Your organization probably desires to maximize its fundraising efforts. To achieve that, keep a laser focus on what fundraising energy should be on what work. Knowing what fundraising work will have the best return on investment (ROI) of time, staff, volunteers, and other resources, etc.

Here are some National Averages, industry standards if you will, about expected ROI that you can use as benchmarks.

Fundraising Costs and Return on Investment – National Averages

- Direct mail to general lists

  (non-donors) Cost 115% ROI 15%
  (prior donors) Cost 20% ROI 80%

- Special Events Cost 50% ROI 50%

- Planned Giving Cost 25% ROI 75%

- Foundations/Corporations Cost 20% ROI 80%

- Major Gifts Cost 5-10% ROI 90-95%

- National Average, all methods: Cost 20% ROI 80%

(Footnote: James Greenfield, Fund Raising: Evaluating and Managing the Fund Development Process)

The chart indicates that you would need to spend $1.15 in order to raise $1.00 through direct mailings to general lists; but obviously those who already know respond to your mail.

To solicit major gifts, you would spend 5 to 10 cents to raise $1.00—if that is a skill that you have developed within your organizational culture.

When calculating ROI, also keep track of the indirect costs associated with fundraising. For example staff costs are not just for those who are directly involved with your fundraising. Other staff and administration typically are involved as well, albeit to a lesser extent. You may want to factor in the costs associated with staff and volunteer time, facility usage, overhead expenses, as well as out of pocket direct costs into determining ROI or you may have a very good reason for leaving them out. Just be aware of your assumptions.

From an ROI perspective, it costs less and produces more income to raise major gifts than to use other methods of fundraising. While a variety of methods should be used in each organization, all too often, nonprofits tend to utilize, to a disproportionate degree, those methods which produce the lower returns, (events and direct mail) rather than those that are more effective (major gifts). Yet I am fully aware that major gift fundraising may not be a good fit for your agency, or you may not yet have developed that skill. Many people ask me what ROI should they expect for a major gift officer and how would that ROI increase according to their years on the job? It's not easy to answer that question in the abstract because there are lots of factors related to the experience of the fundraising professional, the quality of the donor prospect pool, the amount of other responsibilities carried by the fundraiser, the amount of support given him or her to implement their work (staff, database, travel, research) etc. In general you would expect that with more experience a major gifts officer should have a better ROI than other fundraisers, but as you can see, the variables don't allow a measureable percentage. But do try to make an ROI projection for your situation based on your reality.

Special events can build excitement, engage people, provide enjoyable opportunities for volunteers but they typically cost too much to produce to justify the amount of money they raise. As a result, most organizations are reducing the number of events they hold and are putting more emphasis on major gifts and planned giving.

Using the return on investment approach to analyze fundraising performance is an excellent way to engage leadership and staff on how best to plan your future fundraising activities. You will find that Board members who have for-profit business experience will likely be able to help with such an approach to planning and resource allocation, although these days there are plenty of good graduates of nonprofit management programs who also have these skills.