

NON-PROFIT *Know-How*

11 pointers on what it costs to raise a dollar

Fundraising on the Internet — which costs next to nothing compared with “snail mail” — seems at first glance to be the answer to a nonprofit’s prayers. Simple arithmetic says that online appeals must deliver contributions at a phenomenally high Return On Investment. Wheel!

Not so fast, writes famous nonprofit consultant Mal Warwick.

First, to put the cost-per-dollar-raised issue in context, look at the figures reported by James M. Greenfield, a veteran fundraiser for Newport Beach’s Hoag Memorial Hospital and author of the scrupulously researched, fact-crammed book, “Fundraising Cost Effectiveness”:

- Acquisition Mailings, Greenfield writes, on average cost \$1 to \$1.25 to raise a dollar from a new donor.

Remind your bosses, gently, that most acquisition mailings either lose money or, with luck, break even. Their function is to form relationships with potential long-term contributors, not to turn a profit right away.

- Special Events such as benefit get-togethers cost 50¢ for every dollar they raise — without taking into account the considerable cost of the labor that goes into them.
- Planned Giving promotions cost at least 25¢ for every \$1 they raise.
Such programs take a long time to deliver donations (so demand “a lot of patience,” Greenfield observes). They are not designed to satisfy immediate funding needs.
- Corporate and Foundation Grants typically cost only 20¢ per dollar raised, but also take time and trouble to cultivate, as do Capital and Major-Gift programs, which may be worth the effort, since they cost only 5¢ to 10¢ to bring in \$1.
- Direct Mailings to previously acquired individual donors usually cost 20¢ for every dollar they raise.

Such ongoing donor-cultivation mailings

produce the most cost-effective income for most nonprofits.

- All told, Greenfield writes, U.S. nonprofits invest an average of 20¢ to raise every \$1 in contributions.

Would it not be more profitable to raise funds online, thus spending less per dollar raised? All things being equal, that sounds like a slam dunk. However, observes justly noted consultant Mal Warwick, who operates out of Berkeley, California, all things are not equal:

- “Most nonprofit organizations that are now soliciting funds via the World Wide Web are experiencing only modest results, at best,” Warwick writes.
- While the Web’s per-message cost “is vanishingly small,” he notes, “very few organizations possess E-mail addresses for more than a small fraction of their donors — and, once they try soliciting them online, they soon discover that a lot of them have no desire to be asked for gifts by E-mail.”
- When it comes to donor acquisition, the revered Warwick observes, “no sensible fundraiser solicits contributions online.”

The reason, Warwick observes, is that “On the Internet, fundraising is a two-step process.

“In step one, we attract prospects with some sort of ‘offer’ — perhaps a free book or calendar or some other incentive. Then, and only then, might we solicit gifts from them.

“To evaluate the cost of attracting those gifts, we have to take into account the costs entailed in both steps. Together, they might be very considerable — and very possibly more than \$1.50 per dollar raised.”

- “More to the point,” Warwick adds, “this method only works for a small minority of prospects. These days, much larger numbers are more susceptible to appeals by mail.”



“Direct mail far outstrips online in terms of money raised.”

— *The Agitator*

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