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In This Issue:

Getting Ready for
Planned Giving

The Future
of Direct Mail

Book Review

Journal

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Getting Ready for Planned Giving: *Reviewing Your Market*

by Kim Klein

For the next several issues of the *Journal*, we will be exploring the many facets of planned giving and how planned giving can be used by grassroots organizations.

Planned giving, formerly called "deferred giving," refers to the more complicated ways donors can make gifts to your organization; it usually includes some provision for money or assets to be designated for your group in the will and the estate of the donor.

"Deferred giving" as a concept has been eliminated because the phrase misrepresented the situation. First, what is deferred is not the giving, but the getting of the gift. Second, many of the estate plans included under that rubric involved paying income to the donors while they were still alive, and thus "deferred" was not an appropriate description of the arrangement.

Before exploring planned giving options, organizations must return to a basic understanding of who their donors are and why their donors would want them to exist forever. Thus it is appropriate to begin our series on planned giving with a review of marketing principles for nonprofits.

Long-time readers of the *Journal* will recognize this information from a series of articles written on marketing in 1986. That information has been condensed and updated here with the thought that all organizations can benefit from renewing their practice of marketing principles.

The Six-Step Process in Marketing for Fundraising

There are six steps to be followed in marketing your organization. They are:

1. Determine who your donors are demographically and psychographically.
2. Use information from the psychographic survey about why donors give to keep them giving and to pro-

vide them with opportunities to give more often.

3. Based on who your donors are, identify who your prospects are. Based on why your donors give, get those prospects to give.

4. Use public education, media, housemeetings, canvasses, etc. to turn different segments of the population into prospects.

5. Turn those prospects into donors.

6. Go back to step one.

The first step is to know who your donors are. There are three tasks to completing this step:

- Know exactly why your organization exists, what your goals are, and how you intend to accomplish them.

- Survey your donors demographically. Compare who your donors are with who they logically should be.

- Determine the values and commitments of your donors through a psychographic survey. This survey tests donor loyalty, and indicates how to make donors more loyal.

Know Why You Exist

Do not skip over this task. Sometimes organizations having difficulty raising money need a clearer understanding of why they exist more than they need a better fundraising plan or more fundraising skills. To raise money for an organization effectively, Board, staff and volunteers all need to understand and articulate the mission, goals and objectives (called the **Case**) of the organization.

A full discussion of how to determine your mission, goals and objectives can be found in Harold Seymour's classic book, *Designs for Fundraising* (McGraw Hill, 1966). Here is a brief description of each of the elements.

The **Mission** is a statement of *why* the organization exists: what need was perceived before the organization existed that caused some group of people to create this agency?

From the mission, an organization derives its **Goals**. Goals tell *what* the organization intends to do to fulfill its mission. Goals are long-range visions that last for years and years and describe in broad strokes the solutions the group sees to the problem implied in its mission.

From goals come **Objectives**—*how* this group will accomplish its goals. Objectives are specific, time-limited, and measurable, and are usually revised at least yearly. From objectives come an organization's track record and history—the activities it carries out. Whereas Board, staff and volunteers usually know *what* their group does, and *how* they do it, they often don't know *why*, or among themselves have very different views of why they exist. You can't possibly attract loyal donors without being clear about your mission.

The people closest to the organization must know its mission, goals and objectives thoroughly both to find out why current donors give and to encourage prospects to give.

Why Donors Give

Once the case is clear, the organization is ready to consider whom they would expect to support their organization and to conduct a demographic survey of donors to see who actually does support it.

A committee of two or three people conducts a survey such as the one described below. The Board and staff participate in gathering the information.

First, the committee predicts who *should* be donors by answering a series of questions to help determine what to look for in the actual survey of donors. The answers provide a baseline from which to notice significant differences between the group's self-perception and the perceptions of its donors. These are the questions the survey committee answers for itself:

- What beliefs and values would we expect our donors to have? How would they get those values, and how are those values and beliefs reinforced or challenged in the culture?

- What types of people have these values and beliefs?

- How does our group convey our beliefs in our work?

- How do we think we recruited donors up to now? (Mail appeals, special events, canvassing, etc.)

Next, Board and staff complete a demographic survey (see ***Sample Demographic Survey***), developing a composite profile of their picture of the group's average donor. The sample demographic survey includes questions that may only be relevant to certain types of organizations. Choose the items most relevant to your donor population.

People generally prefer to mark a category than give a specific answer, so as much as possible include categor-

ies (such as income ranges) rather than asking for a specific answer (what is your income).

Once the leadership of the organization has answered these questions, the committee can administer the demographic survey to the organization's donors. The survey should be accompanied by a letter explaining the reasons for seeking the information and that answers are to be given anonymously. (A demographic survey only asks about and analyzes actual facts about people—it does not generally address issues of values and beliefs. The psychographic survey will do that.)

As a point of comparison, the committee should learn what it can about the demographics of its town or city. (To find local or regional demographics, consult the Census Bureau, Chamber of Commerce, and other groups that have done similar surveys. A national group would need to get comparable demographics. A reference librarian can help with this.) Comparing the profile you get from your demographic survey with that of your city or town lets you see whether and how the make-up of your group differs from that of your population base.

Eliminate from the demographic survey Board members, volunteers, staff, and anyone very close to the organization who is also a donor. Survey those people who give mostly by mail, and who are for the most part personally unknown to the majority of the leadership.

Some specialists believe that you need a certain percentage of response to have an accurate perception of your donors. However, much depends on how many donors you have to begin with. If you have 200 donors, you will need at least a 20 percent response to have a significant body of information to go on. On the other hand, a group with 200,000 donors will be unlikely to get 20 percent response and would have enough information from a much smaller sample.

Your response tells you what the demographics are of those donors *who respond to mail*. To round out the picture, you will need to phone some of your donors. You can simply ask them if they have seen the survey and if they have responded. If they have not, ask if you can take the information now. Reassure the donor that you are a surveyor and will not be recording their name or any identifying data.

Compare the results of your survey with your predictions. Note gaps, surprises, populations that are underrepresented, or types of people you didn't expect. Here is an example to show what this part of the process can teach an organization.

An Example: Midwestern Hospice

A hospice program in a midwestern town of 150,000 people conducted a demographic survey such as the one in the example.

Their internal survey came out as follows:

Sample Demographic Survey

Please answer the following questions. If you do not know something, write DK; if the question is not applicable, write NA.

1. Zip Code or neighborhood where you live.

2. How long have you lived there? _____
3. How many people share your house/apt/duplex (circle one) with you? _____
4. Your age: under 18, 19-25, 26-35, 36-45, 46-60, over 60 (circle one).
5. Your sex M F
6. Your race _____
7. Your ethnic identity _____
8. Do you have children? _____
How many? _____
What are their ages? _____
Do they live with you all the time/part of the time (what part _____)/none of the time? (circle one).
9. Are you:
 Married Divorced
 Single Widowed
 Lesbian/Gay (with/without partner).
10. Your income level:
 under \$10,000 \$41,000-50,000
 \$10,000-20,000 \$41,000-50,000
 \$21,000-30,000 over \$100,000
 \$31,000-40,000 over \$250,000
11. Your education:
 High school graduate Graduate school
 College graduate Postgraduate
What academic degrees do you have?

12. Your occupation: _____
13. Do you attend a church, synagogue or other religious institution? (circle one)
14. Are you registered with a political party?
 Yes No Which one? _____
Active? Yes No
15. How long have you belonged to our group?

16. How did you join? Mail appeal Friend
 Phone appeal Special event Other

Beliefs and values our donors tend to have:

- A person should be able to die at home if he or she chooses.
- Every family should be able to have a terminally ill family member at home, with access to the support services needed to make that possible, regardless of their ability to pay.
- People can die with dignity, and they can live until they die.

How they would get these values:

- Reading Elizabeth Kubler Ross, Cicely Saunders (the founder of the hospice movement) and the like.
- Personal experience with the terminal illness of a friend or family member.
- Their religious beliefs.

How these values would be supported or challenged by the culture:

- These attitudes would mostly not be supported by the culture. They would be challenged by:
- Many in the medical establishment, who promote

hospitalization and do not generally favor keeping a terminally ill person at home.

- The general fear, anxiety and avoidance of death.

What types of people have values and beliefs that would cause them to give to the hospice?

- Quakers and people of other particular religious orientation (for example, some liberal Protestants).
- Psychologists, social workers, clergy of certain denominations.
- People who believe in the integrity and importance of the family.
- People over 65 and middle-aged people with older parents to whom they are close.
- Teachers of elementary and junior high schools.
- Others using our services.

How does our group convey our beliefs and our work?

Through direct mail, brochures, and press releases, coverage in local newspapers, and appearances on some radio talk shows. Also a quarterly newsletter keeps people up to date.

How have we recruited donors up to now?

Mostly by mail (more than 75 percent), through services provided to client families who remained donors after the death of the client, through word of mouth, and through Board member efforts (at most 4 percent).

What will the demographics of our donor population be?

Most donors will be white, professionals, in the \$30,000–50,000 income bracket, married with children, as many men as women. Our donors will be college educated and a significant percentage will have graduate degrees. More than half will be active in a church or other religious institution. (This profile also conformed to the profile of the town's population.)

The results

Of 1,000 donors surveyed, 200 completed the demographic survey, and an additional 50 responses were taken by phone.

Most of the donors were women (75 percent), and the most common profession was "homemaker" (25 percent). No other profession was commonly mentioned. Occupations included self-employed plumbers, teachers, janitors, clericals, middle managers, small business owners and retired people. All the respondents had completed high school, but only 20 percent had attended college; very few had graduate degrees.

Furthermore, at variance with both the organization's prediction and the town itself, only 50 percent of the donors said they were religious, and only 50 percent of those people reported church attendance.

The average income was lower than predicted, with most donors in the \$20,000–30,000 range.

The group was correct in predicting strong family commitments. Most were married (75 percent) and more than 90 percent had children or grandchildren.

Most of the donors had heard of hospice through the newspaper or radio, and 50 percent had heard and joined because of other volunteer work. Only 23 percent had joined from a mail appeal. Most had written to hospice first, then received information and a request to join. About 15 percent had become regular donors after giving a memorial contribution.

A major conclusion that can be drawn from the differences between the predicted and actual responses for fundraising purposes is that this hospice was well known and respected among other nonprofit organizations, but was not reaching professional people who did not volunteer in the nonprofit world. Whereas the hospice had surfaced many people who did not fit the profile of the town in their religious commitments, it probably also had great potential to develop donors from the large religious majority.

Education was also not a major factor in the current

donors' backgrounds, and only a minority had indicated personal experience or religious beliefs. These factors pointed to a strong need for a psychographic survey to learn where current donors got their values and beliefs.

The Psychographic Survey

Once the group has completed and analyzed the demographic survey, it is ready to conduct a psychographic survey. This is a more in-depth personal survey, and is generally given to fewer people.

The psychographic survey helps you know why people give to your organization, why they are loyal to it, and what makes them more (or less) loyal. With this information, you can maintain and strengthen existing commitment and gain new donors with strong loyalty. This process may seem lengthy, but by completing it you will gain important information that will ultimately save you time and money in recruiting new donors.

Describing people based on their lifestyles, values and attitudes is called "psychographics." Together, demographic and psychographic data give an overall profile of donors and prospects, allowing you to focus your fundraising and education efforts on the needs, wants and desires of your donor population, and to find prospects who share the commitments and ideals of your organization.

The first step in conducting a psychographic study is to divide your donors into categories. First, identify people among your donors who qualify in one or more of the following ways:

1. People who give or pledge large gifts (\$100 or more) at least once a year.
2. People who give any size of gift three or more times a year (assuming that your group asks your donors for money at least three times a year).
3. People who have given for three years or more.

People who pledge fall into category 1, not category 2, unless they give in addition to their pledge payments, which would put them in both categories.

Now, sort these donors into further categories as follows:

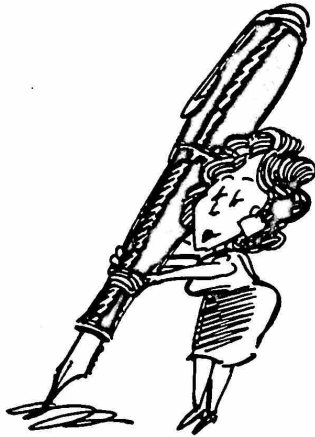
- A. People who belong to categories 1, 2 and 3 above.
- B. People who belong to categories 2 and 3 above.
- C. People who belong to categories 1 and 3 above.

You will probably not have more than a few dozen (if that) people in category A. If you do, however, then take a random sample of 50 or so for this survey.

You are now ready to conduct the survey. What you will do is this:

1. Interview in person as many people in category A as possible.
2. Interview by telephone as many people in category B as possible.
3. Send written surveys to people in category C,

On Asking Questions



■ Only seek information necessary to your group. A group working on housing issues or pollution control might find it useful to know what percentage of their donors use mass transit and how often. However, a group working on women's health does not need this information.

■ Don't ask questions that assume a behavior. For example, asking the question, "Our last newsletter discussed workfare. Did you agree with our position?" assumes that the person read the newsletter, knows what workfare is, and remembers what position your group took.

■ Remember that you may be asking questions that some donors find embarrassing or sensitive. Be sure you give people multiple choices in your written surveys and that you do not ask socially unacceptable questions directly in your telephone or personal interviews.

■ Use simple, sixth-grade-level vocabulary. This ensures that donors will understand the questions easily and will not have to stop to figure out what you mean, which could decrease incentive to answer.

■ Don't bias your questions. Instead of asking, "Our Board of Directors feels that more prison construction does not reduce crime. How do you feel? Would you support the Board in their effort to defeat more prisons?" ask instead, "What is your opinion of more prison construction? If our organization were to work against this would you:

- support us financially in that particular endeavor
- agree, but not send money specifically for this issue
- disagree
- don't know.

Always give people a "Don't know," or "Not applicable" option.

with phone interviews of a random small number of these people.

Each group will be asked the same set of questions. The personal interviews, which can be done one at a time or in informal settings of several donors and an interviewer, will yield the most wide-ranging opinions. The telephone and written surveys will be easier to analyze because the answers will be more fixed, but will not yield the kinds of additional comments you can expect from the personal interviews. All questions should be tested on a small group of people to make sure they are sensitive, necessary and not ambiguous. (See box *On Asking Questions*.)

Keep in mind that surveys of donors have serious limitations. For example, you probably will not be able to determine the value of listing donors' names in your newsletter, or giving them plaques, membership cards and so on through a donor survey, because so few donors will admit the importance of those benefits to their giving. Also, most people aspire to be more idealistic and high minded than they really are, so they will check

options that reflect their ideal of themselves rather than their true behavior. However, it is important to know what ideals you do strike in people so you can aim your fundraising efforts at those.

Number of People to Survey

It may not be possible for small organizations to get what statisticians would consider "scientifically" significant numbers. Obviously, the more people you survey, the more accurate your response, if all other variables are the same. Small organizations, however, do not have a huge donor base to survey and do not have the money to conduct extensive research. Generally speaking, a well-worded survey administered to 100 or more people will be accurate within a 10 percent margin of error. Smaller numbers, particularly small numbers of personal interviews (in-depth interviews of five key donors) will nevertheless yield information that is useful and can be tested on new prospects.

The Survey Itself

Each group will need to make up a survey that gives them appropriate information. A psychographic survey asks the following kinds of questions. (The specifics here are meant as examples only.)

1. How long have you belonged to our organization?

- 1 year 2 years 3 years 5 years
 Longer (specify) _____

2. Why did you join? _____

3. What other non-profit organizations do you give to? _____

4. What is the largest gift you make to any group?

- \$15-25 \$26-50 \$51-150
 \$151-250 \$251-500 \$501-1,000
 \$1,001-2,500 More than \$2,500

5. What is your total annual giving to charity?

- \$100 \$500 \$1,000
 Other _____ Don't know

6. How do you determine your giving to charity?

- As a percentage of income No set formula
 As a set amount each year
 Other _____

7. Which, if any, of the following words describe you, and to what extent?

	Yes	Sort of	Not really	Not at all	Don't understand
Feminist					
Environmentalist					
Christian					
Democrat					
Civic-minded					
Family-oriented					
Activist					
Radical					
Liberal					

8. If you had to cut back on your giving, when would you eliminate our group? Immediately
 Soon Not until I had to Never

9. If your income were to increase dramatically, would you:

- (a) give more money to charity?
 Yes No Maybe
 (b) give more money to our group?
 Yes No Maybe

10. What is the most important issue we address (list your issues): _____

11. In describing our group to a friend who had never heard of us, what would you say?

12. Do you talk about our group to:

- Your friends Your colleagues at work
 Your family Other
 (specify) _____
 Yes Sometimes Rarely Never

13. If you talk about our group to anyone, do you think most people you talk to have heard of our work? Most Some Very few
 Almost none None

14. If our organization keeps doing work of the quality we have been, do you foresee continuing to support us? If possible Yes Maybe
 Probably not No

15. If probably not, or no, please say why: _____

16. Where do you get news about world affairs or current events?

- Television Radio Newspaper
 Friends Don't keep up

17. What magazines do you subscribe to? _____

What Have You Learned?

When you have completed your survey, compile all your data. You now have a profile of your donor base by sex, age, race, income, occupation, and other demographic data from the demographic survey, and by commitments, priorities, self-image, and commitment to your group from the psychographic survey. Sit down with your committee and discuss what you have learned. What are the surprises? How do your donors' broad perceptions of your organization differ from those of Board members and volunteers, or from your mission statement? What are the most important programs to your donors compared with the priorities of Board and staff?

If you discover serious differences in priorities or perceptions between your donors and your leadership, you do not have to change your organization to fit your donors, nor do you have to alienate them. You must, however, spend the time to do some consciousness-raising and education. On the other hand, you may discover your donors are more bold than your Board, or that Board, volunteers and donors are basically compatible in their thinking about the organization.

A diversity of values and opinions among your donors shows you have broad appeal. By careful approaches to different populations, you have the potential to expand your donor base among many types of people.

Putting the Information to Work

To use the results of your demographic and psychographic surveys to find new donors, first list all the strategies that you currently use for getting donors. (If you are doing this in a group, write all the strategies on a piece of butcher paper or on a blackboard where everyone can see it.) Your list will probably include direct mail, phone-a-thons, special events, products for sale, fees for service, foundation and corporate grant proposals, and major gift solicitation.

Now, list your survey results, and note what fundraising strategy would be best for finding donors similar to the ones you already have. To illustrate, let's look at the surveys point by point and show how you can use their information.

The results of the demographic surveys have given you the age, income bracket, occupation, education, religious and political identifications, etc. of your donors. Ask yourself: Where are more people like that? What do they like to do? How can we find them?

For example, a group discovered that 25% of their donors live in a particular neighborhood of the city. Those same donors generally have incomes between \$30,000 and \$70,000: they are upwardly mobile career-oriented individuals, mostly without children. They are a market with a good deal of disposable income. Also, ac-

ording to the survey, most of them are Democrats, and for the most part, they have no religious affiliation.

Using this data, the organization identified from all its possible fundraising strategies one that would allow it to focus on that neighborhood. They decided to ask donors who had given \$100 or more for two or more years to host a house party for the group and to invite their neighbors. At each party, the guests were educated about the work of the group and asked to participate by donating to the group, holding a house party of their own, and voting on certain issues at an upcoming election.

From their data, the group knows that most of the people would be voting the way they recommend anyway, so the only new behaviors they are asking for are a donation and a house party. They set a goal of five house parties hosted by current donors, and ten more hosted by people recruited by donors. This turned out to be a very effective strategy to reach an upper-income group in a relaxed setting and bring them in as major donors.

The same group also decided that because so many of their donors were in an upper-income range, the group could provide information that would be useful to others with similar income. In conjunction with several other nonprofits, they hosted a seminar on socially responsible investing. They advertised widely in the neighborhoods where they already had many donors and attracted many new people to their seminar. The focus of the seminar was not on the organization, but during the seminar, the organization was able to give a pitch for itself.

Another organization compiled the names of all the magazines mentioned in their survey responses. The one mentioned most often was *The Nation* followed by *In These Times* and *Off Our Backs*. They decided to rent mailing lists from those publications for the geographic area they served (where available) and use direct mail to reach those people. Because those publications are primarily received by subscription, rather than bought at a newsstand, and are generally ordered through the mail, they reasoned that the readers of those papers, in addition to their political beliefs, also have in common that they buy by mail.

To back up their mail appeals, the group placed classified ads in these papers during the two months that they were sending mail appeals. The ads offered a publication for sale that the group had produced, but the real purpose of the ads was to increase their name recognition in order to increase response to the mail appeals. Although it is impossible to tell exactly what results this dual strategy produced, it seemed to work. The organization expected a 1% response to its mail appeal (5,000 pieces)—it received just over 2.5%. In addition, they received some orders for the publication advertised.

Another group observed that more than half of their donors indicated in the psychographic survey that they talked about the organization to their friends and co-

workers. Some respondents even wrote in that they always shared the organization's newsletters with friends or brought them to work. Using that information, this organization launched an "each one reach one" campaign. They sent a special appeal to current donors asking that each donor ask one person to join the organization. They included a copy of their newsletter, a fact sheet on the organization's latest work, and a return card and envelope. (People were also sent a card so that they could request more cards and newsletters, in case they wanted to ask more than one person.) The current donor was asked to sign his/her name on the return card before giving it to the prospective donor. Everyone who brought in a new donor was sent a small gift. Some people recruited ten donors, some only one, and one person recruited 25 donors!

Many organizations discover from a psychographic survey that their donors do not have any set formula for determining how much to give to nonprofits, and that they either don't know what their annual charitable giving is or that it is less than 2% of their disposable income (2% of disposable income is the national giving average).

Some of these groups are launching educational efforts to teach people to be better donors. Their newsletters contain stories from thoughtful donors; their appeals compare the cost of hamburgers or movies with

the cost of a donation. These strategies help make the point that social change needs to be a priority—not something done after all other needs and wants are taken care of. One anti-nuclear organization did an appeal on this theme: "Most people spend several hundred dollars a year to insure their homes and cars against theft, fire, flood or other destruction. Our world needs this insurance. Please calculate how much you spend on insurance, and then send us a check keeping in mind that peace is our only insurance against nuclear destruction."

Each aspect of your surveys should be used as a brainstorming point to determine the implications of the information you have learned: How can we take advantage of this information in recruiting new donors? What strategy will be most effective in reaching similar people?

Groups that thrive in the coming years will be those that think carefully about their donors: who they are, what they respond to, and where there are more of them. Knowing your donors will be the key to success. Educating your donors to encourage their loyalty and pride in your group will bring in more donors, and keep your donors giving and giving more each year. Having a clear picture of who your donors are not only makes you able to market your organization more strategically, but also is the first step in designing a planned giving campaign. ■



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The Future of Direct Mail

by Kim Klein

Every day it seems I get four or five pieces of junk mail. I never read any of them. I don't know why these groups keep sending mail to me."

"I don't give to any national groups any more because once you give, they just keep asking you. I get asked at least once a month by some groups. I think they have spent my whole donation asking me for more money."

These are common complaints from consumers about direct mail. Yet, every day there seems to be more. With the saturation of the market and the recent postal rate increase, it is time to examine the future of direct mail as a fundraising strategy.

First, a definition. Direct mail fundraising refers to totally impersonal fundraising letters sent by bulk mail. Letters that are addressed to an individual—"Dear Mr. Smith"—are not direct mail. Letters sent first class are not direct mail. Direct mail letters are sent in minimum quantities of 200. When they get to the post office, they receive bottom priority for processing.

How Much Direct Mail Is There?

In an article appearing in *In These Times*, writer Woody Igou compiled some shocking data about direct mail. According to his research, in 1988 the Postal Service delivered 63 billion pieces of unsolicited mail. Placing this number in a context, he noted that the U.S. domestic mail accounts for 40% of the world's total mail volume, and that approximately 40% of this mail is direct mail from both commercial and nonprofit sources. This means that about one out of every six pieces of mail worldwide is "junk" mail. For many Americans, far more than one out of six pieces coming through their mail slots is direct mail.

Nonprofit organizations face a number of questions when it comes to whether to use or increase their size of direct mail fundraising. Most important, is it effective? Second, is it cost-effective? Third, will sending another

Part of the popularity of direct mail with fundraisers is that it doesn't require any courage.

direct mail appeal to this donor so anger him or her that he or she decides to stop giving to your group altogether?

In the last instance, you have not only lost a gift, but perhaps a lifetime of gifts. In that case the total cost of your direct mail letter was forty cents for the letter and several hundreds or thousands of dollars in lost contributions.

Fourth, is the mailing worth the subsidy? Nonprofit bulk mail is subsidized by tax dollars. Organizations with 501(c)(3) status can send their bulk mail for about seven cents less per piece than for-profits. This seven-cent difference (the exact difference will vary depending on sorting and other factors) multiplied by the millions of pieces of mail sent by nonprofits equalled \$708 million in 1985. That is, in 1985, the U.S. Treasury gave the U.S. Post Office \$708 million in tax dollars to subsidize nonprofits' use of bulk mail. Every year, the subsidy for nonprofit mail is almost axed from the budget, and every year intense lobbying keeps it in. Increases in postal rates decrease the subsidy, but increasing use of direct mail ensures no net savings ensues. The question nonprofits are morally obligated to ask, but rarely do, is, "Does this piece of mail really deserve a tax subsidy in addition to the paper and ink it uses?"

As a fundraising professional, I object to the characterization of direct mail as "junk mail." But when I come home from a long day at work, grab my mail out of my mail box, then balance it along with my briefcase, purse, and possibly some groceries with one hand while opening my two locks with the other, keeping the cats from

flying out the door with my foot, shutting the door, flinging everything down, fixing a drink and opening my mail, I have to agree that most direct mail is pure junk. I have stopped defending direct mail to people who complain to me about it when they learn that I am in the fundraising business. As a strategy it must be profoundly re-examined so that we keep using it for what it does well.

The Purpose of Direct Mail

Direct mail has three functions: 1) to acquire donors, 2) to ask those donors to repeat their gifts, and 3) to ask donors to renew their commitment to your organization annually. The first function is the most important, and the distinction between the second two is somewhat technical. Let's explore all three for clarity.

1) Donor Acquisition

The primary purpose of direct mail is not fundraising, but acquiring donors from whom you will later raise money. For example, an environmental organization trades 2000 names of their donors for 2000 names of donors to a land trust. They send a direct mail appeal and 1% of the land trust donors join the environmental group (1%–3% is the expected response to direct mail). This gives the environmental group 20 new donors. Suppose it cost 40 cents for each piece of mail (including postage, printing and paper and the use of a mail house to send it). The total cost is \$800. Suppose most of the 20 donors gave \$35, which is the suggested donation for membership. Some gave more and some less, but the environmental group grossed \$700 on the mailing. On the surface, it is true that they lost \$100. But, in fact, they spent \$100 to acquire 20 donors, who will now be moved into Phase 2.

2) Get donors to repeat their gift

Once a person becomes a donor, the organization has to try to ensure that the donor maintains a loyalty to their group and gives routinely. The best way to do that is to ask the donor for money more than once a year. It is in this step that direct mail has gotten into a lot of trouble with current donors.

How many times can you ask someone for extra gifts in the course of the same year? Research has shown that an organization can ask its donors for money 12 to 14 times a year by mail and have it be profitable. The problem comes when every group reads that research and uses that frequency.

Most people give money to five to eleven organizations. If each group asks twelve times, the average donor is receiving 60 to 132 requests for money just from those groups. Add to this the mail generated by the groups trading names and renting names to other groups and it is easy to see why consumers have grown tired of direct mail solicitations over the past ten years.

What the research cannot do is determine how many

groups can ask the same donor for money 12 to 14 times a year before the donor gets tired. It seems from consumer complaints that donors feel they are being asked too often. Sometimes they react by not giving money to any groups that solicit by mail.

I recommend that organizations solicit their smaller donors—those giving under \$100—three times a year. (Donors giving over \$100 should be treated as major donors and asked in a more personal way.) Those three letters will fade into the number of appeals from groups asking more often, but they still keep the work of your group in front of the donor. Every time you ask your donor base for money, 10% of them will respond with a gift (while one or two will send you a letter complaining about how often you ask). In this phase, you make back the money you spent in phase 1, and probably show a profit.

3) Get donors to renew their gift

To be considered an active donor (as opposed to a lapsed donor), a person must give your group money at least once a year. This is what is meant by renewal gifts. Most organizations have a renewal rate of about 66%. Clearly, a 66% response to your mail over the course of a year generates a nice profit. (If you have much more than a 66% renewal rate, it is a sign that you probably don't have enough donors. Anyone can maintain a 90% renewal rate if they have only a handful of donors. On the other hand, if you are losing much more than one-third of your donors, you are not doing enough to keep them, including asking them for money often enough. Asking once a year is not often enough.)

Rethinking Direct Mail

To get direct mail to work for you in the coming months, think very clearly about each list you acquire. Do you really have reason to think that this list of prospects will be interested in your group, and if so, what aspect of your work? Write your letter and design your envelope with that in mind. You are allowed to send as few as 200 letters, so think in small quantities. A 4% response on 200 names, or eight new donors, is the same response you would expect from a list of 800 donors at a 1% response, with a fraction of the cost and hassle involved. Using the environmental group mentioned above, 200 letters at 40 cents each would cost \$80. With 8 donors giving \$35, the group grosses \$280, showing a reasonable profit in addition to acquiring eight new donors. With 800 letters and a 1% response, the group loses \$40 to acquire the same eight donors.

With a list of 200 to 500 names, you can recruit volunteers for an evening of hand-addressing envelopes, which can significantly increase your response. Most direct mail is rejected at the envelope, as the consumer stands over his or her wastebasket and sorts through

mail, throwing your precious letter away unopened.

Grassroots organizations can afford to build their donor base with smaller numbers of donors. Most grassroots groups have fewer than 5000 donors, and many have only 300 to 500. Acquiring eight or ten donors at a time while making a profit is worth the effort.

When you do large-scale direct mail (5,000 pieces or more), use as many of the pre-sort options as possible. A mail house can help you with these techniques. You can lower your costs significantly by using bar codes and sorting your mail as specifically as possible.

Other Mailing Options

Think about using first class postage for your letters and using bulk mail only for newsletters and publications. People open first class mail, and the cost of it will force you to be more careful about who you are sending to. The price difference at this point must be compared to the reliability of first class mail and the chancy nature of bulk mail reaching its destination in a timely fashion or at all. In addition, there will probably be another postal increase in October, which will further narrow the gap between bulk mail and first class postage rates.

There are other aspects to consider as you rethink your direct mail program. In addition to being more careful about lists and using smaller lists with higher return,

think through some of the moral issues involved. For example, use recycled paper even though it costs more. If enough organizations use it, the price may come down, and it is the right thing to do.

Don't use direct mail appeals with donors that you should be visiting or contacting personally. Part of the popularity of direct mail with fundraisers is that it doesn't require any courage. Although 99% of the people receiving it reject it, that rejection is not personal, unlike the rejection to a personal request. However, your discomfort with asking for money is not a good reason to use up paper and organizational resources with people who should be contacted more directly.

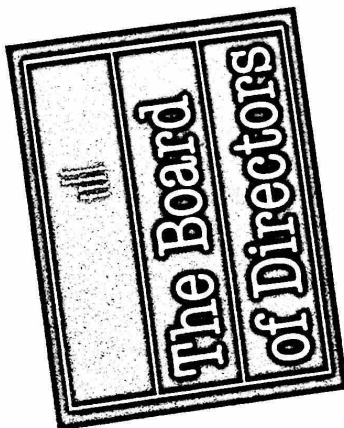
If you follow the old adage, "Don't work harder, work smarter" with your direct mail, you can continue to use it without offending donors, while acquiring new donors and being a good steward of the Earth's resources.

If nonprofit organizations don't monitor their use of direct mail, voluntarily cutting back and increasing the quality of it, the government will step in. Consumer complaints make direct mail a vulnerable target, and the government's desperate need to save money wherever possible will make nonprofit bulk-mail rates easy to consider eliminating. Ultimately, government intervention in direct mail is not the best solution. Your organization can help ensure that it doesn't come to that. ■

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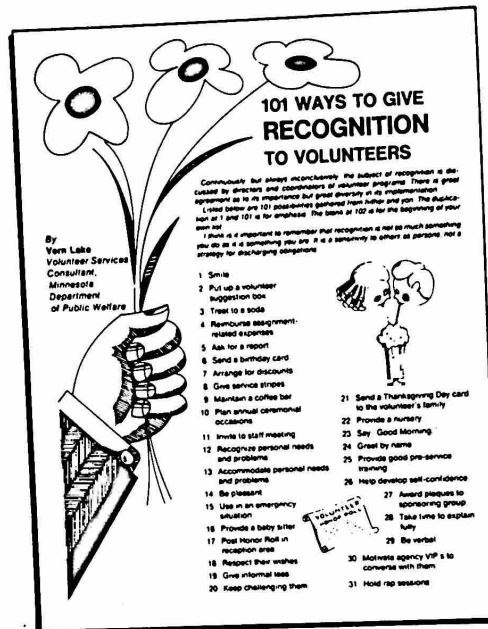
Book Review

Accent on Recognition: Saying Thank You to Donors and Volunteers

Available free from
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One of the most overlooked fundraising strategies is the thank you note. Finding new and more creative ways to say "thank you" to your donors and volunteers can get tiring. *Accent on Recognition*, the fifth edition of a 72-page handbook full of recognition ideas has just come off the press. The latest edition includes two new chapters: one covers 10 ways to thank major donors and the other shows how to start a major donor giving club.

Accent on Recognition also in-



cludes examples and illustrations of everything from cards and letters to personalized booklets and donor recognition walls. It even has a glossary of words to use when writing copy for certificates and awards.

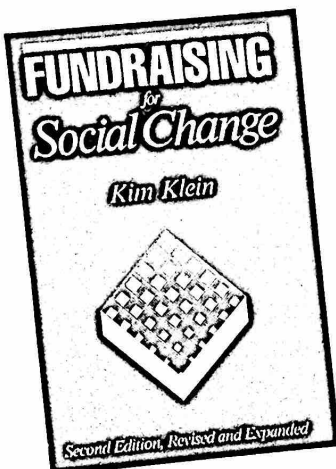
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