



# From Caging to Campaigns: Reducing Costs and Driving Revenue in Today's Economy

## Nonprofit Perspective

---

**Malcolm Netburn**  
Chairman and CEO  
CDS Global

**Nancy Gessmann**  
Senior Vice President, Enterprise Solutions  
CDS Global



Innovation. Service. Solutions.



## From Caging to Campaigns: Reducing Costs and Driving Revenue in Today's Economy

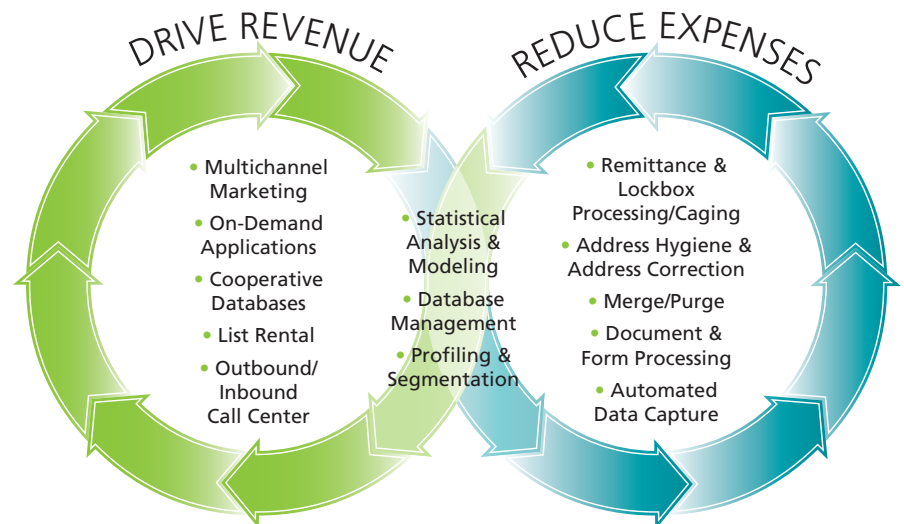
Page 1

When too much time is taken in day-to-day operational tasks, valuable employee and volunteer resources are taken from the important tasks of campaign creation and funds allocation.

As nonprofits encounter a challenging economy on global and local levels, members of senior management are faced with the challenge of not only maintaining their donor base, but also increasing their number of donors due to lower average gifts – all while facing resource constraints. At the same time, donors are pulled in many directions from various nonprofits needing funds while struggling to tighten their own household or corporate philanthropic budgets.

Also, in today's world of higher direct mail costs, increasing numbers of marketing channels and splintering payment/gift channels, nonprofits struggle with the necessity to improve efficiencies and reduce costs while adding new initiatives and operational requirements. When too much time is taken in day-to-day operational tasks, valuable employee and volunteer resources are taken from the important tasks of campaign creation and funds allocation.

In order to thrive in challenging periods of the economy, and to address these concerns, your organization must employ the latest technology – deployed in the most efficient manner – to drive donor acquisition, utilize more information about existing donors and reduce costs throughout your value chain. As the image shows, when you coordinate the activities of your value chain, the individual activities work in concert to allow your nonprofit to drive revenue and reduce expenses.



### Market Drivers

Although today's economy has placed stress on nonprofits and their donors, donor confidence in nonprofits remains high, according to an October 2008 poll conducted by fundraising researcher Dirk Rinker. Donors want to give to charitable causes, especially when times are difficult, but when donors are pulled from many different directions, it becomes increasingly difficult for your organization to reach these donors and break through the clutter.

## From Caging to Campaigns: Reducing Costs and Driving Revenue in Today's Economy

Page 2

Donors fall into many diverse, complex demographics, and you must be able to understand these complexities in order to succeed.

Donors want to know that their donations are going to the cause they support, not to satisfy increased operational costs.

Not only is it important to reach all donors during tough economic times, it is important to reach the right *type* of donor. Although nonprofits often recognize the importance of their low- and high-level donors, the potential of their mid-level donors is often overlooked. Nonprofits traditionally gather a generous amount of their revenue from mid-level donors, making this group an important demographic. According to George Whalen, former vice president of Marketing and Business Development at Carl Bloom Associates, Inc., "While only representing 5 percent to 10 percent of an organization's membership, the mid-level file can represent 40 percent to 50 percent of the total revenue." Therefore, effectively reaching these mid-level donors allows you to receive more donations and make these donors feel like part of your organization.

However, simply reaching donors is not enough if your organization is to succeed in today's economy. Donors fall into many diverse, complex demographics, and you must be able to understand these complexities in order to succeed. Fortunately, today's data capture, data management and on-demand technologies allow nonprofits to capture more data and perform complex data analysis, enabling you to promote with a personalized and targeted approach. Demographic overlays and predictive modeling have become industry standards, making it easier than ever to reach diverse donor demographics.

### Problems

These current market drivers all point to the same problem for today's nonprofits – the need to keep donations stable, and even better, increase them. A nonprofit must successfully reach the donors that are most likely to stick with the organization, and then craft campaigns that will resonate with donors who want to feel good about their contributions to charitable causes. However, the need to reach these donors is constantly complicated by the need for nonprofits to improve efficiencies and reduce costs.

Reducing costs and practicing good stewardship becomes even more important for nonprofits in periods of unstable economic conditions. Not only are nonprofits needing to do more with what they have, donors are also wanting to work with nonprofits who are known for their financial integrity. Donors want to know that their donations are going to the cause they support, not to satisfy increased operational costs.

Some of the highest costs for nonprofits are incurred in the area of donations processing. An integral part of any organization's value chain, donations processing is the lifeblood of a nonprofit's operations. As monies come in from donors, it is essential to process this information quickly and accurately. Unfortunately, many of today's nonprofits are still powering their donations processing with outdated legacy systems. These systems lack

## From Caging to Campaigns: Reducing Costs and Driving Revenue in Today's Economy

Page 3

Today's economy has not only changed the way in which nonprofits must think about the costs of their campaigns, it has also changed the very nature of the campaigns themselves.

sufficient imaging and recognition capabilities, requiring staff to process donations manually. This manual processing of donations and other donor correspondence leads to overall inefficiencies in the organization, increased potential for errors, decreased turnaround times for funds availability and higher overall costs. Due to time and resource constraints, many nonprofits also elect to capture less donor information, leaving valuable information on the table. This has a direct effect on the quality of donor management and the effectiveness of future marketing campaigns.

Also, nonprofits are often met with the challenge of high costs related to their direct marketing campaigns. According to the March/April 2008 edition of *Nonprofit World*, up to 30 percent of a printing job can be made up of paper costs. Current market conditions are causing increases in this cost, and with the push to become more environmentally conscious by using eco-friendly paper, many nonprofits are finding these costs to be even higher. Postage costs are also on the rise. First-Class postal rates have increased every year since 2005, with the trend sure to continue.

Direct marketing through paper media is not the only area of campaigns that are seeing increased costs. Today's campaigns require nonprofits to utilize multiple resources to handle varied marketing channels, including outbound e-mail and the emerging trend of SMS/text messaging. Although these multichannel marketing campaigns often prove successful, many nonprofits lack either the efficiencies of skill or scale to make them profitable. Current staff simply may not possess the know-how or bandwidth to make these campaigns work, and in difficult financial times, nonprofits are often met with the inability to increase staff. In fact, it is more likely that reductions in staff will occur. Outsourcing to a provider with both the economies of skill and scale to launch these campaigns is, therefore, a viable option.

Today's economy has not only changed the way in which nonprofits must think about the costs of their campaigns, it has also changed the very nature of the campaigns themselves. According to research conducted by a leading direct marketing firm, tough economic times make for shorter, but quicker, campaigns. When times are difficult, donors are more likely to respond to campaigns on an emotional level, within the first few weeks. Therefore, campaigns must produce an instant, emotional response within their donors and break through the clutter of the many campaigns coming to a donor's mailbox or e-mail inbox.

### **The Solution: A Three-part Approach**

All of these issues directly affect a nonprofit's value chain and make it difficult to succeed in today's changing economy. However, by thinking differently about your organization's caging, data management and campaigns, you can successfully take on the issues that you face in evolving, uncertain times.

Today's technologies allow nonprofits not only to get funds into the bank as quickly as possible, but also to gather vital demographic information from their donors.



### **1. Caging: An Investment in Information Gathering**

Today's donations processing has come a long way from the traditional caging tasks of receiving contributions, processing donor mail and depositing contributions to an organization's account. Today's technologies allow nonprofits not only to get funds into the bank as quickly as possible, but also to gather vital demographic information from their donors.

By using automated donations processing, nonprofits are now able to leverage best-in-the-industry technology to capture comprehensive information from their donors. This allows you to accelerate donation posting, eliminate manual keying of donor information and feed donor and donation information directly into your system. With donation posting occurring more quickly, you have greater funds availability and reduced processing costs due to a decrease in the manual processing of funds.

Also, using data capture services to automate the caging process enables you to manage, archive and distribute priceless donor information in ways that allow for easy integration of the data. By detecting and recognizing handwriting, check boxes (mark sense), legal and courtesy amounts, codes and SKUs, and scanlines and bar codes, your nonprofit can capture valuable data that can be used across your organization. Departments can easily and effectively utilize the data to create tailored marketing messages, perform advanced donor service and fulfill premiums faster.

Although today's technologies allow nonprofits to perform these functions, many lack the resources in-house. Adding the infrastructure necessary to provide these capabilities is very costly, and hiring and training the staff to perform these functions is often not feasible. Therefore, many nonprofits are finding that partnering with third-party outsourcing providers and leveraging their technology expertise and economies of scale is a more cost-effective solution.

Strong data management serves as the backbone of an organization's marketing efforts.

When selecting a caging agent, ask yourself some key questions: Is data capture a core part of the provider's business? Does the provider have experience with modern technologies? Is the technology offered open and flexible? Does the provider offer automated solutions for managing exceptions? If you can answer "yes" to these questions, your third-party provider will allow you to utilize your data effectively and reap the full benefit of today's caging technologies.

### **2. Data Management and Direct Marketing: Connecting Your Data**

In order to utilize data effectively, you must have proper data management. A well-crafted appeal based upon information collected directly from donors will have no effect if sent to an incorrect address, and it is a waste of nonprofit dollars. Therefore, it is essential for an organization to possess strong data management, which serves as the backbone of an organization's marketing efforts.

Full-service, computerized list processing services allow nonprofits to validate every name on their donor lists, helping to ensure that their appeals are reaching the right people. Robust data management means you can perform crucial address hygiene on your donor lists, including merge/purge functions and lapsed donor recognition. Also, today's data management and direct marketing solutions give you the ability to perform e-mail appends to connect the e-mail addresses of your current donors with information you already have on file.

Proper data management also enables you to perform careful segmentation of your donors and easily research donor history. Different donors respond to campaigns differently, and knowing the proper donor demographic is critical to a successful campaign. A March 2008 study titled *The Wired Wealthy: Using the Internet to Connect With Your Middle and Major Donors* focused on the distinct nature of three donor groups – Relationship Seekers, Casual Connectors and All Business donors. Individuals in each group were seen to possess unique characteristics, with the desire to connect with a nonprofit greatest among Relationship Seekers. Effective segmentation of donors allows you to see these distinctions clearly and craft campaigns that will resonate with each group. Also, predictive decision-making tools such as analytical and modeling services can give you an invaluable edge in taking your customer acquisition services to the next level. Seeking an alternative sourcing provider allows you to perform these functions in cost-effective ways, without hiring additional staff or purchasing costly equipment.

When choosing a data management provider, it is important to look for an alternative sourcing solution that can provide custom reports and external organization data, and that has a licensee relationship with the U.S. Postal Service. Using custom reports allows you to easily track how successfully your efforts are segmented and populate funds at your

“Today’s donors are more sophisticated and better educated than ever before. Mass mailings are not only impersonal; they’re no longer effective or even appropriate.”

### David Riley

Senior associate of Institutional Advancement for a nonsectarian international service committee

discretion. Choosing a provider that partners with the USPS and other organizations allows you to save money on postage and printing, get mail processed and delivered faster, and increase response rates. Outsourcing with such a provider also makes it easier to keep abreast of updates to postal regulations and government policies, which can save you time and money when mailing out campaigns. When you partner with a third-party provider to handle these details, the provider can worry about them so you don't have to.

### 3. Campaigns: The Personalized Approach

Unfortunately, despite performing proper list hygiene with your donor files, your appeal can still fail if the right message is not presented to the potential or current donor. Although the segmentation of donors into distinct groups can be an effective tool in crafting messages that reflect the needs of these diverse groups, sending out broad campaigns still does not take into account the importance of appeals that are crafted specifically to the individual donor. Although this technique may seem daunting at first, it is easily accomplished if you have the right data capture tools and data management systems to perform these tasks correctly.

When you capture essential data from your donors during the caging and transaction process, you receive valuable information related specifically to that donor. Through proper data management, you are then able to store the information in relational databases that provide access to a powerful source for analysis and marketing. In order to gain the greatest ROI on this data, you must leverage this donor-specific data through personalized, targeted campaigns.

Many of today's nonprofits are seeing the need for these types of campaigns as impersonal appeals lose their effectiveness from a cost and response standpoint. As David Riley, senior associate of Institutional Advancement for a nonsectarian international service committee, wrote in the July/August 2008 edition of *Nonprofit World*, “Today's donors are more sophisticated and better educated than ever before. Mass mailings are not only impersonal; they're no longer effective or even appropriate. People don't mind ongoing communication – they just want it to be personal and relevant.”

Personalized, relevant campaigns are easily created through today's on-demand technologies. Also, on-demand environments allow organizations to produce materials quickly. In an uncertain world where natural disasters strike all too often and business fluctuations occur frequently, nonprofits must be ready to send out appeals on the turn of a dime. On-demand technology lets you accomplish this goal, while at the same time cuts your costs as the need to keep an inventory of stock is no longer necessary. Also, flexible on-demand systems require less programming and development, saving you from these costly resource expenses.

## From Caging to Campaigns: Reducing Costs and Driving Revenue in Today's Economy

Page 7

Using integrated, customized on-demand applications to create personalized materials increases an appeal's effectiveness (especially with mid-level Relationship Seeker donors). Andrew Seibert, president of SmartMoney, has stated from experience that personalized communications are three times more likely to cause action than traditional forms. By using personalized data that has been captured through the caging process and managed with robust database tools, you can create targeted appeals that include such techniques as a donor's name within an image in direct mail, a personalized URL that directs a donor to his or her personal donation Web page and/or a personalized, year-end statement of donations received that includes full-color, 100 percent variable graphics based on donor demographics and lifestyle segmentations.

When choosing an on-demand provider, look for robust, award-winning solutions, a provider's ability to handle variable data, top-of-the-line printing, content distribution systems, and a provider that has established strong partnerships with leaders in the printing industry.

### Conclusion

Although today's economy brings numerous challenges to nonprofits, you can strengthen your value chain by leveraging the economies of skill and scale present in industry-leading caging, direct marketing and on-demand technology providers. As each part of the value chain leads into and complements the next, you will see deeper relationships, increased revenue and reduced costs for your organization, leading to more monies going into your charitable cause.



**Malcolm Netburn**

Chairman and CEO  
CDS Global

515.246.6802  
mnetburn@cds-global.com



**Nancy Gessmann**

Senior Vice President, Enterprise Solutions  
CDS Global

515.471.5678  
ngessmann@cds-global.com

*CDS Global is a leading provider of outsourced business solutions to publishers, nonprofits, financial institutions, municipalities, utilities and direct marketers.*