

Case Study

American Red Cross Chapters Tap StrategicOne for a Donor-Centered Approach to Direct Marketing

With StrategicOne, chapters experience a 33% lift in response rate and nearly a 12% increase in ROI

Situation

On average, direct marketing income for many American Red Cross chapters accounts for 25 percent of the overall public support revenue. With the fundraising environment fluctuating so dramatically during and after major disasters; postage and printing costs on the rise; and the need to be donor focused, local Red Cross chapters are looking to transform their direct marketing strategies to adjust to the ever changing environment.

It is time to take a look at an alternative to the traditional means of direct marketing and find a solution allowing the use of data analytics to “mail smarter.”



**American
Red Cross**

“I wanted a donor selection strategy that minimizes mail quantities while maximizing ROI and net revenue,”

Stated Nancy Kindelan, CEO for the Greater Long Beach Chapter, one of the dozen chapters utilizing StrategicOne's Services.

Communicating with donors in a means most appropriate for the donor has long been utilized in major gift fundraising. But, the questions remained, how can the Red Cross communicate to the thousands of direct mail donors using the most appropriate method, at the best time and with the right message all while increasing donor loyalty and ROI.

The Red Cross Chapters turned to StrategicOne for the answers.

Strategy

In order to accomplish this goal, chapters need to move away from a campaign-focused view of direct marketing to a donor-centered view. This new view emphasizes analyzing the value of donors on a variety of levels to determine which donors to engage with which themes at which time and through which solicitation channel.

For the American Red Cross chapters, StrategicOne has developed a predictive modeling approach known as Analytically Based Campaigning (ABC). The model uses prior donor behavior in combination with demographic and attitudinal data to identify the most promising donors for marketing campaigns. Correspondingly, it also identifies those segments of the donor database most likely to be non-responsive. This not only improves efficiency, but minimizes the biggest problem facing nonprofits today: donor fatigue.

One by one, donors are screened through the model each month to determine whether or not they should receive that month's specific mail package. This determination is made by using five donor history variables and two demographic variables in order to predict response. StrategicOne weighs the variables for each chapter, making the model specific to each chapter's jurisdiction. When combined, the sum of all the variables produces a score for each donor. That score indicates whether or not to mail a donor.

With the new predictive modeling approach each donor is selected for a specific campaign based upon their predictability to return an acceptable ROI.

The Results

The combined results for two months of mailings shows a **33% lift in chapters' donor renewal response rate**. The traditional method of mailing (RFM) had a 4.82% response rate for two months of mailings while the model methodology (ABC) experienced a 6.42% response rate.

There is also a significant difference in ROI between the ABC mailing and the RFM mailing. The ABC group has nearly a **12% increase (or \$0.22 per donor) higher ROI** than the RFM group (\$2.13 vs. \$1.91).

On average, the model is recommending a mail segment half the size of the traditional RFM mail segment.

By using data analytics, StrategicOne is able to develop a model for the Red Cross chapters, which resulted in an increased ROI and a targeted mail approach that coincides with donors' behavior. Although the long-term results are still to be realized, StrategicOne believes using the ABC approach to mailing will result in higher Red Cross donor loyalty and a decrease in database churn.

The ABC approach to mailing is now the new strategic direction for Red Cross chapters' direct marketing program. For more information on the American Red Cross modeling program, please call Lynn Howes with StrategicOne at 714-290-0001.