

# DIRECT FORUM

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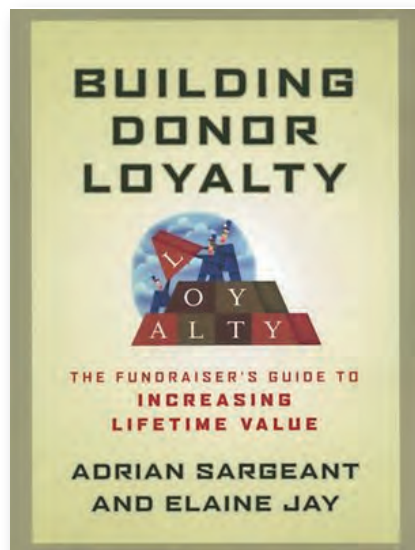
Direct Forum is a free e-mail newsletter containing useful direct marketing tips, news updates and how-to information. It's convenient, informative and I am not trying to sell you anything!

This month's topics include:

- 1. DO YOU KNOW THE SECOND MOST IMPORTANT REASON WHY DONORS LAPSE?**
- 2. WHAT WORKS BEST FOR ACQUISITION MAILINGS AND WHY?**
- 3. CAN YOU REALLY BUILD LOYALTY?**
- 4. HIGHLIGHTS OF TWO NEW SURVEYS ON THE STATUS OF DIRECT MARKETING**

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## **DO YOU KNOW THE SECOND MOST IMPORTANT REASON WHY DONORS LAPSE?**



The top reason donors lapse is because they can no longer afford to support the charity (54% in the USA, 22.3% in UK) as revealed by **Dr. Adrian Sargeant** and **Elaine Jay** in their excellent book **'BUILDING DONOR LOYALTY'**.

The results are based on a four-year survey conducted in the United Kingdom and the United States and was conducted using a series of focus groups and a large-scale postal survey. Twenty-thousand donors who had given to a variety of different causes participated. It is the largest such study ever undertaken..

**A more shocking revelation was their second highest reason why donors lapsed: DONORS LAPSED BECAUSE THEY FELT THAT ANOTHER CAUSE WAS MORE DESERVING (36.2% in the USA, 26.5% in UK).**

This raises two important issues that every charity must ask itself:

- 1. If loyal supporters are moving away from your charity to another, does your cause really touch at the heart of your donor?**

## 2. How solid is the relationship you have built with your supporters?

Apparently not too strong, according to the book, because another surprising revelation was:

**In the survey donors were asked to rate their charity on a scale of 1 to 5 for their performance in delivering quality services. (With 1 = very poor; 2 = poor; 3 = neutral; 4 = good and 5 = excellent.)**

**The highest rating the charities received was 3.98.** Indicating that while their performance is generally acceptable less than 4, it is well short of excellent

## 3. Now equally important is to ask yourself if you are doing the right thing when you trade your donor list with another charity.

You could be exposing some of your future loyal donors, who give you small amounts now but could increase their support later, to another charity whose cause they might find more deserving than yours..

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## **WHAT WORKS BEST FOR ACQUISITION MAILINGS AND WHY?**

After watching the disaster in Haiti, that generated millions in 'Flash Philanthropy' from new donors for the big seven charities stationed there, I realized why a certain kind of appeal works best for acquisition mailings.

I believe it is: **Demonstrating a very urgent need.** This is by far the most effective method to entice a large segment of new donors.

Remember, people who give for the first time to a charity do so because they have been touched. They give for purely emotional reasons.

So an acquisition mailing must act as a motivator. You cannot just talk about the wonderful things your organization does, like you do with your current donors. There you are preaching to the choir.

Prospective donors make up an entirely different audience. You have to pour your heart out to touch them. If



your message is not a passionate one you cannot hope to bring them over to your side.

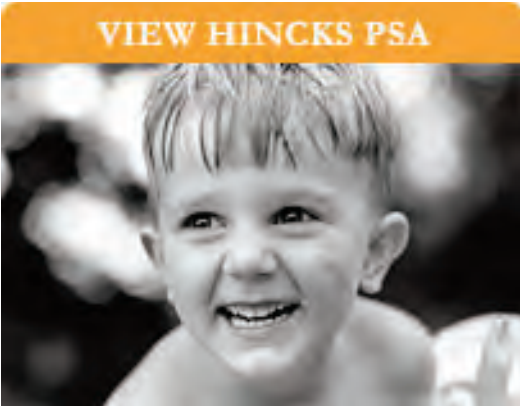
A great example is the famous 'Crying Indian' campaign that was launched on Earth Day in 1971. During the height of the campaign the organization received over 2,000 letters a month from people wanting to join their local chapters.

To view the commercial go to Google and just type in the words '**Crying Indian**'. There are plenty of sites that play the famous commercail

Only by speaking from your heart can you hope to touch people. You can voice your frustration, get angry, call forth tears, any emotional trigger as long as it is genuine.

This is the main reason why many PSAs that draw in new donors are hard-hitting tearjerkers, appeals that go straight for the heartstrings

To see another example, just log on to my website: [www.designersinc.ca](http://www.designersinc.ca)



I have placed two PSAs on my home page that are both voices from the heart.

Every time the **HINCKS PSA** ran, the organization received 50 or more telephone calls from viewers just after the PSA was aired.

This relates to the previous comments about lapsed donors. You have to keep their sympathies with your cause at all times.

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### **CAN YOU REALLY BUILD LOYALTY?**

There are tons of articles and books on Customer Relationship Marketing (CRM) or building loyalty. Yet I recently read that **79% of people don't see a clear benefit of being loyal to any company, product, client or service.**

These books describe **loyalty as the level of relationship that is determined by the type of bond between the customer and the client.**

They fall into three broad categories:

1. **A Financial Bond:** Many companies have 'loyalty programs' that offer lower prices or they reward their customers with points, coupons, incentives, etc, in exchange for their loyalty.

Yet ironically this is the easiest form of bond to break since it's based purely on getting the best deal. It is like a 'butterfly' effect, where customers hover from place to place, seeking the best deal.

2. **A Structural Bond:** This is a highly effective bond. It's where the customer is tied into the product or service in some way.

Both the **Air Miles** Reward card and the various **Gas Speed Passes** are successful structural bonds.

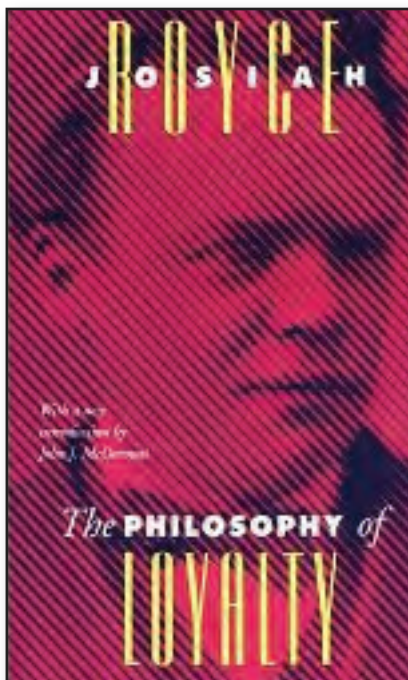
The **Speed Pass** allows you to buy gas without taking out your wallet which saves time and effort, while the **Air Miles** Reward card allows you to redeem points from multiple sponsors.

3. **A Social Bond:** This is where the customer has an individual relationship with a friend who is employed as a salesperson in a company, an employee with a charity, a teller at a bank or your local village shopkeeper.

There are riders who are faithful to a particular brand of motorcycle (**Harley Davidson**) or creative people who only want a certain computer (**Mac**).

**Josiah Royce**, Professor of Philosophy at Harvard University wrote in his book, ***The Philosophy of Loyalty***, that this is the highest form of loyalty because it is based on common shared values.

There is keen interest in the charitable sector to see if a fundraising strategy can be built around common shared values primarily by using social media. This has already worked for some while others are waiting for positive results. The biggest stumbling block for charities is a lack of staff to take care of such programs.



But while marketers continue to find ways of deepening client-customer relationships, consumers continue to exhibit more complex behavioural patterns with regard to loyalty.

All repetitive buying behaviour should not be classified as 'loyalty'. There are multiple reasons that may account for this.

- **Different brands satisfy different needs:**  
A customer may buy one brand of coffee for his daily needs but another when he or she is entertaining friends or a business client.
- **Convenience factors:** Customers may buy from their neighbourhood convenience store because it is handy or they may get tickets from a particular airline because it is the only one that flies to a particular destination or offers their preferred time slot.

**My take on the subject of 'loyalty' — I believe you cannot buy it, you have to earn it the good old-fashioned way, with hard work.**

Most marketers however, do agree on one thing: the key to retaining customers is by creating a superior value for them. A report by Arthur Andersen Consulting concluded that in general there are only two ways of doing this:

1. **Improving your product or merchandise**
2. **Providing better service**

Both go hand in hand.

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## **HIGHLIGHTS OF TWO NEW SURVEYS ON THE STATUS OF DIRECT MARKETING**

First in the charitable sector\*:

Once again the FLA Group conducted their 7th Annual pool with 2,000 Canadian adults to determine their direct mail charitable giving behaviours.

Here are some highlights they reported:

- **Direct mail continues to be the most popular method of giving.** One in four Canadian adults made contributions to charity through the mail in 2009 – an estimated gross amount of about \$1 billion – with a quarter of all charitable (non-church) donations given by individuals.
- This is down from one in three in 2008 and has been declining by about 3% per year since 2003. In our view, this time the drop was largely due to the state of the economy. **That's the bad news.**
- **Now the good news.** In our view, the worst is definitely over. We are confident that 2010 will be a much more robust year for the direct mail market due to the following reasons:
  1. The Conference Board of Canada's Consumer Confidence Index reached a 22 month high in January. This is the highest level since well before the markets tumbled in September 2008. It's also worth noting that consumer confidence in Ontario is double what it was this time last year.
  2. The other key economic measure we're watching is GDP (which is simply a measure of the overall size of the Canadian economy). After a year of recession (which simply means a shrinking economy), Statistics Canada reports that the Canadian economy picked up steam and surprised most economists by growing in the last quarter of 2009.

The other is a report of the DM industry from the U.S\*\*:

Here are some of the highlights:

- Six out of ten marketers claim that acquiring new customers will be critical in 2010 and plan to do something about it.
- Direct mail represented 52% of total mail volume in U.S. last year — (the third straight year of being over half of all the mail.)
- 49% of recipients reported that they read mail sent to them, while 30% said they were scanners.
- Percentage of prospects who respond to a direct mail

to a direct mail solicitation by category:

- 19% to non-government mail.
- 15.6% to merchants or goods.
- 8.8% to social, charitable or to a political cause.
- 5.6% to service providers.
- 3.7% to financial institutions.

\* The **FLA Group** findings were provided courtesy of **Frazer Green** and **Jose Van Herpt**, principles of the company.

\*\* While the US studies are available in the **2010 DMA Statistical Fact Book**. (A196 page report published by the DMA available for \$470 U.S.)

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### **OPT IN, OPT OUT, OPTIONS:**

- To unsubscribe, send me an e-mail simply saying, "Please, remove".
- To participate, send me an e-mail with your suggestions.
- To post a comment, please include your name, e-mail address and your thoughts.

**Let me remind you again that your name and/or e-mail address will never be shared, sold, circulated, or passed along to anyone else.**

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