

**Direct-Mail Fundraising:  
Testing the Trends**  
*By Fran Jacobowitz & Kay P. Lautman*

Twenty years ago, when personal computers first began appearing, the soothsayers predicted that books and magazines would disappear, and we would all be reading “on-screen.” But it didn’t happen. In fact, more books are being registered in the Library of Congress every year. However, what we mean by the term “book” is expanding to include electronic publishing, which means that the shape of the book will never be the same.

Similarly, direct-mail fundraising hasn’t disappeared since the addition of computerized communication systems. Rather, the opposite has taken place: The volume of nonprofit direct-mail packages has increased over the last two decades. But what we mean by direct mail is changing to include other forms of electronic publishing.

A comparable phenomenon emerged with the advent of telemarketing. When telemarketers first began calling in the early 1980s, there was some belief that it would drive direct mail out of business. Today we know that the most effective and efficient use of the phone for fundraising turns out to be in conjunction with direct mail, not instead of it. That’s because a synergy is created when multiple channels of communication are offered to donors.

Now it’s the turn of Internet marketers to discover the potent synergy among direct-response media. At the same time, it’s important to remember that while major new tools are becoming available to direct-mail fundraisers, most are the result of incremental changes that have improved the bottom line only slightly. The underlying concepts and principles of direct-mail fundraising remain the same. New technologies are not going to create a revolution in direct-mail fundraising; they are simply going to give us more chances to do more testing, moving the field incrementally toward greater effectiveness.

### **Envelope Testing**

In 1991, a fundraising campaign was initiated to build the Smithsonian Institution’s National Museum of the American Indian. When the campaign was first introduced, a “Mask” envelope package was used as the control. That envelope, with a graphic image of a primitive mask, was tested against a very plain envelope that simply said “Your Charter Invitation Enclosed.”

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At first, the results for this test seemed contradictory. The “Your Charter Invitation...” package had a lower cost to raise a dollar, and an average gift nearly \$1 higher than the control. But the “Mask” envelope had a response rate nearly 10 percent higher—bringing in significantly more donors. This is where a clear definition of the goals of a particular project is pertinent. In this instance, the goal of the mailing was to acquire new donors, which is what the “Mask” did.

By extrapolating these results, we can look at the case for the “Mask” envelope in a different light. If the size of the mailing were 500,000 pieces, instead of a small test panel, the “Mask” envelope would bring in 5,800 new donors. The “charter invitation” envelope would bring in just 5,300 new donors. If, over the next year, 10 percent of the additional 500 donors gave a second gift equal to the amount of the acquisition gift, even more money would be earned.

Throughout the campaign, we continued envelope testing, leaving all other elements of the package identical. The next winner was a black-and-white variation on the “Mask” envelope, which not only increased response rates (goal #1) but also appreciably reduced the cost of the package (goal #2), because we had eliminated the cost of four-color printing.

After several more tests, including envelopes, message, and brochure, an entirely different package became the control. That package offered a small gift—a pressure-sensitive “name sticker” label with the potential donor’s name and address.

Many major nonprofits—including environmental groups like the National Wildlife Federation and the Wilderness Society, cultural organizations like the Kennedy Center and Colonial Williamsburg Foundation, health organizations like Memorial Sloan Kettering Cancer Center, and civil rights groups like the Southern Poverty Law Center—have used name and address labels on a widespread basis. While name stickers have been around for a very long time, up until the late 1990s many organizations shunned their use because of the public’s “knee-jerk” response to packages like these—a high response rate and a low average gift.

To deal with this phenomenon, many organizations have developed an acquisition strategy that includes more than one control package. In this strategy, one track focuses on name stickers, while an additional track uses a more traditional direct-mail approach, relying on a well-constructed case for

giving and an “ask” appealing to the donor’s philanthropic nature. Donors acquired from a more traditional appeal renew better, although they are more costly to acquire. The underlying trend here, however, is to offset the high cost of acquiring “high-quality” donors using the subsidy provided by the “lower”-quality name sticker donors. Will this strategy work in the long run? Only careful analysis for each organization, including sophisticated back-end and lifetime value analysis, will tell.

Although name stickers may be appropriate for one particular organization at a particular time, you can’t assume they are necessarily right for you. If you want to try something the competition is doing, first try to figure out what it is about the “look” that makes it work and then test carefully.

Recent envelope testing reveals a trend toward using fewer graphics. Plain envelopes are winning most tests, particularly for house file mailings. Why? Perhaps because the packages with heavy graphics look too commercial and the plainer envelope looks like a “real” letter. It’s not too surprising, in the days of e-mail and high-tech everything, that more personal direct mail is working, because people are still people, after all, and the human touch still matters.

For example, in a capital campaign mailing appeal for the Japanese American National Museum, everyone agreed that the graphics were beautiful. However, just because we all liked it doesn’t mean it was the winner. In fact, the simpler envelope generated slightly more responses, a higher average gift, and a lower cost to raise a dollar.

Although the number of additional gifts wasn’t dramatic, running the numbers out showed that the plain envelope won significantly. By multiplying the additional number of gifts by the high average gift, we learned that the plain envelope brought in significantly more income than the graphic one. Coupled with the fact that, in the future, printing plain envelopes will cost less than graphically rich ones, the margin grows even larger. One could argue that this is a special instance, because it was a capital campaign, or because the museum has a unique audience—those who care about the history and experiences of Japanese Americans in the United States. However, we are finding the same results holding true for many other organizations. Tests were conducted for house appeals for the Coalition for the Homeless, Central Park Conservancy, and the National Museum of Women in the Arts, among others. In all instances, the plain carrier won, and some won quite convincingly.

Challenging the status quo is extremely important in direct-mail testing. For years the prepaid business reply envelope (BRE) was the standard. Recent testing indicates a trend in house file mailings away from BREs toward envelopes with no postage at all (courtesy reply envelope-CRE) or envelopes with an actual first-class stamp on them. Using a first-class stamp on an envelope can be expensive, but those who are successfully using them report significantly higher response rates and higher average gifts. These trends are not rules of thumb, however, and the results of such tests differ by organization. Donors to some groups still show a preference for the BRE. Others do better with a CRE. One preciously held idea is that you can save dollars by including the phrase “Your stamp here helps us save much-needed funds.” Results of several tests (counter-intuitive but accurate) show that this message actually can depress both the percentage of responses and the average gift.

### **Testing Typefaces and Premiums**

Before the advent of computers, there were two main typewriter type styles, pica and elite. When IBM Selectric typewriters became the office standard, the typeface of choice became Courier, mostly because everyone had it. It didn't hurt that it was an eminently readable typeface. In the early 1990s—before every laser printer offered hundreds of typefaces—Courier remained the standard. But with the development of third- and fourth-generation word processing programs, Times Roman became the new standard for letters. The question for direct-mail practitioners became: “Does it matter what typeface we use?”

In the beginning, many moved over to Times Roman without testing. Others stayed with Courier, because it looked like the letter was written on a typewriter and thus appeared to be more personal.

In direct mail, even the smallest detail (and sometimes the seemingly most innocuous) can have a profound effect on response rates. Testing for typefaces has shown that, like almost everything else discussed here, the answer depends on the particular organization. For some, particularly those with older donors, Courier works better. For others, Times Roman is the winner. And for a fortunate few, it doesn't really affect response rate at all. Once again, the only way to know what a particular trend means to any one organization is to test that trend.

The use of premiums, such as notecards and wall calendars, is another trend ripe for testing. In a typical house-appeal premium program, an announcement letter is sent to the donor, advising him or her that a free gift will be arriving in the mail shortly. That package includes a letter describing the premium and restating the case for support. The letter also clearly states that there is no obligation on the part of the donor, and offers an opportunity to “opt out” of receiving the gift. Typical response rates for announcement letters range from 5 to 8 percent, with average gifts from \$15 to \$50, depending on the cause.

Six to eight weeks later, the premium itself arrives. Here response rates increase, sometimes to as high as 12 to 15 percent, depending, as always, on the organization and the perceived value of the premium itself. Finally, another six to eight weeks later, another follow-up is sent. This simple package, usually monarch size, confirms that the donor received the gift, reiterates that there is no obligation, and offers another opportunity to make a contribution. Response rates here tend to be similar to those for the announcement package or slightly lower.

A complete series like this has many areas for testing. These include the use of teasers, such as, “I’ve reserved a special gift in your name...” or “Your 2001 Members’ Only Calendar Enclosed...” or “Did you receive the gift I sent you?” Ask strings, postage comparisons—whatever might increase the average gift, cut the cost, or obtain more gifts—are fair game for testing.

### **Donor Sophistication**

Testing often identifies the counter-intuitive nature of direct marketing. For example, for many years, it has been common practice to attempt to get donors to upgrade their gifts by circling the second ask in a gift string and urging the donor to upgrade to this amount using a handwritten request on the reply device. Recent results of testing show that this technique is depressing average gifts rather than increasing them.

Why do we think this trend against suggested gifts is appearing? In the first place, we aren’t entirely sure that it’s actually a new trend. Perhaps we’re just testing something that has always suppressed results. And if it is a trend, it may be because of the increasing sophistication of the direct-mail donor.

Donors today are receiving mail at an astonishing rate. It would be naive to

think that they don't look at our techniques and figure out what's going on. Is there anyone out there today who doesn't know that computers are generating all those "personalized" letters? Even if they don't articulate it, they know when they've had enough of any particular trend, idea, or technique. Donors communicate their displeasure, or boredom, or sense of overkill by not responding. So when response rates to a particular technique start to fall, that's when it's time to test against it and look for something new.

### **Can you Raise Your Dues?**

What is your basic offer in acquisition? Should you start at \$15? \$25? \$30? This is one of the most sensitive areas in direct mail. Therefore, before your board of directors makes a sweeping directive to increase the price of membership, make sure you test.

Museums offering tangible benefits can ask for a larger gift than organizations offering no benefits at all. Organizations offering direct service to individuals often can tie the gift request to a specific need, such as "Your gift of \$25 will feed a family of four for a week." Health charities and research institutions often find an average gift under \$15—sometimes as low as \$10. Due to intense competition in the environmental arena, we have seen initial acquisition requests for gifts as low as \$10. Local direct-service organizations with high name recognition can often ask for, and get, initial gifts in the \$30 to \$35 range.

Before increasing membership dues, you must test and calculate what the change will mean to you. It's easy to assume that \$5 more on a file of 25,000 will bring in at least \$125,000. But look again. First of all, no one gets 100 percent renewal, and second, that \$5 price hike will lose a number of donors for you. The relationship between loss and gain is critical. It's relatively easy, however, to test acquisition price increases. After all, new donors aren't likely to be aware of the old (entry level) price or ask.

The Central Park Conservancy tested raising basic membership dues in acquisition from \$35 to \$40. The results showed that when the dues were raised from \$35 to \$40, there was no immediate monetary loss because the increase in average gift at the higher level more than compensated for the lower response rate. This, however, would be a shortsighted approach to acquisition. It disregards the primary purpose of acquisition, which is to get new members. If, in the process, you happen to also make money, that's a

wonderful side benefit. But it rarely happens. In the case of the Central Park Conservancy, it made the same amount of money, chiefly because of the very high average gift the acquisition package generated. (Most acquisition for this organization is sent to the zip codes surrounding Central Park, which include New York City's wealthiest addresses.)

What's really going on here is that the price increase suppresses the response rate and increases the average gift, which is exactly what asking for more money usually does. But the price paid for that higher average gift would be the loss of numerous potential members. Over time, there would be fewer members to renew—and therefore less money. That's why the Central Park Conservancy didn't increase its dues. This concept is the basis for all sophisticated backend analysis: Is it better to get the money now or wait for the long haul? Sometimes "now" is the answer. But everyone should be aware of the consequences of arbitrary decisions in direct mail, as opposed to relying on the incremental truth of testing.

### **Changing Your Name or Logo**

One place where organizations love to make change is in the area of names and logos. "Let's refresh our look," or "Let's change our name." This can spell disaster in direct mail. People open most envelopes because they recognize the sender, and the logo and/or look of the package is important to this recognition. If the change is inevitable—and sometimes it is—try to introduce it gradually. If at all possible, use the old logo on the outside of the envelope and the new logo on the letter and reply device for at least six months. Or put the name with the new logo for a transition period. Whatever you do, don't just change the logo.

If you must just change it, test a panel of old logo versus new. At least when revenue is down, which will probably be the case, you will have known in advance what degree of fall-off to expect.

One organization for which we worked wanted to institute both a new logo and a dues increase. Because the organization was so well known to the public, the logo change, which it implemented without testing, was financially disastrous. After about six months, it returned to the familiar logo. When a \$5-per-year dues increase was mandated ("Just the price of a hamburger and drink," said a board member), we argued successfully for a test. The results showed that both members and prospective members cared a great deal. The organization not only experienced a small actual loss from

the dues increase side of the test, but projections showed that if the increase had been carried out, the ultimate net loss would have been enormous.

New technologies often stimulate revolutionary changes, whether they are appropriate to a sector or not. In direct-mail fundraising, incremental change leads to more profitable programs. And incremental change comes about through systematic testing that:

- Shows which trends are changing
- Shows what works and what doesn't
- Prevents us from acting on unsupported assumptions.

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