

Balancing the DM spend

Some questions, like philosophical conundrums, will never get a conclusive answer: to what extent do we have free will, can England ever win the World Cup again, and how much of a charity's direct marketing (DM) spend should be devoted to existing converts and how much on trying to win new hearts and minds?

The current trend in direct marketing campaigns is to focus more spend on existing supporters and less on cold contacts. The question though, as Gary Flood discovers, is how to effectively balance these figures to maximise a mailing campaign's impact

It's an issue that goes to the core of one of the key aspects of any third sector organisation's marketing plan, as direct mail is a huge chunk of all such initiatives. And as charities are major players – as they have to be – in the whole DM market, significant sums of money can be involved and so there is no doubt that getting the right balance here is crucial.

Figures from the Direct Mail Information Service, which is the best metric for DM volumes as its numbers come from Royal Mail research, suggest that charities are responsible for around eight per cent of total direct marketing material nationally. In 2004 that translated to 430 million items (total that year being 5.4 billion). Charities are hailed as the biggest users of DM after financial services, say DM commentators, with one company alone, Target Direct Print, managing over 60 million charity mailpacks, as well as large numbers of doordrops (unaddressed mail) and inserts – or by its reckoning, one in seven of all UK charity direct mail sent out every year.

There are some signs that the balance is shifting in DM away from unsolicited mailings and targeting of the 'cold' parts of the mailing list, to more nurturing of the 'warm,' or active, element. According to research from mail and communications specialist Pitney Bowes, charities are increasingly devoting more marketing budget to existing donors – 47 per cent in 2005, compared to 39 per cent in 2003. The researchers also say that respondents' feedback demonstrated that while looking for new donors still represents over half of the

marketing budget of the average non-profit, there is "an increasing focus on developing long-term relationships over the expensive business of attracting new donors". If so, that would bring charities in line with the UK mainstream: according to the same source, marketing to existing customers now accounts for 53 per cent of the budget of UK marketers, up 10 per cent since 2003.

"If you have a database of 500 people you can do this yourself probably," says Lucy Edwards, marketing director of print data and DM company Howard Hunt. "But for a bigger charity this is an ongoing priority – they might be looking to do six acquisition and ten retention campaigns a year, easily."

Having worked in charity for seven years herself, Edwards adds that a vital factor is better profiling, not just of what's hot versus cold, but the likes and dislikes of segments in that database – younger people preferring mainly the cash gift route, older people being more up for standing orders, and so on.

Is that always the best path, though, to just stick to what you know? "It may depend on how ambitious you are – how much do you as a charity want to grow," says Target Direct Print MD Peter Frings. "You can't afford to not spend any time recruiting new potential donors. There is fierce competition in some sectors, like cancer, where you can't afford to sit still or it will all go to Cancer Research UK, say. There is a significant attrition factor in even the best database as people move, die, or change interests. You need to recruit to top this up which means spending on cold prospects sometime. Sadly, there's really no simple rule of thumb here."

"Charities are like any other business – they are always looking for new customers and can't afford to stand still," adds Stuart Gray, managing director of 2Touch, another DM specialist. "But we are definitely seeing a rise in other methods than the

direct mail approach on its own, such as increasing use of the internet, for example."

"You just can't do one and not the other. It has to be a matter of finding the right balance which depends ultimately on the organisation itself and its priorities," says Howard Hunt's Edwards.

"Whatever you do you have to make that first contact as valuable as possible to justify the budget," says Ian Dignum, sales director with fulfilment services and DM supplier Prolog. "The material has to be eye-catching and stand out from all the competing calls to attention on good causes." And even in an electronic world, direct mail still very much has a place, says Carolyn Stebbings, MD of direct marketing firm FCBI: "Having something tangible in the hand is still valuable for potential donors."

What do charities themselves say versus the opinions of such DM experts? RNLI (see box) says a recent successful mailing shot was a hit because no less than 75 per cent of targets were current, active supporters. And Steve Andrews, head of individual support at Save The Children, says that while DM is just one of the many marketing tools the charity employs, he recommends "for long-term profit" charities should probably look to their confirmed supporters.

"The 'marketplace' for the charity pound is very tough at the moment, and I think everyone is finding it expensive to recruit" he says. "So it's not that simple to say 'spend X per cent on warm and Y per cent on cold'. Test a few different methods and keep flexible, don't be wedded to one approach only. What is certain – once you've got the supporter through the door do whatever you can to nurture them and deepen the relationship. Be ruthless in the pursuit of ROI (return on investment) with all your marketing too."

This is sound advice, particularly in the current climate. And the overall verdict is; don't spend too much time in the cold.

DM Case Study - RNLI Christmas Campaign

The Royal National Lifeboat Institution has concluded what it says is its most successful campaign on record, via a Christmas 2005 direct marketing initiative that raised over £1.7 million. The project, working in partnership with a DM specialist called Proximity, centred on an appeal pack sent to more than 900,000 households throughout the UK. It is particularly pleased with the result as Christmas is such a competitive time for getting the public's attention, says Amanda Mitchell, the charity's supporter marketing manager at its Dorset HQ. "This represents significant advances in communicating the RNLI cause, to both warm and cold audiences," she says. Some donations came in at over £10,000, she says, with money still finding its way in as late as February.

The methodology involved sending the material mostly to existing supporters, she adds, with only a quarter of mailings going to cold contacts. "We had recently undergone a significant database analysis exercise, however, which let us do all sorts of sophisticated profiling. We were able, for instance, to do a comparison of our top value contributors list versus the cold contact list, defined as people we hadn't interacted with for 12 to 18 months or longer."

This profiling element proved vital, she says. "Our advice would be that it is definitely worth trying your cold list but only if you can profile them to see what you can reasonably expect to raise."

The money will be put to helping the charity meet its £119 million annual running costs, in a context where vital equipment like a lifejacket for a lifeboat crewmember can cost £500.