

Donor Dynamics

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The Death of the Annual Fund

By Mark Jacobson

Don't cry. It's time to let this tired old friend go, and may it rest in peace.

We all know what we mean when we use the term "annual fund" and it isn't what the word "annual" implies. But this archaic usage still tends to creep into the thinking and language of many (no, not **all**) very bright development professionals.

For years, savvy direct mail fundraisers have known the undeniable truth: what was once a pillar of direct mail fundraising – "*the same time next year*" – is actually an anathema to successful programs.

Unless you have an extremely successful, self-sustaining **membership** program, managing your "annual fund" in a way that is faithful to its name means your program either is, or very soon will be, on death's door.

So, we'd all be well served if someone would *wordsmith a new name* – one that has the staying power of the good old "*annual fund*," and its variations such as "*annual giving*" and "*annual support*," but without its misleading implications.

When that happens, "*Annual Fund*" will assume its rightful place alongside "*match-fill letters*" and "*addressographs*" as retired (and tired) concepts from days of yore in direct mail fundraising. (If you don't know what these terms mean, consider yourself lucky!)

There is no escaping the facts...

1. Many donors to a mature, ongoing direct mail campaign psychologically begin lapsing *within six months of their last gift – maybe earlier*, but not twelve, twenty-four or thirty-six months. Waiting for the one year or even the six-month anniversary of the last gift to ask again risks **doubling** your lapsing rate.
2. Donors making two or more gifts a year to an appeal program are 50%–100% or more likely to renew in the following year than those who have made one "annual" gift. Achieving three or more gifts greatly increases the odds of retaining the donor relationship.
3. Statistically speaking, most non-profits will retain more donors who have accumulated \$1,000 – or even \$100 – in annualized support through two or more gifts versus one. This doesn't mean you should ask for less – just that you *should ask more frequently*.
4. In almost all cases, the most likely donor to make a gift tomorrow is one who gave last week – or last month. *Not* last year. There are almost no exceptions. But don't take my word for it – look at your own recent results. Or ask a colleague whose program has broken free of the "once a year" yoke. And last but not least...



Dear Colleague;

If you're like me, you're now planning your spring direct response fundraising campaigns – and perhaps thinking ahead to fall, too.

So, too, are campaign fundraisers, who must fill coffers with contributions and pack events with potential donors in order to generate both momentum and "buzz" for their candidates.

Just as some cause related and disaster relief organizations operate their fundraising programs in fixed windows of time or opportunity, political fundraisers need to *pull out all stops, quick*. So, they use every tool at their disposal...response proclivity and income overlays, predictive models, viral marketing.

Many of us in other branches of direct response fundraising consider fundraising programs executed in narrow windows to be "different" from what we ourselves do.

But are they really that different? I think that stewards of **all** successful programs must–

- ◆ use every available tool to communicate with prospects and donors and motivate them to act;
- ◆ be keenly aware of the differences among donors who will, should, and might support a particular cause, and
- ◆ be willing to act on that information – even if doing so means deviating from "what we've always done".

Today, no one can execute unfocused, non-strategic programs and expect success. We all must first listen to, prioritize and address donor needs ... and then use this information to answer the central questions all fundraisers must address: which tool, what message, what offer, to whom, and when?

In this issue of *Donor Dynamics*, we'll sing a chorus of "Auld Lang Syne" to the "golden days" of direct response fundraising. Read on!

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Where Does Creativity Fit In Direct Response?

Recently, our V.P. of Fundraising, Mark Jacobson, and our Creative Director, Liz Brown, sat down to discuss the creative side of direct response and how it impacts our approaches to the needs of our non-profit clients. Marcia Scowcroft, V.P. of Client Services, led the discussion. Here's what Mark and Liz had to say.

Q. Mark, you often mention the importance of good creative. How do you define it?

A. Mark: Well, it starts with doing your homework, knowing your audience. A well conceived direct response program is strategically targeted, delivers the right message to the right people at the right time. That analysis is the key to unlocking great creative thinking. Once you've looked at your current donors, examined their specific giving behaviors and tried to understand what motivates them, creativity is the process of developing programs that act on that knowledge.

Liz: For me, it comes down to one of those hated, hackneyed phrase that you encounter – "Think outside the box." I agree, that it's good to rethink and reexamine but first it's important to know what box you're in.

It's important to have an understanding of the parameters you're dealing with – who are your prospects, where are they, what's your competition, what messages resonate with donors, what's happening in the various segments of your direct response programs, what do you want to happen and how will you know when it does?

Mark: Right. Creative begins when you start looking at factors that define the donor's relationship to your organization and that help you understand their motivations, things like giving history (first gift, larger-than-average gift, frequent giver, monthly giver), their personal circumstances (e.g. recent patient, recent parent, alumni), geographic location, age, sex, other demographics that you've identified (e.g. home ownership, event attendance, religious affiliation). Creativity, in a direct response setting, is about motivating someone to act.

Liz: So, creative is not change just for the sake of changing. It's not just another pretty package. Good creative is very much data driven, because good data helps us understand the donor and allows us to target our messages and approaches in ways that are meaningful to them.

It's actually really challenging to have a clear picture of that donor in front of you and to consider what motivates them. We know that donors give for a variety of reasons – self interest, sense of accomplishment, compassion, recognition, fear, flattery, exclusivity. If you can paint a sharper, more focused picture based on the donor's own motivations, that is invaluable in creating inspired strategy, copy, design, and, ultimately, will improve your results.

Q. Well, would you agree that analyzing this information can be daunting for some non-profits? What you've described is great, but is it feasible for all organizations?



A. Mark: There's no question that data, staffing and budget can present obstacles for smaller or less sophisticated non-profits. However, you need to start somewhere, so taking a look at your programs is usually time and money well spent. If you keep doing the same things repeatedly, but you don't really know if they're working, you're potentially wasting money on some audiences and leaving money on the table with others. Maybe you're spending more than you need to, maybe you're not reaching the right groups, maybe your message isn't accurately focused for the audience or you're not targeting your audiences narrowly enough. Everyone should be setting goals and examining results.

Liz: Yes, that brings to mind another tired cliché, "Don't reinvent the wheel." Of course, there are best practices to keep in mind when formulating the creative focus of your fundraising message, whatever the forum – email, telephone, website, direct mail, advertisements, video or publications; but I think it's more important to remember that you are trying to showcase what makes your organization the best choice for the donor.

You need to have clarity about who you are and what you do, and why donors help you do it. But it's also OK to show personality. Sometimes that means at least using the wheel a little differently. I'm sure that there was someone standing around at some point in time saying – "Don't reinvent the sledge" or "You're going to use four wheels? We've always used two."

Q. What creative mistakes concern you the most?

A. Mark: I see a lot of people whose messages and designs lack warmth and don't focus on the impact on the donor. That's just a mistake. Direct response is about them, not you.

Liz: For me, it's creative concepts that mistakenly focus on the features rather than the benefits. It shouldn't be about that great new piece of equipment, or the new facility – it's really about what benefits these improvements provide, directly or indirectly, to the donor or how they help accomplish the mission that donor supports.

Mark: Approaches need to be personal, specific and, dare I say, interesting. Bland is not a safe choice. You're not going to bore someone into paying attention or giving you money.

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Liz: That means focusing on specifics – accomplishments, goals, programs. I sometimes encounter a hesitancy to do this in direct response programs, because you are generally seeking unrestricted dollars. To me, it's a mistake to confuse unrestricted with general.

The people who are giving these gifts still want to feel a sense of accomplishment and connection. They want to know how their gift will advance a cause or institution they believe in, that their gifts are meaningful.

They are interested in hearing specifics about the impact that they had or will have. General operating support is an important underpinning of almost everything your organization does and good creative can present this in a manner that is both appropriate and compelling.

Q. Any final thoughts?

A. Liz: Times change, your challenges change, peoples' concerns change and it's good to let that inform your thinking. I spent many years as a development consultant and one of the primary benefits I could offer was

an outside perspective. Whether you're in a small shop or a large development department, it's so easy to turn inward. That doesn't always make for the best relationship building. An outside viewpoint is one of the benefits of working with a firm like Direct Response Solutions.

Mark: Become comfortable with asking your donors to contribute more than once a year. This thorny issue is on my mind. That's why I wrote the article in this issue of Donor Dynamics – “**The Death of the Annual Fund.**” It's important to find ways to acknowledge, upgrade and involve those who support you, and to ask more than once a year, because it's clear that if you wait six months to ask again, you're undermining yourself and leaving money on the table.

That's why I emphasize the importance of building a multi-channeled program across an entire year or more – a comprehensive and consistent approach to direct response needs to be integrated into your organization's overall development plans and marketing efforts. Going beyond the one-time appeal, designing programs that are more than just a flash-in-the-pan and that focus on long term results – that's creative. ●

CAN WE HELP WITH OTHER ASPECTS OF YOUR FUNDRAISING PROGRAM?

Regular donor communications are important to a healthy fundraising program. But sometimes there are just not enough hours in the day or staff to follow through.

DRS can help. Let us work with you to create and distribute regular donor communications, keeping your donors informed and your fundraising on track.

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Contact Mark or Liz for more information.

Direct Response Solutions

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For more information on **Donor Dynamics™** articles or direct mail fundraising in general, please contact:

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5. Your “annual” is probably related to your fiscal year. Other than the traditional and tax year deadlines that come on December 31, all other “years” or periods that are part of your program are probably not meaningful to your donors. They send gifts to you because you have successfully addressed their needs as a donor or have convinced them that their involvement and support will make a difference in an area that is important to them. Not because your fiscal year is about to end or begin.

Think about it. When you ask a donor to renew his/her *annual gift* or *annual support*, aren't you relaying the wrong message –

“Give now and I won't bother you until next year?”

Yes, I know, that's not what you meant, *but it's what you implied.* And who could blame a responder for inferring that he or she should give exactly as requested?

Donor needs – indeed your organization's needs – continue on, 24–7–365. Seek support on that basis, using every tool you have to get the job done.

Let's kick the habit. Let's give the old phrase *annual fund* the boot.

Here's a test. Keep track of every time you use the phrase “annual” when referring to your individual giving program. Every fifth time you goof, take a look at your donor retention rate for the past twelve months. First, from donors who had given once the year before, then compare it to those donors who gave more than once during the same period.

Let's kick the habit. Join me in the campaign to banish “annual fund” from our vocabulary. In fact, if you have a suggestion for a new name, please call me or email me. We'll publish the results in the next issue and see if together we can bury the “annual fund” for good!

The Annual Fund is dead. Long Live the Annual Fund*!

* or whatever! ●

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Here is your Winter Issue of Donor Dynamics!

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Are you making the right creative choices? Find out on page 2.

If this person is no longer with your organization, then please forward to the Director of Development.

A New Creative Voice at DRS

Direct Response Solutions has a **new Creative Director**. She's **Liz Brown**, and her experience in fundraising and communications spans over 20 years.

At DRS, Liz executes and/or manages the entire creative process for client programs – from program strategy to direct mail package concept to package design and copy writing.

Her fundraising career has focused on strategic donor communications, copy and design for annual appeals and membership development, events, and the utilization and maintenance of donor databases.

She was the Director of Development Services for the Intracoastal Health Foundation, in West Palm Beach, FL, a fundraising entity that supported two recently merged non-profit healthcare organizations – St. Mary's and Good Samaritan Hospitals. While there, she helped craft communications and cultivation goals and strategies during and after the merger.



Liz has also worked in New York, NY with several nationally known non-profit fundraising organizations including the Paul Taylor Dance Company and the New York Zoological Society.

Most recently she was consultant with Development Solutions of New England (DSNE), a consulting firm headquartered in Sandwich, MA where she wrote appeals, grant proposals and cases for support for clients such as the Housing Assistance Corporation of Cape Cod, the Cape Cod Stranding Network and the National Marine Life Center.

Liz and her husband, Norbert, are natives of upstate New York and currently live with their two children on Cape Cod.

Her direct line is 508/313-1007 and her email address is lbrown@drsol.org.

Things to think about...

Are you providing your donors with a giving summary once a year?

Don't miss out on this great contact opportunity. With some creative thinking, you can make it a positive experience for your donors and an opportunity for another request. For example, at the close of your fiscal year, why not send them a summary of their giving to date and seek an upgrade?

This works particularly well for recognition methods that stress cumulative giving. It can be as simple as a statement of their giving to date with an indication of the gift size required to lift them to the next recognition level. Or, why not ask donors how they want to be listed in your annual report or on recognition signage?



Make sure to include an appropriate reply slip and response envelope and an explanation of recognition benefits, if you have them. Not sure how to proceed or want some other ideas? *Contact Liz Brown or Mark Jacobson at 508/313-1000.*