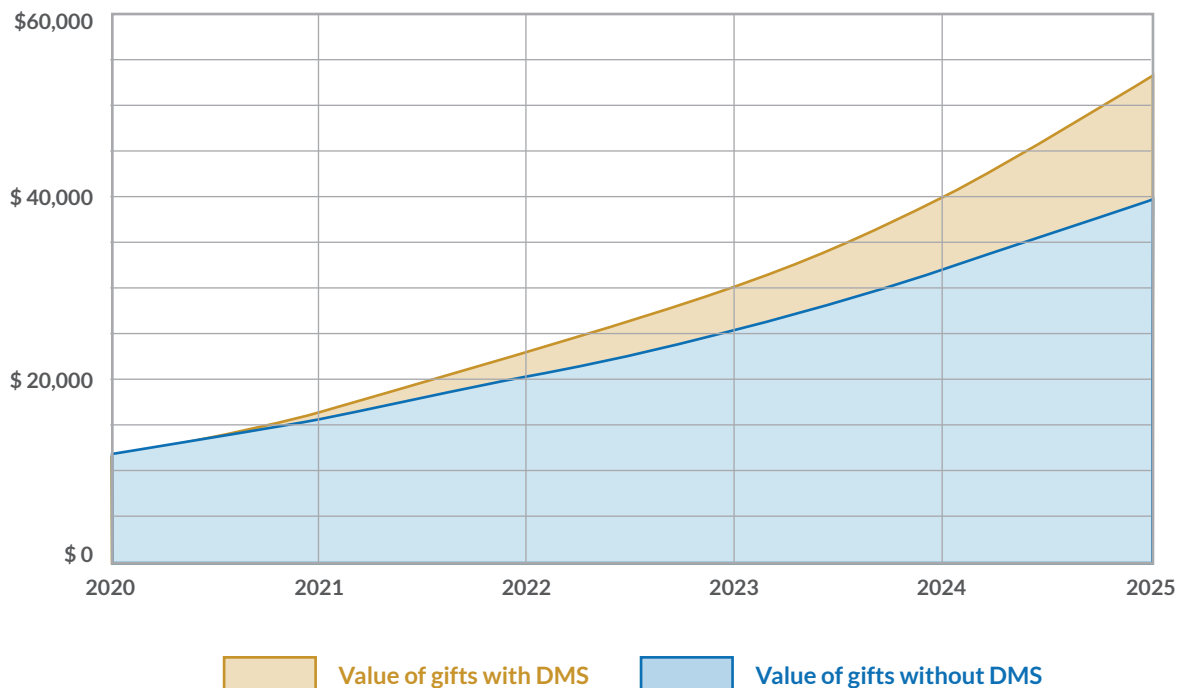
support and the types of acknowledgment they prefer, and are able to identify donors who are giving less, and donors who are giving more, you can segment your donors and craft your communications resulting in better retention and more revenue. With a DMS, all of this information is available at your fingertips for every donor!

You could be much more confident in your cash flow projections, and have a more reliable picture of what your operating budget will look like year over year.

The graph below shows how an organization beginning with \$11,000 in donations would experience growth with and without data-driven stewardship powered by a DMS. The total difference in the value of the donor base grows to over \$40,000 after 5 years. Leaving that much money on the table is not something that many organizations would knowingly do.<sup>3</sup>

A DMS can radically improve your ability to steward your donors. Better stewardship means more predictable projections, strategy decisions, and better program investment decisions too.

## Impact of data-driven stewardship over time



<sup>3</sup> Assumptions used in this chart about donor retention, acquisition and reactivation rates derived from AFP's 2018 Fundraising Effectiveness Survey Report.

## Be More Efficient

Great stewardship is just one way in which a DMS can strengthen your organization. A DMS can also help drive organizational efficiency.

No one likes to spin their wheels looking for information on a donor, a grant or a recent event. When an organization has program and stakeholder data in silos it makes collaboration burdensome and prevents it from being able to respond quickly to emerging opportunities.

During the COVID-19 pandemic, organizations who relied on a DMS to

centralize their donor and event data, were better prepared to pivot to a remote work scenario; the information that staff needed to do their jobs was readily available and not cordoned off on someone's hard drive.

Without a DMS, more time is spent fielding requests for information from staff, board, or volunteers on donor activity. A DMS can make this much more efficient and save hours leaving your or your staff with additional time to fundraise, focus on your programs, or otherwise serve your mission.

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## Plan For The Future

When you embark on a journey to synthesize your donor information in a DMS you are setting the organization up for success not just during your tenure, but for many years to come. Staff, volunteers, and board members come and go, but when a DMS is in place, you can ensure that relationships and valuable donor information are not lost. Simply put, a DMS contributes to good succession planning. It ensures that the details of donor interactions contribute to a living and enduring record of your organization's community of support.

Imagine the experience of starting a job as a fundraiser with an organization that tracks donor activity - including meetings

and calls - and that of joining an organization that doesn't have a DMS. In the former case, you can identify the organization's most important relationships on day one. You can see how previous campaigns performed over time and establish your goals accordingly. You can do all this without having to ask anyone where to find donor or campaign data. In the latter case, these same simple benchmarks may require consolidating several years of disparate spreadsheets.

A DMS sets you up for success now, but it also ensures that future fundraisers or managers of the organization will always be able to build on your effort, instead of having to start from scratch.

## WHAT'S IN IT FOR:

# The Executive Director

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Boards are invested in the financial well-being of your organization and as such it's important for executive directors to provide regular updates on fundraising activities. When you have a Donor Management System to keep track of donations, prospective donors, and grant prospects, it makes preparing for a board meeting much easier.

You've probably gotten pretty good at building your revenue report from a number of different spreadsheets and sources of data, but it can take a great deal of time to pull together your grants pipeline, monthly donors report, campaign performance year over year, individual giving numbers, event ticket sales, etc.

A DMS makes it easy to run a report that reflects all of those different revenue sources. You can run a monthly report and share it directly with your board or even create a user account for your Board Treasurer so they will always have access to the latest fundraising and revenue reports. No more hours and hours spent preparing spreadsheets and manually compiling data based on board member's requests.

**EASILY**

run and share  
reports

**SAVE TIME**

preparing for board  
meetings

## WHAT'S IN IT FOR:

# The Fundraising Manager

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Stewardship activities – thanking donors, building connections between them and the work of the organization, developing them to give more – should be customized according to the type of donor you are hoping to steward.

You probably wouldn't create a stewardship plan that includes lots of one-on-one time for donors who are giving one time at the \$5 level. But for those giving at \$250 or \$5,000, or consistently over years, or even via multiple campaigns, you might in fact want to meet with them one-on-one. For smaller dollar donors, your stewardship can be more automated, yet still personal, pulling relevant data into a custom direct mail piece or a handwritten card, or through personalized emails you can send directly from your DMS.

It's very difficult to create a stewardship plan that reflects how donors at different levels should be stewarded without first being able to easily identify and bucket groups of donors based on their giving level, frequency, or source. A DMS helps you easily slice and dice your donors into smaller groups so that your efforts with them are more targeted and effective.



**CUSTOMIZE**  
your stewardship  
activities

**PERSONALIZE**  
your messages

**TARGET**  
your efforts



## WHAT'S IN IT FOR: The Bookkeeper

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When you're a bookkeeper, your eye is always on cash in and out. Cash flow modelling can be very challenging in the nonprofit sector as grant cycles are unpredictable and even our best efforts to predict a campaign's performance can often fall flat.

With a DMS your bookkeeper will be able to see year over year trends with respect to revenue from all sources, or break it up to see revenue from just one or two sources. Understanding the cycles of when you have more cash coming in the door will help you plan programming spends and strategic infrastructure investments so that you are less likely to run into cash flow challenges.

Many DMS' also integrate with bookkeeping software like Quickbooks Online. This eliminates the need to download reports and reformat the data in order to upload it to the bookkeeping tool. Instead, with an integration set up, the data moves seamlessly from the DMS directly to the bookkeeping tool.

DMS' also can offer integrated payment processing services, so that you can accept one-time or recurring credit card and EFT payments. And the ability to issue CRA-compliant tax receipts through the DMS can be another big time saver for your organization.

**MINIMIZE**  
cash flow challenges

**SEAMLESSLY**  
move data to your  
bookkeeping tool

**EASILY**  
create CRA-compliant  
tax receipts

## WHAT'S IN IT FOR:

# The Communications Coordinator

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A key job function for you is creating a campaign appeal and segmenting donors to create communications tailored to their previous donation activities. With a DMS you can also tag or label donors easily. You may label some donors as volunteers, some as program participants, some as former staff.

These tags will also help you individualize your communications to people in your DMS. When you can group volunteers together you can steward them in a way that acknowledges their volunteer contributions as part of your ask. Leveraging the ability to tag donors in a DMS means that your asks can be more personal, unique, and meaningful.



**EASILY**  
tag or label donors

**INDIVIDUALIZE**  
your communications  
with donors

# Conclusion

A Donor Management System is an essential tool for all charities, regardless of size. It helps give you a true 360 degree view of all your supporters and once adopted you will see improvements in fundraising effectiveness, reporting, succession planning, and more.

While it will require effort at the outset to learn how to use a new system and consciously avoid relying on old habits, based on experience working with organizations before and after a DMS implementation, the results are a 25 to 30% increase in organizational efficiency. In the Fundraising Effectiveness Survey the authors note that “taking positive steps to reduce gift and donor losses is the least expensive strategy for increasing net fundraising gains”. Implementing a new DMS is a great example of a positive step you could take to increase donor retention by 25% more.

You deserve to see the benefits of working smarter not harder - which will result in more money to invest in the communities you serve, more streamlined operations, a more empowered staff - and hopefully a better night's sleep.



## About the Author

Aine McGlynn is the Chief Operating Officer of The Good Partnership, a Toronto-based consultancy specializing in the fundraising and systems needs of small nonprofit organizations. With her clients, Aine develops and implements fundraising and technology systems plans so that you can get back to delivering your mission to your community.

## About CanadaHelps DMS

You can learn more about the CanadaHelps Donor Management System at:  
[www.canadahelps.org/dms](http://www.canadahelps.org/dms)

Or contact us for a free online demo at:  
[dms@canadahelps.org](mailto:dms@canadahelps.org)

Learn more about CanadaHelps and our fundraising solutions for charities at:  
[www.canadahelps.org/charities](http://www.canadahelps.org/charities)



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