

MAKING THE MAIL WORK (BETTER) FOR YOU

Here's how to tap into a lucrative fundraising technique.

BY ELEANOR CICERCHI

Ever wonder if there's real money to be made for charities that send fundraising letters? The answer is yes—hundreds of millions of dollars, as a matter of fact, but not for all nonprofits. Direct mail is not scientific. It's expensive, particularly at the beginning. It takes staying power, attention to details, and continual monitoring. Expertise helps (which is why you'll probably want some outside help in designing your program). But all that aside, direct mail works for thousands and thousands of organizations. Americans and Canadians are among the most philanthropic in the world. And they make decisions in minutes, if not seconds, unlike foundations and corporations, which can deliberate for months before making a grant or even announcing a decision.

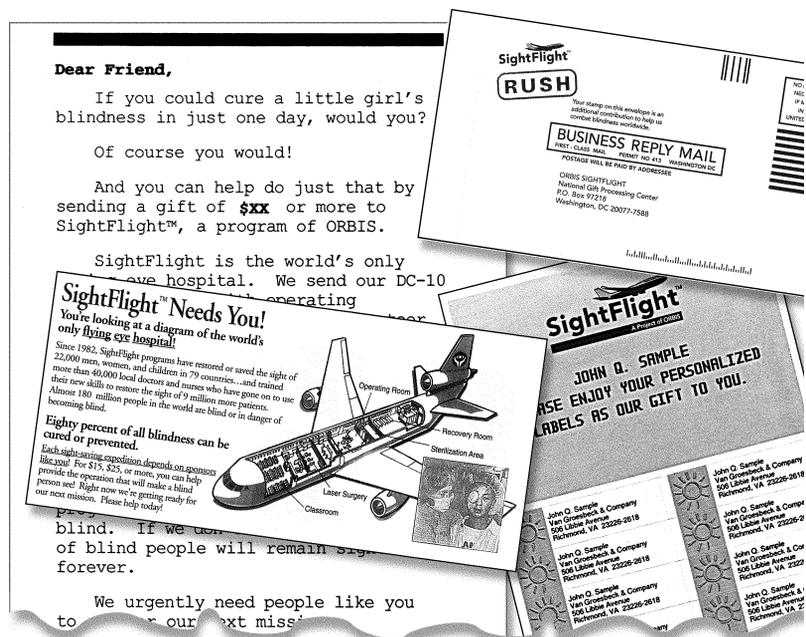
Is a high-volume mail program for you?

Not every nonprofit is a good fit for high-volume direct mail—say, 100,000 or more packages a year to nondonor names (names you have rented from other organizations), and renewal mailings to your own donor file four or more times during the year. Use this checklist to decide how aggressively to pursue direct mail:

- **Does your organization have emotional appeal?** If your organization helps children or animals, feeds the hungry, houses the homeless, or in some other way touches people directly, chances are that you can be successful in a mail campaign. Even if your organization doesn't have such obvious emotional appeal, you

can be successful if you find a way to communicate the human impact of your work.

- **Does your organization have name recognition or a recognizable symbol?** If not, can you create a catchy symbol or name? Our organization, which operates a flying eye hospital aboard a specially equipped jet, fared poorly in mail requests when it used the name "ORBIS" with no other identifying features. But when we created a sub-brand, "SightFlight," and a special logo with a plane in it, we began to do exceptionally well.



High-volume direct-mail fundraising is not for the faint of heart.

• **Are you and your board ready to invest in start-up for two to three years?** By “invest,” we really mean “lose money”—at least for a while. Most new, or newly enlarged, direct-mail programs don’t produce net income for two to three years—not until the people who responded to the initial appeal renew their gifts and their cumulative giving compensates for the high cost of getting that first gift. The number of people who respond the first time (the yield); the size, frequency, and number of renewing gifts; and the cost of the package and support services all have an impact on how much needs to be invested and for

how long. Here, expert advice from people with experience in direct mail can make a huge difference. There are many ways to manage the risk and monitor the results all along the way. Just remember that high-volume direct-mail fundraising is not for the faint of heart. But if you don’t try, you may never know what might be.

A Dual-Track Effort

Successful direct-mail programs have two separate and equally important tracks: The *acquisition* track seeks gifts

from people who have never before given to your organization, while the *renewal* track seeks repeat and upgraded gifts from donors who have given before. Both tracks are essential to achieving net income and a sustained program. While you can bring in lots of new money through acquisition, the costs are high. It’s only in your renewal program that income is likely to surpass your expenses.

Let’s say you start a direct-mail program by sending 100,000 packages to nondonors. The “yield” is 1.0 percent, which is considered very good in acquisition programs. That means 1,000 new donors. If the average gift is \$18, a pretty typical number, your organization makes \$18,000. But each package cost 38 cents, including postage. Thus, the cost of the mailing was \$38,000, and you’re actually in the hole \$20,000—even before you consider staff or consultant expenses!

It’s the renewal program that will save the day. Two months later, you mail a letter to the 1,000 people who responded to the acquisition package. This time the audience is “warm”: The people who receive the package have not only read or skimmed your first one, they have actually written a check. An average response to the second appeal might be 7 percent. That is, 70 people of the 1,000 send repeat gifts. The piece is likely to be a little cheaper, with no premiums such as address labels to encourage a nondonor to open the package and fewer pieces of paper inside the envelope. This time the cost is 22 cents. The cost is \$220 for 1,000 of these packages. The 70 gifts average \$20 for total income of \$1,400. Finally, you’re making money. Of course, there’s a long way to go to make up the \$20,000 “investment” in the acquisition appeal, but the tide has turned!

A year or 14 months later, after five renewal appeals, perhaps 40 percent of those 1,000 new donors have given at

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least one repeat gift. If those 400 people have made a total of 440 gifts (because some people made gifts more than once), and the gifts are averaging \$20, you've spent \$1,100 to bring in \$8,800 through the renewal program.

If that doesn't sound too impressive, remember that you probably have other donors that have been giving for years. These people comprise a very loyal donor segment. To achieve economies of scale, you'll add them to your renewal program. Chances are that with the new graphics, more frequent mailings, and a few other improvements to your program, their giving will pick up. As the new donors become longtime donors, the economics look even better. At some point you may recruit a portion of them to a monthly donor program, which works through direct debits from bank accounts. (This is a very attractive program, because it costs so much less to keep the donor.)

You may be wondering, "If acquisition is so expensive, why not limit that portion of the program?" The answer is different for every organization. How fast do you want your direct-mail program to grow? How much money, how fast, are you prepared to invest? One thing is clear: Unless your program has failed miserably, you *don't* want to stop acquisition. The phenomenon of attrition—or donor dropout—haunts everybody in direct mail. Some donors find other causes to support. They die, move, have financial reverses, whatever. Some mail-acquired donors move up: into your major gifts program, where they get more personalized appeals from your CEO or a volunteer fundraising leader and are no longer in your direct-mail program. Over time, unless you continue to replenish your donor file with new donors acquired through the mail, your list will dwindle away.

Some organizations concerned with their fundraising ratios have minimal acquisition programs for two years, then mail aggressively during the third year. This way they keep replenishing their

lists, and their average fundraising ratio is within acceptable limits. Consultants, colleagues in other organizations, workshops, and publications can all help you come to the decisions that make the most sense for your organization.

Getting Started

Step 1. Understand Who Your Donors Are Now.

Your first step in starting or revitalizing your direct-mail program is to determine what earlier direct-mail activities have worked or not worked, and with which groups of people. This is an important process that you can dignify (just in case somebody in your organi-

zation thinks you should be spending your time doing other things) with the term "audit."

The reason for the audit is that to be successful in direct mail, you have to be able to discern trends or patterns of response that work. This means mailing in sufficient quantity to discern patterns. (If you have ever taken a statistics course, or studied survey results, you know that patterns can only be discerned by looking at a large enough population. With too small a population, a few out-of-the-ordinary responses skew the results.) Given the high cost of printing and postage, mistakes or bad guesses are expensive, so you want to be armed with as much information about what works for your organization as possible.

The phenomenon of attrition haunts everybody in direct mail.

Which Emotions Work Best in Direct Mail?

Here's a ranking of emotions that work best, according to Greg Adams of the direct-mail firm Adams & Hussey:

- **Anger** (that others are suffering, that something you care about is threatened)
- **Fear** (of illness, harm to your children, loss of income or privilege. One well-known appeal to fear is the Memorial Sloan Kettering letter that opens: "You may not ever need us..." Readers can't help but think, "But what if I do?")
- **Self-interest** (benefits, financial security, good health)
- **Exclusivity** ("because you are among a select few...")
- **Curiosity** (Put a puzzling statement on the envelope. Then, in your first paragraph, make the transition to your case.)
- **Validation** (an appeal that states that choosing to support your organization was a good decision, citing the group's accomplishments or other reasons).

Note the omission of pity in this list. Pity alone doesn't work in direct mail. It needs to be paired with another emotion (fear or validation, for example) and backed up by a discussion of why this approach to the problem works and deserves the reader's support. Sympathy or pity may elicit a single gift (to help a family that has lost its home in a natural disaster or war, for example) but cannot by itself sustain a direct-mail program.

Sixty percent of your results in acquisition can be attributed to the lists you use.

Look for clusters of donors or characteristics shared by the people who already support you (age, gender, where they live, whether they or family members have used your services, and what other organizations they support, for example). Also look at the types of direct-mail packages that have done well (for example, those that tell a story of a person helped by your organization or that carry an endorsement, those that feature a particular part of your program, or those with premiums or giveaways). Don't *think* you know. Take a hard look. You may even want to mail a survey that seeks answers to some of these questions.

Ten Steps to a Good Fundraising Letter

- 1. Grab** the reader's attention. Create an emotional connection.
- 2. Make your request** for a donation.
- 3. Restate** the problem, offering reasons why the reader should be concerned.
- 4. Introduce** the solution.
- 5. Juxtapose** the problem and solution with your organization.
- 6. Repeat your request** for a donation 5 to 7 times throughout the letter.
- 7. Stress** the urgent need for action.
- 8. Spell out** the consequences of inaction.
- 9. Repeat** the financial need.
- 10. Always add a P.S.** with a reason to give *now*.

Step 2. Decide Which Consultants to Hire.

For a large program, you'll want the services of several types of specialists: a list broker (who will suggest which mailing lists to rent and then arrange for the rentals) and a shop that does the "creative" work, such as writing the letter and analyzing results. You'll also need a printer, maybe a mail house or letter shop (to assemble all those packages and get them into the mail), and, if you don't have database capabilities in-house, an outside database management firm. Some of these tasks can be handled in-house if you have sufficient staff or volunteers. Just remember that it makes no sense to staff up for peak volume if the work will be cyclical: Either you'll have people sitting on their hands during nonpeak times, or the few people you do have will be losing their minds (and donors will go unacknowledged) during peak times.

If you can hire only one outside firm, choose the list broker. Sixty percent of your results in acquisition can be attributed to the lists you use. You don't want to skimp here.

Step 3. Select Your Lists.

High-volume direct-mail programs involve renting names from lists drawn from other nonprofits, magazines, and membership organizations. There are thousands and thousands of lists on the market that you can choose to rent. Your list broker will be invaluable in recommending those that may work for your organization. Here are some tips for list selection:

- **Choose lists from organizations with similar missions.**
- **Look for evidence of mail responsiveness and philanthropic**

behavior. There are millions of people who have disposable income and who may be interested in your cause but who don't respond to mail appeals. Beware of lists of "wealthy college graduates" or subscribers to high-end regional magazines (unless your organization is a museum or other organization that appeals to high-net-worth people). They may not be mail-responsive and, though philanthropic, may not respond to direct-mail appeals from organizations new to them. Rent the names of people who are already giving through the mail to organizations like yours.

- **Do a merge-purge to remove the names of your current donors.** People who have been donors to your organization for years are likely to be offended if they receive a "dear friend" letter purporting to introduce your organization.

Step 4. Develop Your "Control" Package.

Because the stakes are so high in acquisition, you want to leave as little as possible to chance. That's why, when you mail in large quantities, you want to mail a package that has already been tested and has proved its value. This is your control package.

Here's how the process works. Your consultant comes up with two different packages. One of the two might have a premium, such as address labels or greeting cards. Perhaps one is sent in a large envelope, and the other has "teaser copy," such as one Amnesty International used recently: "In some parts of the world, answering this letter could land you in jail or even get you killed..."

Rather than mailing great quantities of one or both, start with a test mailing. Your list broker has recommended 10 lists: 10,000 names from each, randomly selected. To determine which package works best, mail package A to half of each list, package B to the other half. Identify which package each person receives by a code on the reply device (the coupon people send back with their

checks). That way you know which package your donors have responded to.

To evaluate the responses, look at the “yield” (the percent of donors who responded with a gift) and the average size of the gift, as well as the cost of producing each package. Each variable is important. If Package A yields fewer gifts, but those gifts are larger than those acquired with Package B, you might be better off making Package A your control. If one package is considerably more expensive than the other, that’s a factor to consider, too. Alas, you are going to have to choose just one because it is too expensive to do all the setup for two acquisition packages.

Thereafter, you’ll continue to test variations on your control package, always trying to improve the yield or average gift or lower the cost. Perhaps you’ll test another package entirely. Remember to test only one different element at a time (otherwise you won’t know which element made a difference). When you find a “winner,” you can stay with it for several years.

Step 5. Learn Which Lists Work for You.

Your test mailing will also tell you which lists work best. Here, too, look at yield as well as average gift size. Some lists will be clear winners, others will be duds, and still others “so-so.” Your list

Direct mail is counterintuitive.

broker will probably recommend that in the full “rollout”—a large mailing of your control package—you concentrate on the lists that performed best, dropping the poor performers, and perhaps continuing to test the so-so lists to see what potential they have.

As tedious as this may seem, what you’re doing is minimizing your risk in a high-risk endeavor. Direct mail is counterintuitive. What you think will produce well in the mail may not, and vice versa. The only reliable way to find out is to test and quantify the results.

Writing the Letter: Open the Heart

In writing direct-mail copy, adhere to these three rules:

Rule 1. Appeal to the Heart or Gut, then the Mind.

First, connect with the reader viscerally. (See the box on page 19 for tips.) Then, tell your story in a convincing way. Substantiate with tangible examples, testimonials, a few statistics about the

number of people you’ve served. Repeat the major messages, highlight your most important messages, and, above all, ask for the gift, not once but several times throughout your letter (the tie-down). It helps to think about which appeals have touched you. That’s the same reaction you want to generate with your direct mail packages—strong, immediate feelings that will translate into a desire for action. Promise that action in your letter, document your organization’s impressive achievements, and you’re on your way.

Rule 2. Keep It Simple.

It’s natural to want to put a lot about your organization’s work into your mail appeals. But resist the impulse. Instead, follow these maxims:

- **Focus on one theme or one message.** Describe one aspect of your program, not all of them in a single letter. You’ll have plenty of opportunity to talk to your donors about your other activities in subsequent appeals.

- **Repeat your core message and your appeal for support over and over.** If readers don’t see these key words on page one, they may see them on page two, or on the reply device.

- **Don’t include a brochure.** Instead, include a reprint, a circular that is skimmable, a map, or a diagram showing your program in action. A “lift note” from someone other than the signer of the letter can help, too. The text of each of these pieces should reinforce the message in your letter, as should any text on the outside, or carrier, envelope or on the reply device.

Rule 3. Involve Your Reader.

It’s also tempting to talk about all the good work your organization does.

Calm People’s Worries

People have been treating their mail with new suspicion in the wake of terrorist attacks and anthrax scares. These misgivings needn’t hurt your direct-mail efforts, especially if you follow these suggestions:

- **Tell who you are.** Include your organization’s name, address, logo, phone number, and Web site on your envelopes.
- **Tell what’s inside.** If you send items in the mail, note on the front of the envelope what you have included with the letter.
- **Tell what’s coming.** Consider e-mailing people beforehand to expect a letter from your organization. It will increase your chances of getting your letter opened.

For more tips, see “Do You Need to Give Up Direct-Mail Fundraising?” in *Nonprofit World*, Vol. 20, No. 2.

But this is risky. The best letters use the word “you” more than “we,” “our,” or “I.” Invite the reader into the work of your organization. Two useful phrases are “You can help” and “Your support will...” Many nonprofits go further and include participation devices. Ask the reader to fill out a survey. A survey arouses curiosity and appeals to the donor’s desire to be acknowledged. Answering the questions focuses the reader on the need for the organization and produces gifts.

Amnesty International in the United Kingdom is an effective innovator in participation devices. One appeal contained a small pencil that could be felt through the envelope. The pencil was to be used to sign a petition to release a political prisoner in the developing world. Still another included a piece of cardboard with slits for inserting two coins, worth one pound each.

These appeals can be expensive and should always be tested in small lots before being rolled out. But inviting the prospective donor to participate actively in the work of the organization can be extremely effective. Get your best marketers thinking about innovative ways to do this. The results may surprise you.

How Are You Doing?

As satisfying as it is to see those dollars accumulating, there are a few more calculations you need to make to assess how your program is doing.

- **Retention** (or the flip side of the same coin, attrition). Expect some donors to drop out; that’s attrition. The retention rate is the percentage of those who continue to give. It’s tempting to keep all those names in your files. But if a donor hasn’t responded in 36 months, you might want to try mailing less frequently. Sometimes you can get a long-lapsed donor back by mailing the acquisition package again. And sometimes you just archive a name. Calculate the retention rate year after year; you’ll get a baseline rate that you’ll want to try to beat.

- **Donor value.** This is an important calculation: the cumulative “value” of a donor over time—that is, cumulative gifts minus the total cost of getting that first gift. Make this calculation donor-by-donor or for segments of your list (say,

the donor value for donors acquired by using list A vs. the cumulative value of donors acquired from list B. If list A donors give less frequently than list B donors, but give higher gifts, you may want to rent more names from list A. You might also want to calculate the value of donors acquired with premiums vs. those who responded to a package without premiums).

Because so much depends on discovering patterns of success, these calculations will help you do more of what works as you continue to innovate, test, and analyze results. Remember, even the giant mailers once started small. ■

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3 Send us ideas for subjects you’d like covered in *Nonprofit World*.

4 Turn one of your ideas into an article for *Nonprofit World*.

5 Send a color photo, slide, drawing, or other graphic that captures the essence of your organization along with a few paragraphs about your organization and its mission. We’ll feature your organization on the cover of *Nonprofit World*.

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