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# Direct Mail Fundraising **Putting the Mission First: How Non-profits Can Benefit from Outsourced Donation Processing**

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PREPARED BY

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## DIRECT MAIL FUNDRAISING

# PUTTING THE MISSION FIRST: HOW NON-PROFITS CAN BENEFIT FROM OUTSOURCED DONATION PROCESSING

Outsourcing direct mail donation processing can allow non-profits to focus more resources on serving the core mission while ensuring greater security, accuracy, speed and efficiency in the process. Improvements to donation processing and responsiveness to donors are likely to pay dividends in the forms of increased donor trust and commitment to the cause, as well as greater effectiveness of the organization as a whole. Non-profits large and small can benefit to a greater degree from outsourcing than they may at first anticipate. The benefits range widely, from freeing staff time to focus on the mission—important to nearly three quarters of non-profits—to more effectively addressing the growing challenges of maintaining data security including PCI compliance.

## BACKGROUND

Every day, non-profit organizations strive to address a wide variety of pressing issues, from long term societal needs to immediate emergency relief at home and around the world. Given the complex and time-sensitive nature of the work, they necessarily invest a great deal of time and effort carrying out their core missions as effectively as possible.

Non-profits stand to thrive or falter based not only on the goodwill and generosity of donors; they also rely on donors' faith that the non-profit is a well-run and efficient steward of their financial contributions. Satisfied donors are more likely to contribute more regularly to the organization, which then benefits from a more constant and predictable funding stream. Just as importantly, satisfied donors become the most enthusiastic evangelizers of the mission. With these benefits in mind, non-profits strive to ensure the highest possible proportion of donations goes to support the mission, while minimizing investment into back office functions.

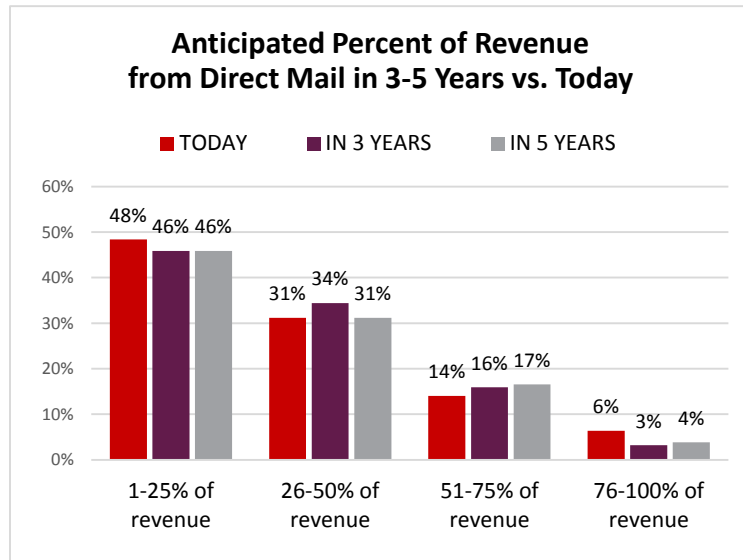
Donors naturally expect certain mission-related core competencies and expertise to remain under the direct control of the organization. Supporters often judge this by the speed, accuracy and security with which the organization processes their donations and handles their personal information.

According to a recent independent study, many non-profits believe they face relatively few challenges in the efficient handling of direct mail contributions, and as such believe they are in little need of an outsourced solution. However, non-profits large and small can benefit to a greater degree from outsourcing than they may at first anticipate. The benefits range widely, from being able to free up staff time to focus on the mission—important to nearly three quarters of non-profits—to significantly alleviating the perceived challenge of maintaining data security and PCI compliance.

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**Merkle Response Management Group commissioned Market Connections, Inc., an independent market research organization, to determine the methods non-profit organizations use to manage their direct mail responses; how well they think they are addressing key areas; the importance of specific attributes when evaluating current or potential outsource service companies; and non-profits' perceptions of the benefits of outsourcing donation processing.**

Moreover, far from the common assumption that direct mail is fading into the sunset, the recent survey of non-profit organizations that process direct mail donations shows the volume of direct mail responses is expected to hold steady over the next three to five years. Consequently, the ability to process donations quickly, accurately, cost-effectively and securely will continue to be a need in the coming years.



Outsourcing donation processing to the right external partner whose own sole mission is the efficient, accurate, secure processing of donor funds and information will result in cost savings that allow non-profits to focus even more energy and dollars on their mission, and in meeting and exceeding the expectations of donors.

*Merkle Response Management Group commissioned Market Connections, an independent market research organization and the provider of the results described above, to also determine what methods non-profit organizations use to manage their direct mail*

*responses; how well they think they are addressing key areas; the importance of specific attributes when evaluating current or potential outsource service companies; and non-profits' perceptions of the benefits of outsourcing donation processing.*

*Market Connections is an independent and objective third party research firm committed to straightforward and unbiased research to develop a clear understanding of where and how non-profits may best leverage their strengths, for the good of the constituents they seek to help.*

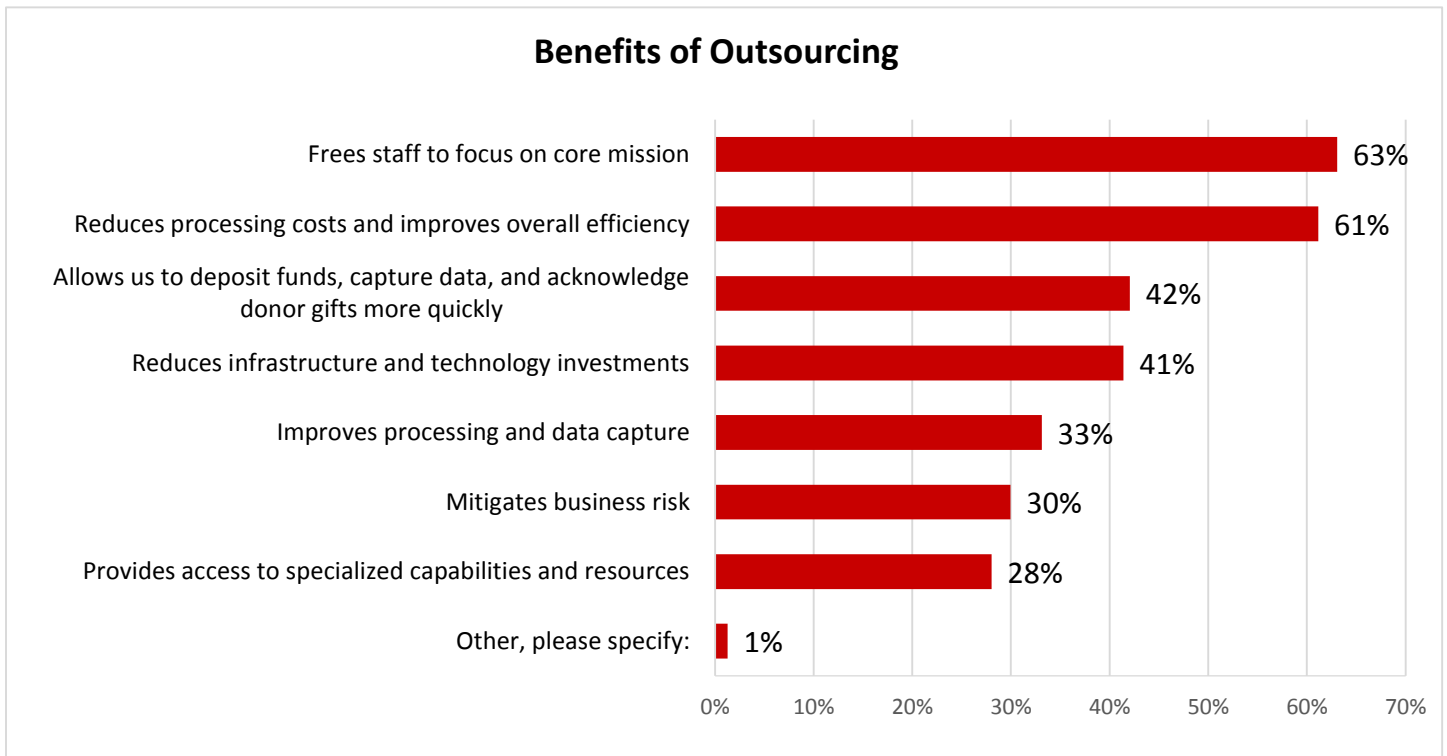
**THE COST-SAVING, MISSION-FOCUSED BENEFITS OF OUTSOURCING**

**Outsourcing increases efficiency and allows the organization to re-allocate staff time to the core mission. The end result: reduced costs and renewed focus on mission-critical activities.**

When organizations outsource non-core competencies such as processing and acknowledging donations, they free up staff time to focus on the core mission. This is the most often cited benefit of outsourcing according to non-profits, at 63 percent of mentions in the survey. Leading non-profits recognize the strategic advantages of judiciously allocating scarce and valuable resources where they will do the most good in terms of mission accomplishment and donor satisfaction.

Matt Panos, Chief Development Officer at Feed the Children, underscores the advantages of this approach. “Keeping up with the volume of donations Feed the Children was receiving and handling them in the most cost-effective manner had become a challenge for our in-house operation. We decided to outsource donation processing to address those issues while also allowing our team to better support our mission of ending childhood hunger. We have already seen a related increase in our fundraising capabilities and are looking forward to expanding our programs as a result.”

Survey respondents cite a host of other benefits to outsourcing. Nearly two-thirds (61 percent) mention reduced processing costs and improved overall efficiency, just as four in ten point to outsourcing allowing the organization to deposit funds, capture data and acknowledge donor gifts more quickly (42 percent) and reduce infrastructure and technology investments (41 percent). Respondents also mention improved processing and data capture (33 percent), mitigated business risk (30 percent) and access to specialized capabilities and resources (28 percent).

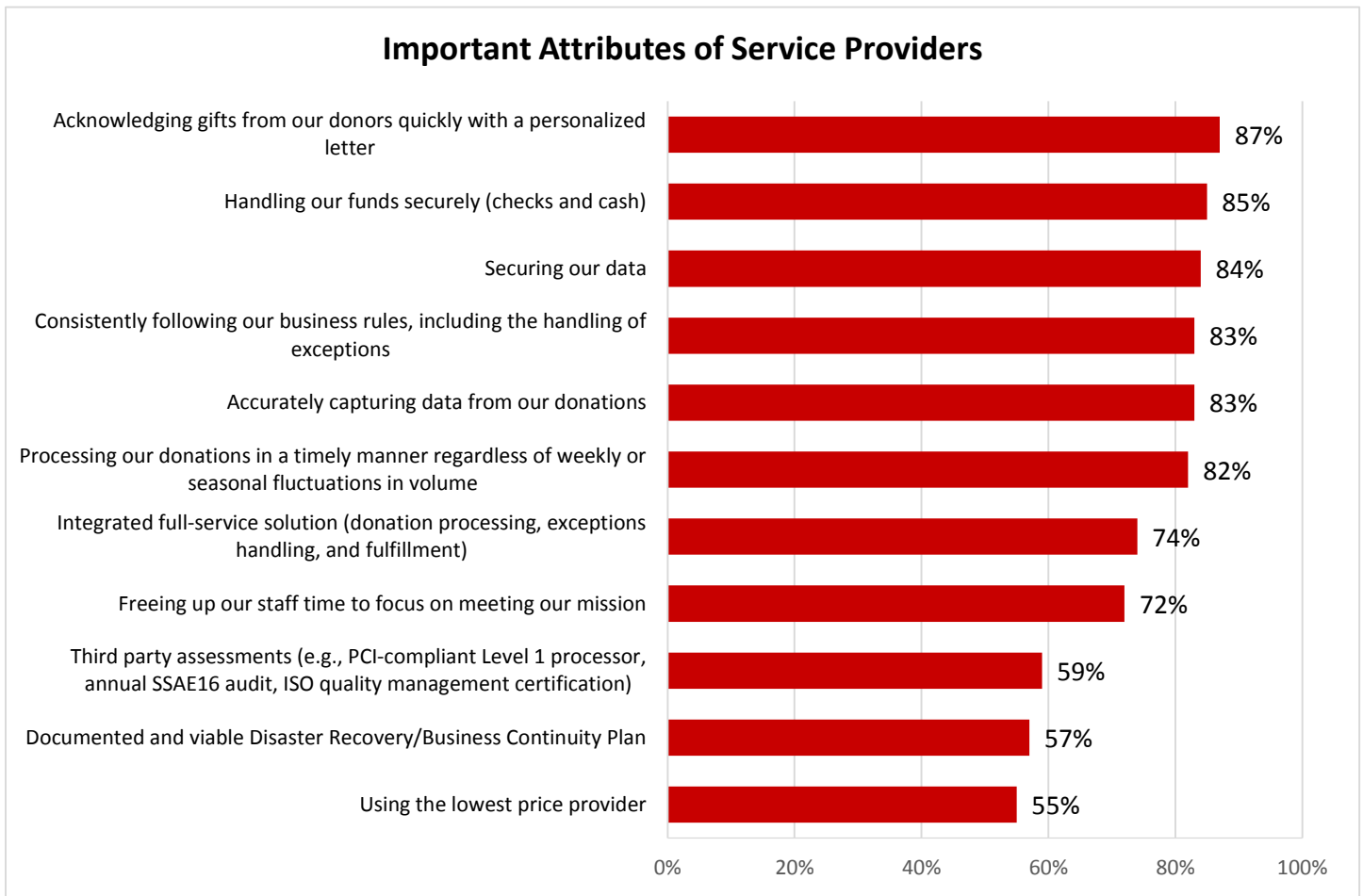


### THE CHALLENGES OF IN-HOUSE DIRECT MAIL PROCESSING

**Those processing donations in-house cite greater challenges than those outsourcing donation processing.**

The research indicates only a minority of non-profits feel they face moderate or strong challenges in handling and processing direct mail donations. However, the data also suggests these challenges are mitigated further among non-profits that outsource these functions. For example, while a quarter (24 percent) of non-profits processing direct mail donations in-house cite data security including PCI compliance as moderately/very challenging, only 12 percent of those outsourcing this function state they face this challenge, a statistically significant finding. And even though other differences are not so wide as to be statistically significant, a pattern nevertheless emerges demonstrating non-profits that choose to outsource report lower incidence of key challenges of balancing time between donation processing and mission-critical activities, acknowledging donor gifts quickly and ensuring responses are processed consistently according to established business rules.

These distinctions matter, because these challenges are reflected in perceptions of what is important when evaluating a vendor. When asked about the importance of various factors in evaluating an outsourced donation processing provider, more than four in five respondents point to securing their data (84 percent) and handling funds in the form of checks and cash securely (85 percent) as important. Similar majorities find important the timely processing of donations (82 percent), acknowledging donor gifts with a personalized letter (87 percent), consistently following business rules (including the handling of exceptions) (83 percent) and freeing up staff time to focus on the mission (72 percent).

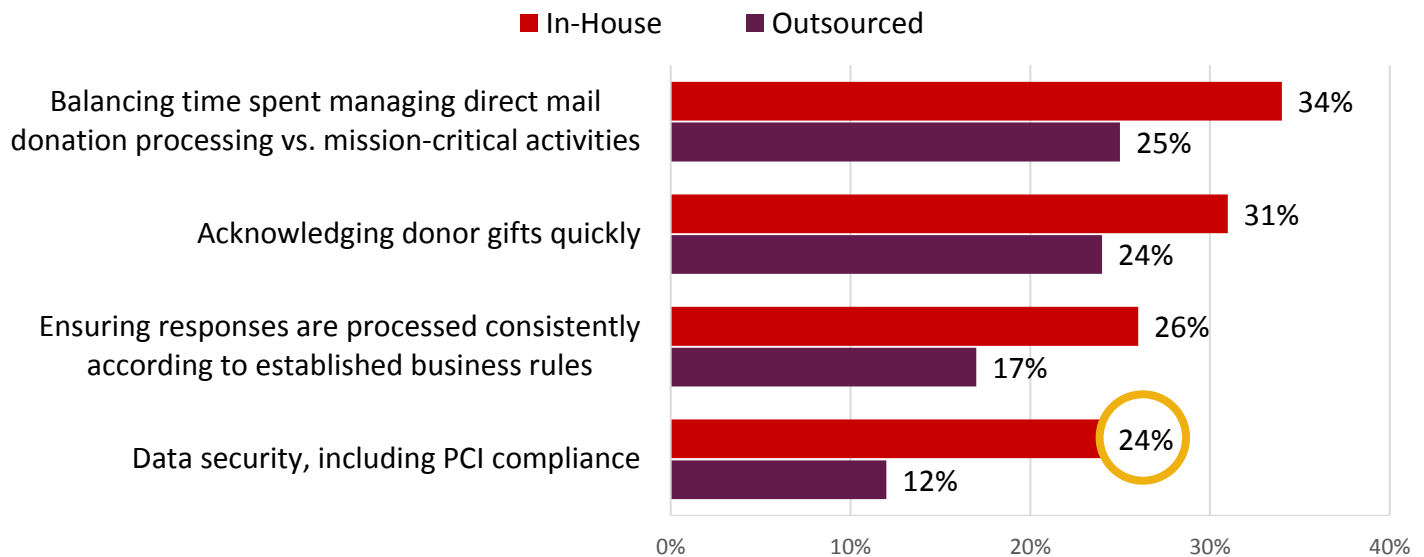


### HOW OUTSOURCING ADDRESSES NON-PROFITS' UNMET NEEDS

**Outsourcing can provide greater security, quality assurance and efficiency.**

Once again, even as respondents mention they face minimal challenges in processing and handling direct mail donations, they nonetheless acknowledge substantial room for improvement. Where “1” means poor and “5” means excellent, 43 percent rate their organization as no higher than “3” in its overall ability to process direct mail donations quickly. Similarly, 39 percent rate themselves no higher than a “3” for efficient processing, 28 percent for doing so accurately and 18 percent for doing so securely.

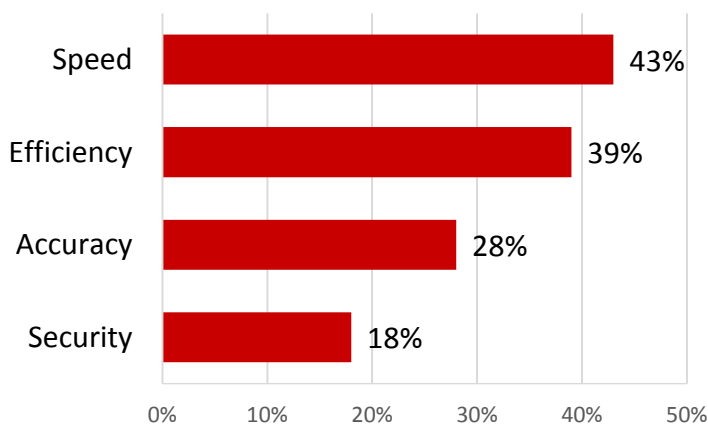
### Challenges of In-House Processing vs. Outsourced



Nancy Eiring, Director of Membership at the Surfrider Foundation, discusses the increasingly positive outcomes possible through outsourcing. “As the Surfrider Foundation makes plans to accelerate its growth, we recognized the need for a trusted partner to help maintain the integrity and quality of our donation processing functions. By outsourcing, we knew our organization would be in a better position to cultivate long-lasting relationships with donors by delivering a consistently high level of service and allowing us to use our internal staff resources more effectively in support of our mission. We’ve already seen a positive impact among our members as a result of donations being processed more quickly. We now have more accurate and timely information to deliver improved customer service to our contributors and better inform our marketing decisions.”

In addition, as illustrated in the following graph, organizations processing the largest number of direct mail responses each year (40,000+ pieces) are significantly more likely to say they can process responses more accurately and securely than those firms processing fewer than 40,000 pieces each year.

### Processing Areas Needing Most Improvement

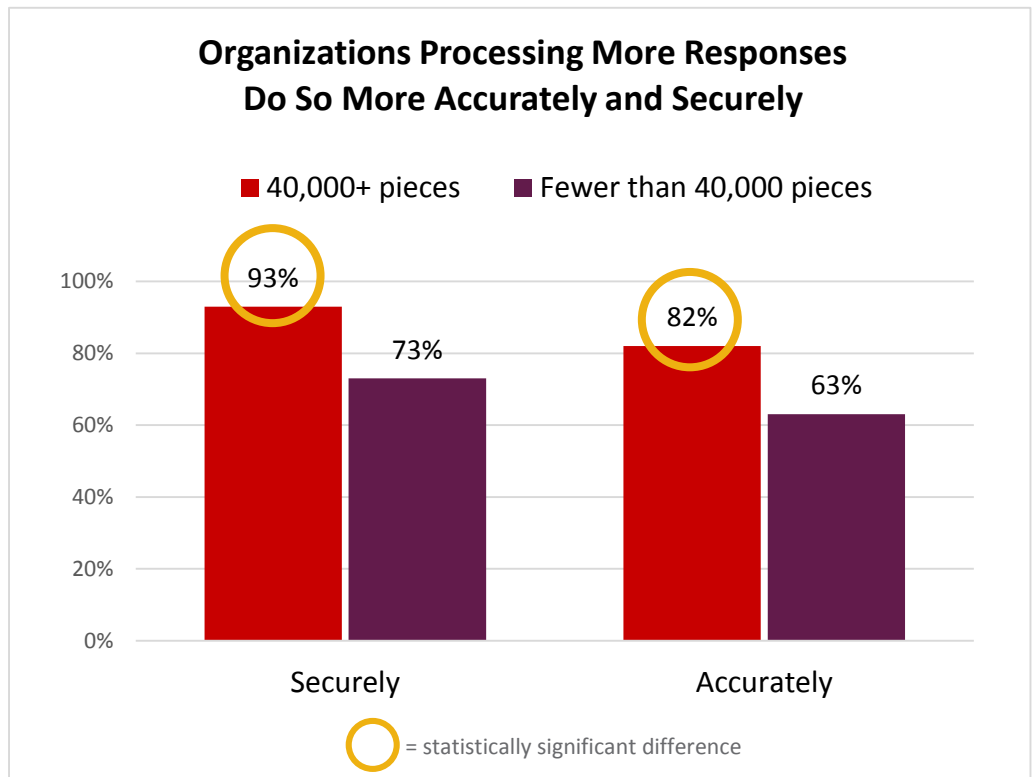


Those processing 40,000 + pieces per year are significantly more likely to rate three key attributes of their outsourcing vendor as important:

- Handling checks and cash securely
- Third party assessments and certifications (e.g., PCI-compliant Level 1 processor, annual SSAE16 audit, ISO quality management certification)
- Having a documented and viable Disaster Recovery/Business Continuity Plan

“Keeping up with the volume of donations Feed the Children was receiving and handling them in the most cost-effective manner had become a challenge for our in-house operation. We decided to outsource donation processing to address those issues while also allowing our team to better support our mission of ending childhood hunger. We have already seen a related increase in our fundraising capabilities and are looking forward to expanding our programs as a result.”

MATT PANOS  
CHIEF DEVELOPMENT OFFICER  
FEED THE CHILDREN



Understanding that third-party assessments add to costs, the logic behind outsourcing becomes apparent: top outsourcing companies already comply with security requirements at the highest levels and are well equipped to reduce risk, all without adding cost. Outsourcing companies follow the latest best practice protocols for data security and secure handling of funds. While nearly one-quarter of survey respondents said data security is a challenge, this number may not fully reflect the seriousness of the security risks non-profits face. The compliance criteria for PCI alone changes regularly. All non-profits are subject to PCI compliance for credit card processing, and the financial costs for non-compliance and data breaches can be significant. Fines for non-compliance can be as high as \$100,000 per month and for data breaches from \$50-\$90 for each cardholder record compromised, plus notification and credit monitoring costs, liability for fraud losses and possible suspension of merchant accounts on top of lost donor trust and potential for civil litigation. A donation processor will ensure credit card processing meets or exceeds current requirements, while also safeguarding the handling of funds and the consistent processing of donations according to business rules.

**“As the Surfrider Foundation makes plans to accelerate its growth, we recognized the need for a trusted partner to help maintain the integrity and quality of our donation processing functions. By outsourcing, we knew our organization would be in a better position to cultivate long-lasting relationships with donors by delivering a consistently high level of service and allowing us to use our internal staff resources more effectively in support of our mission. We’ve already seen a positive impact among our members as a result of donations being processed more quickly.”**

NANCY EIRING  
DIRECTOR OF MEMBERSHIP  
SURFRIDER FOUNDATION

Smaller organizations are just as well positioned to benefit from outsourcing. They too can achieve higher levels of accuracy and security, without increasing cost or risk. As the graph on the following page indicates, non-profits processing less than 40,000 direct mail pieces per year deem key attributes of direct mail processing vendors with the same overall level of importance as their larger counterparts. With few exceptions, non-profits large and small share the same outlook as to what is more, or less, important when selecting a donation processing vendor.

### **A WIN-WIN FOR NON-PROFITS**

**When choosing to outsource donation processing, organizations rank security, accuracy and speed among the most important attributes of a service provider. Using the lowest-price provider is the least important consideration, relative to other concerns.**

At least four in five respondents would look to a range of security-, accuracy- and speed-related attributes when assessing a current or potential outsourcing company:

- Acknowledging gifts from donors quickly with a personalized letter (87 percent)
- Handling funds securely (85 percent)
- Securing data (84 percent)
- Consistently following business rules, including the handling of exceptions (83 percent)
- Accurately capturing data (83 percent)
- Processing donations in a timely manner, regardless of weekly or seasonal fluctuations in volume (82 percent)

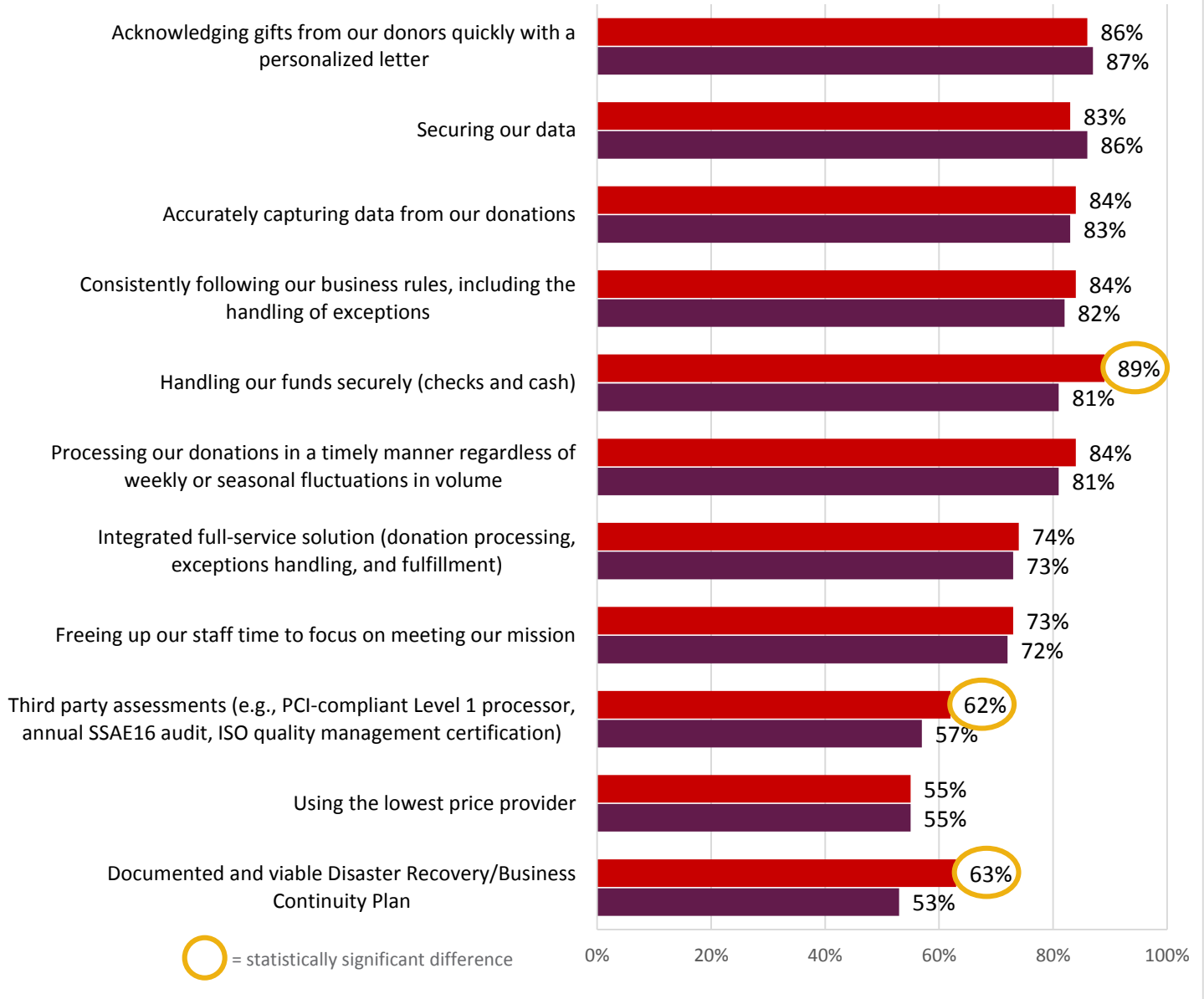
Barely more than half (55 percent) believe it is important to focus on the lowest priced provider. Nor should they. Precisely because expenditures should be wisely allocated in a mission-focused, non-profit environment, it is paramount to select an outsourcing provider based on their ability, track record and responsiveness in meeting the needs of non-profits, which by extension, will also meet the needs of donors. The expenditure on a qualified outsourcing provider is thus an investment that will be repaid to the non-profit in lower overall costs and greater security, accuracy and efficiency.

Outsourcing allows organizations to optimize all of these important areas. Non-profits do not need to make trade-offs that sacrifice quality, accuracy or security when they choose the right service provider. By reducing administrative, cost and security burdens, organizations will be able to focus that dividend on the core mission – to the satisfaction of donors and recipients alike.



### Important Attributes When Choosing a Donation Processing Vendor

- Organizations processing 40,000 pieces or more
- Organizations processing fewer than 40,000 pieces



#### ABOUT THE STUDY

Merkle Response Management Group commissioned Market Connections, Inc. to conduct a blind online survey to determine what methods non-profit organizations use to manage direct mail response and whether they are satisfied with the accuracy, timeliness and security of their data processing methods. Of the 157 non-profit organizations that responded, all use direct mail as a method of fundraising.

Although many non-profits believe they face relatively few challenges in the efficient handling of direct mail contributions, non-profits large and small can benefit to a greater degree from outsourcing than they may at first anticipate. The benefits range from being able to free up staff time to focus on the mission—important to nearly three quarters of non-profits—to significantly alleviating the challenge and risks associated with maintaining data security and PCI compliance.

Two-thirds (64 percent) of respondents are on a team that makes decisions regarding donation processing and fulfillment solutions and whether to use outsource service contractors, 36 percent evaluate or recommend donation processing and fulfillment solutions and whether to use outsource service contractors, 31 percent manage or implement donation processing and fulfillment services (in-house or outsource), and 28 percent make the final decision regarding donation processing and fulfillment solutions and whether to use outsource service contractors. A small percentage (five percent) is involved in donation processing and fulfillment services, contractors or solutions in other ways. One-third (36 percent) of respondents receive more than 50,000 direct mail responses per year, 11 percent receive 40-49,999 responses, ten percent receive 30-39,999 responses, 20 percent receive 25-29,999 responses, eight percent receive 20-24,999 responses, and 16 percent receive 10-19,999 responses. In addition to direct mail, respondents use E-mail (87 percent), canvassing/peer to peer (79 percent), online (76 percent), telemarketing (45 percent), mobile (40 percent), events (37 percent), and social media (six percent) for fundraising.

### ABOUT MERKLE RESPONSE MANAGEMENT GROUP

Merkle Response Management Group has been taking care of non-profits and their donors since 1983. Their 600 employees at their state-of-the-art 125,000 square foot facility in Hagerstown, Maryland handle over 36 million mail donations a year, with more than \$1 billion in funds deposited. They lead the industry with integrated donation processing, contact center, and fulfillment solutions based on the highest levels of security, the latest technology, and best-practices processes tailored to the unique needs of each client. Learn how Merkle Response Management Group can improve the timeliness, accuracy, security, and efficiency of your donation processing and help you build stronger relationships with your donors. Learn more at [merkleresponse.com](http://merkleresponse.com).

### ABOUT MARKET CONNECTIONS, INC.

Market Connections delivers actionable intelligence and insights that enable improved business performance and positioning for leading businesses, trade associations and the public sector. The custom market research firm is a sought-after authority on preferences, perceptions and trends between the public sector and the contractors who serve them, offering deep domain expertise in information technology and telecommunications, health care and education. For more information visit [www.marketconnectionsinc.com](http://www.marketconnectionsinc.com).