



Price Testing: Successful Fundraising Depends on It

Use these techniques to get more—and bigger—gifts from donors.

BY ERICA WAASDORP

What's the biggest difference between commercial direct marketers and fundraisers? There's no question. The answer is price.

In the fundraising world, donors decide their own price. As fundraisers, it's our job to build emotion into our appeals *and* give donors a reason to make the price higher than they might normally pay.

Perhaps the most effective tool to achieve this goal is the "ask amount"—the amount we propose that a person donates to our organization. This amount is typically based on the donor's first gift with ongoing efforts to upgrade the gift from there—generally by following a step-by-step approach of price testing and adjustments.

Setting the Right Ask Amounts in Direct Mail

For many organizations, though, it can be difficult to determine, from the first gift, the potential of the donor for future giving—that is, whether the donor is going to give again, how soon, and how much. It is an additional—and ongoing—challenge to identify which \$5 donors might be willing and able to donate \$25, \$100, \$250, or even more. Price testing with direct mail is ideally suited to meet this challenge.

An initial test can take place in the acquisition appeal. The thank-you package or acknowledgment can then serve as the first opportunity to upgrade and ask for a specific, higher gift. Some organizations don't have a request for money in that letter, but it's often well worth it! At a minimum, the concept is worth testing.

A major rule in fundraising is: "If you don't ask, you're not going to get it." Similarly, if ask amounts (also called prompts) are set too low, average gift size will go down. If prompts are set too high, response rates will go down. Of course, having a high response rate and a high average gift is the ideal.

The key to addressing this challenge is to test ask amounts, and establish the relevant amount by type of donor and cause. Following are a few practical tips for doing just that.

- **Always test.** Each organization is different. What works for one may not work for another. Set your ask amounts based on tables driven by prior giving.

- **Always establish a control ask amount string.** For example, if the existing ask amount string uses a prompt for \$15, \$35, \$50, \$other, and the resulting average gift is \$35, you can begin testing and evaluating test results using this string as your control.

- **Don't ask for too much.** For example, if you ask a donor who just gave \$15 for \$1,000, that donor may become upset and go away forever. An ask amount string that is slightly higher than the current gift, however, may work wonders. For example, if the current gift is \$25, test an ask amount string of \$35, \$50, \$75, \$other, and see what happens.

- **Use laser-personalized packages where possible.** This makes it easy to test special ask amount tables that can be calculated based on previous gifts received.

- **Consider using incentives.** Such incentives as certificates or the donor's name on a plaque can go a long way toward gaining a gift of \$100 or more. For lower levels, many organizations are successfully using a tote bag, T-shirt, or membership card to bring donors and members up the pyramid. Continuous evaluation is needed due to the expense of these incentives and the need to balance higher gifts with a potentially lower response rate. Again, testing is key.

Test, Test, Test

The amount of testing an organization does depends, in part, on its size. Smaller organizations, for instance, may need to go with what has been proven to



CREATIVE FUNDRAISING IDEAS

Mail Holiday Cards for Donors

Offer to mail cards to a donor's entire holiday mailing list in return for a donation to your organization. On the cards, tell recipients they're being honored by a gift to your organization. Market this program via direct mail to your current donors. Organizations that have used this strategy report earning thousands of dollars.

Turn Board Members into Buddies

Give each board member a list of "buddies"—donors and friends of the organization. Every four months, have them call their buddies, just to chat. Give board members recent news about the organization so they have some talking points should they decide to use them. Don't have them ask for money during these calls. You may well find, as did an organization in Seattle, that the people who were called make large gifts to the organization soon after the calls, even though they weren't asked to give.

Give Wish Lists to Your Board

Ask staff to create wish lists to be compiled in the organizational newsletter and distributed to your board. This keeps board members aware of items they can donate or secure from their personal or business contacts. For more ways to jumpstart your fundraising, see www.drcharity.com.

Acquisition Ask Amount Test

	Number mailed	Number of responses	Response %	Average gift	Response rate index
Control \$15, 25, 50, 75, Other	64,080	754	1.18%	\$16.13	100
Test \$10, 15, 25, 50, Other	64,080	854	1.33%	\$13.97	113

work for other organizations. However, if the appropriate number of donors or members is available for a valid test (preferably a minimum of 5,000 names per cell to generate significant results), then price testing should be on the top of your list.

The rules are different for acquisition appeals. Many organizations conduct a campaign and are disappointed when response rates are low, even though average gifts may be high. It's important to realize, however, that the goal of acquisition efforts is to bring in new donors or members, so higher response rates are key—even if it means a trade-off with higher donation amounts. In fact, it's often wise in this situation to ask for a lower amount, and bring in more new donors or members who can be upgraded later.

A recent acquisition ask amount test yielded the results shown in the table above. Based on this test, it was decided that it was well worth bringing in new donors at a slightly lower level because of the future upgrade potential, as indicated by client reports showing that many donors migrated to higher levels over time.

Through further testing (especially in donor and renewal appeals), it's possible to see which donors can be worked up the giving pyramid, and by which offers. Continued testing is vital in helping to improve response, average gift, and the lifetime value of a donor or member. ■

Resources

Clark, Constance, "25 Steps to Better Direct Mail Fundraising," *Nonprofit World*, Vol. 7, No. 4.

Keller, Thomas, "The Dirty Dozen: 12 Questions Nonprofit Leaders Ask About Direct Mail," *Nonprofit World*, Vol. 19, No. 3.

Muehrcke, Jill, ed., *Are You Sitting on a Gold Mine? Fundraising Self-Assessment Guide*.

These resources are available from the Society's Resource Center, www.snpo.org.

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