



The Value of a ZIP Code

ZIP codes can help you choose cost-effective marketing targets. But be sure you use them the right way.

By Michael Sexauer & Mildred S. Myers

Many nonprofits use ZIP codes to hit their marketing targets as economically as possible.

ZIP codes can get you measurable results, at minimal cost, *if* you collect and analyze the information appropriately. The key to avoiding disappointment is choosing what to collect and what to discard.

What ZIP Codes Are—and Aren't

The U. S. Postal Service designed Zone Improvement Plan (ZIP) codes to speed up mail delivery. Dividing states into numeric grids, it was reasoned, would streamline mail sorting and delivery processes. In truth, most ZIP codes when mapped look nothing like a grid. Seen from the virtual air, most ZIP codes appear as amorphous shapes that may follow major roads or yield to natural obstacles. They're limited either by number of households or geographic size, depending on the setting. The size and shape facilitate mail delivery but little else.

Remembering the original purpose—to streamline mail delivery—it's surprising that ZIP codes ever played a meaningful role in marketing. On the other hand, everyone has a ZIP code, free ZIP code information is available from government and commercial sources, and this information is accurate (unlike population statistics, which are based on outdated census information). That's why it makes perfect sense to leverage these five-digit geographic boundary labels for our benefit. Potential donors and other customers typically start and end most days in

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their home ZIP code area. And that's the real value of a ZIP code: using marketing tactics that leverage *location*, not demographics.

The marketing tactics recommended here reflect that crucial distinction. They focus on reaching more customers like the ones you already have. While there are more sophisticated approaches, these can get you started toward measurable results at very little cost.

Critical First Step

The first step is to actively collect ZIP codes from everyone who interacts with your organization. If you have no fresh or reliable information, your options may be limited to how you interact with your donors and other customers. If you receive payment of some kind, the task is much easier. For example, if you charge an admission fee to an event or facility, you can simply ask people for their ZIP codes when they pay. If people pay with credit cards online or by phone, you can access the credit-card mailing information. Most systems allow non-financial data (such as name and address) to be exported as a text file from which you can extract ZIP codes.

Another approach is to perform a survey that requires people to give

their mailing addresses, including ZIP codes. You can conduct such a survey online, on-site, or by phone.

Whichever approach you take, follow these guidelines:

Collect a sample size that is significant: Something greater than 200 households is a good starting point. But the more the better.

Collect the sample over several days, at different times of the day and different days of the week.

Count multiple members of the same household as one unit. Otherwise, you risk overstating the number of households representing a single ZIP code. For credit card transactions, it's probably safe to treat each transaction as a single household.

Calculate Reach

If the collection step was completed accurately, your data set will consist of a single column of ZIP codes, each representing a household. If your customer population is local, you'll have many duplicate ZIP codes. Start by counting the number of households in each ZIP code. You can do this by hand or by creating a simple pivot table in a spreadsheet. (The help menu on your spreadsheet software will walk you through the process of creating a pivot table. It should take no more than 10 minutes to learn and do.)

Once you have a count of your households by ZIP code, you must put them in context. The first reaction of many marketers is to market to the ZIP codes at the top of the list. The danger is that the numbers mean nothing unless you know the total number of households in each ZIP code. The ZIP code at the top of your list sorted by the number of

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households you collected may simply mean that it's a large ZIP code. It does *not* necessarily mean that it's the most popular for your organization.

To identify the ZIPs that are most meaningful to your organization, you must calculate your "reach." Your reach is the percentage of households in a ZIP code that interacted with your organization. The higher the percentage, the more success you'll likely have connecting with other interested households in that area.

The most accurate way to calculate reach is to determine the number of active consumer households in a ZIP code. The U.S. Postal Service regularly reports active addresses, making the information available free to the public. One such source is Melissa Data and its Web site, www.melissadata.com. The Free Lookups portion of the site lets you collect active households and other information at a ZIP code level.

Look up each ZIP code from your sample, and enter the number of active households in a column (called "Total Households" in Table 1). In another column (labeled "Your Households" in Table 1), add the number of households you collected. Then, for each ZIP code, divide the number in the "Your Households" column by the number in the "Total Households" column. The resulting fraction, shown as a percent, is your reach. Sort on the reach column, and your most popular ZIP codes will be at the top of your list (as Table 1 shows).

TABLE 1: Sample of household reach.

ZIP	ZIP Name	Total Households	Your Households	Reach
15238	Fox Chapel	5,922	40	0.7%
15217	Squirrel Hill	12,366	72	0.6%
15206	East Liberty	15,280	82	0.5%
15213	Oakland	11,872	63	0.5%
15221	Forest Hills	16,125	67	0.4%

Act on What You Learned

Now, what to do with this new information? Let's start with what *not* to do when it comes to leveraging ZIP code information.

First, do *not* research ZIP code demographics and use them as a basis for defining your audience. Averages and medians at a ZIP code level are misleading. They may be statistically accurate, but they're diluted metrics when it comes to understanding your households.

Second, do *not* use reach within target ZIP codes to launch an expensive direct-mail campaign. "Birds of a feather" may apply in certain neighborhoods, but ZIP codes are far too large for everyone to barbecue together. Sending mail to everyone within a ZIP is making an as-

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The All-in-One – Affordable – Fundraising Solution



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& Develop Donors



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Creative Fundraising Ideas

Sell Discount Cards

Consider marketing small cards, the size of credit cards, that provide discounts at local businesses, with proceeds benefiting your organization. Ask companies to support your organization by offering the discounts and also helping you sell the cards.

Hold a Couch-Potato Contest

Sell raffle tickets at athletic events. Winners are able to be “couch potatoes” at a sports activity by sitting court-side on a couch with two friends.

For more creative fundraising ideas, see *Fundraising Made E-Z* (www.fundraising-made-ez.com).

Try a Tie-a-Thon

Sell ties with your organization’s colors and logo (or other suitable design) to your organization’s supporters and the general public. The key to this fundraiser is to secure enough volunteers to sell the ties. You might organize sale teams which then compete against each other.

assumption that everyone shares common characteristics. We know that’s not the case. The waste associated with a direct-mail campaign will be significant if you view all households in a ZIP code as potential customers and send them each a \$2 direct-mail piece.

ZIP code reach is most beneficial for planning low-cost-per-thousand marketing tactics. Mass media has its place with a very low cost per thousand price tag but high waste factor, and one-to-one marketing can be as effective as it is expensive. The key is to identify tactics that benefit from geographic targeting and, in effect, make mass media more targeted. Examples include:

- Offer education and outreach activities in schools that lie within your target areas.
- Place outdoor advertising like billboards and transit shelter ads on major arteries leading to and from your target ZIPs, thus marketing to people as they leave home and as they come back home again.
- Use ZIP-level distribution advertising such as free standing inserts (FSIs) in newspapers or mail shopper programs. Unlike direct mail, these programs typically cost only pennies per piece, making the waste factor acceptable in exchange for a high rate of coverage.
- Hire street teams to distribute coupons and literature at malls or shopping districts in or near the ZIP codes you discovered.

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Chances are that some of your target ZIP codes are adjacent to each other. Locating major shopping districts that serve these areas should be easy.

Nonprofit organizations need inexpensive ways to understand their audiences. ZIP codes represent one tidy way to approach this challenge. By maintaining a clear perspective on the value of the information collected, you can balance the steps you take with the expected return. In other words, collecting ZIP codes from your customers provides a geographic snapshot, a simple way to get started that costs little or no money. The return should be a modest but noticeable improvement in the effectiveness of your low-cost marketing efforts. ■

Michael A. Sexauer (msexauer@pittsburghparks.org) is Vice President, Administration, with the Pittsburgh Parks Conservancy. Mildred S. Myers is Teaching Professor of Business Management Communication (Emerita) at Carnegie Mellon University’s Tepper School of Business.

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