

SMART

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The Smart Guide to...

Donor Acquisition Campaigns for Small Nonprofits

The guide to designing and managing an affordable, small-scale direct-mail campaign that will recruit loyal, passionate donors for your organization.

INTRODUCTION

Small nonprofits often assume donor acquisition campaigns are labor intensive, expensive undertakings meant for large, wealthy organizations with giant development staffs and funds pouring out their doors. That's not the case.

A mail campaign can be an effective way for small nonprofits to identify and recruit new donors who are passionate about their organization's work. The primary goal of a donor acquisition campaign is not to raise funds, but rather, to raise *donors*. This is a very different goal from an annual renewal or year-end campaign.

Most organizations that invest in a donor acquisition direct mail campaign won't see a financial return on that investment until a number of years after their initial acquisition mailing. The ultimate value lies in the donors acquired who will continue to give for many years. Within this pool of donors, there are loyal and even major donors just waiting to be cultivated.

It may be helpful to think of donor acquisition as a three-phase process:

The first phase is a screening process which identifies people who are inclined to support a particular cause. For each name that is acquired, an organization will have invested a specific dollar figure, which can range anywhere from \$1 per name to close to \$100 per name.

The goal of the second phase, is to inspire those newly acquired donors to repeat their gift, and become annual donors. At this point, they are incorporated into the ongoing annual giving and communications program.

The third phase is a long-term one: organizations must work to retain and upgrade these donors over a period of years through an effective donor retention plan.

Because of the long-term nature of the donor acquisition and retention process, and because of the upfront investment, a donor acquisition direct mail campaign isn't right for every organization.

Signs that your organization is ready for a direct-mail acquisition campaign:

- Organizational leadership and board members view this as a long-term investment. They accept that in the first year, they will likely spend more than they receive in donations.
- Your organization has established a solid annual campaign and donor communications program OR is committed to developing an annual campaign and communications program that will retain the donors they acquire.
- The organization has (or is working on establishing) a good donor database (beyond a simple spreadsheet) and methodical processes for managing donors and tracking gifts.

Benefits of a donor acquisition campaign

- Once you've developed an effective acquisition mail package, you can use the same materials year after year with few changes to the design or schedule.
- This process can become an effective, well-oiled machine, bringing in a new pool of donors each year to replace those that you'll lose on an annual basis.
- With a good donor retention program in place, you'll find within your pool of new donors life-time supporters, volunteers, and passionate advocates for your cause. Some of these recruits will even become major donors to your organization.

Getting started

If you suspect your organization may be ready to incorporate donor acquisition into your individual giving program, this guide will help you begin to understand the scope of the investment you'll need to make - both financial investments and investments of time.

This guide will walk you through the process of establishing your budget and goals, finding a prospect list, writing your message, and testing your mailing.

Most importantly, it will prepare you for the most critical part of the acquisition campaign - what happens *after* your prospects become donors.

ESTIMATING BUDGET AND REVENUE

Before beginning a donor acquisition campaign, you'll first need to know how much it is going to cost to get those new donors.

While it is impossible to know the exact cost per donor until after contributions are in, it is possible to make some predictions based on averages from the nonprofit sector.

The current average return rate for an acquisition appeal is a little under 1%, specifically around .65%. in 2012. The average gift you might expect is between \$15-\$45. However, both the return rate and average gift are dependent on the list you use and the level of personalization of your message.

If you use a "cold" list, where the prospects have no prior relationship with you, you'll likely see a return rate that is around the average .65%. If your lists are a bit "warmer," you may just see a return rate closer to 2%. This can help you predict how many new donors you can afford.

Let's look at a couple of examples to illustrate how an acquisition campaign might work:

Example #1 Shaw Literacy Council

Phase 1: Initial Acquisition Mailing

Shaw County Literary Council rents 5,000 names from a local list broker at a cost of \$.10 per address listing. Their production costs are \$.50 per letter including design, printing, mailing services and non-profit rate bulk postage. Total expenses for the mailing and list rental are \$3,000.

Of the 5,000 prospects who received the mailing piece, 43 people respond with a first time gift to the council with contributions totaling \$1505.

Description	Quantity	Unit Price	Cost
List Purchase 5,000 names @ \$.05 to .12 per listing	5,000	\$0.10	\$500.00
Printing, Postage, Graphic Design, Mail services	5,000	\$0.50	\$2,500.00
Projected Contributions estimated @ 0.86% with a \$35 average gift	43	\$35.00	-\$1,505.00
New donor acknowledgment & welcome package	43	\$1.00	\$43.00
		Subtotal	\$1,538.00
		INITIAL INVESTMENT	\$1,538.00
		COST PER NAME	\$35.77

As you can see, they spent much more on the first mailing than they got back in contributions. And that didn't even include all the staff time that went into planning the campaign and writing the letter! If the council evaluated their project at this point, it would clearly be a big fat failure.

But... instead, they think about it like this: They now have names of 43 new donors who are specifically interested in financially supporting literacy programs. Each of these donors cost \$35.77 to acquire.

One other thing they've gained through this process: They've already created a successful appeal package that they can use for their next batch of prospective donors. When they are ready to try a new list, it will be a lot less work.

Now their job moving forward is to develop a strong relationship with these donors and encourage them to continue giving in increasing amounts. They've already gotten off to a great start with the thoughtful new donor welcome package they put together and promptly mailed to their new partners.

Phase 2-3: Renewal and Upgrade: Long-Term Donor Value

Throughout the following five years, Shaw County Literacy Council worked hard to keep many of these donors giving and as a result, produced a 227% return on their original investment. Through their effective donor retention program, they consistently increased retention rates and average gifts from this specific group over the years. One of these donors even gave a major gift of \$1,000 five years later.

Although the original cost of acquiring a donor was \$35.77, they made a "net profit" of \$81.44 from each donor over the long term.

Description	Quantity	Number Retained	Retention Rate	Average Gift	Projected Contribution Totals
Year 1 (Repeat Gift)	43	24	55%	\$50.00	\$1,200.00
Year 2	24	15	65%	\$60.00	\$900.00
Year 3	15	12	75%	\$70.00	\$840.00
Year 4	12	10	85%	\$75.00	\$750.00
Year 5	10	9	90%	\$150.00	\$1,350.00
				Total Projected Contributions	\$5,040.00
				Income Per Donor	\$117.21
Return on Investment=227%				Long-term Donor Value	\$81.44

Example #2: Jacksonville Historic Preservation Society

Instead of renting a list, JHPS collected prospect names and addresses from board members, and volunteers. They researched zip codes in historic neighborhoods. They relied heavily on volunteers to input data and process the mailing. They used a highly personalized approach to their campaign.

Because their list was filled with people who had either a previous connection to the organization or an inclination to give to JHPS, they received a relatively high rate of return (1.87%) and average gift (\$40). The initial acquisition mailing brought in 14 new donors at a cost of \$6.54 per donor:

Description	Quantity	Unit Price	Cost
Self-cultivated List (volunteer labor used)	750	\$0.00	\$0.00
Printing, Postage, Graphic Design, Mail services	750	\$0.85	\$637.50
Projected Contributions estimated @1.87% return with a \$40 average gift	14	\$40.00	-\$560.00
New donor acknowledgment & welcome package	14	\$1.00	\$14.00
		Subtotal	\$91.50
		INITIAL INVESTMENT	\$91.50
		COST PER NAME	\$6.54

Like Shaw County Literacy Council, a robust communications and annual giving program payed off in the form of higher than average retention rates over the next 5 years. After 5 years, each of the 14 donors had given an average of \$120.

Description	Quantity	Number Retained	Retention Rate	Average Gift	Contribution Totals
Year 1 (Repeat Gift)	14	10	71%	\$52.00	\$520.00
Year 2	10	6	60%	\$54.00	\$324.00
Year 3	6	4	66%	\$93.75	\$375.00
Year 4	4	2	50%	\$137.50	\$275.00
Year 5	2	2	100%	\$137.50	\$275.00
				Total Contributions	\$1,769.00
				Income Per Donor	\$126.36
				Long-term value per donor	\$119.82

Return on investment = 1833%

Based on your budget, and the type of list you'll use, you'll be able to predict the number of donors you can reasonably expect to acquire as well as the cost to acquire each donor. Using estimated retention rates, as in the spreadsheet above, can help you predict the long-term value of those donors.

Create spreadsheets to guide you as you move through the process. You can revise the numbers as you gather more information and make decisions.

PLANNING YOUR CAMPAIGN

Compiling a prospect list

There are several different sources and approaches for coming up with a solid list of prospects:

1) Friends of your organization's friends:

Ask your board members, volunteers, staff, and other close supporters for names of people they think might be interested in learning about your group. Might they have local organizational directories they would be willing to share with you? If they submit only names without addresses, that is fine. Find a volunteer who is willing to research and confirm current contact information.

2) List exchange:

Many nonprofit organizations exchange donor contact information with other like-minded organizations of similar size and location. Group A provides 250 names and addresses to Group B who returns 250 names to Organization A in exchange. However, many organizations have an explicit policy against sharing their donor information. Also, some organizations hesitate to participate for fear losing their donors to another group. You'll want to consider how this might affect the reputation of your organization.

3) List brokers:

Professional list brokerage firms can compile a list of addresses they will "rent" to you for a one time mailing. You can specify parameters for the types of list you want such as age range, zip code, income, past donation history (and to what types of groups). There are smaller, local list brokers and larger national firms. Some list brokers even specialize in fundraising mailing lists. Charges for list rental tends to fall into the range of \$.05-.15. The higher end of the range is for more specific parameters, presumably with a higher response rate. Call a few firms and ask for specific estimates. Some brokers may encourage you to exchange your organization's mailing list instead of a cash transaction, or you may use a combination of both rental and exchange, depending on the perceived value of your list and the number of listings you have to offer.

Determining your list parameters:

You'll need to work with your list broker to determine what categories to use for your mailing lists. If at all possible, try to use categories where you have some evidence that the demographic is inclined to support your organization. In fact, an acquisition appeal is a great time to start gathering that evidence for future mailings, particularly for mailings of 5,000 pieces or more. You'll do this by designing a test of list parameters.

For example, let's say you've budgeted for 6,000 address listings. Ask the list broker to pull 3 lists of 2,000 listings, each list with different parameters. Perhaps you will take a specific, high income group of zip codes and vary your three lists by age or household members in that zip code. After your appeal is mailed, you'll evaluate which of those groups produced the best response and focus on that group in future acquisition mailings.

Creating an effective acquisition package

Traditionally, donor acquisition appeals are impersonal, addressing the recipient as “Dear Friend” in order to keep costs down. However, this also keeps the response rate down. Here is where small nonprofits have an advantage. You are going to make your appeal personal and compelling. Always address your donors by name both on the outer envelope and in the salutation.

The goal of your message should be to inspire your prospect, appealing to his or her emotions. Tell a n emotional story of a client (or family, animal, student, etc...) enabling your prospect to see through that person’s eyes. Through your story, illustrate *specifically* how a gift to your organization resolved the problem they faced. The key is to make the reader feel emotionally connected and inspired to pick up their credit card or check book.

Please don’t offer your donor a free tote bag or include free address labels in your mailing! You want donors who give because they care about your work, not because they want a cool coffee mug.

Designing an A/B Test of your creative package

For your first direct mail acquisition project, create two different appeals with two different stories and messages. Divide your mailing list in half. Mail “Package A” to one half and to the other mail “Package B”, noting in your database which prospects received which package. After your responses are returned, you’ll be able to determine the best performing appeal package in terms of response rate and use this one for future acquisition mailings.

If you are also testing list parameters (as in our page 4 example) you’ll want to incorporate both tests into your campaign design. Here is one way you might structure your test using an example of a 6,000 piece mailing:

- For a list of 6,000 names, divide into three lists of 2,000 listings each. Each list has a different mailing parameter to test.
- Divide each of those 3 lists of 2,000 into two groups of 1,000 listings.
- Assign each group of 1,000 either Package A or B, carefully noting which package went to each prospect.
- Once your contributions are in, analyze which package *and* which list performed best.

Follow-up

When your mailing is out and contributions begin coming back in response, you need to be prepared to follow-up with your new donors. A follow-up plan is the key to retaining these donors, both in the short and long term. Here’s what to do:

1) Immediately (within 24-48 hours after the gift comes in) send a new donor welcome package:

- Thank your donor for their gift in a way that they will remember and makes them feel great for supporting your work. Don’t be boring!

- Make them feel like an important part of your organization and tell them what they can expect from you in the future (reporting on how they made a difference for someone).
- Tell them *specifically* how their gift will be used.
- Include further information on your organization's mission (brochure, past newsletter or annual report, for example).

2) 6-9 months after the first gift, send another letter:

- Thank them again for their support.
- Tell them how their gift was used.
- Ask for a second gift (include a reply envelope).

3) Include all originally acquired donors - not just those that responded with a second gift - in your year-end or donor renewal campaign.

4) Include donors that have responded with a second gift in your annual giving program.

5) Consider contacting those originally acquired donors that have not yet responded with a second gift by phone.

Analyzing results

As you well know by now, donor acquisition is a long-term investment. To understand how much money these donors brought in over the years, you've got to track them, keep good records, and analyze them together as a unit every year.

For each donor acquisition mailing you produce, keep a spreadsheet for each group of acquired donors. Track their retention and average gift as a group through the years. Reproducing the spreadsheets from pages 4-5 of this book is a good way to keep track of results by group.

Don't forget, if you leave your organization at some point during those years, you owe it to your organization to leave detailed, easy to follow records for your successor. If you don't have one already, start an annual giving notebook with hard copy documentation of *everything* in one location. Create a section for Donor Acquisition, type and print-out everything you've done.