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The Denver "Subscription" Research Project
Part 2: Implementation and Results at CPR

Prior to 1995, CPR followed the conventional method of setting membership price levels. They sort of guessed at it. The process involved an informal comparison with other area non-profits and other comparable public radio stations. Membership categories were based on internal-station perceptions about what people would tolerate, modified by a series of arbitrary ratios. If the basic level was, say, $50, then the "discount rate" for seniors and students should probably be 50% of that rate. Right? And the mid-level gift should be twice the basic gift (or $100). That sort of thinking

The principal advantages of this pricing system are simplicity and acceptance. It's easy to explain during on-air fund raising. It fits nicely on the response card. People are used to it. The big disadvantage is that it ignores some basic marketing rules. First, it does not reflect the perceived value of the product; and second, it ignores the important relationship between price and "payment."

At the time that CPR invested in its ground-breaking "subscription research," many public stations were already experimenting with price and payment relationships by encouraging credit card use in pledging. Credit cards increased fulfillment rates, but they also had additional donor-oriented features. Credit card billing is quick and convenient. One check to the credit card company replaces many checks to individual vendors. Beyond that, credit cards have a built-in time payment plan (if you don't mind paying 18% annual interest). Although membership directors were aware of some of these features, the CPR research project took this kind of analysis to a completely different level of analysis.

The result was a new way of looking at the relationship between listener-donors and the station. The new model involved a series of decisions, which can be summarized in three words: Value... Price... Payment. This issue will explain what those three words mean for Colorado Public Radio, and how they use them in their membership... uh... I meant to say *subscription* program.

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Excerpts from the
COLORADO PUBLIC RADIO DONATION SURVEY
Final Report
Presented June, 1995
Prepared by Talmey-Drake Research & Strategy, Inc.

In the spring of 1995, Colorado Public Radio (CPR) hired Talmey-Drake Research & Strategy, Inc., a public opinion and market research firm, to survey listeners about their attitudes and perceptions of the value of public radio. From the beginning, this was a fund-raising project. The primary goal of the research project was

> *to "identify both strategies and tactics Colorado Public Radio may implement to increase donations from their listeners."*

The research took place in the spring of 1995, with Talmey-Drake presenting its report in June. Research activities included a review of relevant literature, meetings with CPR staff, focus groups, and a 250-call telephone survey of both members and non-member listeners.

The principal research findings were:

1 Most listeners, and especially donors, greatly appreciated the the value of Colorado Public Radio. "CPR provides them with confidence they are objectively informed about the most important issues of the day. ..Donors and frequent listeners appreciate CPR for its music as well as its news."[1]

2 Donors and non-donors alike felt that the term *member* is not necessarily the best way to describe CPR donors. "They feel membership is better suited for organizations that have meetings or a place they go... [As an alternative,] many donors are very receptive to being considered *subscribers* to Colorado Public Radio."[1]

3 Talmey-Drake found that "donor benefits" (discounts cards in particular) did provide added value to the donor — but only when the benefits were well targeted and worth the effort. Unfortunately,"Many [CPR] benefits... are not valued highly, or of little consequence to donors."[1]

4 Talmey-Drake discovered a "value gap" between what listeners were donating to CPR and what those listeners felt CPR was worth, as a media service. Talmey-Drake concluded that "Many donors should be willing to increase their current donation level, based on their perceptions of Colorado Public Radio's extraordinary value... The survey indicates the overall value is just over $20.00 per month."[1]

5 To close the value gap, Talmey-Drake suggested offering more payment options, including a much stronger emphasis on monthly installments.

In this issue we will look at how CPR integrated the research into its regular activities.

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1 - Quotations are from the Talmey-Drake Research Report.

The first step: change the direct mail, provide more options

By the summer of 1995, CPR was reorganizing its membership activity around a "subscription model." This model has three inter-related parts, all of which were mentioned in the Talmey-Drake report, and all of which relate to choices made by the listener-donor. The three parts are:

- Assessment of value;
- Determination of price;
- Choice of payment.

What now seems so clear and concise was still quite vague in August 1995, as Sean Carpenter, CPR's Membership Director began to plan his member revenue cycle. In fact, the subscription model, as practiced at CPR, did not take shape all at once or in a completely systematic fashion. The first piece that Sean worked on was the "price" element. The research strongly suggested that listeners valued CPR more than the $50 basic membership would suggest. In focus groups conducted by Talmey-Drake, listeners explained that CPR was probably worth "a dollar a day" or "about the price of cable TV, something like $20 a month." These were concepts and images generated by the listener-donors themselves. The images and numbers arose from real-world comparisons, made by the donors. Some people in the focus groups compared the price of a CPR membership to their monthly utility bill saying, "I pay that electric bill every month and I don't enjoy it the way I enjoy CPR." Clearly CPR had much more value than the station had assumed in setting its membership levels.

Given the spread between the CPR membership level ($50/yr.) and the images generated by the focus groups, it seemed sensible to raise the rates. But the process that CPR started in the summer of 1995 was more sophisticated. With the encouragement and direction of Talmey-Drake's Mark Miller, CPR tried to develop a system of donor options, or "subscription levels." In the subscription system the donor would first be asked to focus on the value of CPR, as a media service. Then the donor would be asked to translate that non-financial value into a specific dollar value. In the final part of the process, the donor would choose a payment method that would make paying the subscription convenient and affordable.

The first test came in the direct mail renewal cycle scheduled for early fall, 1995. Sean and his staff rewrote the direct mail letters, eliminating any mention of membership and stressing the idea of "a daily service... that's *valuable to you*." Sean did the majority of the writing, with assistance from Mark Miller on designing the reply device, [pictured on the next page] which has not changed all that much in the last three years.

Setting the levels was harder than it appears, because if you ask one hundred different listeners "how much is CPR worth to you," you might get seventy-five different answers. And no one thought they should eliminate all subscription levels. Ultimately, Sean and Mark settled on a large, but limited, assortment of levels from $5 a month through $100 a month. Because Sean anticipated that a majority of donors would still prefer to make one-time payments, he included

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Colorado Public Radio's Direct Mail Response Form

Yes, I want to subscribe to Colorado Public Radio!

1) What is Colorado Public Radio worth to you?
(circle the subscription that's best for you):

monthly or	**$5**	**$10**	**$15**	**$20**	**$25**	**$50**	**$100**	**other$___**
annual:	**$60**	**$120**	**$180**	**$240**	**$300**	**$600**	**$1200**	**other$___**

Benefits available starting at $10 a month - see enclosed listing. Your subscription is tax deductible less any benefit received.

2) How would you like to pay?

a) ______ Credit Card circle one: monthly annual other __________
Visa MC Amex Disc # ____ exp _________
Signature _______________________________________ daytime phone: ____________

b) _____ Check # ________ circle one: monthly annual other __________
(if monthly please include first payment)

c) _____ Monthly account withdrawal (please include check for first payment)
Signature _______________________________________ daytime phone: ____________

To pay by phone call 722-4449 (1-800-722-4449 around Colorado) Mon.-Fri. 8am to 5pm

Phone: home: _______________ work: ______________
Name : ____
Address: ____
City ____________________State: ______ Zip: _______

Thank you for supporting
Colorado Public Radio
KCFR 90.1FM KPRE 89.9 FM
KPRN 89.5 FM KCPP 91.9 FM
Turn this over and tell us

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the parallel row of "pay all at once" choices [as illustrated on the sample form above]. The very first letter drew about the same level of response as prior mailings, as well as few confused responses. (What do you want me to do? There are so many choices!) Fundamentally, Sean had it right. The response form gave donors the right level and range of options:

- Pay by installments with *check*, and we'll send you a monthly reminder; or you can pay all at once with a check.
- Pay by installments with a *credit card*, and we'll charge it to your account each month; or you can charge it all at once.
- Pay by monthly automatic account withdrawal.

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Taking the Options on-Air

The next, more difficult, step was taking the concept into a pledge drive. Announcers at CPR, like other public radio announcers, were used to pitching memberships, with a set vocabulary and a limited number of gift levels. The subscription approach changed that, and some announcers found it confusing: "Why are we asking for different amounts? How do we explain this?" To pitch effectively, the announcers had to embrace the new system, create a new pitch language, and construct a new case for giving. Not surprisingly, then, it required a full year of practice to get it right.

During the summer of 1996 — a year after they started using the subscription techniques — the CPR membership and programming departments organized several sessions where the staff redefined their on-air message. They examined the question "What is it that people value about public radio that we can attach subscription amounts to." Sean Carpenter explained: "That was the hardest point to change. Before the introduction of the subscription model, the message was 'join us... become a member...become part of a big thing that you want to be part of.' The subscription message was much more personal. [Announcers] had to ask their listeners to personally evaluate the importance of CPR in their lives. And then ask them 'Now, what you do you want to pay for it?'" At first, the on-air staff groped for the right words and images. They could imagine CPR being worth $5 or $10 a month, but how could they suggest that CPR was worth $50 or $100 a month? Of course, some of the hesitation came from uncertainty about whether the new system would actually work.

From "Join Us" to "Pay what you feel it's worth"

Although this may appear to be a relatively modest change, the switch from memberships to subscriptions was a major conceptual shift for both the broadcaster and the audience. The Colorado system de-emphasized the idea of "joining a station" or "taking a stand." Instead it focused on the fact that CPR is worth *something*. (Why else are you listening?) It stressed individual values and choices, insofar as the value and price might be different for every listener. Finally, the new system provided a set of payment options that could affect the price. Sean Carpenter felt that "the options of $5 or $10 or $20 a month provided a good conceptual framework to use in making that evaluation. Once the donor can relate the personal value to some kind of price, and they can take the final step, arranging for payment." Within a year, the staff was able to deliver the messages effectively. Now, Sean says, "we've had a remarkable change. Now announcers talk comfortably about $10 or $25 a month, because the message is much more coherent and much more confident."

From the Donor Perspective: Members to Subscribers

Most contributors made a relatively easy transition to the new terminology. "I was actually surprised by that." Sean explained, "I expected more resistance" — with good reason.

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Prior to the introduction of the subscriptions, every donor to CPR got a membership card. Suddenly, no cards, unless you came in at the higher levels ($10/mo. and above) which provided some movie passes and restaurant discounts. But the resistance never materialized. During that transition there were very few complaints. A few people — Sean said "a dozen or so" — expressed concern about abandoning the membership concept. They felt it made CPR less personal. *Subscription* is a business term and a financial relationship.

Sean is certainly aware of the trade off : "Membership suggests 'doing something with others' It has emotional weight, especially for some of the volunteers and close associates of the station." The subscription model communicates a different kind of relationship involving regular (even daily) use and regular payment for service. On the other hand, the concept of *subscriber* need not be restricted to a a purely financial relationship: "At Colorado Public Radio, we stress the fact that people are subscribing to a set of values and beliefs, such as 'learning should take place everyday.' Or 'people should be informed about their world and the issues of the day.' Colorado Public Radio stands for those values and subscribers are supporting those values."

However, as we noted in the previous issue, the question of subscription vs. membership was not entirely a subjective matter at CPR. Talmey-Drake was very clear on this point: namely, the vast majority of CPR donors did not feel like "members." Even a majority of "members" to CPR thought that subscriber was a more appropriate term.

Today, there is no basic subscriber card. The CPR drives don't stress big number goals or total dollars raised. They focus on personal value. During pledge breaks, announcers encourage listeners to think through the three-part subscription model: "Do you want to subscribe? Is this worth something to you? If so, how much? And what would be a good way to pay for that?" There's a lightness in their approach. Even though this is a subscription, and thus, a "bill," it's unique bill. No magazine lets you choose your preferred level of subscription. You can't tell the cable company that you've decided their service is only worth $5 a month this year. In contrast, at Colorado Public Radio, *listeners choose* the price and the payment method for their individual subscription.

The Financial Results

Colorado Public Radio implemented a new price point in FY96. Although overall membership/subscription revenue has grown steadily, the most obvious change has come in average annual gift per donor, as illustrated in the chart below.

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	FY94	FY95	FY96	FY97
Average Gift	$61	$61	$74	$81
Year-Year % Increase		--	21%	9%
Cumulative Increase				33%

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Much of the growth has come from the increased use of installment payment plans. Installment subscriptions have tripled in the last three years, to 18% of CPR's total donor base, which now totals about 23,200 subscribers.

Year	Installment Subs	% of Total File	Total Rev from Installments	Average Installment Gift	Average Annual Gift
FY95	1,237	6%	$136,562	$110	$65
FY96	2,761	12.5%	$288,478	$105	$70
FY97	4,170	18%	$430,650	$103	$79

Fueled by growth in installment pledges, CPR's subscriber revenue accelerated in FY97, with the total members/subscriber gifts increasing by 20% in the last fiscal year. This rate is substantially higher than the average rate of membership growth (13.3%) reported by the 22 licensees, including CPR, reporting to SRG's FY97 benchmark survey.

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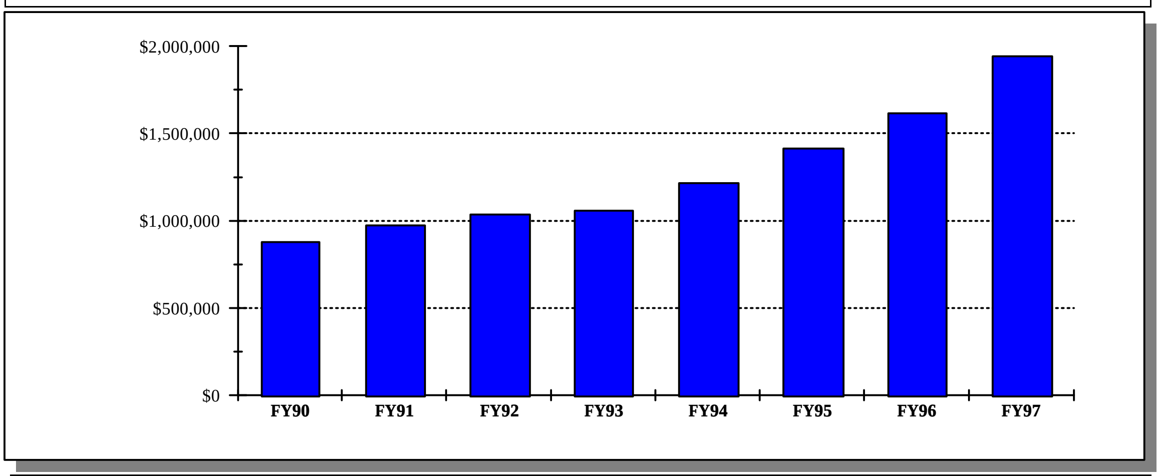
Growth in Member / subscriber support for Colorado Public Radio



	Memb / Sub Support	Yr-to-Yr % Inc.	Members	Average / Memb or Sub
FY90	$876,809	7.4%	15,279	57.39
FY91	$973,971	11.1%	15,766	61.78
FY92	$1,034,658	6.2%	16,189	63.91
FY93	$1,056,254	2.1%	16,366	64.54
FY94	$1,217,268	15.2%	18,800	64.75
FY95	$1,413,252	16.1%	20,920	67.56
FY96	$1,614,107	14.2%	22,048	73.21
FY97	$1,941,965	20.3%	23,197	83.72

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Downside: The complexity of the process.

Asked if there are any drawbacks to the subscription method, Sean Carpenter answers quickly: “It’s complex.” It’s hard to explain to staff. It’s hard to work through the new message points with on-air announcers. It’s a lot of work for the back office.

From his perspective, the greatest financial benefits come from moving the donor base to monthly installments. Once they make that transition, they’re likely to give more. At CPR, on average, installment subscriptions deliver almost 50% more revenue per donor than one-time payments. However, that means processing literally thousands of transaction every month, through checks, credit cards and EFTs. The membership department never gets a rest.

Closing Comments:

CPR is well aware of the fact that some fund raisers are skeptical of the subscription terminology and techniques, in large part because they see these techniques eroding the emotional relationship between the station and the listener. This, they argue, reduces the potential for life-long relationship and inhibits major gifts.

So far, there is no evidence of this loss, in part because major gift work is still in its infancy in public radio. Looking ahead, Sean Carpenter has little doubt that the subscription system will be compatible with the pursuit of major donor support: “I think the subscription concept is the ideal starting point [for developing a donor relationship], because you’re starting from the donor’s own sense of value. Once a listener accepts the idea that CPR is valuable and decides to give money, then I think you can expand the discussion to include the question ‘What is CPR worth to the community as a whole? Or what is it worth to the state?’ If this is valuable to you, don’t you think it’s valuable to others, and shouldn’t we try to preserve and build that value into the future.”

By making this leap, Sean says, “ you’re making a good transition from personal vision to a broader sense of community. There’s no reason that you can’t talk about subscription and tax deductibility in the same breath. Because this chain of reasoning is the heart of the Colorado system.”