

Brilliant on the Basics Newsletter

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A Project of
The Station Resource Group

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The Best in Our Business: Direct Mail at Minnesota Public Radio

As the Future Fund started up, CPB looked around for models of fund raising success, and one name surfaced repeatedly—Minnesota Public Radio.

Everyone knew that MPR was the biggest public radio operation (when measured in dollars). Its flagship stations—KSJN-FM and KNOW-FM—had FY97 Non-Federal Support exceeding \$17 million. The senior staff ran a multi-million dollar for-profit mail order business and founded The Public Radio Music Source. Within public radio, the letters “M - P - R” meant entrepreneurship and business acumen.

That reputation is reflected in the current galaxy of national development leaders: MPR’s VP for Development and Marketing, Anne Hoveland, chairs the DEI Board. Barbara Appleby, who until last year was head of MPR Membership operations, played a critical role in the resurgence of DEI, and in planning the proposed “MemberShop.”

Less obvious to most of us was *how* MPR built its enormous member-revenue base. They did it (in part) with direct mail.

Even a year ago, as the BoB held its first

seminar, acquisition mail was still on the periphery of the development thinking. Much has changed since then. Target Analysis, interpreted by Jim Lewis, documented the power of direct mail to “build the file.” So one year later, half of the BoB stations are seeking new members through cold mail.

But who actually does this file building work for MPR? The answer can be found in this issue. **Catherine Sercl Harvanko**, working outside the spotlight of national attention, spent five years developing the MPR acquisition mail program. Now she’s sharing her expertise with the rest of public radio. Armed with a \$290,000 Future Fund Grant, Catherine and her staff are testing direct mail packages that will, in all likelihood, increase the effectiveness of public radio acquisition mail for the next half-decade.

As noted on page 3 of this issue, Catherine’s work is accessible through an MPR website. And take my advice: Check this out. The MPR material is very impressive.

All of us in the BoB Project want to thank Catherine and her colleagues for their efforts to share the excellence and expertise of Minnesota Public Radio with our group and the entire public broadcasting system.

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FUTURE FUND RADIO PROJECT SUMMARY

Project Title: Direct Mail Acquisition for Public Radio

Participants: Minnesota Public Radio

First Priority: Building and Sustaining the Subscriber Base

Brief Description: This is a multi-year project to expand MPR's direct mail member acquisition efforts and provide low cost training to other public radio stations. The project will increase the volume and effectiveness of mailings and will include thorough testing of timing, lists, copy, amounts, special offers, and package design elements. The results of testing will be readily transferable to other stations. MPR's experience with list acquisition will provide clear, up-to-date guidance for stations at many levels of direct mail proficiency. Working with the Development Exchange in its station service and clearinghouse role, MPR will help other stations learn more about direct mail membership acquisition through mailing samples to stations, quarterly reports with detailed mailing results mailed to stations, and presentations at annual development conferences. The primary means of information sharing will be an extensive web site which will likely include sample mail pieces, glossary of terms, directory of vendors, bibliography, "ask the expert discussions" results information, conferences presentations, hot links to CPB, the U.S. Postal Service, and other resources. It will also be possible for participating stations to post their samples and results reports. Additionally, MPR will commission the writing of an interactive tutorial which station staff can use to learn basic direct mail and advanced mail acquisition techniques.

A Conversation with Catherine Sercl Harvanko

Direct Marketing Manager for Minnesota Public Radio

MARK FUERST: *At what point in your career did you begin to use direct mail membership acquisition?*

CATHERINE SERCL HARVANKO: I started doing direct mail in my last job, which was Membership Director at the Science Museum of Minnesota, in St. Paul.

About seven or eight years ago, about half-way through my work at the Museum... I noticed that people who bought a membership on site were less likely to renew their membership than people who started their membership through direct mail.

Of course, in the BoB project we're talking a lot about this renewal difference between pledge and mail acquired members. You're saying, this is also true for memberships at a Museum?

Yes it is. The renewal rate for people joining on-site is horrible. Once they get home, they seem to feel that "it's too far to travel." But people who purchase memberships through the mail felt that they were supporting the organization.

When I came to MPR, I recognized that the on-site sales were the equivalent of pledge drives. So, even before I got here, I could see the value of direct mail as part of a membership program.

What training did you have before you started doing direct mail?

I started doing acquisition mail at the Science Museum, mostly because our main competitor, the Minnesota Zoo, was doing it. Then I went to a local seminar—which lasted about three hours and cost about ten dollars. In that seminar, I learned almost everything I know about direct mail. After that, I learned by trial and error, and from talking to staff at other organizations that were doing acquisition mail. I did not start doing this because I knew that it was the best way to acquire new members. It was just something that I fell into and then liked and developed.

Direct Mail at Minnesota Public Radio

A Website for Minnesota Public Radio's Acquisition Mail Project

You can follow Catherine Sercl Harvanko's work on her CPB-funded test of direct mail lists, offers, and packages. Samples and analysis of results can be found at:

<http://access.mpr.org/publicradio/dmail>.

The site is password protected. To use it, enter "mail" as the username and "makemoney" as the password.

If you are not on the project mailing list, send a message to Catherine Sercl Harvanko, at **charvanko@mpr.org**, or call her at **651-290-1233**. Once you're on the list, you'll receive actual samples of the letters and quarterly results updates.

Did you discover the differential response rates—between on-site and mail member acquisition—at the museum? Or was that something the staff at the museum already knew?

No, I found that, and it really didn't come through a great deal of scientific analysis. It just came to my attention, when I noticed the erosion of my renewals. It bothered me. I thought,

"Why is this happening?" I started paying attention to the details and noticed that pattern.

People at the Museum believed that the solution to our membership problem was to *sell memberships on site*. In public radio, it's *pledge is everything!* I'm always one of the people saying, "No. That's not quite right. Over the long run, direct mail is ultimately more valuable."

Portrait of the Artist As a Young Woman

MF: Catherine, you've devoted yourself so intensely to direct mail marketing: what do you like about this? It seems so dry to me, compared to, say, the excitement of on-air pledge.

CS-H: I've always liked **mail**. Even as a kid, I loved getting something in the mail. I remember visiting my grandmother, and she would get a lot of mail from non-profits and a lot of catalogs. I just loved looking through all of the mail that she got. I think I understand direct mail and have a knack for it. On the other hand, I have no desire to be a pledge drive producer. That doesn't interest me at all.

There's something about direct mail that is so scientific. You can test something, and track the results. When you're done, you know exactly what happened. If you do other forms of marketing, like placing an ad in a magazine, you might say "well... I think we had ten thousand people look at this ad." But, really, you're not sure of that. You don't know how many people saw it.

With direct mail it's different. I can say: "Ten people responded to the decal offer and twenty people responded to the price-discount offer—therefore, the price discount won and was a better package." That's it. I like that.

Your story about your grandmother's house reminds me of musicians who say... "When I first heard my mother or father playing the piano, I just loved it and it inspired me to take up music..." But I've never heard anyone say, "I went over my grandmother's house, when I saw the mail come it, I knew this was my career..." That's just a terrific story.

It's funny, but it's true.

Well, you've certainly got a chance to show people a different way to raise memberships in our field. You head up what is arguably the finest direct mail operation in public radio. First, tell me about the MPR Development operation. How many people work in Development in MPR?

Well, the whole Development area is much larger than Membership... so I'll just talk about Membership. We have 19 people working in Membership.

Nineteen people... quite an outfit. How does direct mail fit into the overall development department?

I am responsible for all the direct mail and all the telemarketing fundraising. We have one person managing that entire area. That way, we can shift resources. If there was another person managing telemarketing, it wouldn't be as strategic and we'd have to do a lot of negotiating. The telemarketing manager would have his revenue goal to reach, and wouldn't want to have resources taken away from his area. I think it works very well for one person to oversee all of this. I analyze the cost per dollar raised by source. So I can say, "Additional gift mail is really doing well. We're seeing a lot of new income. So, I'm going to move resources into that area and away from telemarketing, which is a lot more expensive."

When you came to MPR were you immediately put in charge of direct mail marketing?

And some other things. Since I joined, we also added telemarketing to my responsibilities. We used to have our own telemarketing department, but we shut that down in 1995. Now we outsource telemarketing. At that point, I became responsible for telemarketing income.

What's the size of the acquisition mail program that you run at MPR?

Acquisition mail? For the fiscal year that started in July, we will mail about 800,000 pieces.

Into what geographic region?

Primarily to the state of Minnesota and a few bordering communities—but not Canada.

When do the direct mail campaigns take place?

Typically, I mail through the fall and early spring. I'll do a hit and two follow-ups. But this year, I'm trying something different. My first mailing [was] in September. My aim is to get more money in the early part of the fiscal year. The earlier I can get someone on the membership file, the sooner I can ask them for an additional gift. It takes a lot of pressure off the end of the fiscal year.

Those 800,000 mail pieces include both "a first approach" to a potential donor and follow-up letters. How many prospects are you really approaching? What do you call them... unique names?

That's a good question, and I can't answer it without getting help from a company like Target Analysis. For all I know, I may be mailing to the same 220,000 peo-

ple repeatedly, and I'm just getting their names on different lists. I really don't know how many distinct individuals I'm hitting in the course of a year.

But this may be okay, right? Because, as I understand it, you want to hit people more than once.

I think you may have to mail to someone *five or six times* to "weaken their defenses," before they respond. A local non-profit, here in Minneapolis, tested that. They mailed to one group of people five or six times, and got a higher response rate with each subsequent mailing. That's why it's so important to do follow-up mailing.

What's the psychological theory or perceptual explanation for that? Do people actually remember that they've gotten the first three mailings?

Well, who knows how much time people actually spend looking at the first couple of mail pieces that you sent them. They may not open the piece, but you got your name in front of them. And by the third piece, they say "Oh yea, Minnesota Public Radio. I like them." By the fifth piece, they might open it and consider joining. Then with the sixth one, they say, "They're right. I should be a member. I'm feeling a little guilty. I should respond."

What kind of targets do you use for your mailing program?

As I mentioned, I have 832,000 pieces scheduled for this year. If acquisition mail suddenly starts doing much better for me. I may mail more. But if it's not

performing well, I may move resources into lapsed mail. I try to watch it constantly throughout the fiscal year. Last year, I did move some resources from cold mail acquisition into lapsed mail.

What financial returns do you expect from your acquisition mail program?

At this point, I do not expect to break even--although I would like to do that. Last year, for example, I had a net loss of about \$28,000.

You're projecting the same for next year?

Actually, I'm more optimistic. I'm hoping our testing will lead to some improvement.

How much did you spend?

\$185,000.

How do you fund that \$185,000 nut that you need to put your pieces in the mail?

Right now CPB is funding part of it for me through a grant. [See Future Fund Information on page 2.] But even if I didn't have that grant, it would be part of my budget. MPR believes in acquiring new members by mail and understands that it's okay to loose some money in that effort. I don't have to justify beyond that.

If anything, my managers tell me that I haven't pushed our mail program far enough. For many years, I had wonderful income from acquisition mail. In the year of the great "CPB Crisis," I had net income of \$72,000 from acquisition mail.

And during that time, you felt you should have been more aggressive?

So Much for Theory... Does It Actually Work? Some Results from MPR.

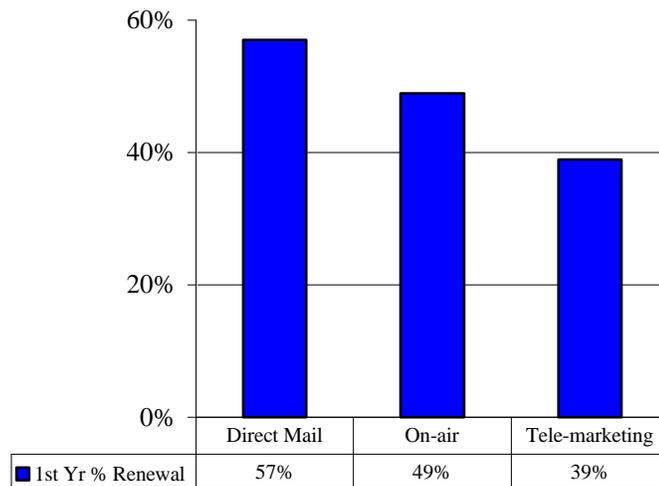
MF: You've been at MPR for five years, and I assume there was an acquisition mail program in place before you arrived. Are you seeing the long-term benefits at MPR?

CS-H: Definitely. Here are some Target Analysis renewal rates for MPR. For telemarketing acquired donors our first year renewal rate was 39%. On-air acquired was 49%. Direct mail acquired was 57%. There's one form of payoff right there. Here's another one: lifetime retention. I also got these figures from Target Analysis. Of the members acquired in 1993, what percentage is still active in 1997? For people acquired by telemarketing: 32%. For people acquired by on-air pledge: 33%. For mail acquired donors: it was 48%.

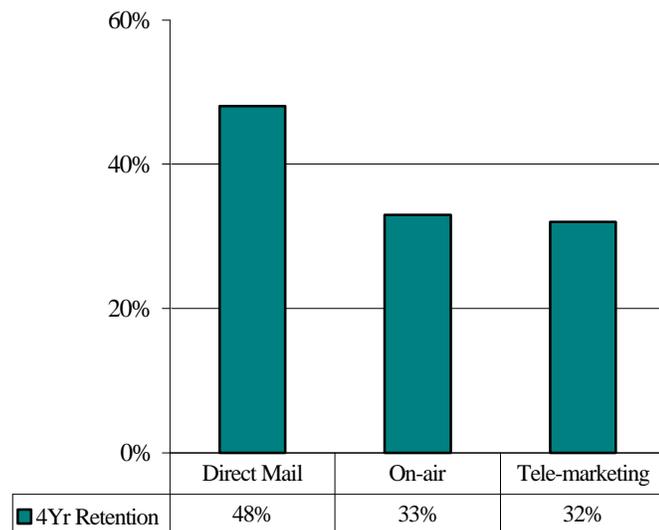
And the numbers get significantly higher four years out.

Yes. That's part of the long-term payoff that you don't see when you're first dropping an acquisition mailing. MPR has the best renewal rate in the public radio industry, and part of the reason for that is the number of members acquired by direct mail.

**First Year Renewal Rates at MPR
by Acquisition Source**



**Four-Year Retention Rates for MPR
by Acquisition Source**



Yes, and I got more aggressive. But as I did, the response rates eroded, because I had already culled the best people and converted them into members.

How does this affect your overall efficiency? Some stations are trying to reduce their cost per dollar raised, but when you add acquisition direct mail, it can lose money. How does that affect your thinking about the ratios for efficiency?

It's important to look at each part of your program independently. Lapsed donor mail should have a target. Acquisition mail should have a target. Additional gift mail should have a target. If each area meets the target, you're fine. If any area starts slipping, then you need to make some changes. I think you have to accept the fact that acquisition mail will bring your overall efficiency ratio down. When that happens, you have to make sure that your other areas are performing well.

So, you're saying that an efficiency ratio for whole development department is just not good enough. You need to have individual ratios for segments of the membership program.

I think so. If someone is not doing acquisition mail, their overall efficiency rating will probably be different from a station that does use acquisition mail. But don't forget: you make up some efficiency over time, because direct mail acquired people are more

likely to renew through mail--much more so than on-air acquired people. And direct mail acquired people are good for additional gifts.

That answer has some important implications. In many areas of our business people are looking for a short list of indicators for development performance. One indicator that's been tossed around is a total cost/return ratio—a benchmark—for the whole development operation. I think you're saying: to make use of this ratio, you need to know the composition of the development operation, or those cost/return numbers will not be comparable.

The hard part about acquisition mail is that your immediate results can be pre-unimpressive. Six months later, twelve months later, five years later you see the payoff. You have to be patient. On the other hand, pledge drives generate instant payoff. Unfortunately, a year later or three years later, the payoff drops off. The overall return rate for pledge goes down, because the renewal rates may be weaker.