

## Forget everything you know about direct mail fundraising

By Mal Warwick

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*Numbers that will blow your socks off*

Forget everything you know about direct mail fundraising. Toss aside those images of white #10 window envelopes, nonprofit bulk rate postage, garish teaser copy, and name-stickers. Banish all thoughts of that “typical” one-percent response, \$18 average gift, and 30% first-year renewal rate. Clear the decks instead for high-dollar direct mail, and get ready for three-, four-, or five-percent response—with average gifts measured in the hundreds of dollars and renewal rates to die for!

For example, consider the following numbers, gleaned from a statistical report on the results of an actual mailing which my firm recently produced for a nationwide environmental organization:

- We mailed high-dollar letters to a total of 2,352 donors at a cost of \$4.96 per piece. (No, that’s not a typo. The cost was actually almost five dollars per piece. But don’t freak out yet.)
- The mailing went primarily to previous donors to the organization. All but 186 of them had given individual gifts of \$100 or more. (The small balance were donors who were identified in an electronic screening exercise as potential major givers.) Those previous \$100+ donors included the following groups of individuals, defined by their highest previous contributions:
  - \$1,000+ ..... 280
  - \$500 – 999 ..... 267
  - \$250 – 499 ..... 624
  - \$100 – 249 ..... 995
- As you can see, nearly half the target audience had never given gifts as large as \$250 (and most of them had never given more than \$100 at any one time). Yet the mailing garnered 47 gifts in the range of \$1,000 to \$2,499, two gifts between \$2,500 and \$4,999, and five gifts of \$5,000 or more.
- The effort yielded a total of 319 gifts, for a response rate of 13.5%. Mailings to comparable segments of the donor file using more traditional direct mail packages had rarely produced such a high rate of response. Six to eight percent was much more typical.

- More importantly, the average gift in this project was \$463! Revenue per donor mailed was nearly \$63. Contrast that with a cost per piece mailed of \$4.96. That's a fundraising cost of about eight cents per dollar raised!
- It's true that 280 \$1,000+ donors accounted for just about half of all the revenue (\$73,000 out of \$148,000). But it's equally notable that, of the 177 donors who had previously given only a single gift, 6.7% responded to the appeal with gifts averaging \$358. In other words, this mailing was effective in coaxing large contributions not just from generous, dyed-in-the-wool donors but also from a marginal group of new or infrequent contributors as well.

So, "Big deal!" you, say. "You got out-of-the-ballpark returns from a single mailing to a highly selective list of donors. Isn't this just a fluke?"

Fortunately not.

The mailing I've just described is, admittedly, an unusually strong example. But it's by no means an isolated one. My agency has been producing high-dollar appeals for clients since 1979. We've mailed similar packages hundreds of times for at least 100 nonprofit organizations, charitable institutions, and political committees. And I can't recall a single instance where the response didn't justify the effort and expense.

You want more examples? Here goes:

- A 10,474-piece high-dollar mailing for an anti-hunger organization yielded 679 gifts totaling \$117,749. Overall response was 6.4%, the average gift \$173. The response rate and average contribution were both lowered by the inclusion in this mailing of 4,449 donors who had previously never given gifts of even \$100 at a time. Both the response rate and the average contribution were markedly higher for the 6,025 donors who had previously contributed gifts of at least \$100. The mailing cost \$18,180, yielding a fundraising cost of only 15 cents per dollar raised.
- An appeal consisting of just 889 letters for a regional activist organizing project produced 28 gifts, or 3.1%, for a total of \$59,450. Gifts averaged \$2,123. However, the majority of those mailed—all of whom had contributed gifts of at least \$250—had been obtained through special events, not direct mail, and were thus far less likely to respond to a mailing. Perhaps even more significantly, 238 of them were lapsed or long-lapsed. But the mailing yielded 21 gifts of \$1,000 or more, including six of \$5,000 or more. Fundraising cost was 14 cents per dollar raised.
- Two additional high-dollar appeals for that environmental organization I cited at the outset produced response rates of 13.3% and 12.7% with average gifts of \$365 and \$395. The fundraising cost was nine cents on the dollar in one case, 10 cents in the other.

*So, why isn't everybody doing this stuff?*

OK, now I can hear you saying “If this stuff works so well, why isn’t everybody doing it? After all, every direct mail practitioner on the planet eventually learns that people everywhere love name-stickers, and now you have a hard time finding any corner of the world where nonprofits aren’t mailing packages of name-stickers. Why isn’t every organization sending out these ‘high-dollar mailings’ you’re talking about?”

Good point! But the answer is clear and almost too obvious:

- In the nonprofit sector there is an obsession about fundraising’s *cost*—as opposed to its *cost-effectiveness*. Time and again, my colleagues and I come up against development directors, chief executives, or trustees who simply will not spend what it takes to succeed in high-dollar direct mail. “Five dollars per package? You’ve got to be kidding! Our board will never approve that.”
- Even when decision-makers have escaped the cost-obsessiveness bug, there’s that little matter of the budget that so often intrudes on well-considered plans. Faced with a choice between spending, say, \$25,000 on a high-dollar mailing to 5,000 donors or, instead, spending it on mailing an additional 75,000 donor-acquisition letters, many direct marketing managers—or their consultants—will display a bias for broad reach over high touch.
- Don’t overlook the fact that most large nonprofits build silos around their fundraising, marketing, communications, and other, related activities. Too often, fundraising itself is split among several offices—membership or direct marketing in one, major gifts in another, “planned giving” in a third, and so forth. Do these people talk to one another? Not often enough! Do they *share*? Show me how, and I’ll believe it. The truth is, in all too many nonprofits, donors are arbitrarily split between those whose highest lifetime gift (or cumulative annual giving) is less than, say, \$1,000, and those whose giving is at that level or higher. One group, the bulk of the file, stays in the membership or direct marketing program. The other is shunted off to the major gifts department where, far too often, they are largely forgotten (or at least not contacted with the frequency they deserve). In any case, most major donor fundraisers have a strong bias against communicating by mail. In such circumstances, high-dollar direct mail—which is, after all, tainted by being a form of direct marketing—is highly unlikely to be considered for the very donors who will best respond to it.
- Crass motives enter the scene, too. The fact is, most direct mail consulting agencies make their money on volume: the bigger the mailings, the more profit. A high-dollar mailing of 3,000 or 5,000 letters holds no charm for most consultants, for whom a labor-intensive project of this sort would be a sure money-loser. Most direct mail fundraising practitioners operate as marketers, not fundraisers. Volume drives the train. Donor stewardship rides in the caboose.

And there’s the rub, from a fundraising perspective. Everything we learn about donors from surveys, focus groups, interviews, feasibility studies, academic research,

and cocktail party conversation makes it absolutely clear that direct mail fundraising as it is routinely practiced by the overwhelming majority of nonprofits on the planet leaves much to be desired *from the donor's point of view*. Unsolicited donor complaint mail and phone calls confirm that finding, sometimes in genuinely pungent and memorable language. Solicitations seem to issue forth from a cookie-cutter. Low-budget “freemiums” abound. Messaging offers easy, instant “solutions” entirely beyond the realm of credibility. (“Your \$15 gift will save this child’s life!”) Gift acknowledgements are typically mailed weeks late, if at all. Even “personalization” rarely bears any resemblance to anything personal.

That stuff still works, of course—otherwise, we wouldn’t be likely to keep doing it. But many direct mail donors respond purely out of loyalty or habit. And it’s working increasingly less well—and hardly at all with the most sophisticated donors . . . the ones with the deepest pockets.

If we merely wanted to secure the largest possible gifts from a limited number of donors in the shortest possible period of time, we might avoid all the work involved in high-dollar mail and other efforts calculated to cultivate our biggest potential donors. But the true value of these activities lies in building *long-term relationships* with those donors. And that’s where the real money lies in any fundraising program. (I’ll discuss this subject in detail in chapter 3.)

Enough of all this theory and speculation! Unquestionably, what you want to know is, will this technique work for your organization?

*Will high-dollar direct mail work for you?*

Well, maybe not. High-dollar direct mail is no silver bullet. You can’t simply point it at your fundraising challenges and expect them to flee.

But before you curse my name and rush to get a refund on this book, please give me a chance to explain.

For starters, you need a base to build on—a pool of prospective major donors who can be approached through a high-dollar program and coaxed to move up the giving ladder. Except in the rarest of circumstances, high-dollar direct mail is unlikely to work in the absence of an ongoing membership or small-donor fundraising program. From time to time, my colleagues and I have managed to build high-dollar direct mail programs from scratch, but the circumstances were truly exceptional in all those cases.

Are you wondering about those rare exceptions, perhaps hoping against hope that your organization will fit among them? It might, but only if you are raising funds for a dramatic new initiative (or a brand new nonprofit) with blue-ribbon support—and, most importantly, access to lists of \$100+ or \$250+ donors from like-minded nonprofits that want to help you get your project off the ground. Without the right sort

of list access, you're unlikely to succeed no matter how spectacular your initiative and inspiring your organization's leadership.

Equally important, you'll make a big mistake if you look to high-dollar direct mail as a way to rescue a moribund fundraising program. If your organization or institution doesn't have what it takes to recruit and retain donors or members, it would be surprising if high-dollar direct mail would work for you. You need to have a compelling case for giving, credible leadership, name recognition, and an evocative vision (and, if possible, an enviable track record as well). Otherwise, high-dollar direct mail probably won't work any better than any other fundraising technique you choose to employ.

If none of these factors poses a barrier for you, then chances are excellent that you can make high-dollar direct mail work for you. Read on to find out how.

In the following chapter, I'll show you, page by page, a classic high-dollar direct mail fundraising package to set the tone for the discussion. Then, in chapter 3, "Putting high-dollar mail in its proper place," I'll help you envision the unique and critical role that high-dollar direct mail fundraising can play in the larger context of your overall development program. Following that, in chapter 4, "This is not your grandfather's direct mail," I'll lay out as straightforwardly as I can the ways in which high-dollar direct mail is different from traditional, small-donor direct mail.

Afterward, in chapter 5, I'll take you on "A guided tour through a high-dollar appeal," reproducing and describing, element by element, what went into one successful high-dollar package, and why.

In chapter 5, "Bringing your high-dollar program to life," I'll discuss the strategic issues involved in a high-dollar direct mail fundraising program—the steps you need to take to ensure that your high-dollar mailings build on one another and help you get the most from your fundraising efforts. The following chapter, "Sustaining your returns over the long haul," deals with the four essential elements of a successful long-term high-dollar direct mail fundraising program.

Finally, in chapter 8, "So, why does this stuff work?", I'll take a crack at explaining—guessing, really—why high-dollar direct mail does so much better a job of upgrading donors than more traditional efforts.

Enjoy! I hope this book helps you raise lots more money. (After all, why else would I write it?)