



Position Statement

Subject: Best Practices for Implementing Chronic Non-Responder Files
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The utilization of chronic non-responder files in the non-profit industry is increasing in popularity. There are several beneficial outcomes of this trend which will be addressed in this statement. However, there are also some serious consequences that must be considered as the non-profit community (organizations and vendors) develops best practices for applying this information.

List Services Fundraising's Position on Chronic Non-Responder (CNR) Files:

We believe that the use of CNR files is good for the industry and will benefit the acquisition programs of non-profits that utilize them. We believe that they will result in better targeting of responsive prospects and reduce unwanted "junk" mail to those who do not want to receive those specific solicitations. This is one form of self-regulation which may indeed help to prevent federal or state legislation that is aimed at restricting direct mail.

Also, non-profits will benefit in their acquisition programs because they will save postage, printing and mailshop costs by avoiding names that are unresponsive to their causes.

These two benefits alone make CNR files very attractive and lead List Services Fundraising to support their use.

However, we strongly advocate the development of industry-accepted guidelines as to what information can be stored on these CNR files and what information is off-limits. The purpose of this call to action is to protect the interests of the non-profits who own the files that are being accessed.

Below is a brief and general description of what CNR databases are, the manner in which List Services Fundraising believes they should be appropriately used, and the rationale for such guidelines.

What is a Chronic Non-Responder File? In general terms, a chronic non-responder file is a database that tracks how many times a mailer has contacted a prospect. This information is then utilized to dictate the cost-benefit of mailing another contact (ie. solicitation) to prospects who have been mailed several times but have not responded.

Who is Building CNR Databases? Typically database companies and direct marketing agencies are taking the lead to build these databases for their clients. These companies receive the prospecting data from each campaign that is delivered by list owners, aggregate it into a CNR database (also called a Prospecting Database), and store the data for varying periods of time dictated by the cost implications of storage, the direction/needs of the client, and the recommendation of the consultant/agency.

How Prevalent Are CNR Files Today? It is difficult to ascertain how prevalent chronic non-responder file usage is today. We know that at least a few large national mailers are well-established in using them. Most are requesting permission to do so on their list orders, but some are not, and detection of those who are not is difficult.

Larger mailers are likely to become the first to adopt this strategy due to the cost and expertise needed to implement. However, it is conceivable that smaller mailers with limited budgets would also benefit from the practice. It is a fact however that several database providers are promoting CNR solutions and the topic is well-discussed at the various industry conferences. It is not a “secret tool” limited to usage by a few industry leaders and we predict the benefits of CNR implementation will continue to make it a popular option for mailers.

What is Being Captured And Stored on CNR's? This is the most concerning aspect of the current situation. There are no accepted guidelines or best practices dictating what mailers and their agencies can store. The most relevant restriction in place to control the capture and storage of data is the list owner's List Rental Agreement (LRA).

Typical LRA's include a clause that state that all information provided by a list owner, must be permanently deleted by the mailer after the merge. These outdated clauses were intended to protect non-profits files from duplication and unauthorized usage.

Today however, some are choosing to interpret these agreements in a vague manner or to adhere to the letter rather than the intent. In some instances it has been argued that if a “code” is applied to each record and retained, instead of retaining the actual information, it is acceptable. In other cases, mailers have argued that modeling of names is not specifically prohibited by some LRA's. In the most egregious cases, mailers may simply be ignoring the stipulations of the LRA agreement and operating under the assumption that it is hard to discover violations.

In each of these instances, having a solid set of industry best practices—as well as each list owner including very specific LRA language to address the issue—is beneficial to protecting the interests of all parties.

List Services Fundraising's Recommended Best Practices:

As mentioned above, we believe that CNR's are not inherently detrimental to the list owner whose information is being utilized. It is important that we view CNR initiatives from both the perspective of the mailer and that of the list owner since in most cases organizations will find themselves on both sides of the issue depending on which aspect of their program they are reviewing.

From a mailer's perspective, they would hope to capture as much information as possible to improve targeting of prospects and reduce waste associated with mailing unprofitable names. However, all that is truly needed to achieve this is the name and address of an individual. All other data beyond these two attributes is superfluous to the needs of a CNR file. These two pieces of data are enough to allow them to suppress non-responders regardless of source.

From a list owner's perspective, there should be no fear of allowing mailers to retain these two pieces of information as long as the following conditions are met.

- 1) **The List Owner always has the right to deny any mailer's request to retain data for CNR purposes.** Just as list owners may deny usage of their file to any mailer, they will retain the right to deny, or retract, approval for the capture of any data provided on a case by case basis.
- 2) **The mailer must still seek approval—and pay full charges—for any names mailed.** In some cases it has been suggested that mailers only pay small running charges on names that match their CNR file. This could negatively impact the rental revenue of the list owner and is not in the best interest of the owner. Our position is that if mailers want the right to keep CNR files using owner's data, then they should settle for the production and postage savings which are the majority of the package cost. Payment for names that are not mailed should be considered a cost of doing business and it is to the discretion of each mailer which names they choose to mail and which they don't.
- 3) **Owners should be aware that it is within the rights of mailers to apply a CNR file against their data for suppression purposes only.** The owner may prevent the capture of their names for CNR purposes but if a mailer has created a CNR file from other sources, they should be allowed to apply it for suppression purposes only. As stated above, the mailer would receive no financial compensation for suppressed names except in the savings on postage, print & mailshop that are realized. Under this arrangement, the mailer meets their efficiency needs, and the owner is fully compensated for all names provided and they have not contributed their names to the CNR file of the mailer.

- 4) **Mailers must keep no attributes, coding, flags, etc. on file that would identify the initial source(s) of the names, the select taken, the age, gender, religion, or any other information which could in any way be used to replicate an owner's file composition.** Everyone is aware that the donor file is one of the most valuable assets possessed by nonprofits. If owners feel that the integrity and privacy of their files is being violated, a natural and fair reaction would be to limit usage to certain mailers, or in extreme cases to pull files off the market altogether. This would not be in anyone's best interest so we must work as a community to adhere to the ethics laid out above.

- 5) **Mailers must seek specific authorization by each list owner to include their names in any CNR and they must cooperate fully in allowing CNR practices to be examined if any suspicion of wrong-doing occurs.** This transparency of the CNR process is key to making list owners comfortable with allowing their list to be utilized in the limited manner required by CNR's. Each list owner will dictate the duration of the approval and mailers should re-seek approval whenever necessary.

Adherence to the conditions above will ensure that all party's interests are protected and that donor privacy is respected as well.

Once again, we encourage readers to evaluate these guidelines from both perspectives—mailer and owner. Our expectation is that most mailers will agree that a CNR strategy could be to their benefit with no downside. Any reluctance or resistance we expect will come from the list owners. Since in most cases, these two viewpoints co-exist within the same organization, we have attempted to outline best practices that are fair to each side and represent the best long-term interests of non-profits.

Most mailers today are seeking new universes and would love to discover untapped list sources to help grow their donor files and improve performance. One of the primary ways to accomplish this is to encourage organizations that don't make their names available to do so. However, there is already considerable misinformation, fear, and negative perception within these organizations which is preventing this from happening. We as an industry need to make certain that the emergence of CNR's does not become another impediment to encouraging some of these list owners to make their names available to the rest of us. The best way to assuage any fears among all list owners, is to be forthcoming and standardized in the process, rules, and implementation of any such data capture. And, until these owners are convinced to share their files with the rest of the community, we should work to utilize CNR's to improve efficiency and net performance of our campaigns.

In summary, the importance of implementing a standard of best practices for the creation and implementation of chronic non-responder files cannot be understated. The entire nonprofit list industry is built around trust and ethical decision-making. There is an undeniable benefit to nonprofits making their lists available to other non-profits whether on rental or exchange and as long as we continue to abide by the well-established ethical

guidelines our ability to acquire targeted and responsive names seems secure. However, CNR files are creating new questions and a need for the establishment of commonly accepted best practices. As with all rules, they need to be reviewed and updated periodically to adopt new best practices as technology and innovation dictate the need.

List Services Fundraising has provided our informed opinion and suggested guidelines for evaluation by, and the benefit of, the entire nonprofit community. We hope they will be taken to heart and foster a platform of openness and fairness to the development of CNR files.

If any reader would like a template of a List Rental Agreement that reflects these standards, please feel free to contact us at info@nonprofit-lists.com.