

What Your Organization
Needs to Know About

Direct Response Fundraising



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What Your Organization Needs to Know About Direct Response Fundraising

Every year, individual Americans donate close to \$500 billion to nonprofit organizations.

Some donors write small checks for ten or twenty dollars. Others make contributions for many thousands. These individuals make their contributions in response to a request they've received from an organization: a mailing, an email, an online advertisement or social media post, a phone call, a face-to-face request, or a televised request for a gift. These various ways of reaching out to donors and potential donors are all forms of direct response fundraising.

For organizations — even new ones which haven't yet established their reputations — this appeal for support (no matter the channel) represents the opportunity to begin developing a dependable source of funding. And for donors, it offers a way to belong ... and to help those in need.

These communications transform total strangers into the loyal friends whose generosity supports your organization — that's what direct response fundraising is all about!

What Is Direct Response Fundraising?

Properly executed, direct response fundraising is a means of providing your organization with loyal supporters, a cost-effective means of communicating your organization's priorities, and a consistent source of working capital.

Equally important, it can systematically identify the people capable of making very large gifts, monthly donations, and bequests on which so much of your group's future success depends.

Direct response fundraising is a process of building

a donor base and a reliable source of funding, and it requires an investment by an organization — it is imperative to spend money to make money.

Is It For You?

Even though you may be ready and willing to begin a full fledged direct response fundraising program, there is a critical question you must answer before committing your organization's time, effort and money: *Is my organization a good candidate for this sort of fundraising?*

This has nothing to do with the worthiness of your cause. Some causes — no matter how important — are not able to be promoted cost-effectively through direct response fundraising. Others may only work at particular times, when current events and the public mood make the public most receptive to their missions.

To learn whether direct response fundraising is likely to be right for your organization, you should ask a professional fundraising consultant. In fact, you should seek guidance from at least three reputable direct response fundraising firms.

Getting Started

When choosing, use caution not to simply pick the firm projecting the largest return. And, be very cautious of firms who promise money for no cost beyond fees and expenses. Make sure you are getting donors out of the deal and not just lending your organization's name to a company operating for its benefit rather than yours.

Until your test is complete, no one can really tell what your response rate and market reach will be. So take other factors into consideration, such as the firm's track record, fee structure, in-house capabilities, experience in growing similar programs, expertise with various channels of fundraising, and

your comfort level with the people in the firm you choose.

Let's use a direct mail test as an example, since direct mail typically drives the bulk of charitable contributions for many organizations.

To obtain the names for your mailing, your consultant will recommend renting or exchanging the lists of other organizations whose donors or members are likely to be interested in your specific cause or mission. If you are just starting out and do not have a donor list of your own with enough names to exchange with other groups, then you'll have to rent lists by paying each organization a fee for the right to test its list in one mailing.

By seeing how well your direct mail performs on a cross section of these test lists, an experienced professional can determine whether or not the "universe" of direct mail donors likely to support your organization is large enough to make further mailings a cost-effective option.

To lead with a digital strategy, a similar approach of testing the market through advertising and lead generation will be deployed. Responsiveness, engagement and conversions among audiences should be analyzed to determine if your test strategy justifies a larger investment to keep going. Mail and digital were used as examples here, but you should have similar approaches to testing and then rolling out in whatever channel you choose: mail, phone, email, web, direct response television (DRTV), etc.

What You Should Expect

Some organizations may have unrealistic expectations when undertaking their first direct marketing effort.

They send out one mailing, tally the donations, figure in their costs and, if the effort doesn't make a profit, they conclude direct marketing just isn't for them.

In many cases, that decision will cost their organization all the growth, money, and public education a properly managed campaign might have given them.

The mistake is in looking at direct marketing as a single campaign rather than as a process.

Remember, acquiring new donors is an *investment*, not a means of producing immediate income. It's important to remember that these first tests should not be expected to earn net income. These are "prospect" or "acquisition" campaigns — designed to acquire the most donors possible in the least amount of time, at an acceptable net investment per new donor. Your consultant can help you determine the acceptable cost per new donor based on industry-wide experience and the projected long-term value of your donors.

As prospects respond to your mailings or digital efforts and become donors, they are added to your organization's donor list — where they will become an ongoing source of donations to subsequent "housefile" appeals.

Experienced development officers understand this as an investment in the future, and experienced direct response fundraisers understand it is not at all unusual to lose \$35-\$60 to recruit each new donor. They would only do so, however, knowing they are bringing on supporters who will make additional donations to fully recover that investment and produce a high rate of return — and net revenue to fund the mission of the organization — in future years.

Over time, development officers determine what the best investment level is for the donors they acquire. They know that the manageable short-term losses they sustain (the "acquisition costs") are more than justified by the long-term support (the "lifetime value") they'll earn from the donors they acquire.

The longer an organization engages in direct

response fundraising, as a rule, the more cost efficient the process becomes. The increasing amount of net money raised in the long run from regular housefile appeals to an ever-growing donor file explains why organizations experienced in raising funds through direct response continue to invest in acquiring new donors, year after year.

Those donors —if managed properly — can become more than just the foundation of mail, phone, online, and email efforts. They can be the base of your overall fundraising program. These donors will become important sources for volunteer opportunities, events, major donor societies, and bequests.

Next Up: Cultivating Your Housefile

Proper management of the donor base means systematically identifying each donor's giving potential — and then moving each one to that point as quickly as possible. Most donors can be upgraded to higher giving levels. Through careful cultivation, some donors can be persuaded to become “multi-givers” — donors who give more than two or three times a year. And some will even become major donors, those who contribute hundreds or thousands of dollars each year. They can then be graduated into a more personalized program, where contacts are made by personal letters, phone calls or face to face meetings.

It is vitally important to send prompt and personal acknowledgements to your donors after they give, and occasionally update your donors on how you are investing their contributions. This stewardship helps improve the long-term value of your donors.

The larger your organization's base of quality low-dollar donors, the faster this process works to develop the major givers you want. And because direct response can find and acquire that initial base of donors faster than any other kind of solicitation, your entire fundraising cycle will be as efficient as possible.

Your Donor List: An Invaluable Asset

One tangible asset your organization will gain from direct response fundraising is the list of donors or members you recruit and cultivate. Yes, it requires an upfront investment into recruiting a large base of supporters. But it is not unusual for each of these donors to be worth \$100, \$250 or even \$500 each over the next five years, after subtracting the initial investment spent on recruiting these donors and accounting for the normal attrition to be expected with newly acquired donors. It should be self-evident that you should treat your donor list with care, and treat each donor with respect.

In addition, the list itself has intrinsic value. Just as you will rent (pay money for a one-time use) the lists of donors to other organizations for your prospect program, other commercial, political, or charitable mailers will be interested in your supporters as potential sources of new donors to their organization. They may be willing to pay well for the privilege of “renting” your list. In a rental situation, you would ordinarily provide a list of your lower-dollar donors (only) to the other organization to solicit once in return for payment to you.

Your organization may also realize additional, and perhaps equivalent, value if you opt to exchange your donor list for the right to solicit an equal number of another organization's donor names on a one-time basis. Exchanging names will also significantly reduce the cost of your acquisition program.

Protecting Donors' Rights and Privacy

If you elect to offer your list for rental or exchange, be sure to give your donors the option to exclude themselves from the list you furnish to other organizations. It's a simple matter of privacy that is greatly appreciated by most donors, and most of them will not opt out. In fact, the offer may boost

your donors' confidence in you. It's as simple as adding a check-off box one or more times a year that lets donors tell you "please do not share my name with other organizations."

To maintain donor privacy, you should never send names directly to another organization. A third party "merge-purge" company receives your list when you rent it or exchange it with another organization. You can also stipulate that a formal "list usage" agreement be signed with the organization to protect against the improper use of your list.

The Ultimate Reward

The payoff of a well managed direct response campaign is more than just a healthy cash flow. Through cultivation of your donors, you identify those who will become actively involved, those who may become volunteers and even board members, and those who will make major financial commitments to your organization.

Too many nonprofits believe such active or major donors are "out there" and they just haven't found them yet. They are wrong. Your major donors are already in your own donor file. They're the people who've already proven their commitment to you by giving an initial contribution and, perhaps, several subsequent donations.

But to maximize their worth to your cause, they must be nurtured through a well managed program from the day they make their first gift.

Best of all (and this is what a development director should always bear in mind), your donor base will enable you to institute a healthy bequest program. The return from individual legacies alone may well exceed the net revenue you realize from direct response fundraising campaigns — and it often comes from your direct response donors.

It is not unusual to see a large bequest come in from a donor who never gave a gift of more than \$10 at a time, or from someone who gave \$50 five years ago. Your letters, emails, and calls over the years updated them on your priorities, needs, and good stewardship. You, in essence, formed a relationship and identified a financial need that they are now wishing to support even after they are gone. The donor may have been on fixed income, used to sending in small donations, too ill to write any more checks, or not very liquid, but their estate planning made sure their charitable legacy is now helping the people and causes that were most important to them in life. And it all began with a mail piece, an email, a TV ad, or telephone call that touched their heart and motivated them to support your organization.

This is why many organizations invest in direct response fundraising. That broad base of support — acquired, cultivated, and upgraded by mail, digital communications and telephone conversations — will even help you raise more money from foundations and corporations, because these leaders are also individual donors to organizations like yours.

A broad base of support says to the world that there is a real, and widely endorsed, need for your organization and what it does. There is virtually nothing more compelling to a potential major donor.

We hope that this overview of the direct response fundraising process serves you well as you consider your funding options.



**For additional information,
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