



Charities get a generous return from 'freemiums'

By sending address labels, umbrellas, backpacks, and other gifts, nonprofits reap greater rewards. But do they go too far?

By Caitlin Carpenter, Correspondent of The Christian Science Monitor / November 19, 2007

It's that time of year again. The time of greeting cards and gifts. For nonprofits, these gifts often come in the form of address labels, umbrellas, even backpacks or sandals sent unsolicited to people's mailboxes. But contrary to the spirit of holiday giving, recipients are expected to send a specific gift back: a monetary donation.

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These gifts, known as front-end premiums or "freemiums," get mixed reviews from fundraising experts and the public alike. While freemiums typically bring in more money than they cost, the feelings of guilt and cynicism they can inspire may hurt nonprofits in the long run.

"[Charities] wouldn't use this strategy unless it worked and brought in a good return on their investment," says Tom Pollack, director of the National Center for Charitable Statistics.

And how. In the short term, nonprofits generally lose money when they try to recruit new donors through direct-mail campaigns, recouping only 60 or 70 cents for every dollar spent, says Adrian Sargeant, chair of fundraising at the Center on Philanthropy at Indiana University. "Direct-mail campaigns can be called 'the art of losing money in small amounts,' " he says.

But when a freemium is included with the plea, there is a positive return. Particularly successful nonprofits might rake in \$15 in donations for every dollar spent, Dr. Sargeant says.

Overall, 70 percent of first-time donors come through direct-mail efforts that include a premium of some sort, says Mal Warwick of Mal Warwick Associates, a fundraising consulting company.

Freemiums work on several levels, experts say: They grab attention, they inform, and they encourage reciprocity.

"The idea of [freemiums] is that 'the nonprofit has reached out and engaged me at a higher level than with words.' That gets people's attention," says Paul Schervish, director of the Center on Wealth and Philanthropy at Boston College.

One example of an inexpensive but effective donation-request freemium has been sent by a charity for deaf and blind children, Sargeant says. The potential donor receives a letter and a drinking straw apparently from a child who was sent on a vacation by the charity. The letter describes the vacation and how much they enjoyed a special piña colada or smoothie. "Then you think, 'Wow, I guess if I were a blind child, something small like that could be a highlight for me as well,' " Sargeant says.

Other examples of freemiums include a foldable vase or gardening gloves (given by a veterans' group around Memorial Day) and the yellow Livestrong bracelets from the Lance Armstrong Foundation, says Corinne Biggs, senior vice president of strategic development PEP Direct Inc., a direct-marketing firm. Such bracelets have become hip fashion accessories.

Generating experiential empathy with a charity's recipients is key to acquiring donations, Dr. Schervish says. "Charities need to show the donor how or who their money is helping, not why their charity is a good organization."

Some donors like to show off their connection to a cause. For example, the Sierra Club engages potential donors by sending them backpacks with the organization's name on it. The packs are right on target for the typical Sierra Club supporter and something they want to be seen using, says Emily Wenzler, a strategist at Kintera, a San Diego-based company that helps nonprofits fundraise online. A less successful method was an environmental group that gave away polar bear stress balls made of polyurethane, a product many environmentalists avoid.

Clearly, not all freemiums are a good move, Mr. Pollack says. He suspects most people perceive such gifts as wasted money. "There's increasingly a sense that we've got serious problems in the world that we need to solve, and people want to give their money to people who are serious about making a direct impact," he says.

There's also the issue of whether potentially guilt tripping people into donating is wise over the long term. Sargeant says nonprofits must walk a fine line when using freemiums. He doesn't approve of charities that send a donation letter with two dimes attached telling potential donors to send the dimes back with a donation. Even though that strategy can be successful, "This is really targeted at making elderly people feel guilty, because they remember when a dime was worth something," he says.

He adds that freemiums are usually targeted at middle-age or older people who are more likely to feel obliged to give something back to someone who's given something to them.

Freemiums have another drawback. Studies show that donors who first respond to a charity as a result of a freemium are less loyal and less generous in the long run. "There's a considerable amount of controversy in the direct-mail community about [premiums] despite the good return," Mr. Warwick says.

In Britain, the Institute of Fundraising is rewriting its code of practice for direct-mail fundraising and debating whether freemiums are an acceptable practice, Sargeant says. The same sort of debate is occurring among US nonprofits, he says.

In the future, Wenzler predicts that more charities will shift toward the Internet and away from by-mail campaigns to avoid rising postal rates and the potential of offending an increasingly conservation-minded public.



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