

# MULTIPLE CHANNELS RULE

*Studies show online is vital, but so is mail and networking*

By MICHELE DONOHUE

**T**he Step Up Women's Network each spring sends 30 high school girls on a three-night, four-day tour of seven colleges in California's Bay Area. Fewer than half of the parents of Step Up teens have a high school degree and the tour, which stops at colleges such as Santa Clara University and the University of California at Berkeley, makes the college experience more tangible for the girls.

Some 91 percent of the teens rated the experience last year as "life-changing" and applied to at least one of the schools visited.

But, Step Up's Los Angeles chapter was feeling the economic crunch this year. The tour, which costs \$300 per girl, was in a precarious situation. "At the beginning of the year we were looking at our budget, like almost all nonprofits. We are down in funding from corporate sponsors and that's what typically sponsored that tour. We looked and said 'we can't do this tour unless we are able to fundraise for it,'" said Angie Grabski, Step Up's managing director in Los Angeles.

Step Up, a national nonprofit membership network, which relies primarily on ecommunications, sent out tour information in conjunction with other emails. The organization sent an email dedicated only to the tour, telling members, "What does it take to send 30 Step Up teens on a 3-night College Tour? You!"

The chapter reached its fundraising goal soon after the email, via gifts from nearly 60 donors, with four donors giving \$500 or more. "I think it's because people really felt connected to it and they wanted to rally around it. It was something really tangible and they could say, 'This is what my money is going to,'" said Grabski.

Step Up's experience with ecommunications is just one example of how organizations are leveraging the Internet to fuel donations. And two separate studies released this year, Target Analytics' 2008 donorCentrics Internet Giving Benchmarking Analysis and The Convio Online Marketing Nonprofit Benchmark Index Study, show that the Internet is a valuable tool for getting donations, even in a shaky economy.

Jeff Regen, Defenders of Wildlife's vice president of online marketing, said the Washington, D.C.-based organization saw

a 24 percent growth in online fundraising when comparing the first six months of the current fiscal year, October 1, 2008 to March 31, 2009, to the same period the previous year. In previous years, the online growth was between 30 and 50 percent for Defenders, according to Regen.

But in a year where some organizations see a flat-line or decrease in online gifts, Regen said the 24 percent growth is great. "We consider that good. I think we are doing better than most," he said.

Online communication is made for urgent, timely fundraising. Regen said Defenders' online revenue would have flat-lined, "if not for a few robust campaigns," including an eCommunication regarding the U.S. Secretary of the Interior's decision to remove wolves of the Northern Rockies from the Endangered Species Act protection and other hot-button topics. "Key, compelling issues that are in the news really helps our fundraising a lot," he said.

The Convio Online Marketing Nonprofit Benchmark Index Study evaluated nearly 600 nonprofits' online marketing results across fundraising, email and other channels. The study showed that despite the economic fallout, online fundraising, email file growth and Web site traffic grew for the third year in a row, in a sub-group of 200 nonprofits that tracked that data.

"This is not a one-time anomaly," said Quinn Donovan, analytics manager for Austin, Texas-based Convio. From 2007 to 2008, online revenue levels increased 14 percent for the nearly 200 organizations in the sub-group. The study tracked a three-year growth for online revenue. Online revenue grew by 26 percent from 2006 to 2007.

Convio broke out the fourth quarter online fundraising results from 2006 to 2008 because concerns about the economy accelerated during that period. The study found that online fundraising experienced a 3 percent growth in 2008 compared to 2007, although it is far from the 29 percent fourth-quarter growth between 2006 and 2007.

This recent 14 percent growth was fueled by an increase in the number of online gifts, rather than a greater average gift. The organizations maintained an average gift of more than \$67 between 2007 and 2008, according to the Convio study.

Web traffic showed a 20 percent growth rate from

2007 to 2008, down from the 27 percent growth tracked from 2006 to 2007. Organizations also grew their email files by 28 percent in 2008 – a boon for nonprofits that want to sustain conversations and continue communications with online visitors.

Having an email address doesn't necessarily mean it works. Convio's study found that usable addresses only represent approximately 58 percent of the email file for most organizations. Some organizations create communities that maintain stronger email usability, such as higher education (74 percent) and membership and association organizations (67 percent).

While overall online revenue grew 14 percent, two organizational verticals declined from 2007 to 2008 – environment and wildlife organizations (-8 percent) and public affairs (-5 percent). But online revenue for major emailers, defined in the Convio study as organizations with more than 250,000 constituent email addresses, within those same verticals weren't impacted as severely.

Donovan explained a number of factors, such as stronger brand and broader appeal, might give large, national organizations the competitive edge compared to smaller organizations.

"[Large organizations] normally have more resources, both from a budgetary perspective and also staffing perspective," said Donovan. "Their online and offline direct mail programs may be more sophisticated. When you factor all that in, that does give them somewhat of an advantage in a time where things are tough."

Large environmental emailers saw a 31 percent increase when measured separately, while public affairs major emailers experienced a 1 percent decline.

"And if I'm a small to mid-size organization, in the fourth quarter I could have been scaling back some of my programs to just try and make ends meet. And that, as a result, can also have an impact in the result those groups have," said Donovan.

"Everybody is doing something different. It's not like direct mail where people know I need a control package and a test package. I'm going to change one variable and know which one is better. There is all this tried and true science behind it. It's pretty wide open with the Internet

and integrated giving,” said Rob Harris, vice president of Target Analytics in Cambridge, Mass.

“It’s not just a direct mail world anymore,” said Harris. “Organizations need to figure out how to use their direct mail communication and their online communication in an integrated way so they can develop the right communication plan for their donors.”

Target Analytics’ 2008 donorCentrics Internet Giving Benchmarking Analysis examined the giving transactions from 24 reporting organizations – 12 reported in the July to June year and the other 12 used a January to December year.

Group 1, the group of 12 organizations reporting from July to June, had a median increase of 39 percent for online donors and had a median decrease of offline donors reaching -3 percent from 2007 to 2008.

Those same 12 organizations had a median increase of 315 percent in online donors from 2004 to 2008 and a median 6 percent decline from offline donors during those five years. It’s important to keep in mind that the median number of online donors in 2004 was a little bit more than 7,000, compared to 290,000 offline donors.

Online giving in Group 1 represented a median 11 percent of 2008 revenue for the 12 organizations reporting but just a median 9 percent of donors gave online in that year. That difference accounts for larger average gifts online. The study found that single-gift online donors gave approximately \$27 more than single-gift offline donors in 2008.

Online donation revenue was still greater than offline after controlling for household income and donor loyalty. Group 2, reporting from January to December, had an overall greater revenue for both online and offline donors. Single-gift

online donors in Group 2 gave a median of \$109 in 2007 while single-gift offline donors gave \$64 that same year.

But the old rule that the higher the giving level the higher the retention rate flies out the window for online givers. The study found there was a greater median percentage of offline original donors acquired in 2004 still giving in 2008 than donors acquired online.

When Group 1 was broken into original giving levels, only 15 percent of online donors in the \$25 to \$34 range were still donating by 2008, compared to the 25 percent for offline donors originally acquired in 2004. That trend of lower online donor retention continues across all reported giving levels – \$35 to \$49, 16 percent online compared to 25 percent offline; \$50 to \$99, 20 percent online compared to 26 percent offline; and, \$100 to \$249, 24 percent online compared to 28 percent offline.

“Even though [online donors] look like they are slightly a little less loyal in terms of giving again to the organization, they give such high average gifts which is really a great thing about them,” said Harris. “One thing we tried to do in the study is we looked at donors who came in at the same level – like a \$50 online and \$50 direct mail-acquired donor. Then you can really see that the direct mail donor is a lot more loyal.”

Online was also a weaker channel for renewal – and more than a third of online donors moved to direct mail in their second giving year. Organizations in Group 1 found that a median 33 percent of online acquired donors in 2007 renewed their gift offline in 2008.

Online donors continued to trickle into offline giving after the first giving year. A median 37 percent of donors

acquired online in 2006 did not go back to online giving after the acquisition gift, even if they continued to give for 2007 and 2008.

“Organizations aren’t holding [online donors] up and saying ‘you gave online and we are not sending you direct mail.’ So a lot of them are going over there,” said Harris about the direct mail switch.

The other way around, direct mail donors migrating to online giving, happens very rarely. A median of only 3 percent of all donors acquired via mail in 2007 gave online when they renewed in 2008 in Group 1.

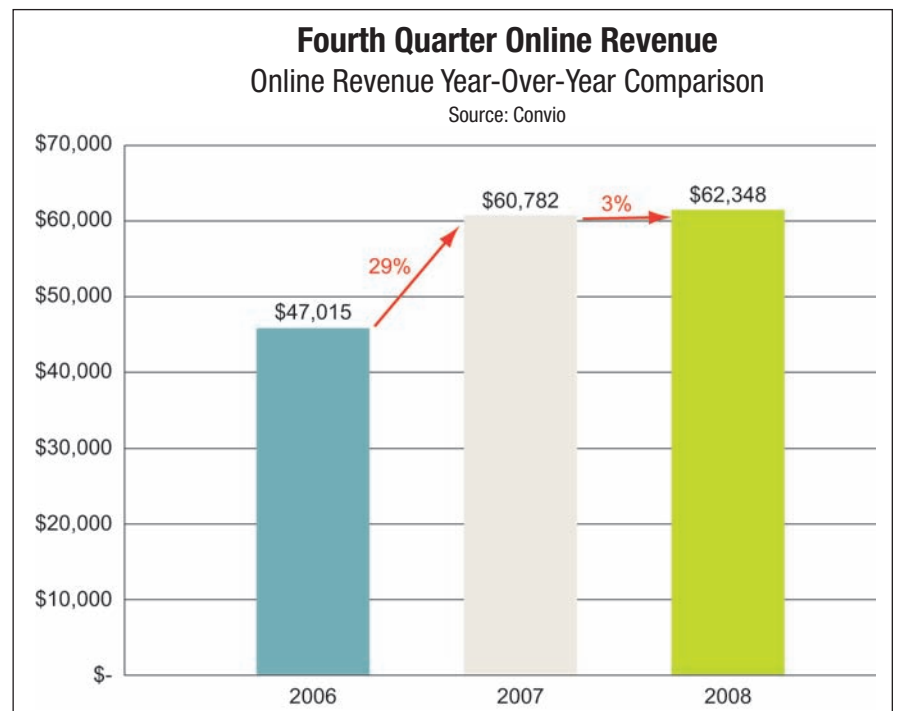
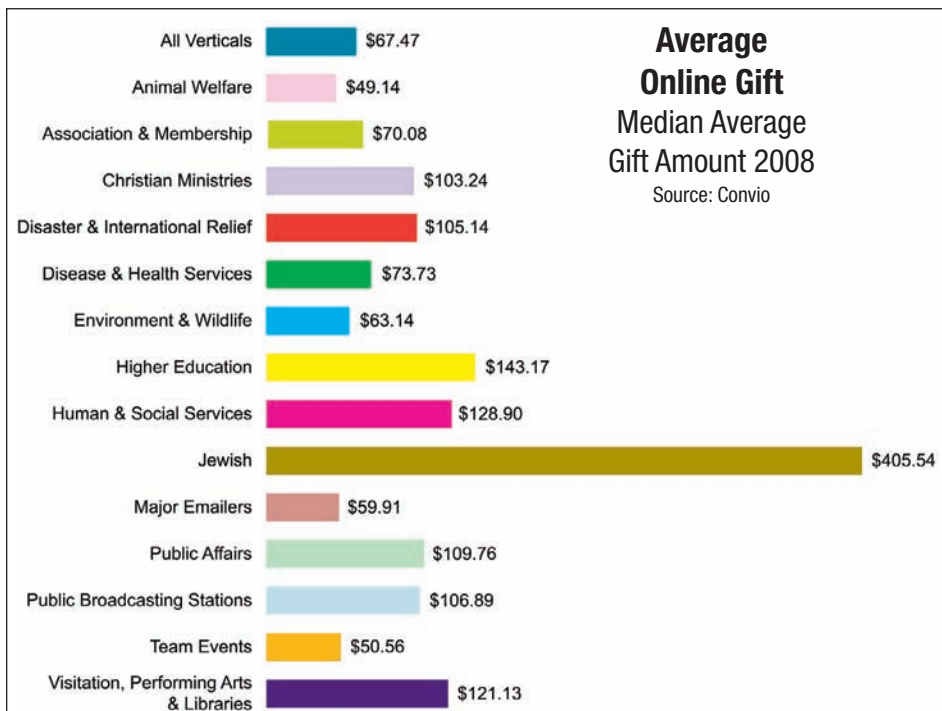
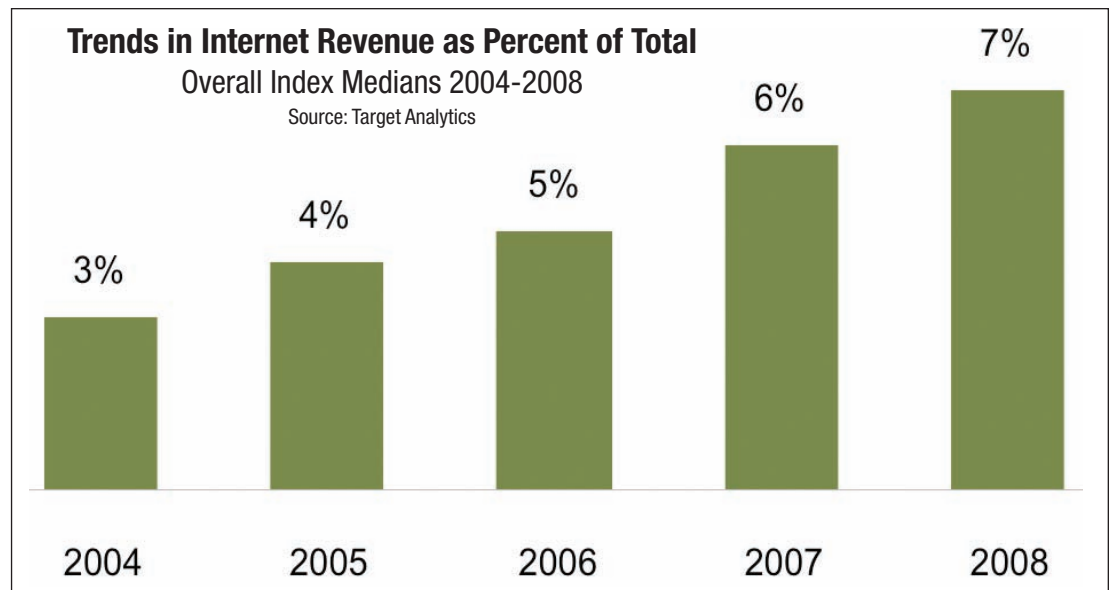
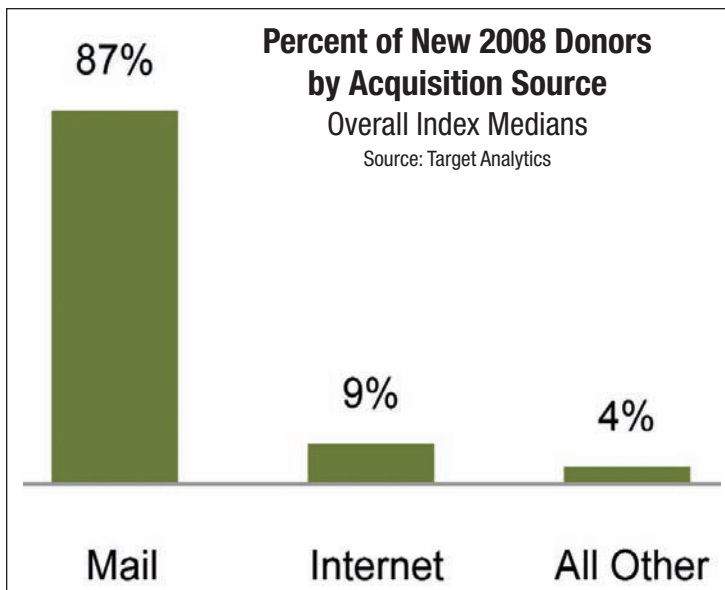
While direct mail donors aren’t likely to move online, the ones that do tend to give larger gifts. The study found that offline donors that give online tend to give more after an online gift than those who never donate online.

“It provides a pretty big incentive to find ways of getting one’s offline donors to give online. What [Defenders] and other organizations might want to think about is how to persuade their offline donors to make a donation online,” said Regen of the results.

He said that encouraging offline donors to give online might spark two broad questions for organizations to ask. “First: Do you want to target all of one’s list equally? Or, are there parts of the list you’re more likely to persuade to give online? For example, is it easier to get younger donors to donate online?,” Regen asked. “Second: ‘How best can we persuade or incentivize offline donors to give online?’”

Regen explained that organizations that want to encourage online giving should test market a URL in direct mail pieces, set up additional incentives and create copy

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rethink mailing strategies as the United States Postal Service (USPS) considers cutting a mail delivery day to slash costs. And in a national survey by *The NonProfit Times*, cutting a weekday of service would hurt charities the worst.

In the survey, an overwhelming majority (87.5 percent) of the 729 charity executives who responded said cutting Saturdays would hurt the organizations least, followed by Wednesday (5.3 percent) and Tuesday (4 percent). Executives said cutting Monday delivery would hurt the most with 67.1 percent, followed by Friday (15.8 percent) and Tuesday (9.3 percent).

"I think any interruption in mail delivery is going to be problematic for businesses across all industries, not just nonprofit mailers. For us though, I think if they cut any delivery during what would be considered the business week – Monday through Friday – that would be a problem," said Bielat.

Postmaster General John E. Potter said the postal service is "in acute financial crisis." Testifying before a U.S. Senate subcommittee, Potter said that mail volume decreased by more than 9 billion pieces, or 4.5 percent, during fiscal year 2008, which ended Sept. 30.

The USPS is trying to manage costs while tackling skyrocketing expenses, a decrease in mail volume and the statutory requirement to pre-fund health benefits for future retirees while still maintaining annual premiums for current retirees.

One cost-cutting option being discussed is dropping a day of delivery service. Net losses are expected to be \$2.8 billion for last year. Potter testified that the six-day delivery schedule "may simply prove to be unaffordable." He asked Congress to remove the annual appropriation bill rider that would require USPS to deliver mail six days a week.

USPS does not break down mail comparisons for each day, like mail volume for a Wednesday versus a Thursday, but estimates 667 million pieces are processed each day. Reducing to a five-day mailing delivery would cut fixed network costs by nearly 17 percent or \$3.5 billion annually, according to Potter.

Approximately 203 billion mail pieces were processed during 2008 and the USPS estimates a drop to 180 billion pieces for 2009, according to Sue Brennan, a USPS spokeswoman. Even with a decrease in mail, the 180 billion pieces would be crammed into five delivery days instead of six.

"If the U.S. Postal Service reduced delivery from six days to five, regardless of the day, certainly there would be more mail pieces in each mail box each day. So there is a greater competition for not only getting the mail opened but a greater competition for mind-share," said Michael Slanco, director of sponsor and donor services at Compassion International. "How much can an American consumer

digest?" he asked rhetorically.

Slanco estimated the Colorado Springs, Colo.-based organization sends 7 to 8 million mail pieces annually. Even though cutting a mail day has so far just been water cooler talk, Slanco said organizations would have to analyze how it would affect mailings, from delivery times to testing strategies for increased open rates.

"I think it just raises the bar and I think our initial expectation would be a smaller percentage [of mail] would actually be answered in each household," said Slanco.

For Easter Seals, "Monday is our biggest day in terms of returns coming for our campaigns. But we see donations coming through five days a week," said Bielat. "So any interruption there would disturb our cash flow into the organization and our ability to return dollars to support services for Easter Seals."

## Monday is our biggest day in terms of returns coming for our campaigns. --Jennifer Bielat

Some organizations already base their mailing stream on a five-day schedule. "We don't rely on Saturday as a mail drop day anyway," said Megan Hawkes, development director for Campus Crusade for Christ International (CCCI) in Orlando, Fla. "That may be the day people are receiving, but it's not a part of the mail stream process." She said it would be "far more problematic" if a day were cut from the mid-week.

Slanco, on the other hand, thought that Saturday delivery is essential for the mailing schedule. "If they decided to stop delivery on Saturday there is a kind of greater element of concern for us because we think Saturday mail, in our opinion, probably gets a greater look," he said. "People tend to have more time and we think that a lot of mail gets saved for the weekend and that Saturday mail tends to get a greater look. So if they discontinued that, we think that would also be an issue."

Hawkes said what might be affected are organizations using the 4-4-5 calendar, which breaks down accounting periods into two, four-week periods followed by a five-week period. This system helps organizations make year-to-year comparisons, which would be thrown off if a mail day were eliminated. It would take 13 months for organizations

to have measurable, comparable data from the prior year.

Bielat said cutting a mail day might lead to an increase in an organization's operating costs. "If they interrupt service during Monday through Friday, we would still want the mail being processed on, say, a Saturday if that continues to be a delivery day," she explained. "And that would in turn raise costs because you would have staff needing to be working on a Saturday and that's a premium day. That's an overtime day for most businesses."

Mailing costs and the threat of a five-day mailing schedule could force nonprofits to further explore channel integration. Hawkes explained that mail continues to be critical for CCCI, even to spark an online donation. "Paper mail is not going away. It's not going to be less important to who we are in the immediate future," she said.

While mail might not be disappearing, Hawkes said online donations continue to grow. "We recognize that's where our donors live and the most important thing that we can do is find our donors and be where they are in terms of communicating our mission."

Easter Seals, too, needs to explore additional delivery channels. "I think strategically, organizations including Easter Seals, need to look at other channels," said Bielat. "Not that I believe direct mail is in any way going away, but I do think because we are tied so tightly to a partner like the U.S. Postal Service, that's in a position right now that is so vulnerable, it just makes good business sense to be spending time building strategy and programs that are integrated and are in other channels."

Hawkes said even though a majority of donors arrive through snail mail, online giving has increased year-to-year. CCCI had more than 95,000 unique donors give more than \$88.7 million online during the past four years. "We recognize that's where our donors live and the most important thing that we can do is find our donors and be where they are in terms of communicating our mission," she said.

Slanco said he thinks cutting a mail day might have a negative impact on USPS in the long run and hoped the postal service would consider all options before implementing such a measure. He explained that Compassion International would "make it work" if a day was cut, but smaller organizations might not have the resources to refine mailing techniques to increase open rates against steeper competition.

"I think they will see some of their smaller mailers, who don't have as much energy and as much design capability to put in their mail, they would begin to fall away a bit because they would realize it's just not a good mechanism for them to get good responses," he said. "I'm concerned about the postal service's ability to serve and that their volume may decrease as a result of their effort to cut back and save money." *NPT*

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that extols the use of online donations.

Regen said organizations should analyze the "hierarchy of value" for donors. "The best people are multi-channel. The next best people are online-only donors, and at about the same level of online donors are offline donors with email. And then at the bottom are offline-only donors," he said. "It's all about finding strategies to move people up the value ladder."

Harris explained that integration can help an organization's online efforts and "maybe [online donors] are not being cultivated as effectively as they could be."

Organizations have to "make sure they are not in silos, like the online people are doing their own online communication and the direct mail people are doing their own direct marketing communication. The whole study points to the importance of integration," said Harris.

Integration between direct mail and online doesn't neces-

sarily mean just taking your offline communications and pasting into emails. "The thing you hate to see is for organizations to just recycle their direct mail copy and that's it. We've seen some lift in our response rate by having similar messages and even copying that appeal copy exactly. But what you see too much of is that is it – the whole strategy is just what's going on in the mail. And I think there needs to be more variety and more risk taking," said Jacob Colie, director of Internet marketing for Portland, Ore.-based Mercy Corps.

"There is a lot you can get out of the direct mail strategy and they do incredible work. Especially with testing, they are light years ahead of us in the email marketing standpoint. But I think the situation I want people to avoid is where they stop with direct mail and all they are sending are those appeals," said Colie.

He explained that email marketing strategy is a core tool in communications, but just one way of reaching donors. The organization doesn't just communicate with

online donors on the Web. Mercy Corps tries to reach online donors via direct mail, telemarketing and event invitations for personal cultivation. And online communications have expanded beyond just emails.

"I would say we were more heavily reliant in our email marketing strategies in 2004 than we are today. Now that doesn't mean that we are not making more revenue from email marketing than 2004. It just means other areas have evolved," Colie said. Strategies, such as employing Google AdWords and social networks, have widened the Internet cultivation playing field beyond someone's inbox.

Colie said email is still extremely important, especially with message discipline. "You see if your list or your group of supporters are going to like your message and respond to it. Email is still a fast deploy. You can have your message out in a few hours and get feedback from it. I also think it's a very interesting testing area for learning about donor behavior," he said. *NPT*