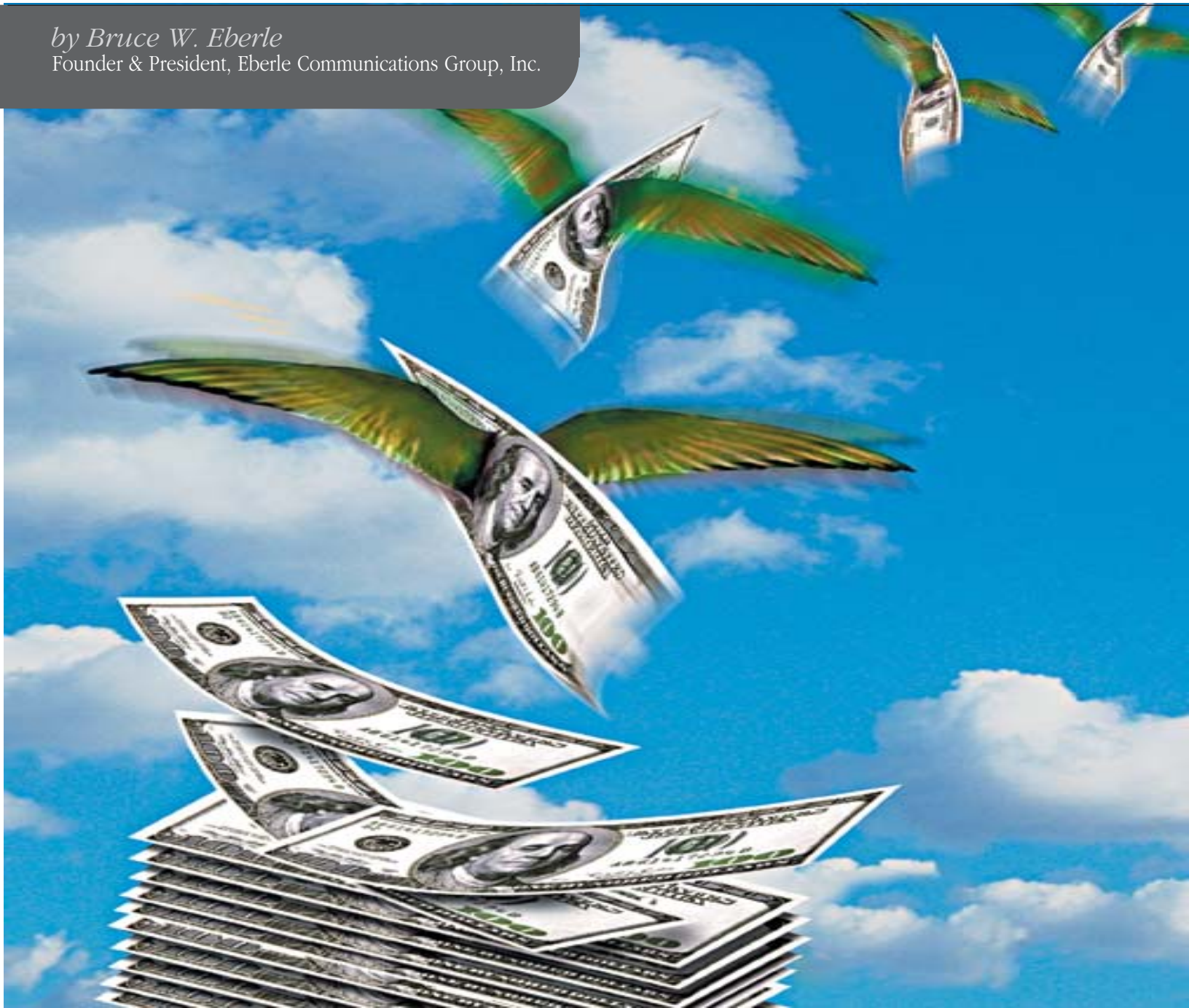


Where does all the money go?

Exploding one of the myths of direct mail fund raising

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Direct mail fund raising is the worst, most ineffective, most inefficient, most costly, most time consuming means of raising funds for non-profit groups – except for every other method.

Without question, direct mail fund raising is costly, especially during the early stages of a fund raising campaign. And yes, direct mail fund raising is time consuming. Except in rare instances, it will not generate large sums of net income for the non-profit organization overnight. On the other side of the ledger, direct mail also has great strengths that other fund raising methods do not have. First, it allows citizens across the nation to learn about and pool their efforts to assist a cause. When Alexis de Tocqueville visited the United States in the 1830's to view and study democracy in action, he was fascinated by the way Americans solved common problems. He observed that Americans got together when there was a problem in their community that needed resolution, forming what he termed "associations" for the purpose of solving this common problem. Today's associations are America's charities and other non-profit organizations, and often they represent a "community" of supporters that is coast to coast. As observed by de Tocqueville 200 years ago, in today's America the amount of time and dollars used to address social, health, welfare and political problems is greater than anywhere else in the world.

Direct mail fund raising does not make sense for every non-profit group.

There are many worthwhile charities whose scope and community concern is only local. Their good works and financial needs may require little more than bake sales, annual balls, and golf tournaments. And there are other organizations that can count on perpetual support of a few philanthropic foundations and individuals. Or in some cases, taxpayer dollars finance their efforts through government grants and contracts. But many organizations do have a mission of nationwide interest and a large and continuing need for financial support. Those non-profit's ability to expand the valuable work they do is limited only by the funds available. One solution is for the leadership of non-profit organizations to build a broad base of support through the use of direct mail. Such support is not subject to the potentially changing priorities of a few very large donors.

Direct mail donors are not only better informed citizens, they are better citizens!

For the non-profit organization with a national scope, direct mail fund raising stands out as the one way that the efforts of thousands and thousands of people can join together to address a specific problem. Without using the mail to alert hundreds of thousands of Americans of their opportunity to solve problems, United States non-profits would be dependent on the goodwill of a few wealthy individuals or foundations, or they would be forced to scale back their budgets to their ability to raise money in their hometowns. Direct mail fund raising gives individuals and organizations the freedom and opportunity to share their concerns with their fellow citizens across the nation. This is an opportunity that no other means of fund raising offers as effectively and efficiently. What other fund raising medium gives the farmer in Iowa, the concerned mother in New Hampshire and the teacher in California, along with tens of thousands of others from every state in the nation, an opportunity to join together to solve a mutual problem? When individuals make donations to a cause in which they believe, they are enriched. There is a sense of doing something good, of fulfillment, of participation. Through direct mail they become not only better informed citizens, but better citizens.

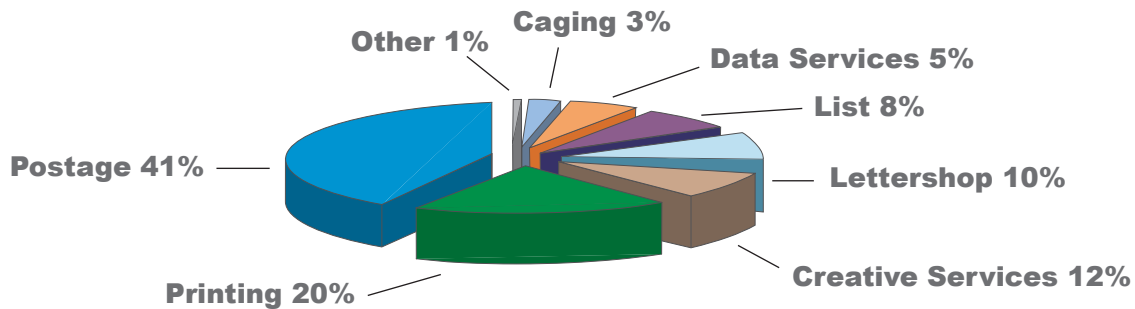
Donors decide which groups are worthwhile.

A national direct mail fund raising program offers a valuable bi-product: financial accountability. The non-profit organization that receives contributions feels a responsibility to those who have given of their dollars. The charity must perform if further support is to be forthcoming. American free-market principles affect non-profit organizations just as they govern the private sector marketplace. Groups that don't have widespread support for their efforts, and organizations that do not perform their missions well will soon be out of business. Like products and services, non-profit organizations will rise or fall, based on their own merits. The donor, like the consumer, is the best and ultimate judge of which organizations deserve funding.

Is there waste and inefficiency in direct mail fund raising? Of course, just as there is waste and inefficiency in any human endeavor. But in comparison to other fund raising methods – especially for nationwide efforts – direct mail is far more efficient. And it is uniquely measurable in its effectiveness. And, thanks to continued testing and technological innovations, direct mail fund raising is getting more efficient every year. But what about the costs of direct mail fund raising?

Why is direct mail **so** expensive?

This is a legitimate question that deserves an accurate, concise, understandable answer. The lore among many charity "watchdog" groups is that a few money-hungry consultants get the lion's share of contributions. The watchdogs use varying measures of effectiveness, often to rationalize that fund raising costs are a great evil. To honestly assess the effectiveness of direct mail fund raising requires a basic comprehension of its costs. This pie chart depicts the actual costs of the direct mail program of a typical non-profit organization:



1 Postage

Make no mistake about it, postage is the number one obstacle to efficient direct mail fund raising. Always, always, always this is the most costly part of direct mail fund raising – averaging 28 to 45 percent of all direct mail costs! While other costs have increased significantly, postage costs have skyrocketed. In the last fifteen years most expenses of the direct mail fund raising process have gone up at the rate of inflation, but postage has increased by more than 400%! Continually increasing postage costs place a terrible burden on non-profit organizations that seek support through the mail. And unlike other direct mail vendors, the US Post Office demands payment immediately!

2 Printing

Each organization must purchase its direct mail letters, brochures, envelopes, reply forms, etc. from a printer. The dollars spent on printing pay for the paper, the ink, the presses, and the salaries of those who work for the printer. Typically, printing accounts for 15% to 25% of direct mail fund raising expenditures.

3 Creative Services

This includes the writing of the fund raising letters, as well as the creation of any graphics that go into an appeal. Professional fund raising consultants who provide creative services also invest in hi-tech systems and staff to monitor the success of each letter, often providing Internet access so that their clients have a real-time view of responses to recently mailed appeals. While uninformed observers seem to focus on the fees paid to the creative agency, the percent of dollars going to this highly specialized, manpower-intensive portion of the fund raising process is relatively small. In reality, creative services typically account for 8% to 15% of expenditures.

4 Lettershop Services

Unknown to most people outside of the direct mail industry, an entire line of machinery has been developed to bring as much efficiency as possible to the process of inserting the letter, brochure, reply envelope and other pieces into the envelope. Operating at rates of 10,000 or more letters per hour, along with the application of labels and stamps, professional mail houses are working continuously to keep costs down. This is a very competitive market and thus expenditures for lettershop services amount to only 8% to 12% of typical direct mail costs.

5 Mailing List

Effective direct mail relies on a specific, well-defined target market. In fact, this is one of the advantages of direct mail over mass media advertising. It's the element that makes it more efficient than advertising an organization's mission and asking for support on television or in newspapers or magazines. It is the ingredient that makes it possible to reach only those individuals who have a common interest, whether that interest is the environment, animal welfare, politics or the rights of senior citizens. Creating such a list can be quite expensive, and those who do so are paid royalties in order to recoup this cost. Moreover, such royalty income usually goes to an organization of similar values; thus the individuals whose names are being rented are in effect making another contribution to an organization they support. The result is that list royalties actually help make the fund raising efforts of the list-owning organization even more efficient. Generally, list royalty costs constitute about 5% to 10% of total direct mail fund raising expenditures.

Who gets the money? Is it worth it?

6 Data Services

This part of the direct mail fund raising process entails both maintenance of the organization's donor file, as well as the printing of personalized letters. Computerized maintenance of donor records minimizes duplications and enhances the efficiency of the fund raising effort. Depending on the extent to which personalized letters are used, this aspect of the direct mail fund raising process totals some 5% to 15% of total costs.

7 Caging Services

Caging is the process of actually opening the contribution envelopes sent in by donors, adding up the amounts and depositing them in the bank. While caging can be done by an organization's staff, the irregular, unpredictable flow of contributions makes internal processing inefficient. The most effective means of handling the caging process is to contract it out to a professional, bonded caging agency. This is also the safest means of processing incoming mail, much of which is in currency. The caging step of the fund raising process generally amounts to less than 5% of total direct mail expenditures.

8 Government Registration

Although not depicted in the pie chart, governmental red tape greatly diminishes the amount of dollars available to the organization's projects and programs. Registration fees cost non-profit organizations (ultimately the donor) upwards of \$100,000,000 annually!

How much will *your* organization receive?

OK. So now you know where the money goes to the vendors, but the more important question is, how much do you, as a non-profit organization, receive? The simple answer to that question is 100% of the net income. But, that begs the question. How much will the net be? Unfortunately there is no easy answer to that question. In fact, every fund raising program is different. There are no two programs alike. Moreover, it also depends on the stage of development your fund raising program is in. Let's say that your program has just gotten underway and that you begin your efforts to raise funds through the mail without any existing donor file. In other words, you are starting totally from scratch. The first step is to build a donor file for your organization that consists of individuals who are committed to your cause. The likelihood is that your donor acquisition effort will not bring any net dollars to your organization. In fact, you will quite likely lose

money developing your donor base, what is commonly referred to as your house list. There are exceptions, of course, where the donor acquisition effort actually generates large amounts of net dollars for your cause, but let's assume the more typical case where such prospecting breaks even or perhaps loses a few dollars.

Ultimately, the success of your efforts will depend on the judgment of the donors themselves. They will decide if your cause is worth supporting. In some cases, you will simply need to fold your tent and steal away into the night. In fact, less than one in three organizations that tries direct mail find that it works for them. However, let's assume that you stick your toe in the water and test the viability of direct mail for your organization. Let's also assume that the test works. In other words, your donor acquisition test breaks even or hopefully nets a few dollars. That means you are now in a position to build a direct mail donor file for your organization. During this donor building phase the net income for your organization is likely to be slim, if not negligible. It is quite likely that for the first couple of months the inflow of funds will equal the outflow of funds. There will be little or no net income coming to your organization. This is the disadvantage of direct mail fund raising, but fortunately this is a short-term situation. Within a very short period you will have located enough names via your donor acquisition program to create a donor file, your house list, that will begin generating net income for your organization. However, it is not until your donor file has reached its natural level (the point at which new donor acquisition inflow equals donor attrition), that you will maximize revenue to your organization. How much will that be? The fact is that with some organizations this sum never exceeds more than 15% of gross revenue, while other groups have a program that may provide them with as much as 50% or more of the total contributions generated. You have to be in charge of your program and decide what minimum level of results is acceptable to you and fair to the donors. But you can be certain that if you interrupt your direct mail program during its building phase the percent of funds that are received by the organization will not be an accurate reflection of the direct mail performance your organization could have expected when the program reached full maturity. So once again, it's your job to manage your direct mail fund raising program so that it achieves maximum efficiency. Work closely with your agency to make sure you are getting the most bang for your buck. This does not mean that a less expensive fund appeal will be the most efficient. To the contrary, often a more expensive, more personalized solicitation, especially to your house donors, will provide the most cost effective results. So again, what is the answer to the question: "How much does the organization receive?" – *100% of the net income!*

Responsible management is essential

An organization's leadership and its supporters have a right to expect that the fund raising program is responsibly managed. These simple steps can ensure this:

1 Know What's Going On

The organization's leadership should be informed about what is mailing, what are the costs, and what is working (or not). A good fund raising agency will provide a variety of regularly scheduled reports and reviews for this purpose.

2 Control Costs

A designated individual inside the organization should receive and review the invoices of all those providing services and materials for the direct mail program.

3 Use a Professional Caging Agent

All contributions should be received and deposited by a professional cager -- an independent third party whose business is opening mail and ensuring that every gift is properly recorded and accounted for.

4 Insist on Full Agency Disclosure

The fund raising agency should disclose its business relationships with any of the other direct mail vendors, and it absolutely should have no ownership interest in the caging operation.

For many groups direct mail is their financial lifeline

For thousands of non-profit organizations, direct mail is the primary means of support for their projects and programs. Through direct mail, these organizations not only inform hundreds of thousands of Americans on vital issues, but also generate the funds needed to further their objectives. Moreover, it is through direct mail that organizations give individuals across the nation an opportunity to participate in their important work. Capital fund raising and special event fund raising have an important role to play in funding the projects and programs of the non-profit world. But direct mail is the financial lifeline of those with nationwide causes. Direct mail fund raising makes it possible for scores of charitable organizations to exist. And it makes it possible for tens of thousands of projects to be carried out successfully each year enriching our lives, preserving our heritage, and improving the world around us. Those who choose to support a charity can feel a justifiable sense of pride, of participation in solving problems about which they feel strongly. Without direct mail that would not have happened and our nation would be the poorer for it.

The Eberle Way

A Statement of Corporate Values

- Priorities. We keep ours straight . . . God, family, country, business.
- In business, clients come first. Their success is our success.
- Quality through commitment. There is no other way.
- Innovation without risk doesn't exist. Go for it!
- There is no substitute for integrity.
- Mutual trust. We can't do our best without it.
- Everyone a leader. Everyone a team player. It's the key to excellence.
- Courtesy is a must.
- Pride. We're proud of what we do. We're proud of each other.
- Fun. We enjoy work. We enjoy life.



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