

# Improving Direct Marketing Response with Online Advertising

Richard Becker, President, Target Analytics

**Business Challenge:** Legacy online advertising models (including contextual, keyword search, and online behavioral profiling) tend to be ineffective for nonprofits and ROI calculations using traditional online conversion logic are flawed – producing inaccurate and under-valued return-on-advertising-spend results.

**New Model for Online Advertising:** New online advertising techniques – enabling more accurate, household-level targeting – offer improved campaign response and provide a more accurate calculation of online ad impression impact, capable of demonstrating impact across both online and offline solicitation channels.

## The Nonprofit Foray into Integrated, Multichannel Marketing

Determined to embrace integrated, multichannel marketing, the nonprofit sector is increasingly shifting direct marketing budget to emerging channels of consumer solicitation, most notably mobile, social media, and online advertising. Nonprofit marketers, however, are steeped in mono-channel direct marketing (primarily postal-based direct mail or outbound telemarketing) and often find themselves unable to rationalize these new, dynamic channels of consumer contact with an acceptable return on investment (ROI).

Perhaps the most blindly engaged channel used by nonprofits is online advertising.

Low-cost, capable of handling high-volume campaigns, and readily available from many turnkey network providers, online advertising is increasingly becoming a staple area of marketing spend for major nonprofit direct marketers. Yet, despite the increasing frequency of use, nonprofits are generally unable to demonstrate acceptable ROI for online advertising, often the result of:

- The inability to effectively measure the cross-channel impact of impressions served with offline consumer behavior (e.g., the impact of online advertising on direct mail response)
- The misclassification of online advertising as a “direct response” channel, when in fact this channel – although capable of eliciting consumer interaction – is more often more appropriately categorized

## Contents

The Nonprofit Foray into Integrated, Multichannel Marketing .....	1
How Online Advertising Has Evolved over the Past 24 Months .....	2
In Practice: Improved Results with Household-Level Targeting .....	3
Incremental Lift in Campaign Response and Donations .....	4
Conclusion .....	5

Continued on following page

and leveraged as “advertising” – more apt to reinforce the nonprofit brand and support improved response with other direct response channels such as mail, telephone, and DRTV

- The mistreatment of online advertising as a stand-alone channel, with inconsistent messaging and appeals relative to other channels, the frequent result of fragmented marketing organizations and unique marketing budgets

Fortunately, online advertising has evolved. Legacy paradigms of contextual targeting, re-targeting, geo-targeting, and other demographic or online behavioral targeting have given way to more precise household-level targeting.

#### The Most Current Online Advertising Model

**Household-Level Targeting** — Prospects are targeted based on who they are (e.g., previous donors or modeled prospects), not where they are online or what caused them to land on a given web page.

#### Moderate Value Online Advertising Models for Nonprofits

**Re-marketing / Re-targeting** — Target ads to people who have previously visited your website, as they browse other websites.

**Self-Reported Data Targeting** — Target ads based on information volunteered by the user via a membership form or user profile.

#### Low Value Online Advertising Models for Nonprofits

**Keyword Contextual Targeting** — Use keywords to find web pages for your ads across your ad network.

**Location-Based Targeting** — Target ads based on a user’s geographic location.

**Demographic Targeting** — Target ads based on a user’s estimated age, income, gender, etc.

Legacy models of online advertising largely target anonymous prospects based on loose inferences of affinity, interest, and capacity, not previous philanthropic behavior (the most predictive indicator of future donor behavior) or demonstrated organizational affinity (e.g., event participation, petition signing, etc.). For example, an Internet user reading an article on the rainforests may be targeted with advertising requesting a donation for an environmental cause.

In such an instance, advertising is delivered to an unknown recipient with no true understanding of that recipient’s philanthropic behavior or passion. Moreover, as a result of the recipient’s anonymity, the return-on-ad-spend calculation is limited to their conversion at the point of impression, limiting the ability to measure the advertising’s effectiveness on other one-to-one online or offline marketing channels.

Using the “legacy” model of online advertising effectiveness, current click-through rates for top performing nonprofit online advertising programs average 0.04% (4 clicks per 10,000 impressions



#### About the Author

Richard Becker is President of [Target Analytics](#) (a division of Blackbaud, Inc.), a leading provider of direct marketing, constituent management, fundraising performance benchmarking, and prospect research services to non-profit organizations. Richard is responsible for overall strategy and business operations, leading the sales, technology, delivery, analytics, and product management teams. Prior to joining Target Analytics, Richard held a variety of leadership roles in strategy, marketing, technology, and operations. Most recently he was Vice President of Strategy with Equifax, Inc., a global consumer and commercial information provider.

A frequent speaker and author, Richard is an expert in the areas of predictive analytics, constituent relationship management (CRM), data management, and integrated multichannel marketing, and has been recognized for his innovative work in risk and marketing analytics.

He received his MBA from the University of Georgia – Terry College of Business, and holds a BA in English Literature from Wake Forest University.

Continued on following page

served), with daily results typically ranging from 0.03% to 0.07%. Conversion rates (donation per ad served) range from 0.001% to 0.009% (1 to 2 conversions per 100,000 ads served). Return-on-ad-spend for such a campaign would typically yield 0.25:1 to 0.45:1 at best, depending on media consumption and request amounts. Clearly, this is a losing proposition in terms of pure marketing ROI.

New online household-level targeting, however, enables nonprofits to specifically target audience segments consisting of active donors, lapsed donors, or prospects generated by their previous philanthropic characteristics. This strategy moves the advertising paradigm away from low-value, inference-based profiling to more effective strategies involving actual donor behavior. Essentially, the paradigm changes targeting strategy from “where” (e.g., what sites likely donors may visit) to “who” (e.g., targeting specific households on any website they visit).

Beyond the benefit of improved conversions, moving to household-level targeting enables closed-loop reporting – the ability to calculate the effect of impressions not only for online conversions, but also increased response across direct mail, telemarketing, email, and other one-to-one solicitation channels – more accurately.

For example, with new household-level targeting, a nonprofit can exclusively target their lapsed donor file with an appeal to reactivate as part of a sustainer campaign. Not only can the appeal be specifically tailored to this audience segment, improving online conversions, but such a campaign can also be run in conjunction with a postal direct mail campaign. As a result of the household targeting, the online advertising can be measured in terms of improved conversion, and the closed-loop report will forensically measure the impact of brand reinforcement on improving the postal direct mail response.

Via this new model, and the ability to understand cross-channel impact of brand impressions on all one-to-one solicitation channels, nonprofits are seeing return-on-ad-spend of 3:1 to 5:1 on campaigns targeting active and inactive donor populations, and 0.25:1 to 1:1 on campaigns targeting prospects – a substantial lift relative to legacy online advertising techniques and measurement.

### In Practice: Improved Results with Household-Level Targeting

In a recent campaign conducted by a major U.S.-based relief organization, 183,160 households, comprised of active and inactive donors, were targeted with an online request for donation.

Ads were delivered over a three-month campaign period, with the goal of delivering 10 ads per household per month. (Best practices indicate that 8-15 impressions per household per month optimizes media spend relative to desired consumer behavior).

Brand Exposure During Campaign Period	
Total Number of Households Served During Three-Month Campaign Period	183,160
Total Number of Ads Served	5,229,916
Average Number of Ad Impressions Per Household	28.6
Average Number of Ad Impressions Per Household Per Month	9.5

Continued on following page

During the three-month campaign period, 2,003 unique households clicked on the ads, a 1.09% click-through rate per household. Online conversions were a strong 0.00126%, resulting in \$94,355 in online donations.

Online Donation Activity Associated with Campaign	
Online Conversions	660
Conversion Rate Per Ad Impression Delivered	0.00126%
Conversion Rate Per Household	3.6%
Conversion Revenue (Online Donations)	\$94,335
Average Online Donation	\$142.93

While conversion rates per ad impression delivered were in line with legacy online advertising models, the conversion rate per household was an astounding 3.6%. Compare this metric to traditional 1:1 marketing channels such as direct mail. By effectively targeting active and inactive donors (an audience with a demonstrated passion for the organization), as opposed to unqualified anonymous users, a remarkable average gift of \$142.93 was achieved, nearly triple the expected average for online donation.

At this point, the return-on-ad-spend for the campaign was nearly 2X.

The effect of online advertising, however, extends beyond online donations. By targeting at a household level, the impact of online brand reinforcement can be measured against a direct mail piece that was delivered during the online campaign period.

For this forensic analysis, a control population was created from 335,242 households: active and inactive households from the nonprofit's database that had not been served (but were capable of being served) online advertising during the campaign period and did receive offline postal mail based solicitations during the campaign period, at the same frequency as the test group. Using the control population, 200 random samples were created, with the median in revenue used as the control group.

Examining the impact of online advertising across all online and offline channels during the campaign period, the forensic analysis demonstrates that online brand reinforcement drives substantial lift in overall campaign performance. Notably, postal mail direct response was substantially lifted as a result of online impressions delivered throughout the integrated marketing campaign period.

Incremental Lift in Campaign Response and Donations When Online Advertising Is Used to Reinforce the Brand During a Campaign			
	Control Group Ads Served = N Direct Mail = Y	Test Group Ads Served = Y Direct Mail = Y	Lift
Unique Households	183,600	183,600	
Total Conversions	12,999	16,642	3,643
Total Revenue	\$906,729	\$1,165,136	\$258,407
Total Conversion Rate	7.10%	9.09%	28.0%
Average Gift Per Donor	\$69.75	\$70.01	0.4%
Amount Per Household	\$4.95	\$6.36	28.5%

Continued on following page

As demonstrated, a 28% increase in response rate occurred across all solicitation channels when online advertising was used to influence the target audience, resulting in a 28.5% increase in amount per household.

Overall, the return-on-ad-spend yielded a 5:1 return on investment.

By most any point of comparison, these results demonstrate the necessity of online brand reinforcement, the power of household-level targeted online advertising, and the absolute need to measure holistic performance within an integrated, multichannel marketing campaign.

## Conclusion

True integrated, multichannel marketing programs are sequence-optimized, brand consistent, and programmatically measured.

The failure of too many organizations is the insufficient integration of online advertising with their multichannel marketing program and, most importantly, the failure to leverage forensic measurement techniques to confirm a complete calculation of return-on-ad-spend.

Savvy marketers in all nonprofit micro-segments, including advocacy, international relief, health and wellness, and higher education are embracing the new online advertising model – household targeting – to strengthen their overall campaign results.

Ultimately, marketers must ensure they intelligently embrace emerging channels of donor solicitation and outreach. While the rate of technology moves quickly, offering new ways to boost performance, marketers must not lose sight of the basics:

- Effective multichannel marketing must be integrated.
- Only use marketing channels with clear performance measurements.
- Prior philanthropic behavior is the best indicator of future philanthropic behavior.

Adherence to these cardinal rules, along with awareness of superior marketing models such as household-level targeting for online advertising campaigns, will significantly improve marketing return on investment.

## About Blackbaud

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ: BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 27,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent K-12 education, animal welfare and other charitable causes. The company offers a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes including: fundraising, eMarketing, social media, advocacy, constituent relationship management (CRM), analytics, financial management and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than \$100 billion each year. Recognized as a top company by Forbes, InformationWeek, and Software Magazine and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada, Mexico, the Netherlands and the United Kingdom. For more information, visit [www.blackbaud.com](http://www.blackbaud.com).

© October 2012. Blackbaud, Inc.

This white paper is for informational purposes only. Blackbaud makes no warranties, expressed or implied, in this summary.

The information contained in this document represents the current view of Blackbaud, Inc., on the items discussed as of the date of this publication.

All Blackbaud product names appearing herein are trademarks or registered trademarks of Blackbaud, Inc. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.