

INTEGRATED MARKETING
VIRTUAL CONFERENCE
FOR NON-PROFITS



**The Budgeting Balance:
How Should Your Nonprofit Save and
Spend Its Next Dollars?**

January 30, 2014 | 3:00-4:00pm Eastern

Thank you to our sponsors:





Mike Vcelik
Senior Director Annual Giving
Boys Town



SPEAKER

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Maintain and Grow Your Budget

- Communicate, Educate and Explain Budget
- Budget Strategy – ROI Standpoint
- Measurements and Benchmarks
- Testing and Incremental Improvements
- Long Term Value – Perspective – Consequences

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What is Finance Thinking?

- Available Capital
- Cost Containment - Reduction
- Degree of financial risks and impact
- Restricted or unrestricted revenue
- Alternative spending options

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Development Alternatives

Different Channels

Internet/Web

Telemarketing

TV

New Audiences

Hispanic

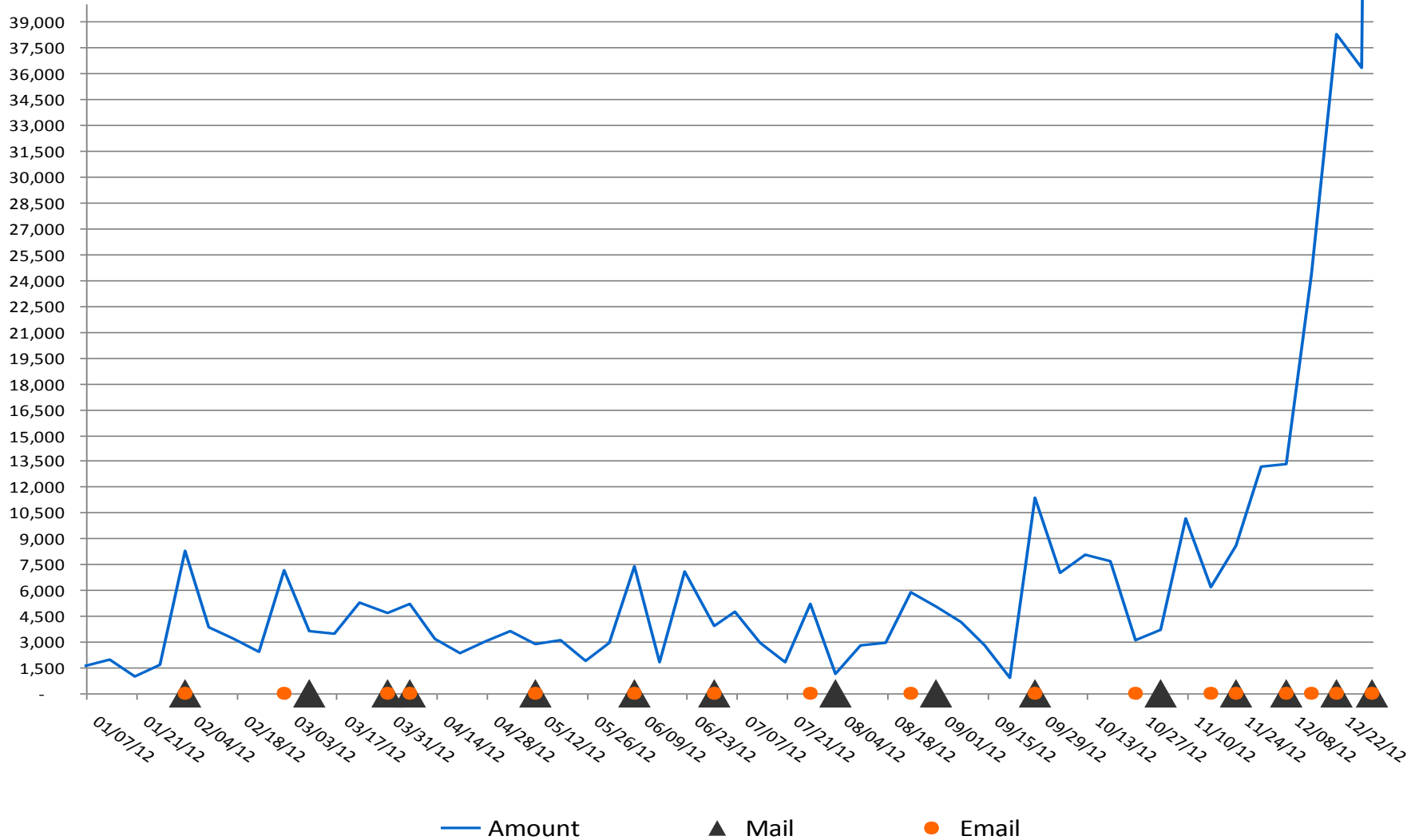
Younger Donors

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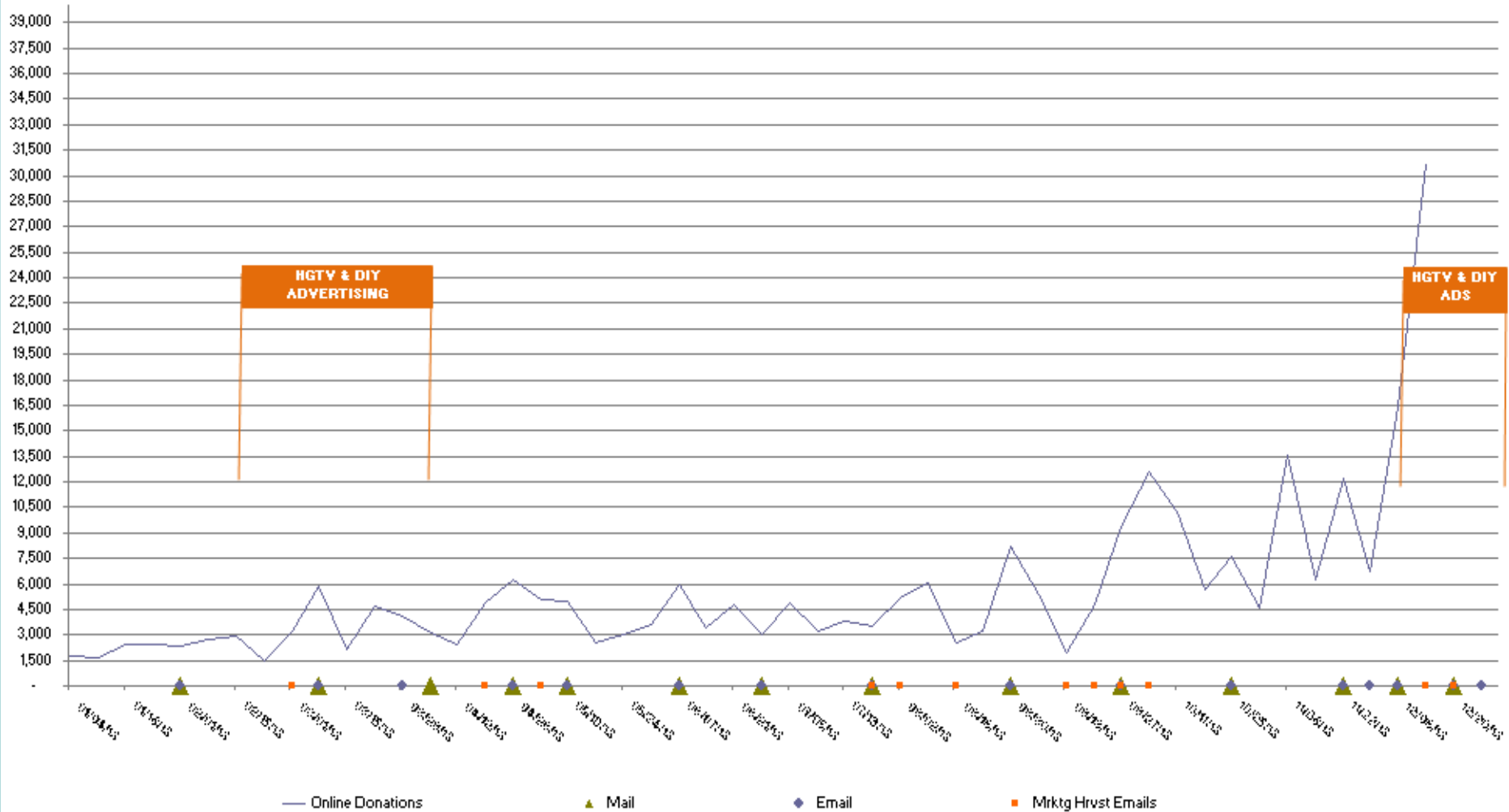
2012 Web Donations

2012 Weekly Online Donations Compared



2013 Web Donations

2013 Weekly Online Donations Compared to Mail & Email



What is Finance Looking For?

- History of success and credibility
- Capacity and ability to execute plan
- Knowledge of the business and numbers
- Clear payback plan and dates
- External validation of assumptions

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Your Responsibility: Build Trust and Confidence

- Know your internal audience
- Define and repeat same benchmarks and metrics
- Be consistent in you benchmarks and presentations
- Provide tangible/visual analogies

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Assign Values to Revenue Generation

- 50% - Mail on Schedule
- 25% - Database/List Selection
- 15% - Designs/Graphics/Size of Package
- 10% - Copy/Content

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Effective Analogies - Examples

- Capital Investment
- Bond Investment
- Investment Return
- Three Legged Stool – Income Stream
- Bequest Example
- Younger Donor

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Boys Town Donor Profile

- 70.1% of donors are age 70 or older.
- Donor file is 63.4% known females and 35.2% known males.
- 49.1% of donors are married, 91.3% of donors have no children present in the household. (children defined as anyone 0-18 years of age)
- Donors have a widespread net worth; 53.3% of donors have a net worth in the range of \$300,000 to \$1,499,999.
- 71.8% of donors have made a catalog purchase in the last 12 Months; 58% of donor purchasing from 10 or more catalog participants.

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File Breakout

Renewal, Lapsed and New Donors

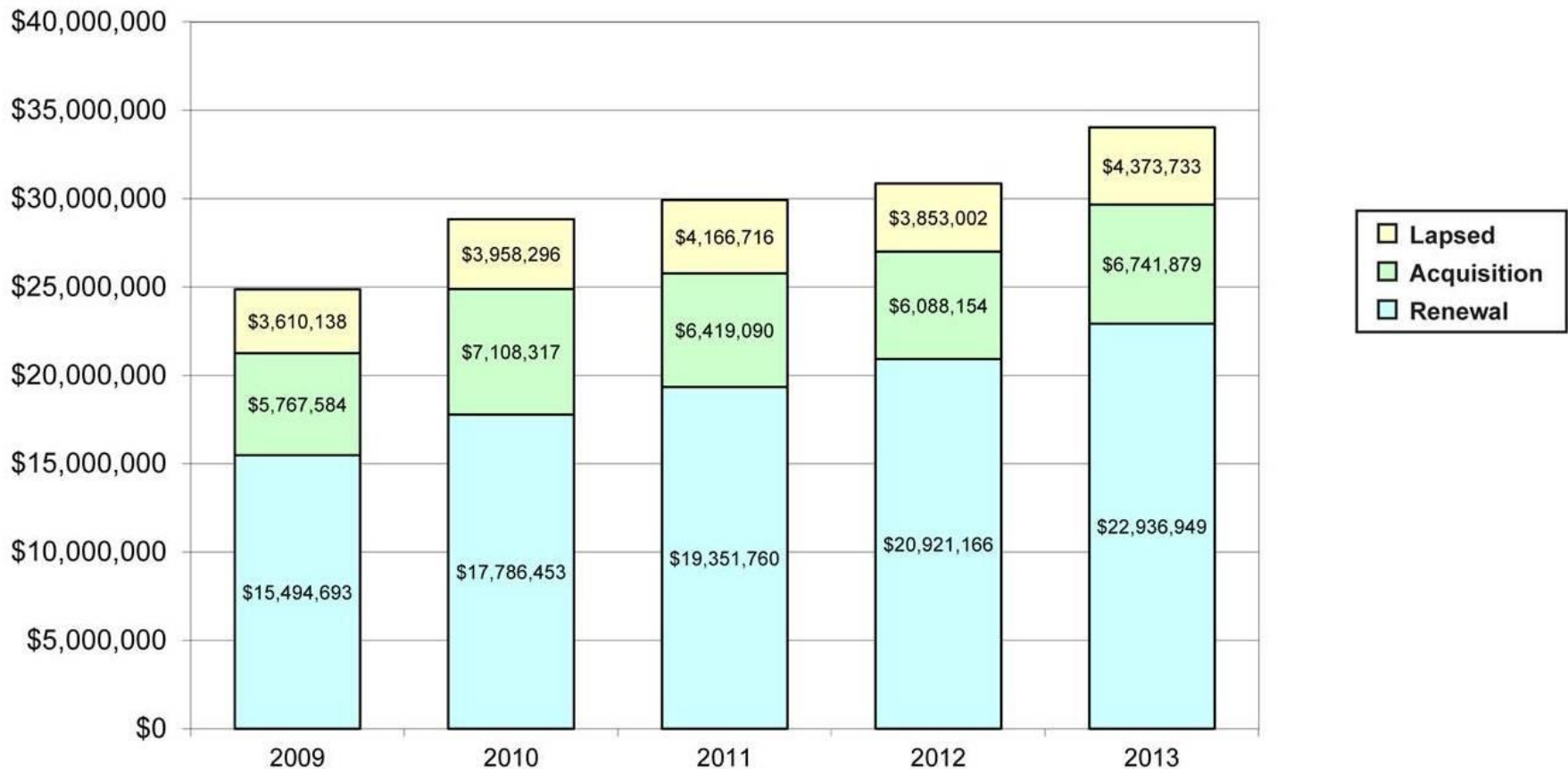
Number of Donors by Category



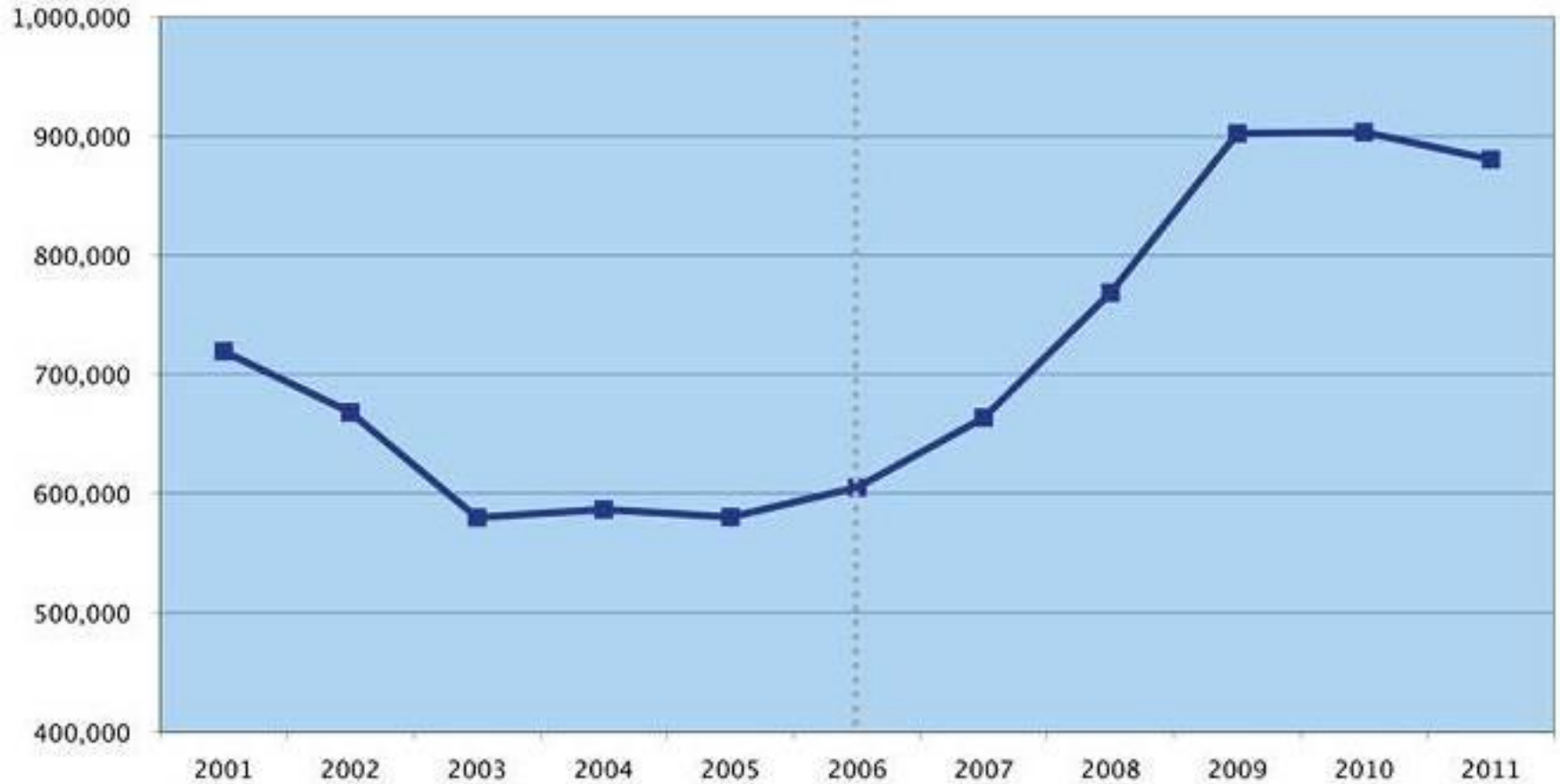
Revenue Breakout

Renewal, Lapsed and New Donors

Revenue by Donor Category



Active Donor File Size Breakout



2011 Acquisition

Projected Net Profit (2011 – 2018)

<u>Year</u>	<u>Prospect/ Donors</u>	<u>Total Mailing Expense</u>	<u>Response/ Retention Rate</u>	<u>Active Donors</u>	<u>List Income</u>	<u>Total Revenue</u>	<u>Annual Net</u>	<u>Cumulative Net</u>
2011	12,666,333	\$8,993,096	2.06%	260,926	\$62,622	\$6,553,011	(\$2,440,085)	(\$2,440,085)
2012	260,926	\$2,030,008	32.79%	85,558	\$187,867	\$3,100,067	\$1,070,059	(\$1,370,026)
2013	85,558	\$568,959	90.00%	77,002	\$61,602	\$3,594,308	\$3,025,348	\$1,655,322
2014	77,002	\$524,865	87.00%	66,992	\$55,441	\$3,190,365	\$2,665,500	\$4,320,822
2015	66,992	\$468,048	87.00%	58,283	\$48,234	\$2,830,165	\$2,362,117	\$6,682,939
2016	58,283	\$417,382	87.00%	50,706	\$41,964	\$2,510,649	\$2,093,267	\$8,776,206
2017	50,706	\$372,200	87.00%	44,114	\$36,508	\$2,227,220	\$1,855,019	\$10,631,225
2018	44,114	\$331,910	87.00%	38,379	\$31,762	\$1,975,800	\$1,643,890	\$12,275,115



Transition focus of the conversation from

Cost to Raise a Dollar

to...

Response Rates and Net Profit

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Non-Premium vs. Premium Package

	Non-Premium Control	Premium Package
Response Rate	4.00%	9.15%
Average Gift	\$16.42	\$15.68
Cost to Raise a Dollar	\$0.48	\$0.34
Net Revenue Per Donor	\$0.34	\$0.94



Incremental Testing

	Control	Notepad	Labels	Labels & Notepad
Response Rate	4.71%	5.12%	5.86%	6.09%
Average Gift	\$22.30	\$23.77	\$23.47	\$21.74
Cost to Raise a Dollar	\$0.24	\$0.26	\$0.21	\$0.26
Net Revenue Per Donor	\$0.80	\$0.90	\$1.09	\$0.98

Acquisition List Management

Typical list buy will consist of 80 to 110 lists (20 of which will be tests)

List Breakout

55% to 65% Exchange

20% to 30% Rental

5% to 15% Partial Exchange/Rental

Each list is rated based on ROI (60% initial performance – 40% subsequent performance)

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Second Year Donor Performance

Year Acquired	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Average First Gift	\$13.39	\$12.60	\$11.80	\$12.51	\$13.06	\$13.23	\$12.97	\$15.21	\$16.78	\$18.04	\$18.68	\$19.51
Average Gift 2 nd Year	\$14.70	\$14.59	\$13.77	\$14.77	\$14.87	\$14.68	\$15.06	\$16.45	\$16.88	\$17.88	\$19.22	\$18.34
Percentage Change	10%	16%	17%	18%	14%	11%	16%	8%	1%	-1%	3%	-6%
Average Number of Gifts	1.59	1.55	1.51	1.59	1.64	1.65	1.65	1.71	1.67	1.65	1.68	1.80

Contribution amount changes from the first to the second year increased from a high of 18% in 2003 to a low of -6% in 2011. The small percentage increases beginning in 2007 and continuing through 2011 may be due to the economic downturn that began in 2007. The increase in average that began in 2007 seems to have had an effect also.

The average number of contributions in the second year averaged over 1.65 for donors acquired from 2004 through 2010 but increased in 2011.

Overall, those donors who are continuing to contribute are upgrading their gifts and giving a relatively high number of contributions per year, on average. We believe this is due to the variety of package formats the donor now receives, and that the names mailed in acquisition campaigns are over 95% from contributor files. We know these two elements increase donor value.



Renewal Appeal Quantity Selection

- Arrange donors in dollar segments based on length on file
- Breakdown those dollar segments by number of lifetime gifts 1 – 2 – 3 – 4 – 5 – 6+
- Each segment should be calculated to reflect Net Profit per Piece and Cost to Raise a Dollar

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Renewal Appeal Quantity Selection

Review each donor segment based on ROI with alternate opportunity costs in mind.

Assume Acquisition Metrics

Net Profit/Loss per Piece - (\$0.19)

Cost to Raise a Dollar - \$1.42

Next slide compares current 12 month \$20 donors listed by number of gifts and the 48 month lapsed \$20 donors by the number of gifts.

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Establishing Next Year's Mail Quantity with Acquisition Metrics of: Net Profit/Loss (\$0.19) and CTRAD \$1.42

Number of Gifts	Current Donors			4 Year Lapsed		
	Rate	Net Profit	CTRAD	Rate	Net Profit	CTRAD
1	3.06%	\$ 0.370	\$ 0.46	0.72%	\$ (0.152)	\$ 1.93
2	5.48%	\$ 0.902	\$ 0.26	1.29%	\$ (0.016)	\$ 1.05
3	7.90%	\$ 1.429	\$ 0.18	1.70%	\$ 0.064	\$ 0.83
4	10.20%	\$ 1.971	\$ 0.14	1.97%	\$ 0.155	\$ 0.67
5	11.33%	\$ 2.267	\$ 0.12	2.65%	\$ 0.192	\$ 0.62
6+	21.32%	\$ 4.438	\$ 0.07	2.25%	\$ 0.257	\$ 0.55

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Key Take Aways

- Let Results Drive Your Decisions
- Target Your Message to Your Audience
- Present Consistent Format, Measurements and Historical Data to Make Your Case
- Transition Focus to Revenue and Net Profit from Expenses.

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Q&A

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