

# Brilliant on the Basics Newsletter

Volume 1  
Number 13  
October, 1998

A Project of  
The Station Resource Group

Written by  
Mark Fuerst, Public Radio Management, Inc.

## Using the Power of Collective Action to Improve Direct Mail: A Public Television Direct Mail Co-op

If you have been following the discussion in these newsletters, you know that the BoB Project started with a focus on *renewals*. Eighteen stations meeting in May/June, 1997, decided to improve their ability to keep members on the file, especially in the first renewal year.

Initially, there was a sense of

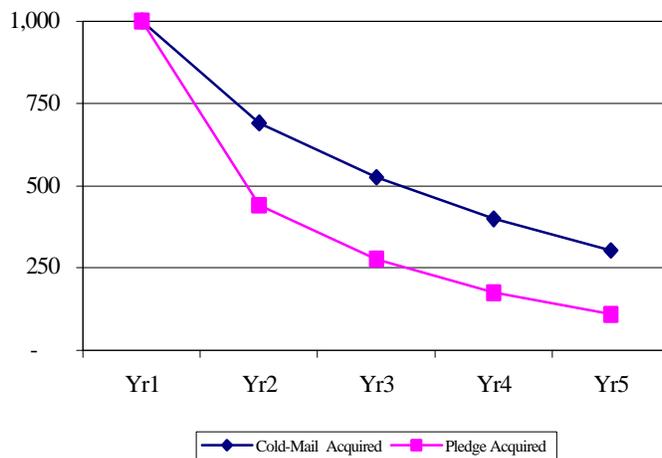
confidence that the key to improved renewals might be a stronger message, a sharper offer, or perhaps better menu of members services.

But in November, 1997, when the group really got down to business, something unexpected came to our attention. A technique called "Revenue Source Analysis," created by the Target Analysis Group, showed that *the way members are recruited has a powerful influence on their propensity to renew*.

Members who join through direct mail campaigns are noticeably more "renewable" than donors who come through pledge drives.

The graph at the left illustrates this point. It shows what happens to two "classes" of 1000 average public radio members, one recruited through pledge, and the other recruited through mail. After five years, the group originally recruited through the mail is three times larger than the pledge-recruited group.

**Long-Term Member Retention  
Based on Source**



Brilliant on the Basics is financed by participating SRG Licensees  
with support from the Radio Future Fund at  
The Corporation for Public Broadcasting

Once confronted with this information, most of the stations in the BoB project revised their thinking about renewals. At the same time, BoB stations began to re-think the indicators they used to measure long-term success. They started planning to reduce their dependence upon on-air pledge drives, and make a transition to a multi-faceted approach to membership recruitment and renewal, aimed at building the station file and enhancing the life-time value of the members.

One key to this transition is mastering new forms of member recruitment. Pledge drives still play the largest role, but drives are supplemented by two mailing techniques: (a) "acquisition mail" sent to outside mailing lists rented from list brokers or traded with NPO's; and (b) "re-join mailings" to the thousands of lapsed donors who have been collected by the station itself in prior years.

While there is near-unanimous agreement within the BoB group that these mailing strategies will improve membership-revenue performance, there is less agreement about how the strategies can be implemented. Should each station create custom-designed mail packages? Does each membership department need to develop a whole new set of skills that would include identification of good outside mailing lists and analysis of their results?

Or does it make more sense to work collectively, sharing costs and information through some kind of centralized mail-shop? The same

question is coming up in a number of developed fields.

BoB members will discuss this question at their upcoming meeting, scheduled for November 5 and 6 in Washington, D. C. In preparation for that meeting, I contacted Dick McPherson, who runs a "direct mail co-op" for eleven public television operations. On behalf of the BoB stations, I asked Dick to lay out the case for collective action in this rapidly emerging area. On the following pages, you can read his answers.

He makes a compelling case for a group effort, although Dick concedes that "the benefits of the a mailing co-op come on the revenue side, rather than the cost side."

Having made the decision to increase their direct mail activity in FY99, the BoB members will now be looking for the best way to make direct mail acquisition an efficient and effective tool in the "membership toolbox" for mid-to-large public radio stations.

## Collective Action: The PTV Direct Mail Co-op An Interview with Dick McPherson,

*MARK FUERST: Dick, you spoke to the BoB group in May, and at that time, you mentioned that you were coordinating a “direct mail co-op” for some public TV stations. How did your co-op develop? How many stations did you start with?*

*DICK MCPHERSON: We started with four stations. They were clients, so we were already involved with them. At first, we limited membership to just four stations. Later, we limited the growth of the coop, out of fear that work would become overwhelming and the service would become ragged. By the second and third year, we started searching for a few more stations.*

*How many stations do you have?*

*We have eleven members, some of which run several stations. One member—Infinite OutSource in Tampa—services 10 stations.*

*And what services do you offer?*

*First, we work with members on overall membership program planning. We help the stations establish their annual goals. We look at what level of growth they’re hoping for,*

*and we help them develop targets that we think are reasonable in all aspects of membership. This means setting goals for direct mail, renewals, telemarketing and pledge drives.*

*Once we set the overall goals, we help stations determine what level of direct mail—lapsed mail and acquisition mail—will be needed to meet those targets. In determining the right level of mail, we have to consider how many good lists are actually out there and how much the station wants to pay for acquisition mail.*

*Once we establish the quantities of mail that will be required, then we develop a schedule to determine when things should*

**Station participating in the PTV  
direct mail Co-op,  
coordinated by  
McPherson Associates, Inc.**

- Florida Public Broadcasting Development Consortium (a/k/a/ Infinite Outsource), Tampa
- Georgia Public Broadcasting, Atlanta
- Greater Dayton Public Television
- KAET-TV, Phoenix
- WEDU-TV, Tampa
- WGBH TV and FM, Boston
- WGBY-TV, Springfield, MA
- WHYI-TV and FM, Philadelphia
- Wisconsin Public Television
- WMFE TV, Orlando
- WTSV-TV, Chicago
- WVIZ-TV

happen. We need to consider the relationship between on-air and off-air activity. Sometimes the timetable will be driven by special activities--opening a new building, or other things like that. Sometimes it's driven by the availability of good lists.

*When I talk with members of the BoB Project, they say, "Well we're already doing this stuff by ourselves." They ask me, "What are the real advantages to working through a co-op?"*

One key benefit is the quality and price of mailing lists. Not only do stations save money by purchasing lists in bulk, but they often get *better* lists. Many lists are only available in large quantities or there are special selections that you can only get if you order large quantities.

On the question of price: you've got to remember that this is a business. Mailing list owners are trying to maximize their revenue from renting their list. This is true even with "nice non-profits" like The Smithsonian or the National Organization for Women. The people who control their mailing lists want to make money--that's their job. But if you come into the negotiation with strength and volume, you can often get the list seller to remove some of the fees they would charge for minimum quantities.

*Let me connect that to the comments I got from Catherine Servl-Harvenko, who runs the direct mail program for Minnesota Public Radio... I asked her "what's the single most important thing*

*in acquisition mail? She said: "The list. A good package sent to a bad list will always do poorly, but a so-so package sent to a good list may do okay."*

I completely agree. List is king.

Think of it from a broadcast perspective. If you have a classical music station, but you could only broadcast to people who don't like classical music, you're not going to have much of an audience, no matter how good your programming is. On the other hand, I've heard some impressive examples where a station made a terrible mistakes in a mail package—they forgot to put in the letter and only included the reply device. But they mailed to a good list, and it didn't do that poorly.

*So let me go over this again, because it seems like such an important point: The co-op gives stations an advantage in several key areas: availability of lists, the price of the list, the ease of use of lists, and avoiding some restrictions or special fees, right? And, you feel, this provides an advantage even for large stations. What makes this so important is the fact that lists are the single most important factor in the success of acquisition mail. Am I getting this right?*

Absolutely right. Lists are the most important factor direct mail and getting good lists is the one area where you are least likely to achieve savings, if you do it by yourself. Most stations can find a good local printer who's willing to trade some of the cost. Stations can take bids to cut cost in other areas. But when it comes to negotiating with the people who represent Smithsonian Magazine, or the National

Organization for Women or Metropolitan Opera subscriber lists—an individual station has little or no leverage.

Acting as a group, we can do other things that no single station can do, such as developing response models and identifying chronic non-responders who can be eliminated during the merge-purge stage of the mailing. This kind of activity is either too costly or too time-consuming for single stations to take on. David Liroff (VP and Station Manager of WGBH-TV) often says that we're the R&D department. What he's referring to is the fact that he co-op has the capacity to test things that no single station could test.

Now the third advantage of a co-op is described right on the front page of *Current*. I just read the article on MemberShop, and in that article there's a discussion with Joanna Antes (President of Infinite OutSource, Tampa, FL). What Joanna points out is: When you improve membership practices, you may not save money, but you can increase your return. In fact, for many station better practices cost more. But you get a better return.

By doing certain mailings through our coop, stations see significant increases in their revenues. You can see that in the results produced by Infinite Outsource (IOS). So far, IOS has seen response improvements ranging from 25% to 100% in acquisition mail, additional gift mail, and sometimes both. IOS stations do not save money, but they're getting a better return. Don't come into our co-op like this expecting

to see your *costs* go down substantially. The cost of mailing through the co-op are about the same as you'd get from a lot of other direct mail operations. But we help you get more revenue from that same level of spending.

And the co-op works in other ways that are hard to quantify:

Once the co-op starts working on a project, it expands the capacity of the station staff. Let me give you an example: Many PTV stations want to target families with young children. That's an important audience for them. If a station in Cleveland wants to create a campaign aimed at families, we can get permission from the Arthur creators to get the rights to Arthur material and artwork. If just one station tries to call Mark Brown (the creator of Arthur), they might have trouble getting his attention. A group of stations making the same request has more impact. [See the Arthur materials, attached]. Then, we do the research. We get information on how many target households there are in the market and what mailing lists might reach them. Staff at the station can continue to take care of their other business, while we put this together.

Next, stations that do acquisition mail on their own have trouble testing. Because of this, their programs tend to build quite slowly. By contract, stations that build their programs through a co-op seem to build their programs more quickly. Even in the area of analysis, many station's don't have the time to do the kind of analysis they would really like to do. For example, we study of list performance. For one of our stations, we found that

some lists didn't perform well at a certain time of the year. We recommended that they move the mailing by 60 days. They did, and they made more money--without spending another dime. We could see, by comparison with other co-op members that this stations should be seeing better results.

Finally, [the co-op] frees staff to do other things--and other things that will produce additional revenue. That's a big advantage. The analogy that I use is that staff at the co-op stations become portfolio managers. [They] use the co-op to build their "holdings in young-families" or their "stock" of additional gifts". When we first interview a co-op prospect, I hear so many ideas about what stations would like to do--but they can't get to.

Now, I want to repeat that the benefits of the a mailing co-op come on the revenue side, rather than the cost side.

*When you explain these benefits, are you talking only about acquisition mail?*

And lapsed... Most of the time, we include lapsed donor (rejoin) mail within the acquisition mail program. This is an important point, because so many stations have a good-sized lapsed file. And that lapsed donor file gives the station some options, when it comes to developing a direct mail program. If the station is doing well (financially), they may want to expand their direct mail effort. But when a station is running tight—meaning that funds are scarce—they often want to reduce the

number of pieces of mail going to cold vertical prospect lists and concentrate on mailing to the *lapsed donor file*. Either way (using purchased lists or lapsed donors), you can get file growth, and stations probably should be doing both. But often, mailing to the lapsed file is more efficient. I like the way that WGBH handles this: they use a revolving fund for direct mail that funds both lapsed and acquisition mail. I think that's a good way to go, because it gives the staff a great deal of latitude to move dollars between their lapsed mail and acquisition mail, wherever they think they need to make the greatest effort to meet their targets.

*When you say "stations do their mailing through the co-op," what kind of services do you provide? Do you actually do the printing and mailing?*

Yes, we do, we prepare about 90% of all their acquisition and lapsed mail. We also develop the creative material, which is shared wherever appropriate. For example, if we develop a good additional gift mailing based on some national programming, we share that with most of the members. Almost every station follows the national PBS schedule, so they can all use that material. On the other hand, a few stations have *local* program funds. Those members need special material for their *local* program-fund appeal. And when a member has a special project, like a putting on a new transmitter, we'll do a custom creative package for that.

We designed the co-op so that co-op members share the cost of developing *core* creative materials. Members can then pay additional charges for special

enhancements. This is an important point, because the strength of a co-op can become a weakness if you don't offer custom creative work. You've got to have that.

*And how do you charge for the custom creative work?*

For the basic mailing services, members pay fees pretty much like they would pay any vendor: so much per thousand pieces. And there is also a membership fee. But there are different levels of membership fees based on how much consulting and custom work each member needs. Some members pay a relatively high fee, because they know in advance that they want a lot custom

work for, say a mid-level giving program. Another member paying mid-range fees, may want some creative work—but not a lot. A few others pay the minimum fee for the basic membership package.

When we established the co-op, one of the first things we had to settle was, "Who wanted what level of work?" Then, we designed a menu of service that was flexible, short and manageable.

*Do members pay for custom-creative work by the hour?*

No, it's included in their co-op rate, which we set at the beginning of the year. Usually, when they decide on the fee level they're going to pay, they have a pretty good idea about what they're going to

**Excuse me for asking, but...  
How much do you pay for that?**

**The average co-op member pays \$1,000-1,200 per month, with the upper-end stations paying about \$3,000/month.**

For this monthly fee, they receive the following set of services:

- Annual planning;
- Common creative service, as well as certain custom-mail work;
- Twice a year Analysis, Development and Training Meeting;
- Unlimited rights to everything in the co-op library.

Often, co-op members ask for additional consulting and creative work to customize their mail packages or develop new materials. This work is billed directly to the client-member, at 20% discount off McPherson Associates' standards charges

On top of the basic fees, co-op members pay competitive costs for lists, printing and mailing, plus a program management fee of \$17 per thousand pieces. Often, the management fee is offset by savings that accrue to members through bulk discounts or other advantages of group-buys of mailing lists.

Membership fees are billed months. Direct mail costs are billed as produced.

need and use for that year. The members get pretty good at estimating how much time their work will take and what they're willing to pay.

*Tell me more about how the co-op operates. Before you said that you helped stations develop strategic plans. Are you helping stations plan their entire renewal cycle—additional gifts, on-air, telemarketing, and so on?*

The strategic plans vary quite a bit from station to station. [But, basically] we're helping stations develop their entire plan, so we include all their membership activities, even if we may not be helping the station to execute some of those activities.

*Do they have to have their plan ready by some deadline?*

We try to hold them to a deadline, and most of them are pretty good about that. Once they've been in the coop for a while, it's part of their regular routine. But new members often need more help. We may have to spend a day or two at the station, working through the details, well in advance of when we need the plan completed.

I'll tell you: most of our clients really welcome this effort. Part of what makes the group work is sharing information. People in the co-op want to know, "What are other people doing?" They want to compare themselves to the other members and figure out what changes they might make in their own program. Sometimes these planning sessions become a small-scale assessment of their membership program.

*Hearing you talk about this makes me think of the observations I made when I was first putting the BoB Project together. I was calling stations to get their membership plans, and I found out that most of the station's didn't actually have advance plans. Most of them found advance planning to be very difficult. Do you think the discipline of the co-op encourages the stations to do more advance planning?*

I think it does. A few stations have a strong corporate culture of advance planning. That's who they are. But many of the members tell us that after joining the co-op they are planning further ahead, and their plans are more detailed. We also encourage the stations to revisit the plan several times a year so we can make adjustments.

And I think the planning is even more important when you move beyond renewal mail. Actually, renewal mailings are pretty easy to plan. Almost everybody has a set schedule and a set package. So most of the members do their renewal mailing by themselves. But when you get to additional gifts, special appeals, acquisition mailings—they require more attention. Typically, co-op members do their acquisition mail, lapsed mail and additional gift mail *through the co-op*.

For example, there are three or four kinds of additional gift appeals, including program funds, member challenges, and so forth. These special gift appeals usually drive the additional gift schedule. At any given time, the co-op will be producing a large acquisition/lapsed mailing and a couple of smaller additional gift mailings. We generally group the acquisition mail

and lapsed member mail as one effort and additional gift mailings as a second activity.

*Dick could you imagine the BoB group developing an experimental program of testing that could get some benefits to the stations by the spring of 1999?*

Yes, definitely. I think you'd want to avoid the national TV pledge weeks, but I think you could have something together in time to get some mailing done in the spring. If you got the mail out at the right time, you'd have several months (before the end of the fiscal year) in which you could measure the effect... That seems very doable to me.

*If the BoB stations were to form some kind of co-op, can you give me some idea of what what kind of problems they might expect to encounter? What problems did you encounter when you were organizing the PTV co-op?*

Once we started, we found there were a lot of issues that we really had not thought about very carefully.

For example, intellectual property rights: it's pretty easy for any station to take [i.e., steal] a package created by another station. What happens if co-op packages get used by others? How do we protect our clients? How we make sure that our clients aren't paying for other stations' mail programs?

We also faced some organizational issues that we didn't anticipate: For example, what happens when a station drops out? If a member drops out of the co-op, do they still have rights to co-op materials? And how do you

discipline a member that's not living up to our agreements?

Here's a good example: sometimes we have to [pay in advance] for the use of mailing lists. Well, our members don't want to do that, so we sign guarantees [with the list brokers] stating that we'll pay for the list within 30 days. Well, if one station doesn't send us the money to pay their part of the list cost, we run into serious problems. We have to deal with this or we'll be out of business.

We also ran into trouble starting each year. In fact, that's one of the first organizational changes we made. We found ourselves starting late every summer, dithering with contracts and bureaucracy. In the meanwhile we had mailings to plan. [To solve this problem] we decided to run the co-op like a book club. Now, *you're a member until you quit*. Each year, there's a sixty day window when stations can say "I want out." If you don't withdraw, you're in for the following year. This worked better with University licensees, because we negotiated multi-year contracts—which they can still cancel at the end of the year—but it really cut down on the red tape.