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Member Loyalty in Non-Profit Organizations

BAIN & COMPANY

April, 2010

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Case Overview

By Eduardo Giménez,
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Today, there are close to **2 million regular contributors** to Non-Profit Organizations in Spain. In the past few years this number has been growing consistently, but due to the economic downturn there has recently been an alarming increase in the number of **subscription cancellations**. Since for some organizations regular subscription contributions can account for more than 80% of the total income, this recent trend represents a serious financing problem.

In May 2009 **Bain & Company** decided to implement customer loyalty and retention strategies in the Non-Profit Sector to drive success in member loyalty achievement. Under the coordination of the **Spanish Fundraising Association**, Bain & Company launched a pilot project together with the nine main Non-Profit Organizations working in Spain which account for more than 70% of the Non-Profit Sector’s members and income. These Organizations were Acción contra el Hambre, ACNUR, Amnistía Internacional, Cruz Roja, Greenpeace, Médicos Sin Fronteras, Plan España, Unicef and World Vision.

Non-Profit Organizations that participated in the study:



This case, a **pioneer** collaborating **experience** between the Private Sector and the Non-Profit Sector, was led by a Bain & Company pro bono team with wide loyalty expertise in the Private Sector (Telecoms, Financial Services, Consumer Goods, etc.). The participating Non-Profit Organizations shared their data bases, expertise and best practices.

Data

The first task to be done was to group all the Organizations membership data in order to identify common patterns in donors’ behavior. There were over 1,5 million donors in Spain. At the same time, more than 5 million surveys were carried out among current and past donors in order to understand their motivation and affinity to the different Organizations.

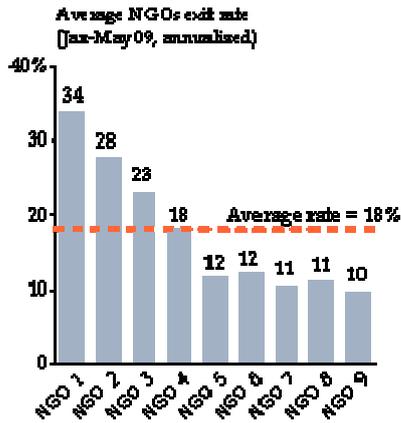
The most relevant data identified is the following:

- The average exit rate is 18%, which means that, on average, 18 out of 100 members quit the Organizations annually. However, this rate reaches 34% in some cases while in others stays under 10%. In total, 160,000 members leave each year the participating Organizations, representing an over €17 million loss in potential annual contribution.

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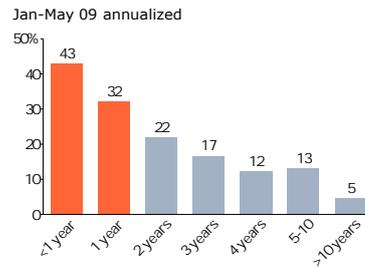
Average exit rate is 18% in the Non-Profit Sector, with high variations among entities



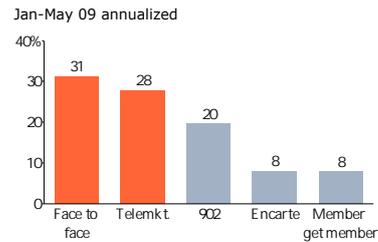
“... this case has been conducted according to high professional standards...
I felt like doing a Loyalty Achievement Master”
Eloy Álvarez,
Amnistía Internacional

- The higher exit rates are related to the following aspects:
 - During the **first year** exit rates can reach 43%
 - The “**Face to face**” engagement method, which is usually outsourced paying a commission per engaged member, implies exit rates over 30%
 - Under-25-year-old members show exit rates over 50%, while members older than 50 show exit rates below 25%
 - Monthly** contributors present exit rates three times higher than **quarterly** contributors (24% vs. 7%).

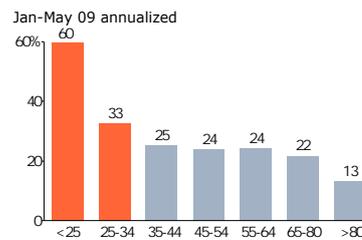
a) Exit rate by members’ seniority



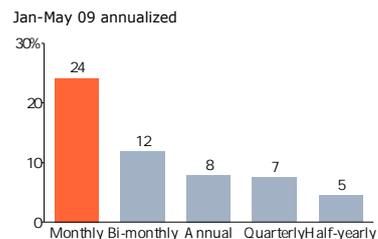
b) Exit rate by engagement method



c) Exit rate by age group



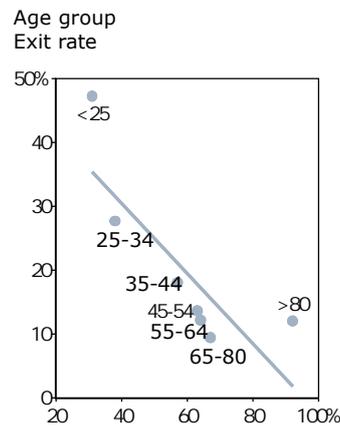
d) Exit rate by payment frequency



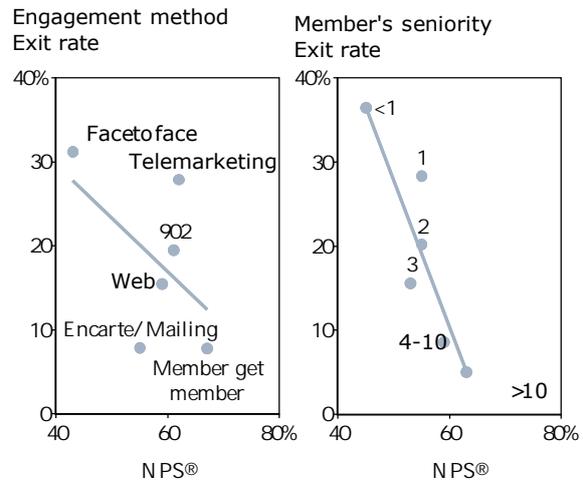
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- The main cancellation reason involves economic factors (over 90%). However, members declaring economic reasons add as well that they were not satisfied with the Organization. In fact, surveys allowed us to estimate that around 60% of those who declared economic reasons might have stayed in the Organization, had it met their expectations in a better way.
- Finally, data analysis showed a high reverse correlation between the level of recommendation, measured through the Bain developed "Net Promoter® Score" - NPS®, and the exit rate.
- Moreover, while active members' level of recommendation of their Organizations is very high, the level of recommendation of the Non-Profit Sector in general is very low. They are satisfied with their organization, but they do not trust the rest.

High correlation between level of recommendation (NPS®) and exit rate



Variables explaining cancellation are highly correlated to NPS®

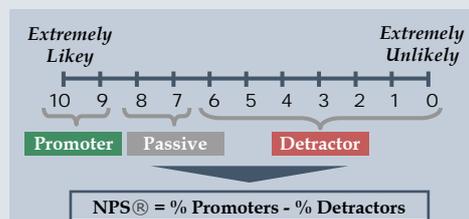


"This case was key because it allowed us to develop an action plan. We are currently working on a donor management model which affects all the organization levels"
 Javier Ruiz, Plan España

NPS®: "On a scale of 0 to 10, how likely is it you would recommend this company, product or service to a friend or colleague?"

- Net Promoter® Score, a metric for customer loyalty, was developed in 2003 by Bain fellow **Fred Reichheld**, author of "The Ultimate Question: Driving Good Profits and True Growth" (Harvard Business School Press, 2006). Bain & Co. successfully implemented NPS® solutions across client situations and industries such as Consumer Goods, Air Transportation, Telecoms and Financial Services.
- As a predictive metric, other selling points of NPS® to highlight are how Bain

has strong quantitative evidence that it is strongly correlated with customer behavior and ultimately the strong correlation between a company's NPS® and its profitable growth.



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Diagnosis

- Once the data analysis was completed, the team started some workshops to analyze results and identify possible solutions. Some Spanish companies from the Private Sector with a strong Customer Relationship Expertise joined the team and share their wide customer data bases as well as their expertise in loyalty strategies implementation. The participating companies were Aviva, Bankinter, Endesa, Ono, Orange, Sanitas, Telefónica and Vodafone. The main conclusions obtained after these workshops were the following:
 - The main challenge faced by the Spanish Non-Profit Sector is to expand its current membership, especially once the economy recovers. Only 5% of the Spaniards are members of a Non-Profit Organization, while this percentage is 40% in France or Germany, and 56% in United Kingdom.
 - In order to increase engagement NGOs need to work together to strengthen the Non-Profit Sector image in Spain. It is essential that NGO members start promoting the sector in general and not only their own Organizations.
- In addition, the Non-Profit Sector loyalty challenges do not differ much from those affecting the Private Sector. For instance, it is critical to ensure that engagement methods correctly meet individual expectations in order to increase first-year members loyalty. In addition, a clear segmentation based on the donors' needs and a quick response when first leaving signs appear, are needed.
- Organizations have to try different tools and measure their impact. However, there are already best practices among these Organizations (for instance, exit rate connected to "Face to face" engagement method is lower in those Organizations that better manage this method). These Best Practices need to be put together to benefit the entire Sector. However, due to the different grades of maturity found in the diverse organizations, not all the measures identified in this project are relevant for all of them.

"It is essential for donors to keep in touch with the NGO they support and to be informed about its activities. It is important for the NGO to set regular contact targets, and it is important to meet them. Our experience shows that using multiple channels to contact donors can help in this regard ."

Miguel Ángel Oliveros, Bankinter

Member Loyalty in Non-Profit Organizations**Recommendations**

At the end of the case, Bain & Company compiled and codified all the results in a general action plan for the entire sector, as well as developing a single plan for every participating Organization. On a sectorial basis, efforts must be made in two main areas:

- Establish a permanent team in the Spanish Fundraising Association to continuously group the best practices in member loyalty achievement.
- Launch communication plans in order to promote, on the long run, higher commitment of the Spanish society with the Non-Profit Sector, regardless the individual Organizations citizens are willing to join.
- Act on the riskiest situations: Systematically follow first-year members; substantially improve communication to members; promote quarterly contributions against monthly contributions.
- Segment membership in order to identify those groups representing the highest value for the Organization and increase actions on them to increase their NPS®.

On an individual basis, Organizations developed single action plans to:

- Proactively manage the engagement methods: increase those methods with the lowest exit rate (for instance, "member get member"); align engagement commissions to average expected life of engaged member and address captation to low risk members, such as people over 50 years old.
- Improve available information about members in order to identify control groups on which loyalty actions impact can be measured.

“This case permitted us to know our situation compared to other NGOs, as well as evaluate the different engagement methods”

Jaime Gregori
Cruz Roja

Member Loyalty in Non-Profit Organizations**Results up to date**

Since the project ended at the beginning of 2010, it is still soon to evaluate its impact on the number of members' cancellations. However, most of the recommendations have been already put in practice by the participating Organizations.

- The permanent team in the AEF has been already established and the first campaign to improve the Non-Profit Sector image has been launched. Bain & Company has been invited to help the team and coordinate its agenda.
- Some of the participating Organizations such as Médicos Sin Fronteras and Plan España have added NPS® as part of following and loyalty management processes.
- Some Organizations have modified their agreements with engagement agencies in order to align retribution with average members life.
- Some specific recommendations included in individual plans have been put into practice. Examples include promoting quarterly contribution instead of monthly contribution.
- Some data bases have been modified in order to add more and better information about members.

In conclusion, this was an **extraordinary rewarding** experience for us, in Bain. It allowed us to implement what we learnt working for leading companies in Customer Relationship Management to the Non-Profit Sector which shows similar problems, but does not have enough resources to afford a study like this.

Since we developed the project in the main Organizations of the Spanish Non-Profit Sector, we are confident that most of the recommendations will be implemented and generate an impact.

Finally, it was a **pleasure to confirm** the commitment, professionalism and willingness not only among the participating Non-Profit Organizations, but also from the private sector companies who provided an excellent contribution to the case.

"The NGO donors market is still incipient. An initial step would involve all NGOs driving the creation of this "category", leveraging relevant and general attributes. Differentiation comes next."

Pilar Latorre Alba, Telefónica

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About Bain

Bain is one of the world's top management consulting firms, advising global leaders on their most critical decisions including:

- Work with over 4,400 companies, including more than two-thirds of the Global 500
- Consulting on half of the largest global private equity deals in the last decade, with funds representing 75% of global equity capital

Bain's mission is to help management teams create such high levels of economic value that together we redefine our respective industries

Bain is recognized for our innovation and breakthrough business insights:

- Developing cutting edge approaches to growth, business transformations, performance improvement, customer loyalty and organization
- Creating industry-leading spin-offs including Bain Capital and The Bridgespan Group

