2014-15 Donor Management Systems Use and Satisfaction Study
Donor Management Systems: Use and Satisfaction

Nonprofit Research Conducted in Collaboration with

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Overview

Welcome to the findings report on the second annual Lehman Reports™ study of the Use and Satisfaction with Donor Management Systems. This study is conducted in collaboration with the Nonprofit Technology Network, NTEN.

The donor management system (DMS) is a core application for nonprofits for fundraising, communications, and donor engagement campaigns. By providing a full view of donors, these systems enable organizations to target and tailor campaigns around specific interests, behavior, and relationships. Increasingly, social media profiles and activity have become an integral component of the donor view, helping to power both online and peer-to-peer fundraising programs. Leading systems go beyond management of donor information to offer a range of functions that directly support fundraising campaigns, email communications, social media engagement, and advocacy.

Nonprofits use a variety of applications to manage donor records, falling under three general categories: donor management software products and services, custom systems, and office database applications. There are a large number of DMS products and services available today, with well over 100 cited by study participants. However, nearly half of nonprofits are using one of just four products. The other half is spread across dozens of products, including products such as email marketing and advocacy systems that are not true donor management applications.

Nonprofits that are using custom systems or office database applications are far less satisfied with those systems than are those using a DMS product or service. Those ratings are among the lowest recorded in comparable Lehman Reports studies in the association market. However, even the satisfaction ratings for donor management products are only moderate, with average satisfaction ratings for individual product capabilities and features ranging from 4 to 7 on a 10-point scale.

The three leading products in the mid-to-large nonprofit segments are Raiser’s Edge, SalesForce.com, and Donor Perfect. GiftWorks holds the fourth-largest overall share as a result of its strong presence among smaller nonprofits. All receive solid satisfaction ratings.

Nonprofits make a donor management system purchase decision about every three years. As such, most systems in use today were installed, upgraded, or renewed within the past three years, and a similar proportion expect to enter into a new decision process by the end of 2017.

Of those using one of the donor management products, and particularly one of the leading products, the majority are likely to stay with that product at the next decision point. That is understandable, given the cost and disruption that moving to a new product can entail. The growing use of digital and social media-connected fundraising requires more sophisticated
donor management capabilities. Many nonprofits favor donor management systems that incorporate a suite of capabilities to support fundraising, communication, and advocacy programs.

A large proportion of new DMS purchases are by nonprofits moving from a custom or office database system to gain access to the capabilities and functionality resident within those products. Another significant group is comprised of those moving from lower-tier, less capable systems.

Many smaller nonprofits have little, if any, in-house technical expertise and limited funds to spend on these systems. Cost and ease of use are the two most frequently cited decision factors for these smaller nonprofits. While cost is always an important consideration, large organizations focus more attention on product capabilities and features, options to integrate with other in-house or external applications, and advanced reporting capabilities as important decision factors.

Overall, organizations are well satisfied with several longstanding donor management system functions. These include data security, basic reporting, data import/export capabilities, customer support, and relationship tracking. They are much less satisfied with system capabilities required to support emerging digital engagement and fundraising, such as mobile options, a 360° view of donors that includes social media activity, online donation customization options, and peer-to-peer/personal fundraising capabilities.

About the Sample

The Lehman Reports Donor Management Study is based on an online survey of US-based nonprofits conducted in October 2014. The NTEN list of contacts was augmented by a purchased list of contacts in nonprofits with at least a $1M annual budget. A total of 1,294 fully completed surveys from nonprofits were recorded. After weighting to adjust for multiple entries from a given organization, the analysis dataset includes a total of 1,235 responses. A modified weighting system is used to balance the sample by organization size (annual budget), based on a comparative distribution of 990 filings from 501c3 organizations.
Fundraising

More than 90% of the nonprofits responding to this study engage in fundraising from individuals and major donors, our target market for this study.¹ Half of these nonprofits report an increase in contributions as compared to the preceding year. Larger nonprofits have fared somewhat better, but the differences are modest.

¹ This may overstate the proportion in the overall market, as organizations engaged in fundraising would be more likely to complete a survey on donor management systems.
Donor Management Systems in Use

The vast majority of nonprofits that engage in fundraising use some type of application to manage donor records, and most of those, 84%, are using a donor management product.

A small number of organizations are using a custom system, and 13% are using an office database or spreadsheet application. The line between an office database and a custom system is blurred as many of custom systems are based in office applications such as Access and Excel. Smaller organizations are more likely to be using a local office application; however, even among all but the smallest organizations, the majority are using a donor management product.
As noted in the 2013 report, organizations cited over a hundred DMS products, but most organizations are using one of a small number of DMS products. Half use one of the four leading providers, and two-thirds use one of just 12 products. The remaining share is distributed among dozens of products.

**Donor Management Products Market Share**

<table>
<thead>
<tr>
<th>Product</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raiser’s Edge</td>
<td>19%</td>
</tr>
<tr>
<td>Salesforce</td>
<td>16%</td>
</tr>
<tr>
<td>Donor Perfect</td>
<td>9%</td>
</tr>
<tr>
<td>GiftWorks</td>
<td>5%</td>
</tr>
<tr>
<td>eTapestry</td>
<td>4%</td>
</tr>
<tr>
<td>CiviCRM</td>
<td>4%</td>
</tr>
<tr>
<td>Blackbaud Enterprise CRM</td>
<td>2%</td>
</tr>
<tr>
<td>Little Green Light</td>
<td>2%</td>
</tr>
<tr>
<td>Exceed</td>
<td>1.7%</td>
</tr>
<tr>
<td>Fundraising 50</td>
<td>1.7%</td>
</tr>
<tr>
<td>Luminate CRM</td>
<td>1.6%</td>
</tr>
<tr>
<td>NeonCRM</td>
<td>1.6%</td>
</tr>
<tr>
<td>Constant Contact</td>
<td>1.2%</td>
</tr>
<tr>
<td>DonorSnap</td>
<td>1.2%</td>
</tr>
<tr>
<td>netFORUM</td>
<td>1.1%</td>
</tr>
<tr>
<td>Network for Good</td>
<td>1.1%</td>
</tr>
<tr>
<td>DonorPro</td>
<td>1.0%</td>
</tr>
<tr>
<td>Salsa Fundraising</td>
<td>1.0%</td>
</tr>
<tr>
<td>MailChimp</td>
<td>0.9%</td>
</tr>
<tr>
<td>Bloomerang</td>
<td>0.9%</td>
</tr>
<tr>
<td>Databank</td>
<td>0.9%</td>
</tr>
<tr>
<td>MicroEdge</td>
<td>0.9%</td>
</tr>
<tr>
<td>iMIS</td>
<td>0.9%</td>
</tr>
<tr>
<td>PatronManager CRM</td>
<td>0.8%</td>
</tr>
<tr>
<td>MS CRM</td>
<td>0.8%</td>
</tr>
<tr>
<td>Andar/360</td>
<td>0.8%</td>
</tr>
<tr>
<td>Altru</td>
<td>0.8%</td>
</tr>
<tr>
<td>NonProfitEasy</td>
<td>0.7%</td>
</tr>
<tr>
<td>ResultsPlus</td>
<td>0.7%</td>
</tr>
<tr>
<td>Enterprise</td>
<td>0.6%</td>
</tr>
<tr>
<td>Other</td>
<td>16%</td>
</tr>
</tbody>
</table>

*Excludes custom and office applications*

Product market share varies by organization size. Raiser’s Edge is the clear market leader for mid-to-large nonprofits, and the margin of that lead increases with organization size. Salesforce has a significant presence in all segments and leads in the mid-to-small markets. Donor Perfect has a solid presence across the market and is particularly strong in the middle market segments. GiftWorks is used primarily by smaller organizations. At the company level, Blackbaud offers several DMS products and collectively holds a nearly 30% share of the market.
Purchasing Patterns

The marketplace for DMS products and services is dynamic. Nonprofits assess and make a decision about their donor management solutions every 2-3 years. Over the past few years, many have installed new systems, replacing office database, custom systems, and other DMS products. The growing use of online and social media fundraising places new demands on donor management systems, even for smaller organizations. Looking forward, the market of donor management products is likely to consolidate. This will be driven in part by the economies of scale required for continuing product development and new customer marketing. Consolidation may accelerate as nonprofits gravitate towards a subset of products that offer robust capabilities at affordable levels.

While the market is dynamic, the situation is less so at an individual organization level. Nonprofits are reluctant to replace an existing system. Changing products can be costly, disruptive to current operations, and present challenges for staff to learn a new system. As the level of integration increases between donor management systems and other applications, the time and cost of installing a new product will also increase. Similarly, as nonprofits come to rely upon a more in-depth donor record, the challenge of migrating data to a new system increases. Taken together, nonprofits can expect a newly adopted donor management system to be in use for at least 3-5 years and quite possibly longer.

Over one-quarter of the new systems implemented in the past several years replaced a local office database or custom system. Of those new systems that did replace another DMS product, the most frequently cited reasons are that the organization simply outgrew the previous system, wanted greater integration of capabilities, and wanted to have all, or at least most, donor data to reside within a single system.

This dynamic presents a challenge for nonprofits when selecting a new donor management system. Beyond meeting today’s requirements, nonprofits must assess the likelihood that the chosen system will continue to incorporate new models and approaches to meet future needs. Given the pace of change, particularly with regard to digital and social fundraising and the use of advanced analytics to drive personalized engagement, even a few years with a product that does not keep pace will limit opportunities for the organization to take advantage of new technology and online models.
Satisfaction – All Donor Management Solutions

Nonprofits are only moderately satisfied with their current solutions. This study includes two measures of satisfaction. The first asks how likely the respondent would be to recommend their organization’s current donor management solution to a colleague. The second asks respondents to rate satisfaction with their current solution across 29 distinct areas of functionality and services. Both are rated on 10-point scales.

Satisfaction by Type of DMS Solution

There are major differences in both of these measures of satisfaction by the type of donor management solution. Nonprofits using either a custom or office application for donor management are significantly less satisfied and less likely to recommend their current solution. The differences are substantial. The average satisfaction rating for office applications is just 3.2, as compared to 6.1 for DMS products. Additionally, nearly 90% of those using an office application for donor management are unlikely to recommend that solution to others.

As noted in the 2013 study, these differences are far greater than findings from Lehman Reports studies of association membership management systems in which custom systems ratings are often on par with those of commercial products.
Donor Management Product Satisfaction

For donor management products, average satisfaction ratings range from a high of 7.5 for data security to a low of just 4.3 for personal fundraising capabilities. The average respondent rating across the 29 items is 5.7, down slightly from 2013. Organizations are well satisfied with several longstanding donor management system functions. These include data security, basic reporting, data import/export capabilities, customer support, and relationship tracking. They are much less satisfied with system capabilities required to support emerging digital engagement and fundraising such as mobile options, a 360° view of donors that includes social media activity, online donation customization options, and peer-to-peer/personal fundraising capabilities.

Nonprofits in the market for a new donor management product may want to pay special attention to capabilities that receive below-average ratings to be sure that prospective systems meet their needs in these areas. While some may not be critical today, most are likely to be important to the organization in the future.
Peer-to-peer / personal fundraising
Mobile for donors including online donations
360-degree view of donors including social
Customize e-commerce / donation web pages
Support for affiliates or component orgs / chapters
Mobile for donors including online donations
Peer-to-peer / personal fundraising

Development direction of the product
Major gift solicitation, cultivation, moves management
Fundraising campaign planning and management
Online donation capabilities
Advanced reporting, BI
Mobile access for staff
Integration of online, mail, and other marketing
Planned giving cultivation and management
Extend product through toolkit or API
Integration with internal systems
Website / CMS integration capabilities
Events management
Overall e-commerce capabilities
Member / donor self-service, e.g. contact info
Support for affiliates or component orgs / chapters
Customize e-commerce / donation web pages
360-degree view of donors including social

Data security
Basic reporting capabilities
Data import and export capabilities
Technical and customer support
Donor relationship tracking (family, professional)
Product documentation / on-line help
Ease of use, staff and constituents
Cost and ease of upgrade options
Support for recurring donations
Campaign management
Average Satisfaction Rating

Average satisfaction rating on a 10-point scale
Importance

Respondents are also asked to rate the importance of each of the detailed items in order to provide a context for satisfaction ratings. The majority of organizations consider most of these items to be important or very important. Given its lower importance rating, only a subset of these nonprofits support affiliated organizations or chapters.

The data presented include all organizations. There are few differences in importance ratings across organization size and current type of donor management solutions.

These ratings of importance also vary little by organization size. There are a few exceptions. Larger organizations assign higher importance to fundraising and general campaign management, advanced reporting/BI, major donor support, and the capability for technical staff to extend or customize the product. The differences, while statistically significant, are still small, and the overall ranking of these items by importance varies little by organization size.
Product Importance Ratings

- Basic reporting capabilities
- Ease of use, staff and constituents
- Data security
- Data import and export capabilities
- Technical and customer support
- Cost and ease of upgrade options
- Integration of online, mail, and other marketing
- Integration with internal systems
- Donor relationship tracking (family, professional)
- Online donation capabilities
- Product documentation / on-line help
- Advanced reporting, BI
- Support for recurring donations
- Fundraising campaign planning and management
- Major gift solicitation, cultivation, moves management
- Campaign management
- Website / CMS integration capabilities
- 360-degree view of donors including social
- Customize e-commerce / donation web pages
- Events management
- Planned giving cultivation and management
- Development direction of the product
- Mobile for donors including online donations
- Mobile access for staff
- Overall e-commerce capabilities
- Member / donor self-service, e.g. contact info
- Peer-to-peer / personal fundraising
- Extend product through toolkit or API
- Support for affiliates or component orgs / chapters

Very Important  Somewhat Important  Neither Important nor Unimportant  Somewhat Unimportant  Very Unimportant
Gaining Value from Technology Investments

Donor management systems, CRM capabilities, and fundraising applications offer powerful capabilities to help nonprofits deepen relationships with donors and increase support for the organization. Beyond its important role of improving the efficiency and effectiveness of current programs and operations, technology now offers opportunities to embark on new strategies and extend the reach of organizations in new ways. Optimizing the latter is a key element in maximizing the return on an organization’s technology investment.

Senior Technology Leadership

A critical success factor is the presence of a CIO or other senior management level position for technology. This presence helps the organization incorporate the opportunities of technology into organizational strategy, a perspective that is often lost when IT is an operational group reporting through finance or administration. Yet, to a large degree, this level of technology leadership is lacking. In all but the largest nonprofits, the majority do not have a CIO or equivalent technology executive. For mid-size and smaller organizations, the figure is less than one-quarter. Even for the largest organizations, more than one-third lack a technology executive.

This is a limiting factor for these nonprofits. Hiring or contracting for effective senior technology leadership is one of the single best ways to gain greater value from technology investments.
Engagement Strategy and Plan

Another critical success factor for technology is the presence of a formal strategy and plan to align technology with organization goals and mission. As nonprofits seek to deepen relationships with donors using CRM and related technologies, the presence of a clear engagement strategy and plan is critical.

Data in this study clearly show a direct, positive correlation with fundraising success. More than 60% of those with a strategy and plan in place experienced contribution growth in the past year. This compares to just 25% of those with no engagement strategy and no plan to develop one.

Methodology and Sample Demographics

The Lehman Reports Donor Management Study is based on an online survey of US-based nonprofits conducted during October, 2014. Email invitations and reminders were distributed using the NTEN contact list augmented by a commercial list of nonprofit contacts. Each survey respondent is encouraged to suggest an additional or alternate contact within the organization, and many do so. A total of 1,294 fully completed surveys from nonprofit organizations were recorded. After adjusting for multiple entries from organizations, the analysis dataset includes a total of 1,235 responses.

A weighting strategy is used to balance the sample by organization size for selected full-sample analyses. This weighting is based on a dataset of 990 filings by 501c3 organizations with at least $100K in contributions, grants, and gifts.

The response set includes data for all sizes of organizations, with categories ranging from “less than $500K” to “over $25M.” A review of both the distribution and returned sample suggests that study findings are most representative of nonprofits with annual budgets of at least $500K.
Sample Demographics

The sample is a good cross-section of nonprofits that engage in fundraising with major donors and/or individual contributors. Three-quarters are using a donor management product with most of the remainder managing donor records using an office database such as Microsoft Excel or Access. Given the title and description of this research, it would be expected that nonprofits that engage in fundraising and use some type of system to manage donor records would respond at higher rates. This appears to be the case.

All data presented in this section are the unweighted, actual response distributions, adjusted only for duplicate organization responses.

The majority of responses come from charitable organizations and “other” nonprofits. The most frequently cited programmatic focus areas are education, human services, health, and youth. Many organizations indicated more than one programmatic focus.

![Type of Organization Diagram]

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable organization</td>
<td>54%</td>
</tr>
<tr>
<td>Other nonprofit</td>
<td>24%</td>
</tr>
<tr>
<td>Advocacy network</td>
<td>6%</td>
</tr>
<tr>
<td>Trade or professional association</td>
<td>5%</td>
</tr>
<tr>
<td>Philanthropic foundation</td>
<td>4%</td>
</tr>
<tr>
<td>Public sector / government</td>
<td>2%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>5%</td>
</tr>
</tbody>
</table>

![Programmatic Focus Chart]

<table>
<thead>
<tr>
<th>Programmatic Focus</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>34%</td>
</tr>
<tr>
<td>Human Services</td>
<td>27%</td>
</tr>
<tr>
<td>Health</td>
<td>24%</td>
</tr>
<tr>
<td>Youth</td>
<td>20%</td>
</tr>
<tr>
<td>Public / Social Benefit</td>
<td>16%</td>
</tr>
<tr>
<td>Arts / Culture</td>
<td>13%</td>
</tr>
<tr>
<td>Environmental</td>
<td>12%</td>
</tr>
<tr>
<td>Civil Rights / Advocacy</td>
<td>11%</td>
</tr>
<tr>
<td>Faith-based</td>
<td>11%</td>
</tr>
<tr>
<td>Housing</td>
<td>10%</td>
</tr>
<tr>
<td>International</td>
<td>7%</td>
</tr>
<tr>
<td>Employment</td>
<td>6%</td>
</tr>
<tr>
<td>Legal</td>
<td>4%</td>
</tr>
<tr>
<td>None of these</td>
<td>2%</td>
</tr>
</tbody>
</table>

Percentage of organizations (adds to more than 100%)
The majority of the returned sample are smaller organizations with budgets of less than $2M and fewer than 10 staff. Still, given that the vast majority of nonprofits are small, the raw sample is actually somewhat over-representative of large organizations.