The Role of Database Marketing in Improving Direct Mail Fundraising

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Direct mail campaigns

IT’S ALSO AN INSTRUMENT OF CHANGE

In the right hand, the pen you are holding is a powerful instrument of change. In the right hand, it can make things happen. It can get justice.

Use it to sign up as a member of Amnesty International now. Or to show that you believe in standing up for what you think is right. Use it to lend governments around the world that they can’t get away with murder, torture and rape.

When you do, you’ll be joining more than 7.1 million people in more than 160 countries who are prepared to stand up and be counted as people who won’t look the other way.

The choice is yours. Put the pen down and you turn your back on people for whom you are the only chance of rescue or justice.

Or you can use your pen now to say, “Enough is enough. I won’t look the other way. Stop!” by joining Amnesty International.

ACT NOW. JOIN AMNESTY INTERNATIONAL

I’M SENDING A DONATION

Here’s my contribution to Amnesty’s work of:

£____ £____ £____ £____ £____ £____

AMOUNT £____

THE COST OF HUMAN FREEDOM

- £25 pays for the cost of the messages in a life-saving “Urgent Action” campaign for a prisoner being sentenced to facing death.
- £50 covers the cost of printing 5,000 pamphlets for our supporters to send to governments demanding that they investigate disappearances.
- £400 is an average cost of mailing up the cost of one of our prisoner campaigns.
- £2,500 pays for an Amnesty delegation to negotiate with a government or carry out research.

I’M SENDING TODAY

Here’s my subscription of:

£____ individual

£____ family

£____ youth activist

£____ senior citizen

£____ student

£____

AMOUNT £____

DON’T PUT THE PEN DOWN UNTIL YOU’VE MADE YOUR CHOICE

When the last 200 letters came, the guard gave me back my initials. Then for over 200 letters came and the prison director came to see me...

The letter kept coming through the thousand of brick. The President was informed. The letter still kept arriving and the President called the prison and told them to let me go.

They then a letter arrived of permission to the President of the United Republic.

You must now become a regular supporter to show your support for humanity’s rights.

Please return this to Amnesty International at the address below.

Valid from: ____________________________
Expiration date: _______________________

Signed: ________________________________

TOTAL AMOUNT £____
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| Payment | Donor_id | Date       | Amount | Campaign  | PO  | ...
|---------|----------|------------|--------|-----------|-----|-----
| 1       | 1        | 6/10/1998  | 15 €   | ACQ9801   | 0   | ... |
| 2       | 2        | 9/10/1998  | 30 €   | NOOD9802  | 0   | ... |
| 3       | 3        | 9/10/1998  | 25 €   | NOOD9802  | 0   | ... |
| 4       | 1        | 8/12/1998  | 20 €   | KERST98   | 0   | ... |
| 5       | 2        | 15/12/1998 | 30 €   | NOR9812   | 0   | ... |
| 6       | 1        | 20/01/1999 | 10 €   | BON9901   | 1   | ... |
| 7       | 2        | 10/02/1999 | 15 €   | FISC9902  | 0   | ... |
| 8       | 2        | 18/02/1999 | 20 €   | NOR9902   | 0   | ... |
| 9       | 1        | 20/02/1999 | 10 €   | BON9901   | 1   | ... |
| ...     | ...      | ...        | ...    | ...       | ... | ... |
| 230244  | 1        | 20/11/2010 | 30 €   | REA1011   | 0   | ... |

R:2
F:5
M:€85
Database

- Different tables → one analysis table:
  - Donor
  - Payments
  - Campaign
  - Communication
**Campaign Success Rate**

- **Revenue**
  - Total: €30000
  - Per mail: €3

- **Response rate**
  - 1/0

- **Giftsize**
  - €30

\[N = 10000\]

\[1000 \rightarrow 10\%\]

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**Lifecycle**

- **Prospect acquisition**
- **Lapsed reactivation**
- **Active Retention**

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Introduction

- Direct mail → nonprofit (DMA, 2010)
- Primary barrier CRM: lack of consumer data outside the firm
- Focus: single company
- Recency, Frequency & Monetary value
- Real life! +23 charities
  - Which people have largest potential?
  - How to design a campaign?
  - What about increasing competition?
1. Improving Campaign Success Rate by Tailoring Donation Requests along the Donor Lifecycle

Research Objective

Investigating SDA & social comparison in the donation request
1. **Background**

**SDA**
- ‘X’ euro
- Fixed
- Adaptation-Level Theory
  - Recent / Average / Maximum?
    - Dependent on the segment

**Social Comparison**
- ‘Other’
- Compliance strategy
- Conditional cooperation
  - Response rate
  - Ambiguity

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1. **Method: Field experiment (N=57513)**

- 3 Segment
  - prospect
  - current
  - lapsed

- 3 SDA
  - average

- 2 Comparison
  - Revenue per appeal
  - Response rate
  - Gift size

6 Versions of solicitations (small change!)

"Please help us by giving R/A/M euro."

"Another contributor like you contributed R/A/M euro. You can also help us."

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### Results

- **SDA:**
  - prospects & lapsed: recent
  - current: average
- **Social comparison:**
  - prospects + (increase by 43%)
  - lapsed -

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### Contribution

- Investigation of a unique combination of 3 parameters
- Distinction between SDA and social influence
- Inclusion of one sentence can increase revenue by 43% (without additional costs)!
2. The Role of Seed Money and Threshold Size in Optimizing Fundraising Campaigns: Past Behavior Matters!

Research Objective

*Investigating threshold level & seed money in the donation request*
2. Background

List & Lucking-Reiley (2002)
- Cold list
- 10%, 33% and 67%
- $3000

Rondeau & List (2008)
- Warm list
- Absence and 50%
- $5000

-Most optimal: 67% or 50%?
-seed money & threshold level?
-Segment?

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### Method: Field experiment (N=25617)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Seed Money</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>prospect</td>
<td>67%</td>
<td>High</td>
</tr>
<tr>
<td>Less loyal</td>
<td>50%</td>
<td>Low</td>
</tr>
<tr>
<td>Most loyal</td>
<td>67%</td>
<td>High</td>
</tr>
</tbody>
</table>

6 Versions of solicitations

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**Revenue per appeal**

“If we could raise 3900 euro, we can still send the medical team to Africa. We already have 2600 euro. Please help us collect the remaining 1300 euro so we don’t have to cancel our mission.”

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### Results

- **Response Rate (%)**
  - **seed money**
    - high: 17.5
    - low: 13.5

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Cf. Model of multiple goal pursuit (Louro, Pieters and Zeelenberg 2007)
2. Contribution

- Threshold level in combination with seed money
- External validity to earlier findings + novel qualification related to seed money
- Recommendation: wait until seed money; except for campaigns toward most loyal contributors (threshold)!

3. Empathy as Added Value in Predicting Donation Behavior
Research Objective

*Investigating the role of empathy on top of traditional predictor sets*

Traditional predictor sets

- Transactional data:
  - Previous donation behavior (RFM)
- Self-reported data:
  - Sociodemographics (age, gender, income)
  - Intentions
Background: Empathy (IRI, Davis 1983)

Empathic concern  Personal distress

I often have tender, concerned feelings for people less fortunate than me

Being in a tense emotional situation scares me

1 2 3 4 5 6 7

Study 1: Timewindow

Measuring Independents Beginning 2008

Dependent period of 10 months: charitable giving toward 1 charity

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Study 1: Results

Empathy

- Empathic concern
- Personal distress

Sociodemo

- Age
- Income
- €

Intentions

- Recency
- Frequency
- Monetary value

Past Behavior

Logistic regression

Linear regression

Study 2: empathy & total generosity

- Empathic concern
  - + relationship with breadth
  - + relationship with total generosity

- Personal distress
  - no relationship with breadth
  - - relationship with total generosity

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Contribution

• Traditional predictor sets are validated in a large-scale real-life setting
• Added value of psychological measures of empathy
• Only looking at generosity toward one charity could be misleading

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Research Objective

Investigating how competition affects loyalty toward existing players

Competitive advertising  List exchange  Brand equity  Wallet

Example

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Background

- Competitive advertising decreases the sales of a focal company (Unnava & Sirdeshmukh 1994; D’Souza & Rao, 1995; Burke & Srull, 1988; Keller, 1991; Bagozzi & Silk, 1983)

  \[ H_1: \text{Increased competition in direct mail will negatively affect the revenues of existing charities} \]

- The development of a strong brand is crucial in resisting aggressive competitors (Aaker, 1991)

  \[ H_2: \text{Higher brand equity brands are better protected from competition than lower brand equity brands} \]

Method

- Field experiment (N=72809); 10 months; active donors
- Competition: operationalized through manipulation of list exchange (0-24 recruitments)
Method

- Loyalty (1/0): logistic regression
- 16 mother charities
- Independent variables:
  - Mother-specific intercepts (15)
  - RFM
  - Mother mailing pressure
  - Competitive mailing pressure (16)

16 parameter estimates to investigate the impact of competition for each individual mother charity
### Results

<table>
<thead>
<tr>
<th>Quality</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-0.007</td>
</tr>
<tr>
<td>3</td>
<td>-0.008*</td>
</tr>
<tr>
<td>13</td>
<td>-0.009**</td>
</tr>
<tr>
<td>8</td>
<td>-0.012***</td>
</tr>
<tr>
<td>7</td>
<td>-0.015***</td>
</tr>
<tr>
<td>6</td>
<td>-0.019***</td>
</tr>
<tr>
<td>2</td>
<td>-0.027***</td>
</tr>
<tr>
<td>12</td>
<td>-0.041***</td>
</tr>
<tr>
<td>14</td>
<td>-0.044***</td>
</tr>
<tr>
<td>11</td>
<td>-0.045***</td>
</tr>
<tr>
<td>5</td>
<td>-0.053***</td>
</tr>
<tr>
<td>10</td>
<td>-0.100***</td>
</tr>
<tr>
<td>16</td>
<td>-0.202***</td>
</tr>
</tbody>
</table>

Brand Equity/ Age/ Revenues/Donors

Higher

Lower

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Contribution

- Controlled and randomized exposure to +20 competitive brands
- Evidence of an overall baleful influence
- Impact differs, depending on brand equity
- Limitation: not all competition

General Conclusions

- Importance database
- Field studies – sample size
- Importance of the segment
- Response vs. giftsize
- 1 organization vs. multiple organizations
- Importance of other players on the market
Watch the entire 30' video:
www.crm.UGent.be/fundraising.htm

Download free fundraising papers:
www.crm.UGent.be/nonprofitmarketing.htm


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