

Sustaining Donations

Introducing Sustaining Memberships In TV Pledge Campaigns

A Primer for CEOs and General Managers

Adapted from a Next Generation
Fundraising Grant
Completed by
KPBS, San Diego
in association with
TPT, Minneapolis
Detroit Public Television
Maryland Public Television
Oregon Public Broadcasting
WTTW, Chicago
Eight, Arizona PBS

What is a Sustaining Member?

A sustaining member is someone who signs up to make an ongoing contribution of a certain amount with no pre-determined end date. The donor allows the charity to debit a fixed amount from their credit card or bank account on an on-going basis. The contribution has no end date and continues until the donor says otherwise.

Why Do We Want Them?

There has been a great deal of research over the years at public radio stations with long-term sustainer programs proving that the value of a sustainer is four times that of someone who makes a one-time contribution. Most of this increased value is due to the fact that you do not have to renew members making on-going contributions and that most continue giving year after year. In fact, sustaining members typically have a **renewal rate of 80% - 90%**! Put simply, traditional members have to take an action in order to renew their membership, whereas those making sustaining donations have to take an action in order to stop renewing their membership. As a result of their vastly increased renewal rates, sustainers give more per donor than other contributors and they have a greater lifetime value to the station.

What Did We Learn?

In April of 2012, PBS awarded a Next Generation Fundraising Grant to seven PBS member stations, led by KPBS, to study the feasibility of creating a sustainer giving program for stations. In addition to confirming the results attained by NPR stations there are a number of other significant findings. Sustaining members request fewer premiums than one-time contributors, saving the station money on premium fulfillment. In addition, we found a strong level of sustainer support in core programs that were traditionally considered weak in pledge performance. For example, some of our strongest sustainer results during this test were in PBS NEWSHOUR, NATURE, ANTIQUES ROADSHOW, and MASTERPIECE.

At the same time, donors appear willing to make sustaining donations during other types of pledge programming such as music performance and self-help.

Offering premiums at sustaining membership levels, (for example, \$10 a month) supported with on-screen graphics appears to be key.

Contrary to conventional thinking, NEW members can be acquired as sustainers with their initial pledge. It was thought that most people who become sustainers were already members, but this was in fact not true. The new member rate was between 30-50%.

The following two charts show the difference between sustainers and non-sustainers in projected Lifetime Value as well as some of the issues surrounding cash-flow during a sustainer’s first year on your file.

The first chart (**Comparing Renewal Revenue/Members - Sustainers vs. Non-Sustainers**) compares the Lifetime Value of 3,000 members acquired by KPBS during the test period as projected over a five-year span. KPBS will realize **313% more revenue** and will **retain 350% more members** over five years owing to their sustainer program.

Comparing Renewal Revenue - Sustainers vs. Non-Sustainers

		Sustainers				
		Year One Renewal	Year Two Renewal	Year Three Renewal	Year Four Renewal	Five Year Total Revenue*
Sustainers	Retention rate	85%	80%	75%	70%	
	Member count	2550	2040	1530	1071	
		\$306,000	\$244,800	\$183,600	\$128,520	\$862,920
		Non-Sustainers				
		Year One Renewal	Year Two Renewal	Year Three Renewal	Year Four Renewal	Five Year Total Revenue*
Non-Sustainers	Retention rate	23%	70%	70%	70%	
	Member count	687	481	337	236	
		\$82,440	\$57,720	\$40,440	\$28,320	\$208,920

313% Increase in revenue & 350% Increase in Retained-Members over non-sustaining donations

Assumptions	
Average Contribution:	\$120
Total Number of Members:	3,000

Revenue Difference: \$654,000

Note: During the test period, KPBS did acquire 3,000 sustainers. The retention rates are based on public broadcasting stations with long-term sustainer programs.

***Does not include “first year’s” revenue of \$360,000 which is the same in both scenarios.**

Timing & Cash Flow Issues

The second chart (**Year One Cash-Flow & Member Retention Comparisons**) looks at one of the biggest challenges confronted when introducing a sustaining membership program during TV pledge: timing.

This chart shows a typical scenario starting at the beginning of a fiscal year. There will be a decrease in membership revenue in the first year even though the member retention will improve. By the second year, revenue will increase notably. In the example below, **during the first fiscal year** of taking sustaining gifts, **revenue is down 12%** even as the number of **retained members is up 54%**. This is owing to the point in the fiscal year that the sustainer joined the station and therefore the number of monthly payments the member will make during that FY. This timing issue smoothes out in the second year and the significant boost in donor retention more than makes up for the first year's cash-flow issue. It is also for this reason that stations are encouraged to introduce sustainer giving at the beginning of a FY to minimize the negative impact of the transition as much as possible.

Year One Cash-Flow & Member Retention Comparisons

Campaign with Sustainers						
	Total Pledges	Sustainers	One-Time Contributor Fiscal Year Revenue	Payments in Fiscal Year	Sustainer Fiscal Year Revenue	Total Revenue
August	3,462	519	\$353,160	11	\$57,090	\$410,250
December	4,015	1,004	\$361,320	7	\$70,280	\$431,600
March	4,015	1,004	\$361,320	4	\$40,160	\$401,480
June	2,008	502	\$180,720	1	\$5,020	\$185,740
	13,500	3,029	\$1,256,520		\$172,550	\$1,429,070
Campaign without Sustainers						
	Total Pledges	Sustainers	One-Time Contributor Fiscal Year Revenue	Payments in Fiscal Year	Sustainer Fiscal Year Revenue	Total Revenue
August	3,462		\$415,440	11	\$-	\$415,440
December	4,015		\$481,800	7	\$-	\$481,800
March	4,015		\$481,800	4	\$-	\$481,800
June	2,008		\$240,960	1	\$-	\$240,960
	13,500	-	\$1,620,000		\$-	\$1,620,000
Assumptions			Revenue Difference:		(\$190,930)	
Total Contributors:	13,500					-12%
Average Contribution:	\$120		Member Difference:			1,817
Sustainer %:	25%					54%

Premiums & Sustainers

An additional cash-flow issue has to do with the expense of fulfilling premiums. Most stations send the premium after confirmed receipt of the sustaining donor's first monthly gift. Doing so positively reinforces the relationship with the donor, but exposes the station to two potential risks. First, the station is risking sending a premium to a donor who has fulfilled only 1/12th of their annual pledge amount. What if they get the goods and then cancel their sustaining gift? The second is, again, a cash-flow issue: the first month's gift may not cover the station's cost to buy and ship the premium. Stations' experiences do not validate the first risk: donors continue to make their monthly gifts at rates that suggest that this is not a significant concern. With respect to the second risk, careful planning and budgeting are needed to accommodate the cash-flow needed for the first two months of a "premium acquired sustainer" since most premium-related expenses will be covered by the donors' first or second months gifts. Note: for expensive premiums such as tickets, one station practice worth considering is to offer tickets via a sustaining gift only if the ticketed event is three months or more in the future. This allows the station to receive two or three months' donations before releasing the tickets.

The long-term upside of sustaining donations with respect to premiums is the fact that an 80-90% retention rate means fewer donors receiving a premium for "renewing" via pledge which in turn can lower costs for stations.

What's Next?

For stations who have not yet implemented their own sustaining donation campaign, PBS stands ready to help. For those who already have launched sustainer programs we plan to provide new on-air tools to maximize your success. While the long term advantages of implementing a sustainer program are many, in the short term there are challenges, especially in managing cash flow **expectations** in the first year.

To find out more, please join us for a Webinar introducing the advantages of sustaining contributions and how to implement it for your station on **Wednesday, May 8, 2013, 2:30p-3:30p ET.**