

Fundraising return-on-investment

How much should organizations expect to spend for each dollar raised through fundraising activities?

Many organizations should anticipate a period of at least three years—and perhaps as many as five—to realize their optimal return on investment. According to a recent study (see below), the average yield is \$1 dollar for every 24 cents spent. However, there is wide fluctuation depending on several variables, such as:

- **Organization age.** Mature fundraising programs tend to secure larger contributions at a lower cost. New fundraising programs must contend with significant start-up costs, as well as smaller gifts and lower participation from a relatively uncultivated donor constituency.
- **Tactics.** Major gift programs are among the most lucrative, although these require significant organizational infrastructure and a large pool of affluent individual donor prospects. A sole focus on major gifts does not provide the type of egalitarian, broad participation that is at the heart of many missions.
- **Type.** In Counsel's experience, prestigious (even elitist) organizations such as universities, art museums, and major medical centers tend to have the most sophisticated and efficient fundraising operations, while populist causes such as human services realize a lower return on investment, given the cost of securing a larger number of smaller gifts.
- **Size.** Large organizations realize economies of scale that help to improve the expense/revenue ratio.

The Nonprofit Fundraising and Administrative Cost Project¹ found in 2001 that on average, for all types and sizes of nonprofit organizations, it cost 24 cents to raise \$1. The project surveyed 1,540 organizations to examine the cost of fundraising by tactic and found a wide range of tactics used and costs for each. The table below summarizes results that apply to individual donors. The project also asked about participation in federated fundraising campaigns, foundation proposals, requests for corporate funding, and government grant proposals.

Tactic	Percent using tactic	Amount raised per \$1 spent		
		Median amount raised per \$1 spent	Highest value among lowest 25% of responses	Lowest value among top 25% of responses
Direct mail	43	\$10	\$4.50	\$25.90
Telephone calls	9	\$11.90	\$2.60	\$42.00
Special events	62	\$3.20	\$2.00	\$6.30
Major gifts	66	\$24	\$8.40	\$100
Capital campaign	16	\$20	\$8.00	\$53.80
Planned giving	20	\$20	\$7.80	\$100



¹ As reported in *Giving USA 2003* published by the AAFRC Trust for Philanthropy.