

Brilliant on the Basics Newsletter

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A Project of
The Station Resource Group

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In this Issue:

The Results of a 17 station Target Analysis Project, PART 1. BoB Gets Down to the Basics - Building the of Membership File.

When the stations in the Brilliant on the Basics project (BoB) first met, in May and June, 1997, there was an understandable feeling of pride in the room. Here were some of the best in the business. BoB participants were members of the Station Resource Group, comprised primarily of relatively large stations with enviable records of financial growth and entrepreneurial management.

Thus, the opening presentation of the February BoB meeting came as something of a shock. Jim Lewis, one of the partners in Portland based, Lewis and Kennedy, showed a series of slides which summarized the results of the recently completed Target Analysis of the BoB stations member files. In Jim's view, the results suggested that

*"... the average station in the group is, in some ways, **below average** in its membership performance, based on what I have seen in other non-profit membership settings."*

The results found that most of the stations in the BoB Project were far from "best practice." Half were excessively dependant on pledge drives, and only a few stations were using direct mail as effectively as they could to produce renewals or additional gifts. For Jim, pledge revenue is only one part — perhaps a third — of an effective membership program. The key to being brilliant is "building the file" of active, satisfied donors, who would deliver dependable annual gifts, year after year. This is what Jim call "the development professional's greatest leagacy."

As you might imagine, all this was a sobering news for the collected stations. People entered the BoB project with the aim of *perfecting* their membership practices. Only a few people saw BoB as an opportunity to re-organize their programs from the ground up. Yet, once the audience adjusted to the message, there was a general recognition that Jim was probably right. The BoB stations, who rightly considered themselves to be top performers, still had a long way to go before they could really be Brilliant on the Basics.

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The San Diego Meeting: Target Analysis Results for 17 BoB Stations, Comparing FY93 through FY97 Results.

First some background. This project began with a dilemma. The participating stations were determined to be brilliant on the basics of membership fund raising, but there was no agreement about what the “basics” actually were. Most public radio development research focused on pledge drives, for good reason. Drives are colossal events in the annual schedule of the station. Drives consume hundreds of hours of air time and thousands of hours of staff time. Moreover, the majority of stations in public radio are heavily dependant on pledge drives, to the point where 50% of their member revenue (and perhaps 25% of their unrestricted operating money) comes directly from pledge-drives. Under these conditions on-air drives, which are relatively unpredictable sources of income, can make or break their current budget. Still, as Jim Lewis noted, pledge drives are just one part of the membership fund raising cycle. Recognizing that the On-Air Fund Raising Partnership had already broken much new ground in the theory and practice of on-air campaigns, BoB stations decided to concentrate on the study of *renewals* and renewal practices. They wanted to know how stations could best retain the members they had already attracted, and how they could cultivate this membership pool in the most successful manner, for both the donors and the station.

Target Analysis

The decision to focus on renewal practices affected all of the subsequent decisions about how to conduct the BoB Project. Most importantly, it led all of the BoB stations to take part in the CPB-sponsored Target Analysis Project (TAP), through which stations purchased a thorough analysis of their five most recent years of membership information. The TAP process for BoB participants began in August and ended just a week before the February, 1998 BoB meeting in San Diego. Each station received a “DonorMetrics” Comparison Report, showing dozens of group comparisons in eleven performance categories. They also received individual station reports prepared by Jim Lewis, comparing their single station performance to the group.

The February Meeting

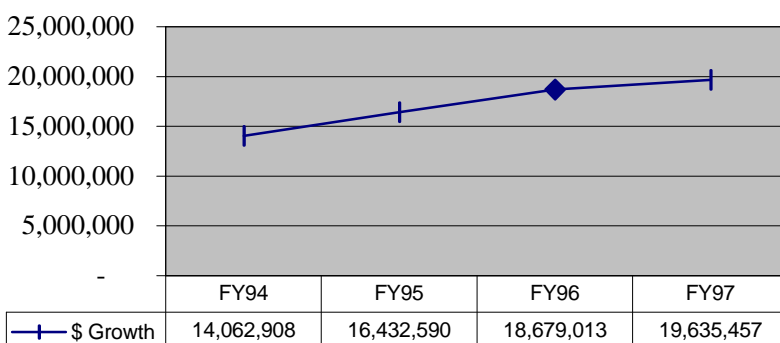
As the February meeting opened, Jim summarized his observations about the BoB group and presented a group profile, with four principal conclusions:

- Membership dollars have been steadily increasing at all the BoB stations;
- The rate of growth appears to be slowing, in both membership dollars and the number of members (file size). In FY97, several stations saw their files decrease;
- Renewal rates may be declining, contributing to the slow of growth in the other categories;
- The best renewal results were achieved by stations that employed the widest range of *mailing* activities, including acquisition mail, additional gift campaigns and lapsed member mailings.

Steady (but Slowing) Growth, Fueled by Increasing the Average Gift.

No one, including Jim, was surprised to see the strong, top-line revenue growth. Like so many stations, BoB participants have been on a membership-revenue roll, going back to the “Newt crisis” of FY95.

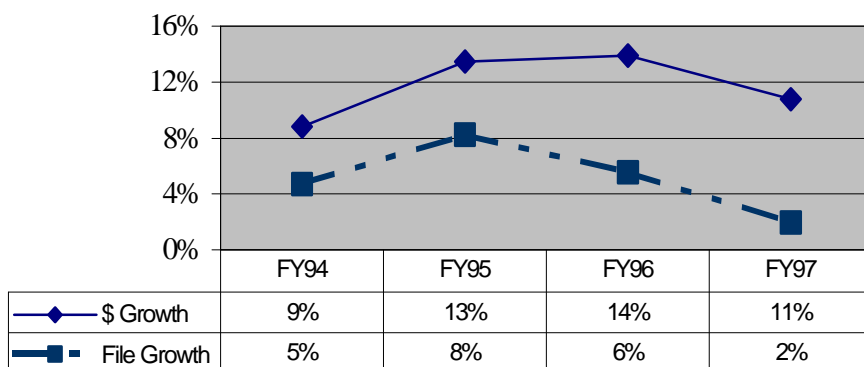
Continuous Membership Revenue Growth*



From FY93 through FY97, the BoB stations* increased their membership revenue by 54% or \$6.9 million. The rate of dollar growth is slowing a little, after peaking at 14% in FY96.

The collective donor files grew by 25% (about 45,000 new members) in that same period. But the rate of file growth has slowed even more noticeably than with dollar growth, dropping to just over 2% in FY97, a year in which five participants saw their donor files decrease (slightly).

Revenue and File Growth are Slowing*

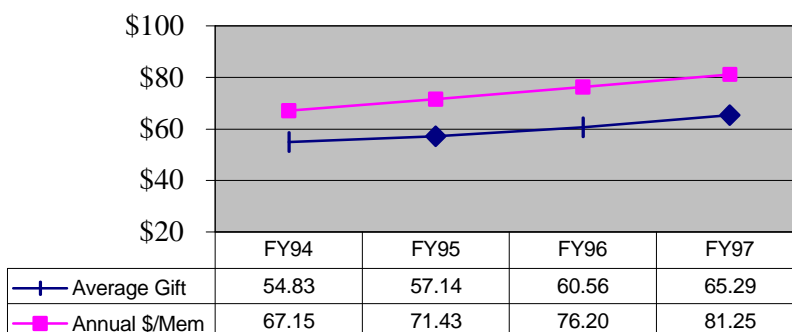


The continued dollar growth is coming from two things

(a) increasing the average gift transaction” by \$12.78 (+24%) since FY93, and

(b) increasing the cumulative annual per member support by \$16.97 (+26%) to \$81.25.

Increased Transaction Amounts and Annual \$/Member*



This pattern of strong dollar growth, but slower file growth showed up in almost every individual station report that Jim Lewis reviewed for the BoB

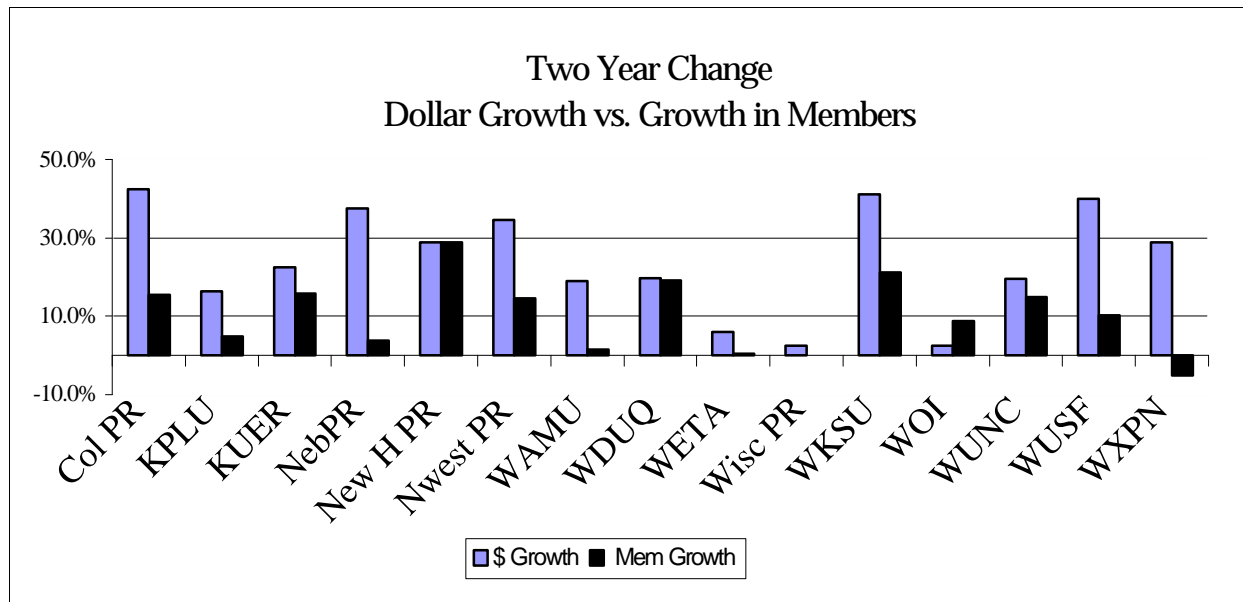
*Includes 14 participants, excludes WUNC, WSHU, KPBS, KXPR, whose data could not provide a consistent basis for comparison.

**Individual Station Growth Over 1, 2, and 4 Years
in Total Dollars (left) and Total Members (right)**

Ranked by 1 yr. Growth %

Total \$ Growth				Member Growth			
Licensee	1-Yr Change FY95-97	2-Yr Change FY95-97	4-Yr Change FY93-97	Licensee	1-Yr Change FY95-97	2-Yr Change FY95-97	4-Yr Change FY93-97
ColPR	-1.4%	42.4%	96.0%	Col PR	7.2%	15.4%	54.4%
KPLU	7.7%	16.3%	86.7%	KPLU	-0.3%	4.9%	52.9%
KUER	10.2%	22.6%	58.3%	KUER	6.9%	15.8%	18.3%
NebPR	13.9%	37.5%	47.6%	NebPR	3.8%	3.7%	12.7%
NewHPR	11.7%	28.8%	68.5%	New H PR	11.7%	28.8%	68.5%
NwestPR	12.3%	34.5%	78.9%	Nwest PR	5.9%	14.5%	38.4%
WAMU	3.3%	18.9%	56.9%	WAMU	-4.0%	1.5%	19.8%
WDUQ	7.1%	19.8%	61.6%	WDUQ	6.9%	19.2%	42.2%
WETA	4.8%	6.0%	22.8%	WETA	1.2%	0.4%	7.4%
WiscPR	1.1%	2.4%	48.1%	Wisc PR	2.3%	0.0%	20.1%
WKSU	8.4%	41.1%	61.9%	WKSU	-0.8%	21.2%	29.6%
WOI	1.1%	25.5%	48.1%	WOI	-4.4%	8.8%	56.8%
WUNC	11.6%	19.5%	n/a	WUNC	15.3%	14.9%	n/a
WUSF	18.9%	40.0%	66.5%	WUSF	2.6%	10.2%	17.0%
WXPEN	2.8%	28.8%	49.8%	WXPEN	-4.2%	-5.2%	3.5%
Average	7.6%	25.6%	60.8%	Average	3.3%	10.3%	31.5%

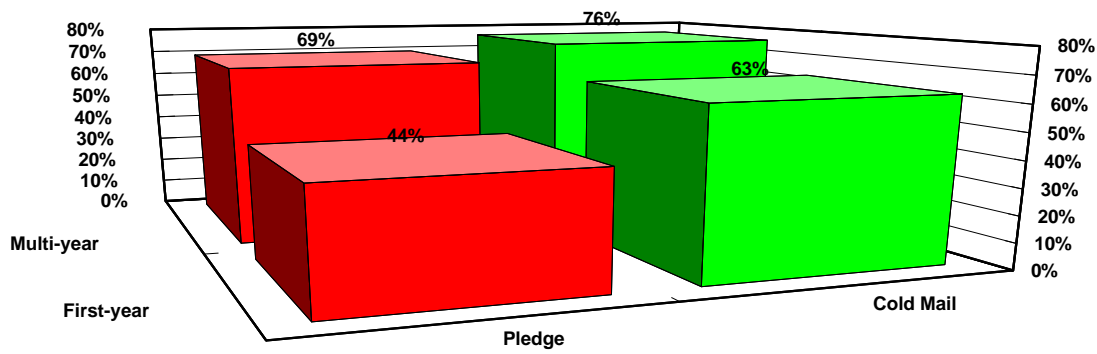
meeting. This is illustrated by chart immediately below, which shows that fifteen of the seventeen participating stations had a higher rate of dollar growth than donor file growth between FY95 and 97. In several cases, revenue growth came almost entirely from increasing gift size (for example, Nebraska, WAMU, WETA, Wisconsin Public Radio and WXPEN). The slowing file growth reflects relatively low renewal and retention rates. These renewal rates are, in part, a product of the member acquisition strategies that have been the foundation of public radio practice for the last twenty years.



Donor retention is related to the Source of Acquisition

With a few important exceptions, stations have relied on “pledge” as the primary means of building their membership file. Unfortunately, this method of donor acquisition is produces relatively low renewals, so the donor file deteriorates relatively quickly. This is illustrated on the two slides, immediately below. The upper slide shows a first year renewal rate of pledge-acquired donors is 45%. *This means more than half of the pledge drive members are lost after their first year.* While renewals are never easy, files built on mail acquisition tend to be more stable. First year mail-acquired donors renew at 63%, and multi-year mail-acquired donors renew at 76%. Most radio stations have built their files from pledge acquisition alone. Now, as the tide of “Newt-inspired” donors ebbs, so do the files. Jim felt that the BoB data *appears* to indicate that renewals peaked in FY96, and may now

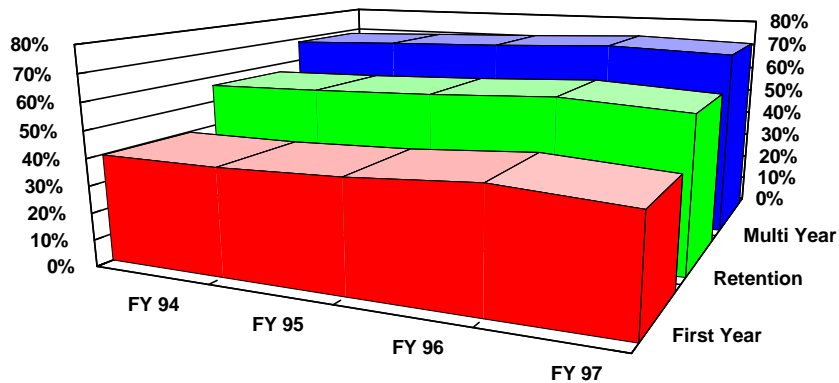
Why Acquisition Mail? (Part 1)



Renewal by Source—New vs. Multi-Year Members

© 1998, Lewis-Kennedy Associates and Target Analysis Group

Renewal & Retention Peaked in FY 96



Five year Renewal and Retention Average for all Stations

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Top Renewal Rates with File 2-yr. File Growth

Licensee	Renewal Rate	Rank	2-Yr File Growth FY95-97*	Rank
Nebraska PR	69.9%	1	3.7%	11
WETA	69.3%	2	0.4%	13
Wisc PR	65.1%	3	0.0%	14
WOI	64.5%	4	8.8%	9
Col PR	64.4%	5	15.4%	5
New Hamp PR	64%	6	28.8%	1

be declining.

Degrees of Pledge Dependency

Four stations in the BoB project are noticeably less dependant on pledge drives and pledge-acquired donors. WETA and Wisconsin Public Radio draw only about one quarter of their member revenue from pledge drives. Colorado Public Radio and Nebraska Public Radio draw about one third of their member revenue from pledge drives. All the other BoB stations draw one-half to two-thirds of their member

revenue from pledge. (See chart below.) In part because of their reliance on and success with mail activities, these four stations have four of the top six renewal rates in the project. (See chart above.) With these three stations as temporary benchmarks, Jim Lewis urged the BoB stations to consider moving their membership strategies away from exclusive or even majority dependence on pledge drives to expanded use of mail and telemarketing.

How stations can do that will be the subject of our next newsletter.

**BoB Station Member Revenues
Showing the Dollar Contribution and % From Major Sources**

Total Revenues	Mail		On-Air		TdeMkt		Matching Gifts		Misc		
	Total	%	Total	%	Total	%	Total	%	Total	%	
WETA	4045	1,351	33%	936	23%	810	20%	105	3%	839	21%
WiscPR	2,339	1,431	61%	621	27%	104	4%	50	2%	133	6%
ColPR	2,090	1,125	54%	695	33%	118	6%	0%	0%	152	7%
NebPR	372	219	59%	125	34%	17	5%	2	1%	9	2%
WXPN	1,334	411	31%	612	46%	77	6%	0%	0%	223	17%
NewHR	742	335	45%	360	49%	11	1%	5	1%	31	4%
WKSU	1,134	391	34%	569	50%	48	4%	26	2%	101	9%
WUSF	1,001	417	42%	510	51%	9	1%	29	3%	38	4%
KPLU	1,618	437	27%	829	51%	211	13%	103	6%	38	2%
WAMU	2,655	1,104	42%	1,361	51%	42	2%	25	1%	123	5%
NwestPR	580	231	40%	319	55%	19	3%	9	2%	1	0%
WUNC	1,130	434	38%	645	57%	27	2%	0%	0%	24	2%
WOI	585	197	34%	355	61%	14	2%	-	0%	18	3%
KUER	478	164	34%	293	61%	-	0%	10	2%	11	2%
WDUQ	663	238	36%	415	63%	-	0%	0%	0%	10	2%
Total	20,766	8,485		8,645		1,507		365		1,751	
Average	1,384	566	41%	576	47%	100	5%	33	1%	2,663	6%

* As a caution, we should note that high renewal rates are sometimes associated with slower file growth, and this is true with the BoB stations. These two factors need to be analyzed independently.