

# How Listening Lifts Income and Locks In Loyalty:

## *The Strategy and Case Study Results*

Fundraisers talk about listening to donors.

*TrueSense is doing it in a very specific way.*

### **Here's dramatic evidence that listening works.**

Think of a typical interaction between people — say, two friends meeting for coffee. They value their relationship, so when they're together, they take note of each other's behavior. They ask questions. They listen.

It's the same with fundraising. Valuing relationships with donors is vital. Most fundraising today uses the RFM model and

other, more advanced forms of segmentation to determine which donors to communicate with and how often. That's the equivalent of watching behavior. But what's missing from our relationships with donors is *asking questions* and *listening*.

There hasn't been an effective way of doing either. ***Until now.***

## The Donor Preference Strategy

The donor preference strategy developed by TrueSense Marketing is a unique approach to relating to donors. It doesn't replace segmentation, but enhances it, providing an additional level of insight into donor behavior. With it, we can both watch *and* listen to donors and use what we learn to strengthen our relationships with them.

The donor preference strategy invites donors via direct mail and online vehicles to share *how much* and *how often* they prefer to give. We then use the information they provide to build a custom communication stream that honors their preferences. Potentially those communications could also include offering donors choice in how they are contacted (by phone, mail, or online), the option not to have their names rented to other charities, and the opportunity to select the topics they're most interested in, just to name a few examples.

A pilot test shows that the strategy increases both annual value and retention. One extensive test was based on an analysis of 21,000 donors with data spanning four years (24 months before the donor preference strategy was adopted and 24 months after).

As shown in the chart below, average annual donor value was \$141 before the donor preference strategy was implemented. That annual value rose to \$169 after the strategy was adopted — an increase of 20 percent.



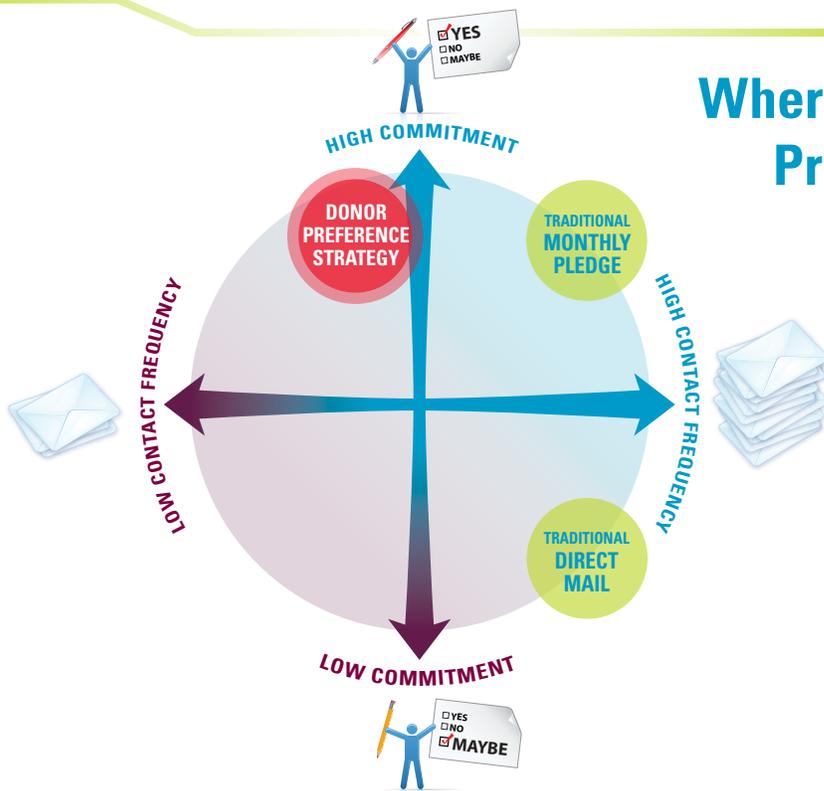
This increase alone is meaningful. But equally significant is the rate of donor retention among these donors. It is 92 percent.

This compares with the retention rate of around 75 percent typically seen with multi-year donors.

Retention is meaningful because it has a dramatic impact on lifetime value. In general, according to noted expert Adrian Sargeant, Ph.D., from the Indiana University Center on Philanthropy, a 10 percent increase in donor retention can increase the lifetime value of the donor database by up to 200 percent.

## Listening to Donors

With most segmentation strategies, fundraisers mail a certain number of appeals to donors based on their giving history. While it is an effective strategy, segmentation is based on broad experience with many donors, and so it's not a fully accurate picture of what any one particular donor wants. That's why it is vital for nonprofits to go further



## Where the Donor Preference Strategy Fits

The donor preference strategy occupies a unique place among donor communication channels. Unlike traditional direct mail, it requires a high level of commitment from donors. And unlike traditional monthly pledge programs, it lets donors design their own giving program. They hear from the charity as often or as little as they want. This typically boosts revenue significantly while decreasing mail frequency, leading to even higher net revenue.

and ask the donor how often he or she wants to give and then honor those preferences. (For an interesting exploration of listening in a marketing context, see *Permission Marketing* by Seth Godin.)

The result can be surprising. While response rates for mailings based on typical segmentation generally struggle to reach double digits, response rates for mailings to donors in the donor preference strategy are in the 60 to 70 percent range. Compared with many response rates for direct mail, this is a stunning result.

In addition, in a wide range of individual cases that were analyzed, donors who opted into the donor preference strategy gave donations in amounts that were above and beyond their committed levels. In fact, these donors frequently gave twice as much.

Deeper analysis also reveals that the donor preference strategy over time becomes an increasingly preferred way to give, as the chart below shows. In just four years, the number of donors opting into the

donor preference strategy as a percentage of active donors went from 1.5 percent to 7.25 percent. This is a significant increase showing that donors' acceptance of the strategy grows as they become more familiar with it through various donor marketing communications.

Not only are donors signing up at high levels but also the number of clients adopting the strategy is increasing. Initially, the program was started with 10,000 donors. That number rose to just under 30,000 in year 3, and then to 40,000 in year 4 and to 60,000 in year 5. The donor preference strategy is finding wide acceptance among donors and clients.

Donor acceptance is also revealed in the anecdotal comments made about the program. **Donor comments include the following:** *"It's nice to have a charity actually do something about all the mail. It saves on time and even on trash, because I know when I want to give."* and *"This is a fabulous idea. Everyone should be doing it. I'm calling my other charities and telling them that they should be doing it too."*

## Sending Less Mail

One of the most frequently heard complaints from donors is that they receive too much mail. But of course, "too much" is relative. For some donors, too much is anything more than one appeal per year. For others, 12 or more appeals aren't enough.

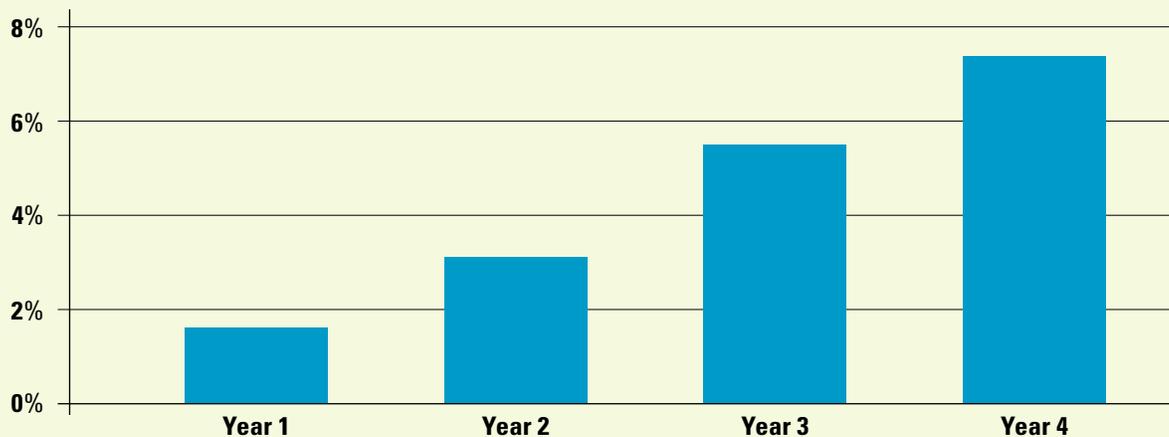
So while it's true that some nonprofits can mail up to 12 appeals or more each year to get one or two donations, that does not indicate what is true for each individual donor, and it represents a one-size-fits-all approach that is often ineffective in the long run.

**The problem, then, isn't over-mailing. It's failing to listen to donors and communicate with them according to their preferences.**

Because the donor preference strategy reveals those preferences, it functions as a mail-optimization technique for those donors for whom it is the right fundraising vehicle.

In fact, for the vast majority of donors in the program, there is a dramatic reduction in mail. As

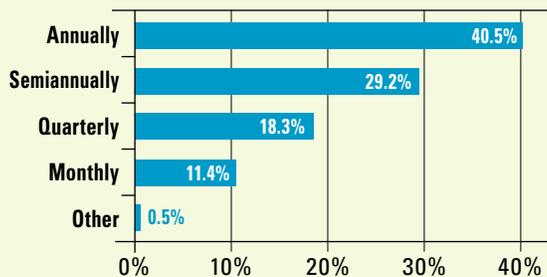
**Donor Preference Strategy as a Percentage of Active Donors**



*As donors become aware of the strategy, it becomes an increasingly preferred way to give.*

shown in the following chart, most donors are not monthly givers. Instead, most choose to give annually or semiannually, and these donors will expect and require far fewer mailings.

### Giving Frequency of Donors



*Most donors choose to give once or twice a year, saving mailing costs.*

## Reducing Fundraising Costs

As postage and other costs continue to increase, fundraisers are at pains to keep costs low without sacrificing donor support.

The donor preference strategy reduces the number of mailings that must be sent. This reduction carries corresponding decreases in postage, mail production, printing, and lettershop charges. **In fact, the donor preference strategy has allowed clients to reduce their mailing costs to these donors by half.**

**THE DONOR PREFERENCE STRATEGY** is a tool for fundraisers to bring donors closer and to enhance the donor experience. It is a strategy that at its core is straightforward and simple — listening to donors. In a crowded philanthropic marketplace, listening to donors is a distinct advantage that enables nonprofits to win support while reducing the amount of mail sent and decreasing overall fundraising costs. The economy may be booming or slowing, competing charities may be vying for donors' attention, but meeting donors' needs remains our first priority as fundraisers. The donor preference strategy allows fundraisers to meet this priority while helping to ensure the performance and future of the organizations we serve.

## Communicating With Donors

As fundraisers, we recognize the value of using a variety of approaches in our communications with donors. So the donor preference strategy uses the following channels.

**DIRECT MAIL:** Studies of donor habits and preferences reveal that direct mail responsiveness is a lifecycle phenomenon. That is, despite the rise of internet giving and internet shopping, people gradually begin to turn toward direct mail for these activities as they enter their 50s and into their 60s and beyond, the so-called philanthropic years. In fact, 68 percent of all direct mail donors today are over 60 years of age. This is the age group that is the most philanthropic, and direct mail is the most cost-effective way to reach them.

For this reason, the donor preference strategy features an invitation mailing that asks donors to respond and indicate how much and how often they prefer to give. Their responses are recorded and honored, and the donors are then part of the program.

Donors who are considered good prospects for the donor preference strategy are selected from donor files based on their

giving history. These donors receive the invitation mailing describing the program and its advantages.

**INSERTS:** While some prospects for the donor preference strategy are cultivated with targeted invitation mailings, others are established donors who simply need to be alerted through an insert in a standard appeal or newsletter mailings. An 800 number included in the inserts allows donors to join the program by phone, and a landing page URL offers the opportunity to sign up online.

**LANDING PAGE:** Those donors who prefer the online option can join the program by logging onto a landing page, filling in their contact information, and indicating how often and how much they prefer to give.

**TELEPHONE:** Calling is an essential component of fundraising because it is vital to make personal contact with donors. The donor preference strategy uses this channel to reach donors who might be good prospects for the program. The specialists who make these calls thank the donors for their gifts and suggest the donor preference strategy tactfully as an option for those donors who may feel they receive too much mail.