Individual Giving to Public Radio Stations

Analysis, Theory, Proven Practices, and Good Ideas to Raise More Money

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Individual Giving to Public Radio Stations

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Introduction

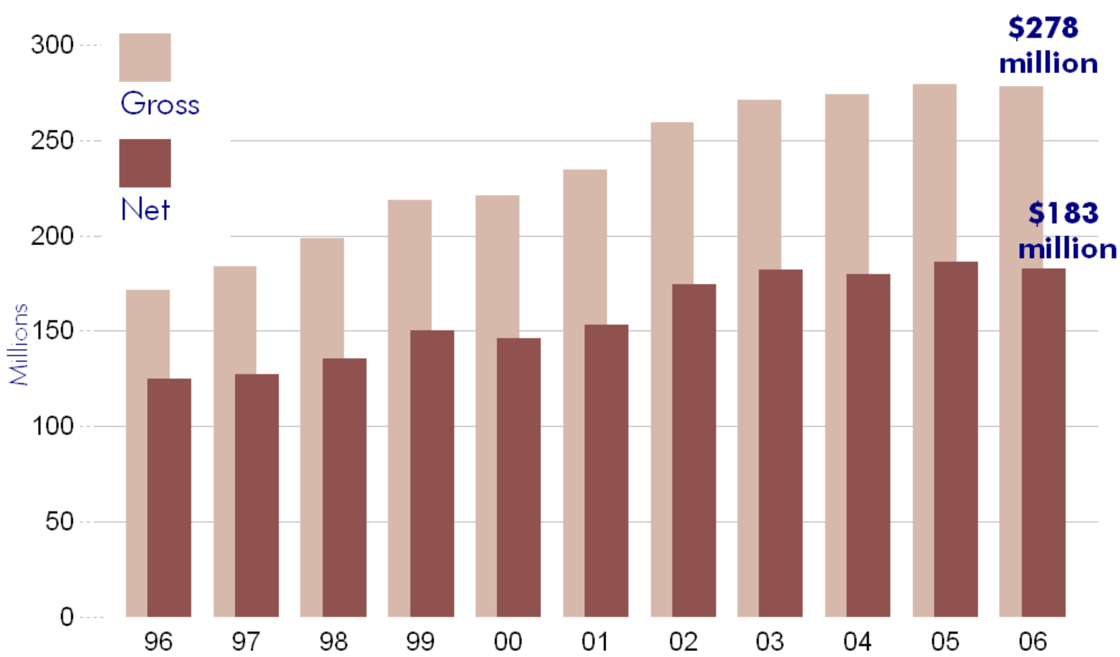
Individuals gave over $278 million to their public radio stations in 2006, a testament to the value public radio delivers and the very personal connection stations have established with millions of listeners. Individual giving is far and away the most important source of public radio's revenue: 80% more than program underwriting and other contributions from businesses, 80% more than support from all levels of government, and more than double the cash and indirect support from educational institutions.

But the impressive sum for 2006 was smaller, in real, inflation-adjusted dollars, than the year before. Not a lot less – only $1 million or 0.4% – but less all the same.

When we examine net income, what's available after backing out the cost of fundraising, the total was $183 million. The year-to-year change in net income was a drop of $3.4 million or 1.8%.

Individual Giving to Public Radio Stations

Adjusted for Inflation (2006 Dollars)



Source: CPB: Annual Financial Reports

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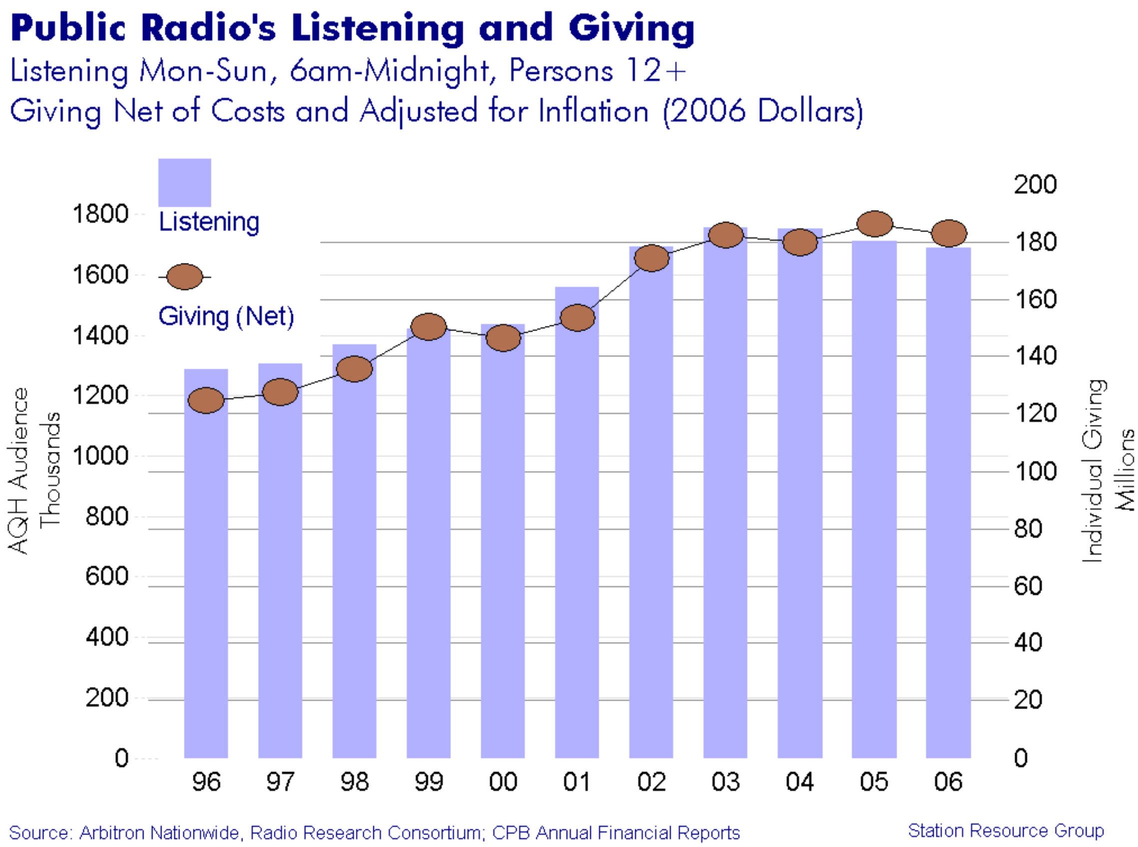


We should not be surprised at these recent results in individual giving. There is a close and powerful link between listening and giving and public radio's listening (average quarter hour audience) has been edging downward since 2003.

Until we sort out strategies that will drive a new arc of audience growth, public radio's continuing fiscal strength will turn on increasing the productivity, efficiency, and effectiveness of our fundraising.

This is a difficult but realizable goal. A close look at the chart above reveals that public radio's net revenue from individual giving grew well ahead of the growth in listening from 1996 through 1999: 21% vs. 10%. There was both a sense of urgency – repeated proposals to reduce federal support significantly – and a collective focus – the Public Radio Future Fund – that helped make that level of performance possible. Similar urgency and focus are called for again.

Meeting this challenge is critical. Stations' aspirations for wider reach and deeper impact move ever forward and the costs of realizing those aspirations grow steadily larger. As important as federal support and institutional subsidies may be, stations' own efforts in individual fundraising will likely be the principal driver of a larger success for our field.

To prepare this report we have worked through massive amounts of station financial and audience data, sifting, sorting, correlating, segmenting, and sometimes just staring in search of informative patterns, evidence of best practices, and a helpful framework for action. The data tell a powerful story of both accomplishment and unrealized opportunity for continued financial growth.

We will review a broad array of tactics – basic membership and pledge drives, building mid-range donors, major gifts, and more. The various tactics we present have their respective rhythms, disciplines, and metrics, but we see all the elements as connected. As development consultant Helen Kennedy says, "Giving starts with programming and ends with planned gifts and everything else is a step in between." She and colleague Jim Lewis write:

> "The underlying strategy for the development of individual giving is 'get 'em, keep 'em, upgrade 'em.' But underneath this simple phrase is a complex development system we call the donor continuum which employs a well-coordinated tool box of development techniques with both long and short-term goals.
>
> "One of the big weaknesses we see in development programs is the lack of coordination among, or even awareness of, the various steps along the way. One of the characteristics that we have observed in highly successful individual giving programs is embracing a little discussed best practice, the carefully coordinated development program with synergistic goals to which development staff are held accountable.
>
> "There are many benefits of such a highly coordinated program: greater awareness of the organization and its value to its community, higher revenues, an awareness of the environment in which the station operates. . . . In various scenarios we have developed, as mid-level and major giving improves and the various giving levels are no longer seen as destinations, net revenue improves, in spite of the higher costs that are associated with more personal development relationships."

Each station must ultimately shape its own fundraising goals, strategies, and tactics. We believe, however, that most stations can realistically challenge themselves to achieve levels of individual giving well beyond current performance – even at current levels of audience service. The future of public radio's public service depends upon doing so.

–Thomas J. Thomas
Theresa R. Clifford

It starts with listening

Individual giving to public radio starts with listening. In our focus on the latest fundraising strategies and tactics we sometime forget this simple fact.

While the number of listeners to a station is hugely important in setting a framework for giving – small audiences simply do not translate to big bucks – *how* those listeners use the station and *what they believe* about the station are critical in separating those who give from those who do not give.

Extensive research and analysis at the listener level have yielded powerful insights about public radio's listener supporters. Much of this knowledge has been gleaned from studies that recontact the people who filled out Arbitron diaries, allowing an integration of data about their listening (from their diary) and information about their values, beliefs, and behavior (from their recontact survey).

In *Audience 98 – Public Service, Public Support* David Giovannoni, Leslie Peters, and Jay Youngclaus presented a statistical model that predicts giving behavior of individual public radio listeners. They offered a pithy summary of the model:

"If a person:

- ☑ listens to public radio
- ☑ tunes in regularly
- ☑ values what he hears
- ☑ believes he needs to do his share
- ☑ has money to give

. . . that person is likely to give some to you."

Four of the five factors are driven by a station's own performance.

George Bailey, in *Public Radio Tracking Study*, *Turning Listeners into Givers* (2003), affirmed and updated the Audience 98 model: He wrote:

- → We confirmed that **public radio givers can be predicted primarily from patterns of listening**. Reliance may be measured by purely behavioral variables like loyalty to a public station and becoming a core listener.

- → Personal importance is an internal realization. **Individuals who not only listen but also sense that public radio has become important in their lives are more likely to become givers.**

→ **Education adds predictive power** to our model. Half of public radio givers have earned an advanced degree, an indicator of their socially responsible values and upscale lifestyles.

→ **Belief that public radio depends on listener support adds some predictive power** to our model, but the strong predictors are behavioral reliance upon public radio along with a sense of personal importance.

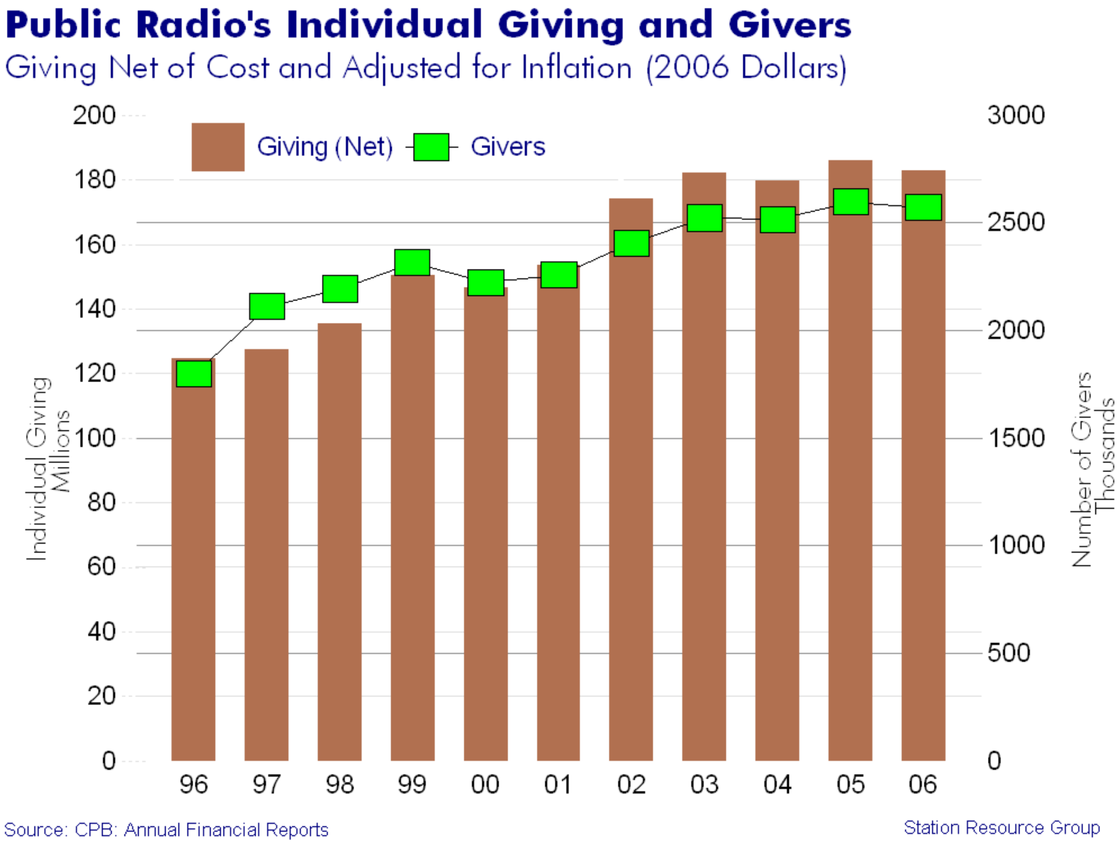
Both studies highlight how much fundraising success, at the listener-by-listener level where giving decisions are made, is more than adding ears to the audience: it is about building a relationship with listeners. This is one of the most important differences in the business models of commercial and public broadcasting.

A fundraising-aware programming strategy focuses on building regular, frequent, loyal use, a strong perception of personal value, and an understanding of the importance of giving.

To view *Audience 98* reports, go to www.aranet.com. For Walrus Research reports, go to www.walrusresearch.com

Of course programming, by itself, doesn't raise a dime and there is no meter running that automatically converts reliance, personal importance and value to listener revenue. It is only when these essential factors are combined with a disciplined, coordinated development program that listeners become givers and the virtuous cycle of public service generating public support to fuel still more service begins to engage.

A focus on givers



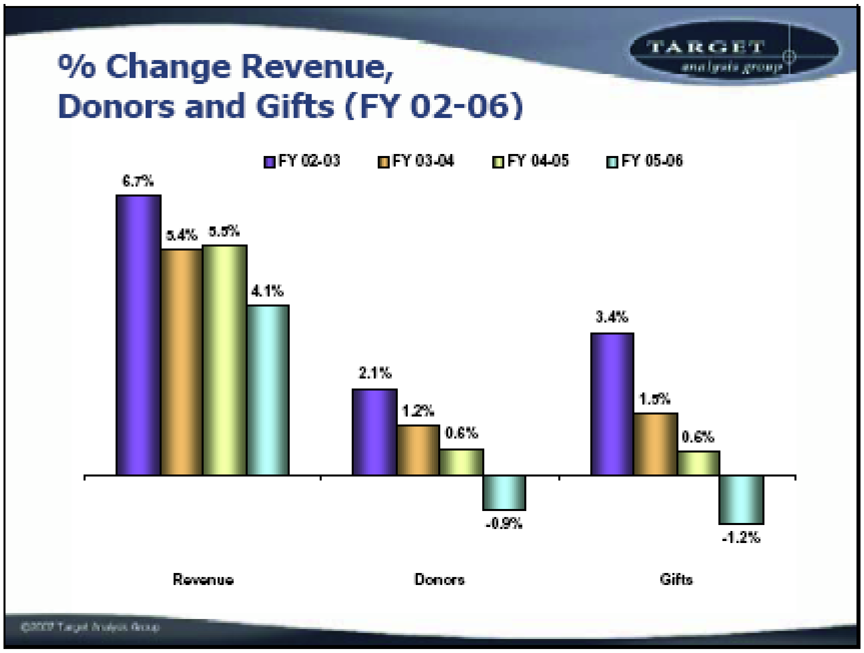
The plateau in the amount of individual giving to public radio has gone hand-in-hand with a plateau in the number of givers.

Jim Lewis and Helen Kennedy of Lewis Kennedy Associates have, for years, prepared an annual report on the fundraising performance of stations that use Target Analysis Group's donorCentrics™ tools. Their FY 2006 report, based on 55 stations, includes the following year-to-year findings:

- Both audience and donor growth were flat in FY 06, and revenue growth was lower than in the prior year.
- Revenue rose due to a higher average gift.
- Over 41% of revenue growth was a function of growth in gifts of $1,000 and above.
- All key renewal rates were down; first-year renewal is a particular problem.
- Median renewal gifts were flat, while the overall number and average were actually down.

- New gifts were down, and the increase in rejoins was not large enough to overcome the decline in total acquisitions.

The chart below shows these most recent findings in the context of three preceding years. Each bar represents a year-to-year change. Changes in revenue and gift amounts are not adjusted for inflation.



From *Public Radio Membership Fundraising in FY06*

These are sobering findings. To view the full report and other Lewis Kennedy analyses, go to www.lewiskennedy.com.

It was not long after public radio membership veteran Barbara Appleby took up her current position as Director of New Revenue Strategies at National Public Radio that she began urging colleagues to focus on building the *number of givers* to public radio. Appleby observes that many stations have been meeting their budget needs through larger gifts from an essentially flat pool of givers. She argued in an internal NPR memo, *Toward a National Membership Goal:*

> "A disciplined multi-year, multi-faceted strategic focus on givers will increase sustainable net revenue for stations. The reverse is not true: a focus on revenue will not increase givers and will lead stations down the unsustainable, slippery slope of more dollars from fewer givers which will eventually lead to fewer dollars overall."

Appleby's advocacy had its intended effect and NPR and the Development Exchange have joined in an effort to build the giver base to three million.

Increasing the number of givers when the audience is growing takes discipline and hard work. Doing so when the audience is flat is much harder.

The future trajectory of public radio listening is uncertain. Some believe we face a sustained steady state, if not a decline, as newer technologies and a more competitive landscape erode radio's position. Others, including ourselves, believe public radio has significant opportunities for continuing growth in listening both over the air and online. (SRG has just launched a CPB-supported system-wide "Grow the Audience" planning effort.)

But even if we anticipate slow or no growth in listeners, public radio can increase the number of givers – and thus its prospects for long-term revenue growth – through a sharp focus on the basics of individual giving.

A decade ago SRG launched *Brilliant on the Basics: Listener Support* as a collaborative learning project involving eighteen SRG members. Working together over two and a half years, participants set common goals, identified growth opportunities, monitored performance, commissioned research, implemented new practices, and reported to the public radio system. Among the key findings reported by Mark Fuerst, who served as project director:

> "A focus on top-line membership revenues can conceal weaknesses in a membership program that will hamper the station in the long run. While increased revenue will always be a top priority, continuing growth will also involve building the membership file with donors who have a high propensity to renew and upgrade. This file growth requires excellent work in both recruitment and renewal."

A start-of-the-project analysis of *Brilliant on the Basics* stations – several of which were leading stations in public radio development – revealed that while their membership revenue was increasing:

- Revenue growth and file growth were both slowing;
- Renewal rates were declining, contributing to the declining growth;
- The best results were being achieved by stations that employed the widest range of mailing activities, including acquisition mail, additional gift campaigns and lapsed member mailings.

Renew, Renew, Renew

The *Brilliant on the Basics* participants moved toward a *proven practice model:*

> **"There is a short list of proven practices that can build a station's membership file and position the station for strong revenue over the long run. These practices are not complex – they are a matter of timing, discipline, and budgeting. The best practice models include expanded off-air member recruitment, expanded renewal programs, and regular mailing to lapsed donors."**
>
> **These practices made sense then. The stations that used them built both the number of givers and their revenue. They make sense now.**

These techniques are discussed and illustrated in the *Brilliant on the Basics Final Report* on SRG's web site: (http://www.srg.org/bob/about.html). They are also presented in detail in the membership section of the Development Exchange site (www.deiworksite.org).

A fundamental aspect of the *Brilliant on the Basics* work and DEI's proven practices is that the emphasis is not primarily on finding new givers, but on keeping or getting back the givers the station already knows and upgrading their gifts over time. John Sutton, President of John Sutton & Associates, mapped the key concepts in a post on his blog (http://radiosutton.blogspot.com)

> "Growing a donor base works just like growing any customer base. Current customers are the most likely to be next year's customers and the cheapest to keep. The next most 'profitable' segment is previous customers who just don't do business with us as frequently as we'd like. The most expensive and most difficult customer to get is one who has never done business with us before.
>
> ". . . We grow audiences by getting current listeners to tune-in more frequently. By giving them lots of good reasons to tune in throughout the week, we keep them in the weekly Cume. The same is true for donors. By giving them lots of good reasons throughout the year to give, we keep them in the annual donor base.
>
> "Sometimes listeners tune-in every 8 or 10 days and fall out of the weekly Cume. They are 'Lapsed Cumers.' Fixing the programming to get them listening every 4 or 5 days gets them back in the Cume. Sometimes donors give every 14 or 20 months and fall out of the annual donor count. They are 'Lapsed Donors'. Fixing the fundraising program to get them to give every 7 or 10 months gets them back in the annual donor count. And when the

program is fixed, any newly acquired listeners or donors are less likely to fall through the cracks. That's the first step to growth."

Sutton's priority list is straightforward:

When it comes to donors, stations need to prioritize by first keeping current donors, getting lapsed donors back, and then acquiring new givers.

"Lapsed" Donors – Often Just Marching to a Different Beat
Jim Lewis and Helen Kennedy of Lewis-Kennedy Associates offer their own strong pitch for getting lapsed donors back based on analysis of donorCentrics™ reports from the Target Analysis Group. Among many other features, these reports allow public radio to track lifetime value – the average gross revenue that a giver to a public radio station represents over time.

Lewis and Kennedy found that, on a technique-by-technique basis, the long-term value and current retention of lapsed donors surpass a newly acquired donor. For example, a donor reacquired by "lapsed mail" brings an average $19 more in lifetime value than a donor acquired by cold mail, and their average retention will be 1 point higher. The difference between lapsed donors reacquired via the web and new web donors is even greater. They write:

"For this reason, we often suggest to stations with large numbers of lapsed members that their best hopes for the future lie in the past – that their best prospects for increasing their file lie in recapturing those who have given in the past rather than finding new members. This doesn't mean that they shouldn't try to acquire new members, but that their effort to recapture those who have given in the past should be at least equal.

"We know from examining giving patterns in many types of organizations that some donors have given during the previous year, but are not giving now. However they will give during the following year; in fundraising parlance, this is a LYBNT—'last year, but not this.' Others may give every three years or on some other schedule that is irregular to us, but meaningful to them; this is a SYBNT—'some years, but not this.' Both are valuable to public radio. Not only is their lifetime value high when reacquired, but conversations with them reveal that many consider themselves loyal supporters of the service. For this reason, the most effective fundraising appeals to them make no reference to their 'lapsed' status, either directly or obliquely, but ask them to renew their support of the station."

Make the first time easy
New givers are, of course, essential to a growing individual giving program. Many stations could be pursuing them in more effective and productive ways than is currently the case. The following suggestions encourage stations in that direction.

Don't set the bar too high. In whatever venue we are seeking new givers – on air, direct mail, online – seeking too high a gift, rather than a first show of support, is usually a mistake.

Barbara Appleby writes:

> "It's important to consider that our most far-reaching appeals to listeners are those that we broadcast in on-air campaigns – every listener hears the same message. While high dollar pitches result in more (short-term) gross dollars, these pitches also result in fewer givers and run the risk of communicating to prospective, former and current givers that contributions below a certain threshold simply do not "make a difference" to your station.
>
> "When the Contract with America threatened CPB funding for stations in the mid-90s, the On-Air Fundraising Partnership messages that year were all about "every dollar making a difference," not about giving a dollar-a-day or $1,000 to help replace federal funds**.** The number of givers to CPB-qualified stations rose 30% from the start of FY1995 to the end of FY1997 – from 1.63 million to 2.11 million, an increase of 482,000 givers over three years. "

Direct mail remains a valuable tool for acquiring new givers. Because it requires "entrepreneurial budgeting" – a development budget constructed to invest and reap – stations tend to move away from it in lean times. That is a mistake.

Dick McPherson heads McPherson Associates, Inc., a direct marketing and communications agency specializing in non-profit fundraising programs. As consultant to SRG's *Brilliant on the Basics* he gave the following advice:

> "Organizations with the largest memberships—both inside and outside public broadcasting—are those that consistently seize opportunities in inviting climates by investing in the acquisition of new members whose retention produces high net revenue.
>
> "To succeed in this area, stations need appropriate list exchange policies and practices. Some of the nation's best lists are available only on

exchange. Reliance on rented lists in the face of “break-even” goals leads to limited mailing and testing. List exchanges are a sensitive area and must be handled with high integrity, but that should not deter stations from this useful tool.

“We believe stations should work together to develop and hone their acquisition practices. The tradition of every station conducting its own mail program drives up cost, leaves practices very uneven, and makes success or failure in direct mail dependent on individual staff members who often lack experience in the broader world of direct response marketing.”

Online acquisition of new givers should increasingly complement on-air pledge and direct mail techniques.

Online activity is playing a steadily larger role in many stations’ individual giving programs. Much of this activity is an adjunct to on-air pledge drives. The online dimension gives the listener a self-service option for managing his or her pledge transaction and an immediate option for fulfillment. This convenience and immediacy is an expected option for a growing segment of stations’ listeners.

Online communications – email and web sites – can also be **an effective tool for acquiring new givers totally apart from on-air pledge drives**. This dimension of online giving takes more effort to implement and is far less developed across the public radio system. We believe it is a significant area of opportunity.

Knowledge about online acquisition of givers is evolving rapidly within the nonprofit sector. Within public broadcasting, the Integrated Media Association’s *Web Marketing Toolkit* offers tips and guidelines. It is on IMA’s web site at www.integratedmedia.org. Public Interactive now offers tools and products to support online giving, including acquisition. Vendors such as Convio (www.convio.com) offer useful publications and guides on their websites.

Certain basics emerge as fundamentals:

- Online acquisition of givers requires planning, organization, discipline, and investment just like other areas of a station’s giving program.

- Be creative in acquiring email addresses. Public radio stations have a huge advantage compared to other nonprofits in their ability to call listeners to their web sites and capture their addresses – usually in exchange for something of value such as playlists, follow-up information on a story, subscription to an e-newsletter, or further information on selected topics.

- Be patient in building a relationship and manage the relationship responsibly. Gather information about a person over time. Deliver genuine value online as well as over the air. Give the person some control over the relationship, such as how often they are contacted or what kind of information they want. Scrupulously protect their privacy.

- Assume that the reasons for giving by givers acquired online will reflect the same factors we have discovered across other techniques: use of and reliance on the station's service, importance of the service at a personal level, understanding that the station depends on listener contributions and not government funding. The fact that the station is communicating with the listener online does not change that equation.

- Experiment, test, and monitor results.

The on-air pledge drive

Ask "civilians" about public radio fundraising and the most likely responses are groans and wisecracks about what we do on-air – tote bags, mugs, and "the number to call . . ." The on-air pledge drive is the public face of public radio fundraising. For years pledge drives accounted for huge portions of individual giving at most stations. Even with today's more advanced fundraising methods many stations still rely heavily on on-air pitches for support.

With so much at stake – hours and hours of air time for listeners, tens of thousands of dollars for stations – one would think we could do better at these recurring drives. We know a great deal about what to do and what not to do. But we allow ourselves to drift, leaving too much to the last minute in pre-drive planning, floating off-message in improvised appeals, obsessing over food for volunteers rather than sequencing our pitches.

The Development Exchange has a substantial body of material about on-air pledge drives on its web site (www.deiworksite.org). An array of consultants is available to help plan and critique stations' on-air appeals. Examples of compelling appeals are available at the PRX Fundraising Soundbank (www.prx.org/articles/216), a joint project with the Development Exchange and Public Radio Program Directors.

For a pithy summary that reminds both veterans and beginners of key elements and the need for focus and discipline, we like the following interview with Jay Clayton, who created WBUR's "More Programming, Less Fundraising" program, participated in several fundraising research projects, and currently oversees DEI's Benchmarks for Public Radio Fundraising. He was interviewed by Adrianne Mathiowetz of PRX: The Public Radio Exchange.

PRX: What are the necessary basics of a drive? What needs to be said?

Jay Clayton: Fundraising is reminding listeners of the value they get from listening, getting them to agree that their direct financial support is important and makes a difference, and getting them to give.

PRX: What are some common mistakes that stations/hosts/producers make in a fundraising drive?

JC: Losing sight of the fact that fundraisers are about listeners' time, not ours. Listeners tune in to stations for their core programming, not for pledge drives. At the same time, listeners understand and support our need for their financial support. In other words, they don't mind us asking them for money. Many listeners prefer that we ask them for money because they understand the direct link between listener support and editorial independence. What listeners tend not to like is how we ask for their support. Specifically, they dislike the interruptions that on-air drives create and they dislike the drives' production values (or sometimes the lack of production values).

When I review air checks of stations' pledge drives, which I do frequently, what I often hear are pledge breaks that are not focused on the fundamentals of fundraising.

Some breaks go on for two to three minutes before anyone asks for money and often that request is an offer to get a station premium that isn't linked to the value of station support. In other cases I've heard pitchers focused on themselves and their commute into the station.

In some cases pitchers do ask listeners to call but they don't offer compelling reasons, from the listeners' point of view. Often the request is tied to the station's need to meet a goal -- dollars or donors -- by the end of the hour or to call because there's nothing happening in the room where volunteers are waiting to answer the phones.

Asking me to call because no one else is calling is not a winning approach. Goals have their place in pledge drives but they need to be tied to listeners' interests. For example, instead of saying help us raise another $1,500 in this hour to stay on track, try saying, our goal is $1,500 in this hour. That will pay for many hours of the program you're listening to and keep fundraising to a minimum so you can hear more of the programs you enjoy and rely on.

Some stations are beginning to see value in focusing goals on donors rather than dollars because when you focus the fundraising on listeners' participation the money usually takes care of itself. Stations sometimes have multiple goals, for overall givers and for new givers. I think this is an area worthy of more exploration because it brings listeners into the fundraiser and makes it more meaningful to them personally.

PRX: How do you define a successful campaign?

JC: A successful campaign adds contributors to the station, renewing givers, first-time givers, past givers and additional gifts from current givers. Meeting the financial goal is obviously important but building the station's base of givers is ultimately more important because that drives future giving. More donors participating in the drive, as opposed to more money from fewer donors, increases opportunities to ask for support off air which contributes to less reliance on pledge drives and more efficient drives.

PRX: You mentioned on the phone that "the issue isn't the message; the issue is the way the message is delivered." Could you elaborate on that?

JC: We know from years of solid research what turns a listener into a giver. I don't think the challenge with pledge drives is about reinventing that thinking. I think the challenge is finding fresh approaches to delivering and engaging listeners in our messages. Ira Glass has been brilliant on this stuff. His fundraising spots take the same basic messages we've used for years but he finds funny and compelling ways of getting the messages across. He tells stories and that's far more engaging than just delivering dry copy. It's hard to tell those stories day to day over the course of a long pledge drive. That's why, in my opinion, we need to keep trying and at the same time make our drives as short as possible while building our base of givers.

Work to the net

Our discussion so far has centered almost entirely on the income side of individual giving. But it takes money to raise money and at the end of the day it is the **net** revenue from contributions – the funds that remain after accounting for the costs of raising them – that is the point of the fundraising effort. It is net revenue that stations are able to invest in fulfilling their public service missions.

Our experience is that calculating net revenue from individual fundraising is more difficult than it might seem at first blush. For radio-only operations, accounting for income from individual givers is a relatively straightforward matter, guided by best practices and generally accepted accounting principles. Allocating radio specific income is more complicated at joint radio/television operations, especially those that share call letters, and usually reflects a combination of internal politicking and accounting.

The expense side gets complicated for everyone. Among the issues:

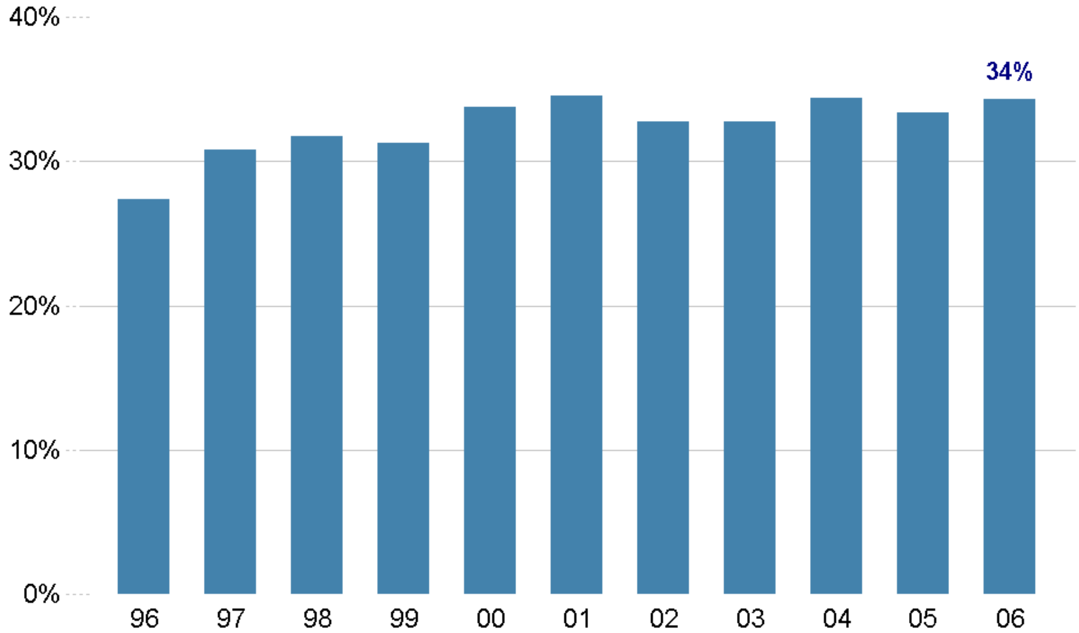
- Staff who work on membership and who have other duties at the station.
- Communications with members and others – by mail, electronic newsletters, and at events – that often straddle membership development and general promotion and outreach for the station's service.
- Senior development staff who may oversee individual giving, grant development, and underwriting.
- Decisions about how to value the air time used for pledge drives.
- At university stations, decisions about how indirect support for the station is allocated against membership efforts.

Different stations will use different approaches to account for the costs of individual fundraising. More important than a "right" approach is one that makes sense within a broad framework of accounting principles and that is <u>applied consistently over time</u> to assess performance and progress.

The Corporation for Public Broadcasting collects annual data from stations regarding both individual giving and the cost of fundraising. Given the variations in accounting practice across stations, it is somewhat problematic to use this data for station-to-station comparisons. But in the aggregate, this data is our best indicator of how the field is performing.

SRG adjusts these reported figures to isolate the costs specifically associated with individual giving.

Fundraising Cost as Percent of Revenue
Adjusted for Inflation (2006 Dollars)



Source: CPB: Annual Financial Reports, Adjustments by SRG

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In FY 2006 public radio stations spent 34 cents to raise a dollar in individual giving – about the same as for the past few years, give or take a penny, but a little more than was the case a decade ago.

Public radio stations' gross individual giving – from members, friends groups, and major donors –increased by 62% from FY 1996 to FY 2006, after adjusting for inflation. But *net* revenue increased by 47%. The difference, gross versus net, is significant and is attributable to the rise in the cost of fundraising.

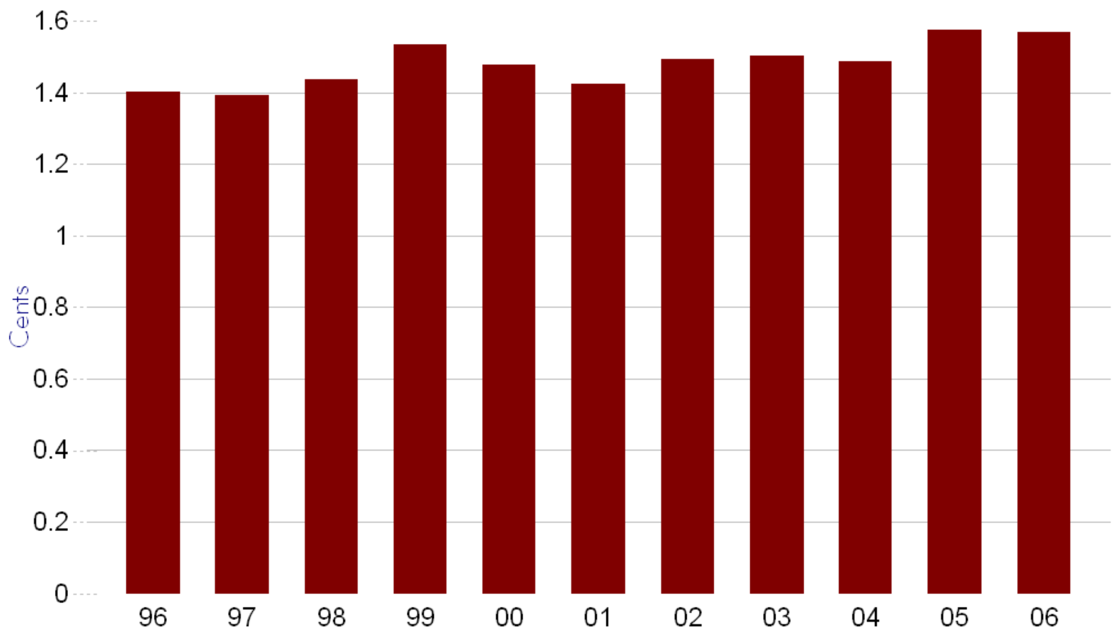
Net Support in the Context of Listening

Earlier in this report we talked about how important the amount of listening is to the decision to give for an individual listener. It is also possible to examine the relationship of listening and giving in the aggregate, tracking net revenue from listeners in the context of total hours of listening by those listeners.

The metric for this key relationship is *net listener support per listener hour*. We chart the results for all of public radio on the next page.

Public Radio's Net Listener Support per Listener Hour

Adjusted for Inflation (2006 Dollars)



Sources: CPB: Annual Financial Reports, Arbitron Spring Nationwide, RRC

Station Resource Group

This simple chart reflects a massive number of interactions – billions of hours of listening and millions of dollars contributed to public radio. At first glance, the most striking feature is how little the basic relationship has changed over an extended period of time.

A closer look reveals we are moving in a positive direction. The net listener support per listener hour has increased 12% from FY 1996 to FY 2006. This increase in productivity becomes more profound when we consider that listening to public radio increased by 31% over the same period. That means public radio's listener support efforts both kept pace in building relationships with an increasing number of listeners *and* increased the level of giving – over and above inflation – across old and new listeners alike.

This increase is also an example of the power of very modest changes across an enormous number of interactions. By increasing the net income per listener hour from 1.401 cents in 1996 to 1.568 cents in 2006, public radio gained $19.5 million more in net revenue in 2006 than would have been the case if productivity remained at 1996 levels.

Of course some stations are more productive than others, and that's where we will turn our attention in the next section of this report.

Tracking the top performers

A few years ago, The Development Exchange launched an annual benchmarking project to help stations evaluate fundraising performance and potential in terms of net revenue relative to their audience.

The DEI project, unlike the analysis in the Lewis Kennedy report cited earlier, defines "individual givers" exclusively as those who give gifts under $1,000. This focuses DEI's analysis on a critical sub-group of givers to public radio sometimes characterized by stations as "transactional" givers and also called "mid-level givers" when the gift exceeds $250. Major Gifts are handled as a separate area, where the patterns of givers and giving for higher gifts can be analyzed separately from gifts under $1,000.

John Sutton, President of John Sutton & Associates, prepared analyses of the data for both 2005 and 2006. He wrote:

> "The 2006 DEI Benchmarks for net individual giving (donors who give $1 to $999 annually) confirm what was learned from the 2005 data. The top performing stations, those at the 90th percentile or higher in net Individual Giving revenue relative to audience, achieve excellence by being good at fundraising all year and not just during on-air pledge drives." (DEI's *Individual Giving Report, July 2007*" is *available to DEI members at* www.deiworkshite.org)

Sutton observed:

> "DEI's 2006 Benchmarks confirm that top performance [in the $1 to $999 range] is achieved primarily through a higher volume of giving, not increasing the average gift."

He goes on to add:

> "The lesson here is that using average gift for all donors as a success metric is a bad idea. . . . Stations become top performers by growing the number of annual donors who give $250 to $999 annually without sacrificing donor growth in the $1 - $249 segment."

Stations wishing to improve their net revenue should develop strategies and tactics to get more donors in each of the giving segments.

Sutton illustrates his point with two tables.

Top Performance: Donors by Annual Giving Levels (90th percentile)

Weekly AQH	$1-$249 Givers	$250-$999 Givers	Total Givers
5,000	10,200	1,200	11,400
10,000	20,400	2,500	22,900
15,000	30,600	3,700	34,300
20,000	40,800	4,900	45,700
25,000	51,000	6,100	57,100

[How to read this chart: If your station's full-week AQH is 5,000, then the annual listening to your station (Listener-Hours) creates the potential for 10,200 donors who give between $1 and $249 annually. Your station's potential for mid-level givers ($250-$999) is 1,200. All numbers are rounded to the nearest 100 givers. Estimates are based on the performance of stations that are in the 90th percentile or higher in net Individual Giving revenue relative to audience from DEI's 2006 Benchmarks.]

Median Performance: Donors by Annual Giving Levels

Weekly AQH	$1-$249 Givers	$250 - $999 Givers	Total Givers
5,000	7,000	500	7,500
10,000	14,100	1,000	15,100
15,000	21,100	1,500	22,600
20.000	28,100	2,000	30,100
25.000	35,100	2,500	37,600

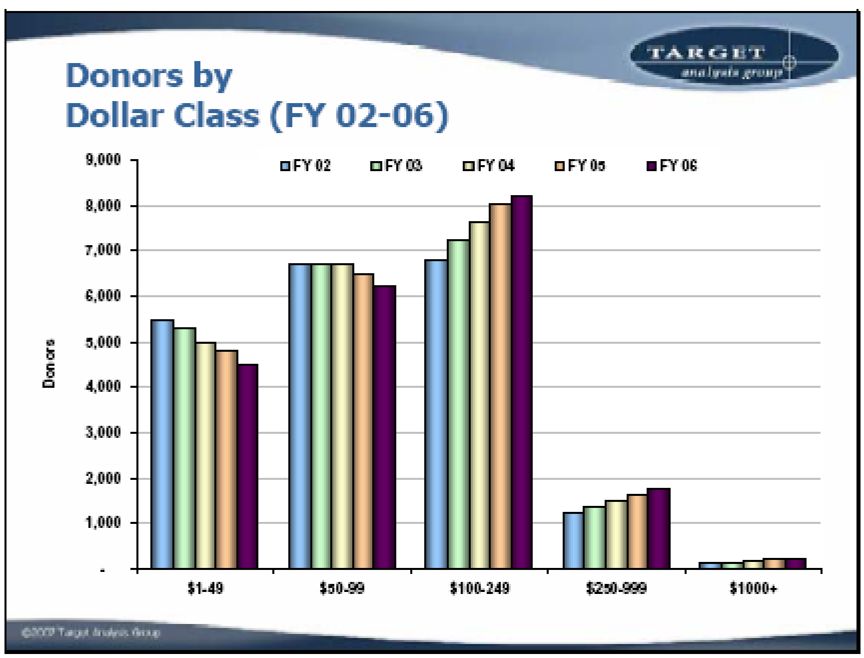
[How to read this chart: If your station's full-week AQH is 5,000, then the annual listening to your station (Listener-Hours) creates the potential for 7,000 donors who give between $1 and $249 annually. Your station's potential for mid-level givers ($250-$999) is 500. All numbers are rounded to the nearest 100 givers. Estimates are based on the median performance of stations in net Individual Giving revenue relative to audience from DEI's 2006 Benchmarks]

Jim Lewis and Helen Kennedy weigh in on average gift amounts with a slightly different emphasis:

> "While it may not be in the best interest of a station to increase the average gift of a new donor, it would be derelict for a development department not to raise the average gift overall. The rising average contribution must be seen within the framework of the entire development operation. As members and donors progress through the phases of their life cycles, they may indeed be willing and able to make larger gifts. As development professionals we would again be remiss not to ask for the larger gift as the nature of the philanthropic transaction changes with the donor's changing life cycle phase."

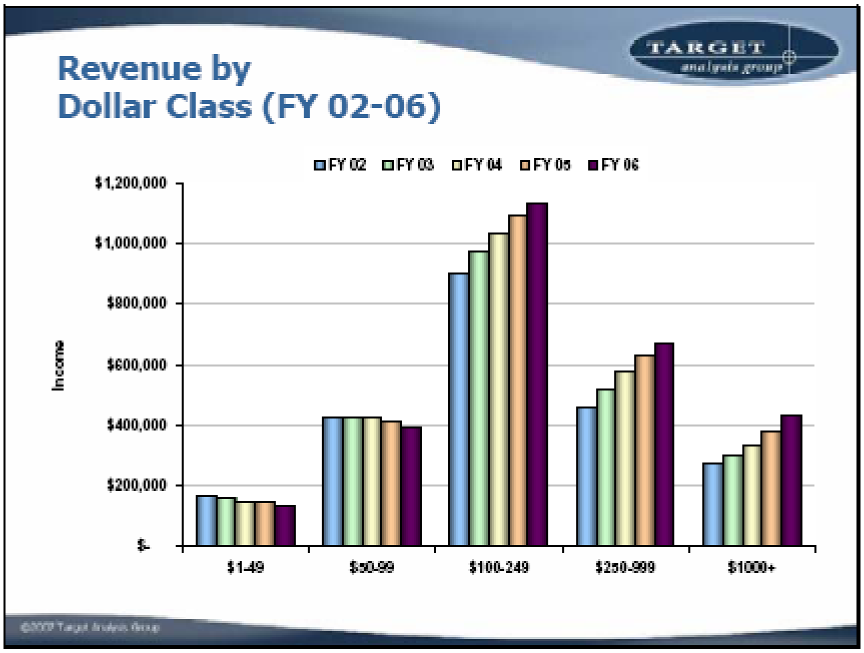
Lewis and Kennedy's presentation of Target Analysis data highlights the emerging importance of public radio's mid-range givers.

> "There have been significant changes during the five-year period in the dollar groupings of public radio's members and the revenue they produce.
>
> "For the second year, public radio had fewer donors at levels below $100, and more at all levels above that. Growth rates increased with the dollar class, i.e., the $1-49 group had the greatest percentage drop, and the $1,000 and above group the greatest gain, with the remaining three groups increasing their rate of growth (or minimizing the rate of loss) in proportion to the dollar group. The largest group of givers gave $100-$249, an average 38% of members." *(Public Radio Membership Fundraising in FY06)*



The concentration of actual revenue from mid-range givers is even greater than the concentration of donors, as shown below. Lewis and Kennedy write:

> "The greatest percentage of revenue, 48%, came from those giving $100-$249, as it has been throughout the five years of history in this report."



In Barbara Appleby's NPR memo, *Toward a National Membership Goal*, she reinforces the importance of using off-air tactics to build this mid-level giving:

> "Use smart database marketing practices to re-acquire lapsed members and to encourage additional gifts, upgrades, and renewal-upgrades from givers once they are in your station's database. These smart, yet simple, practices allow you to target givers based on their length of time on your file, their giving history, and any other information you may have about them. This approach is ultimately much more effective than broadcast messages which are heard by many, responded to by a few, and 'tuned out' by most."

Helen Kennedy observes that membership needs to be marketed with the same planning, organization, and consistency that one would apply to a more conventional "product." She says:

> "Building the case needs to happen all year long – not just during pledge drives. It is all of a piece."

Doug Eichten, President of the Development Exchange, underscores the crucial importance of steady, thorough execution of basic steps in the stewardship of givers – the proven practices in renewing and upgrading those who have already made an initial gift.

> “The difference between stations that are really performing and those that aren’t is often not a matter of one station knowing something that the other station does not. It’s that one station consistently executes and the other lets things slide, gets distracted, or makes poor choices when the budget is tight.”

Major gifts

In early 1996 SRG invited a half dozen members with outstanding fund raising records to pool their resources with support from CPB's Future Fund for a joint venture to pioneer areas outside the usual public radio fund raising repertoire. These “Leaders Partnership” stations chose to focus on major gifts, which the stations then defined as annual gifts of $1,000+ for general support of the station's mission. The Leaders Partnership was succeeded by SRG’s Major Gifts Initiative, which involved another 20 stations in major giving activities.

The focus on major gifts was a significant choice on several levels:

- With benefit of hindsight, it is remarkable that major giving was considered “pioneering” for even these top performing stations. It was already such a fundamental piece of the revenue equation at many successful nonprofits outside public broadcasting.
- On a very practical basis, these “pioneers” are today routinely raising hundreds of thousands of dollars a year from $1,000+ annual gifts and they are joined by a growing number of stations doing the same.
- At the broadest level, stations that commit to building major giving programs find they are committing themselves to higher levels of professionalism in such areas as governance, executive leadership, planning, and community engagement.
- Major giving programs at many stations have created horizontal integration with annual giving campaigns, capital campaigns, and special project campaigns such as station purchases, producer circles, and launching large-scale news and information programs.

A decade later we asked Results Group International (www.ResultsG.com), fundraising counsel on the Leaders Partnership project and our follow-up Major Gifts Initiative, to assess where public radio now stands in its major gifts work. Results Group principals Claudia Chouinard and Carol Eddy interviewed over three dozen station and national leaders – executives, development staff, and board members – and reviewed system-wide individual giving data.

Chouinard and Eddy see a significant, as-yet-unrealized opportunity:

- “We guess-timate that public radio as a field is taking advantage of around 20% to 30% of its current dollar potential for major and planned giving . . . . That means that 70% of the dollars that are “on the table” are not being effectively pursued by stations at this time.
- “We believe that all stations except those with donor bases under around 2,000 households have strong potential to achieve viable return on investment within 24 to 36 months of investment.

- Basing projections on the current 2.6 million donors to public radio, even with projections of zero growth, we come up with an estimate of $20 million in planned giving value over the long term plus annual income potential that approaches $30 million over time."

They prepared a summary of public radio's strengths, weaknesses, opportunities, and threats to realization of this income potential. Here's our amended version of their summary

REALIZATION OF STATIONS' MAJOR GIFTS POTENTIAL

STRENGTHS	**WEAKNESSES**
▪ The affluence, education and age of public radio donors indicate excellent major and planned giving prospects.	▪ Prospective donors do not perceive that stations want or need major and planned gifts
▪ Extremely high affinity of donors to the public radio brand of programming.	▪ Ownership and control of the public radio brand rests more with NPR than stations
▪ Broad base of low dollar donors represents strong planned gift prospects for gifts from assets rather than from income.	▪ Stations largely lack the skills, resources and inclination to plan and pursue long-term rather than short-term giving.
▪ Steps needed to raise community profiles and make competitive cases for support are within reach of most stations.	▪ Stations hold to culture of broadcasting rather than a culture of philanthropy and resist spending on major and planned giving even if future rewards are promising.
▪ Classical music stations have politically neutral missions and strong appeal to culturally motivated donors.	▪ Classical music stations can be perceived as having little social impact and not as important as major cultural institutions
▪ News and information stations have activist missions and strong appeal to donors engaged in civic and political issues.	▪ News and information stations can be perceived as liberal and not as critical as some other nonprofits in meeting urgent social needs.
▪ Most stations exceed the 2,000+ donor household threshold needed for a return on major gift investments.	▪ Station infrastructure is too weak and investment of resources and time is too low to achieve viable return.

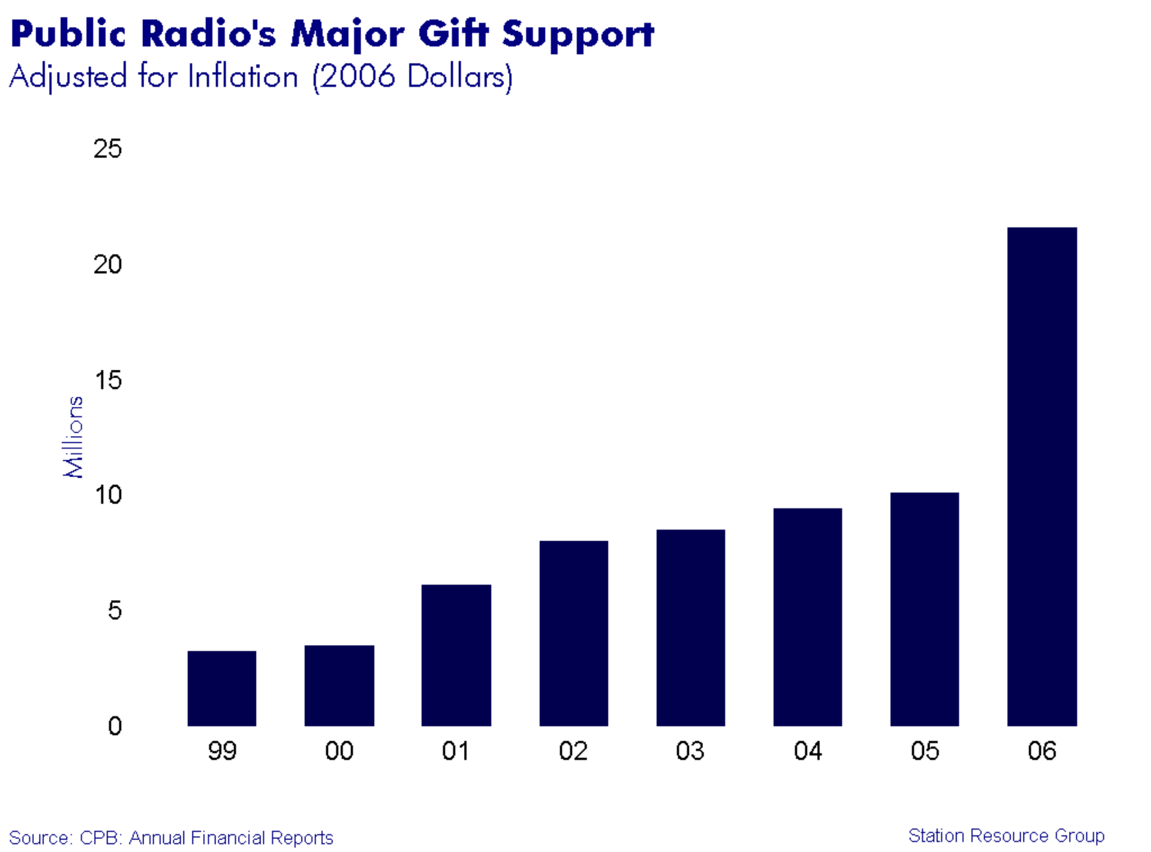
REALIZATION OF STATIONS' MAJOR GIFTS POTENTIAL

OPPORTUNITIES	THREATS
▪ To continue to build station value and connection to communities and community leaders.	▪ Increasing ability of content creators to reach audiences directly and capture value for themselves.
▪ To exercise careful ownership and stewardship of a critical asset for every nonprofit – the database of donors and supporters – to build long-term revenue.	▪ Enticements by others to provide access to donors without enforceable agreements regarding future control of revenues and donor access.
▪ Substantial "head room" in the development of major gifts programs at almost every local station.	▪ Programming fees and costs that so dominate budgets as to constrain station abilities to invest longer term in donor development.
▪ To reinvent stations as highly visible community nonprofit institutions with strong volunteer leaderships and competitive philanthropic cases for support	▪ The difficulties of reinventing any organization and attracting talent with new backgrounds, plus lack of consistent practical counsel and training for top leadership.
▪ To equip and train stations to compete head-to-head locally and with national program producers for philanthropic support	▪ Low awareness of the survival imperative of becoming more aggressive and competitive, especially with those traditionally considered partners
▪ To attract to top station management experienced nonprofit volunteers and professionals who are not broadcasters	▪ The dominant 'broadcaster' mentality and related lack of a culture, conditions and expectations conducive to professional level fundraising
▪ To raise stations' position in the philanthropic priorities of their supporters	▪ Reluctance to invest sufficiently in staff time and visibility required to emerge on donor's priority lists.
▪ To convince local stations to work together to realign themselves before the age of terrestrial radio draws to a close	▪ Low sense of urgency, history of independent local action, and reliance on national entities to define future agendas

A special challenge in the major gifts area is the paucity of consistent and accurate data on station performance. Organizations differ on what constitutes a major gift or major donor, although most current discussions in public radio look at contributions of $1,000 and more. Because activity in this area is uneven across the system, studies based on sub-groups of stations – those participating in a particular project or working with a particular vendor – produce different findings depending on which stations did and did not participate.

Stations are also inconsistent in their reporting to CPB and others who survey the field. Prior to FY 2006, amounts reported to CPB as major gifts were excluded in calculating stations' satisfaction of the "audience service criteria," resulting in significant under-reporting. This can be seen in the chart below, where most likely only the FY 2006 amount is an accurate reflection of performance.

Coming to a common understanding of how major gifts are defined and reported will have a significant impact on both system-wide projections and the planning of programs such as CPB's Radio Major Gifts Initiative, which aspires to involve a diverse range of stations.



Stepping back from these challenges, though, there is an evergreen quality to many of the lessons SRG learned about major giving and public radio:

- A sustained, reasonably professional and consistently executed effort will, over time, result in a steady increase in the level of major gifts.

- A successful major gifts program requires a multi-year approach, allocation of adequate staff time, and attention to “re-inventing” the shape of the effort as the scope and capacity of the station’s work evolve.

- The role of the General Manager is central to the success of the program.

- Stations must commit to engage in a process that will not only build giving, but also transform how senior staff and board/licensee leadership engage with their communities and civic leaders.

- An unexpected challenge for many will be how to articulate a compelling vision for the future with which to frame requests for major gifts. Or, as major giving consultant Robert Stein of MajorGiving.com puts it: “Cultural organizations that do a good job of positioning themselves as institutions of significance are more likely to build strong bonds with the wealthiest members of their communities.”

- The major gifts skill set, once developed, can be employed across other fundraising activities – capital campaigns, dedicated funding projects, endowments, annual giving campaigns, and planned giving.

- Most stations retain major gifts counsel at some point in the development of their program. The success of this relationship is as much a matter of chemistry as professionalism. There needs to be choice, flexibility, and discrete points that allow for a decision to continue or change the relationship.

- $1,000+ annual gifts are only a starting point. Many nonprofits in our communities set significantly higher thresholds for their annual major giving efforts, as do a few of public radio’s leading stations. In making plans and setting goals, look at others in your community as well as others in public broadcasting.

- How to give recognition to donors who give more substantial gifts, how active a donor can be in directing how the gift is used, how to frame the discussion about a substantial gift that might be tied to a will – these are all are examples of issues that present special challenges in managing a major gift effort.

Robert Stein of MajorGiving.com states:

> "Recognition remains one of the most critical aspects in attracting major gifts. Cultural organizations and public broadcasting are uniquely positioned to be able to provide it. Donors sometimes say they are not giving for the recognition, but truth be told, they rarely give anonymously, which says a lot about the human need to be thanked and to have others know that you've done a good deed for your community."

- Like other fundraising areas, experienced major gift professionals bring a wealth of experience and best practices to this process. As one recently hired-away major gift professional told SRG, "Stations need to be prepared to compete for staff and consultants on the basis of the non-profit and educational market in general and, more specifically, within the context of the best cultural institutions in your city".

We conclude this major gifts discussion with two cautionary notes that emerged in our recent discussions with people who are taking leadership roles in developing major gift programs.

Robert Stein advised:

> "[This report] is going to be read by people who don't see themselves as the problem. Too many public radio CEOs think that by hiring someone with major giving experience they are making progress. . . . They don't appreciate that you cannot consign leadership or vision to subordinates.
>
> "The single greatest inhibitor to major gift activity is the aged management class of public radio that emerged through engineering, journalism and programming. Very few feel comfortable wearing the mantle of CEO; very few are comfortable with the notion of institutionality or of discussing vision. I am optimistic that, with planning and nurturing, the next generation of managers will be better equipped to deal with donors."

And DEI President Doug Eichten, who has mapped out a system-wide major gifts effort for CPB, says:

> "We've got to get the balance right. I want to get stations moving in the major gifts area; there's so much opportunity. But I am also afraid that some of us are getting distracted by the excitement of new activity and the lure of big bucks. We need to be certain that the day-to-day work of basic membership doesn't get neglected. Major giving builds on that work; it cannot replace it."

Programming, development, and consistent effort

Stations that have more audience raise more money from listeners. Several studies over the years have documented the very high correlation between the amount of a station's listener support and the size of its audience, whether measured as the weekly cumulative audience, the average audience per quarter hour, or the number of core listeners (those who use the station more than any other).

Other things being equal, more listeners and more listener support go hand-in-hand.

But the other things are rarely equal. One clear difference among stations is the programming strategies they choose – their format or combination of formats. SRG's *Public Radio Format Study: Financial Patterns* documented significant differences in the financial performance of stations with different formats. We turned to George Bailey of Walrus Research to push deeper into the data to get a better understanding of the interplay between listening, giving, and the fundraising performance of different stations.

The Public Radio Format Study's financial analysis was based on 145 stations that met several criteria. They had a large enough audience that we could characterize the audience response to different elements of their programming. Their programming was focused enough to place them in one of seven format categories based on listening to their different programming elements. And they operated only one radio service so we could associate their financial performance with a given programming strategy.

Bailey used basic giving and listening data from these stations to explore the relationship between overall levels of individual giving and audience indicators such as cumulative audience, cumulative audience of core listeners, average quarter hour audience, core composition of the audience, listener loyalty to the station, and various combinations of these indicators. His statistical analysis encompassed three fiscal years.

His first step was to affirm a close and simple correlation of listeners and listener support. Examining all 145 stations, regardless of format, Bailey found:

> "The strongest predictor we found was one variable, straight cume."

In fact, differences in the cumulative audience explained 86% of the variance in individual giving among the stations in the *Format Study* sample. Bailey noted that the size of the AQH audience and the size of the cumulative audience of core listeners also correlate quite closely with the level of individual giving.

This is a powerful reminder of the close relationship between programming and development. A station's public service, shaped by its programmers, is the foundation on which development efforts build.

But what about the marked difference in financial performance among the different format groups revealed in SRG's earlier work?

Bailey took a second pass through the data, repeating the analysis format-by-format for the four format groups for which we had sufficient data to support statistical techniques: News, News/Classical, Classical, and Jazz. All four formats displayed a significant relationship between the number of listeners and total listener support.

Correlation of Listener Dollars and Audience Measures
By Station Format
Pearson's r, statistically significant at 99 percent

	Cume	AQH	Core Cume
News	.944	.945	.932
Jazz	.941	.940	.948
News/Classical	.913	.846	.807
Classical	.838	.759	.787

As correlations go, these are very high numbers. But high correlations only tell us that there is a close fit between one variable and another, in this case the size of the audience and the amount of listener support.

Correlations do not tell us the *scale or dynamic* of a relationship, in this case *how many* listeners go with *how much* listener support.

Correlations also do not tell us the *cause* of the relationship.

So we move on to further analysis. The next step was to examine the simple ratios between listeners and listener support. Bailey used cumulative audience for the calculation.

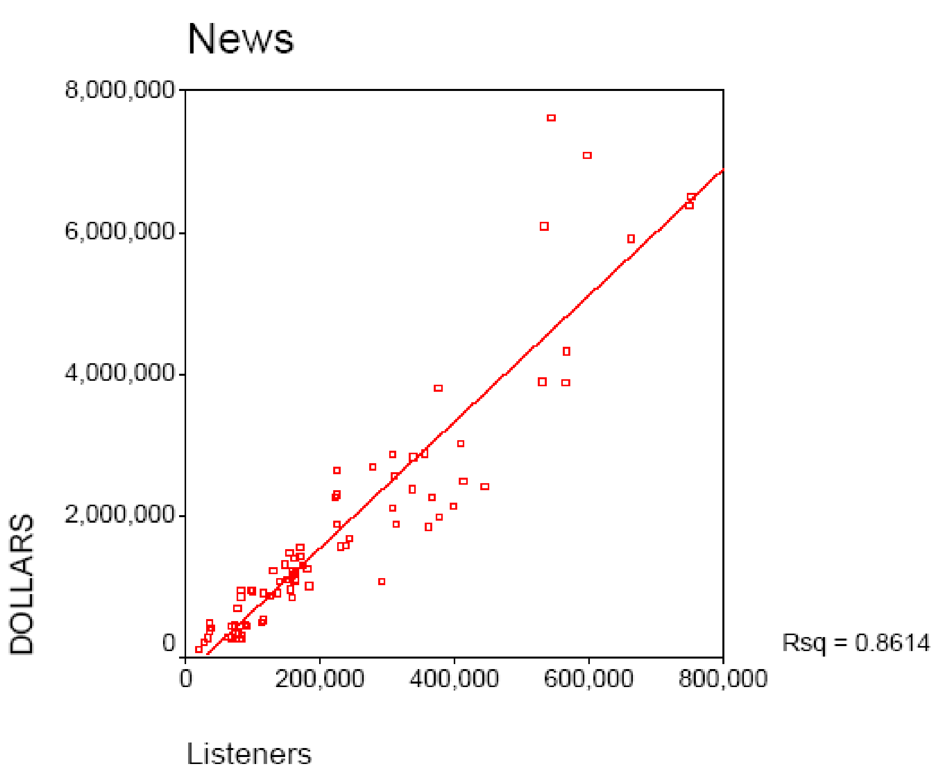
Ratio of Listener Dollars to Listeners
By Station Format
Dollars per cume listener

	Mean	Standard Deviation	Median
News	7.5	2.3	7.3
News/Classical	8.2	3.9	7.2
Classical	6.3	2.4	6.7
Jazz	4.5	3.5	3.2

The median News station generates $7.30 per cume listener and News/Classical stations perform similarly. The median Classical station generates $6.70 per cume listener. The median Jazz station reaps less than half that, at $3.20.

Means and medians are static numbers. With one more analytical step we can add a dynamic quality and uncover the likely change in individual giving as the size of the audience rises or falls for stations presenting different formats. Using regression analysis, Bailey calculated the relationship for each format.

Here is what we see for News stations. The dots show individual stations. The line is the predicted relationship. The model fits the data quite well.



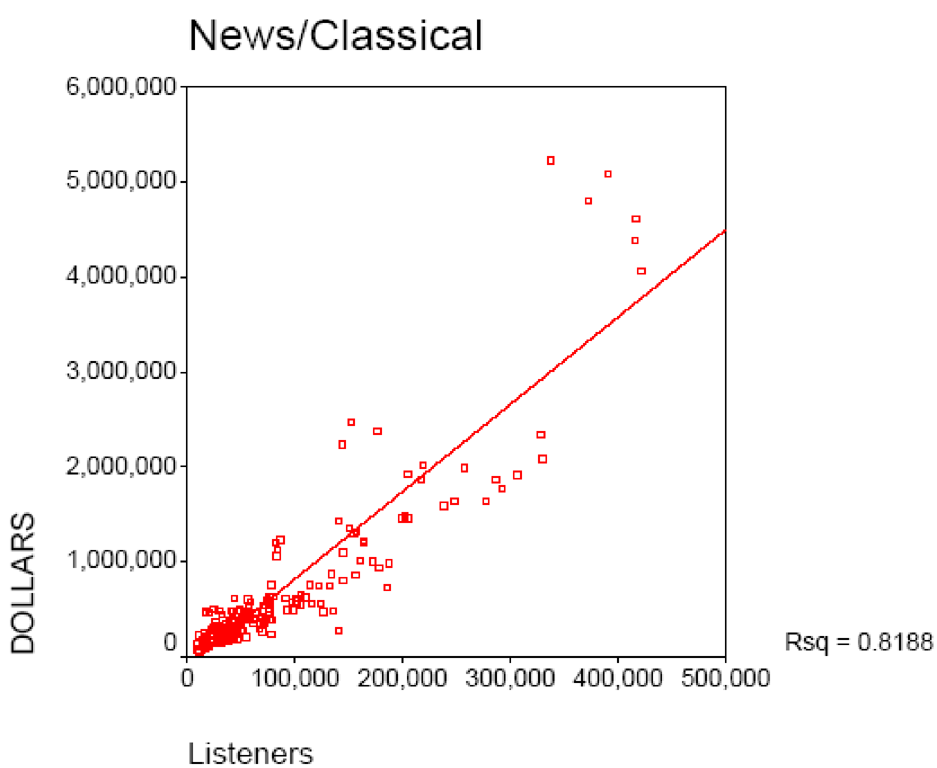
The dynamic of the relationship is this: for every additional 1,000 listeners in the weekly cumulative audience, a News station can expect to generate an additional $8,916 in listener support.

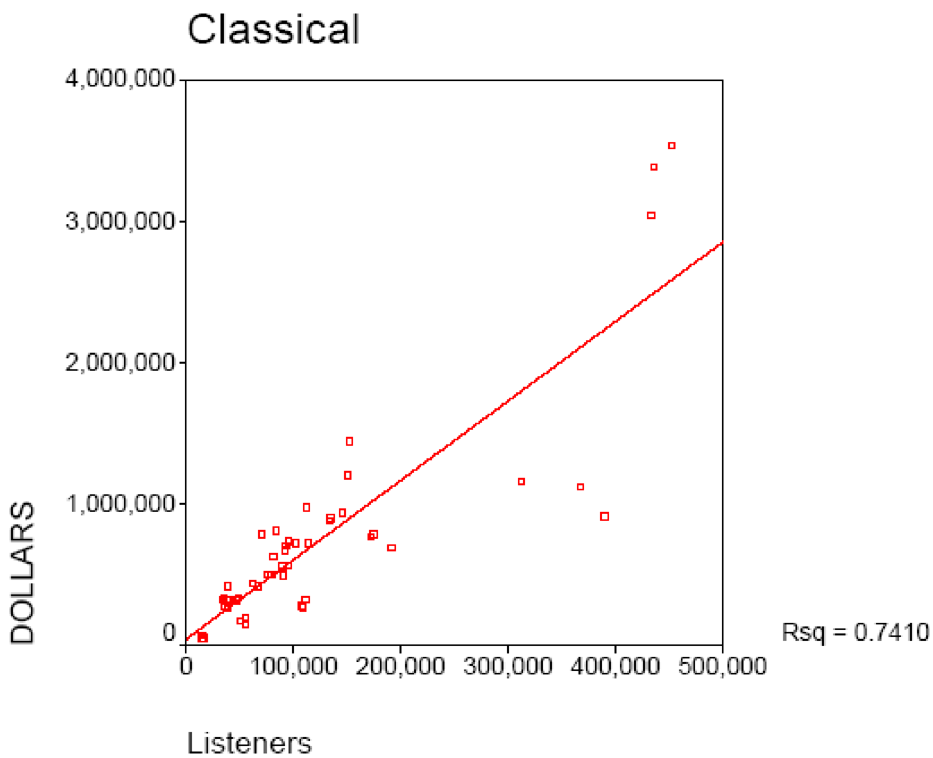
So what about the rest of the formats?

Predicted Change in Listener Dollars
Per 1,000 Change in Cume Listeners
By Station Format

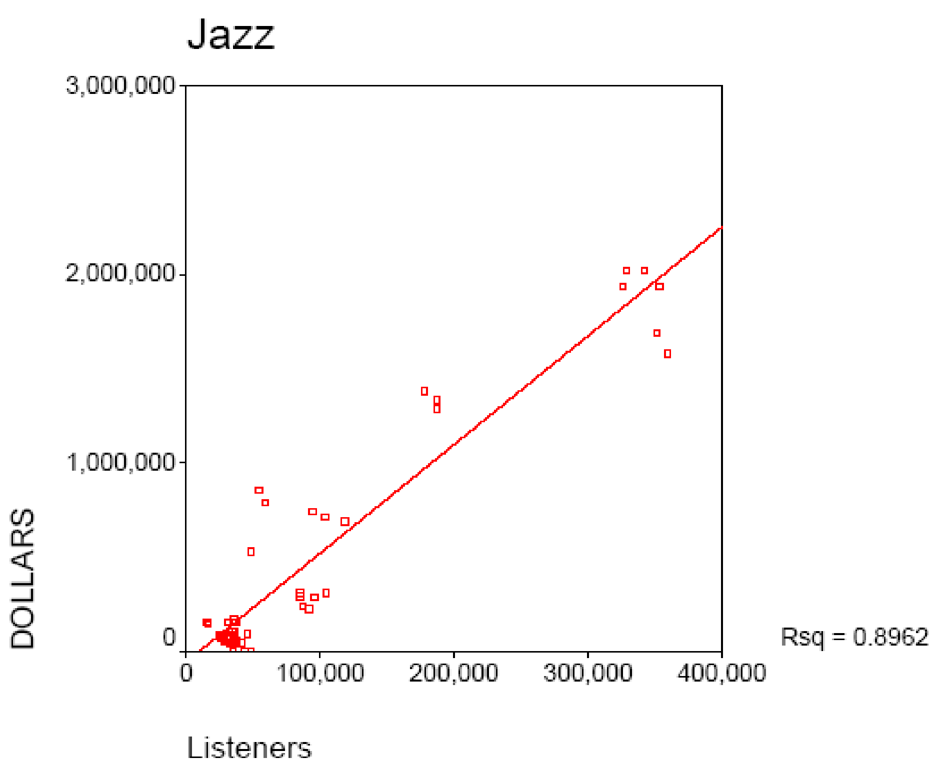
If cume listeners grow or shrink by 1,000 at	Support will change	Variance explained
News stations	$8,916	86%
News/Classical stations	9,205	82%
Classical stations	5,624	74%
Jazz station	5,774	90%

Here are the charts for the three other formats. Note that the scale on both the vertical and horizontal axes changes for each.





Classical
4,000,000
3,000,000
2,000,000
1,000,000
0
DOLLARS
0
100,000
200,000
300,000
400,000
500,000
Listeners
Rsq = 0.7410



Jazz
3,000,000
2,000,000
1,000,000
0
DOLLARS
0
100,000
200,000
300,000
400,000
Listeners
Rsq = 0.8962

These listener/listener support ratios and predicted changes are fairly powerful stuff. They suggest that public radio's different formats and programming strategies are, at least in some respects, different businesses with different business models. In making major format decisions and in setting development goals and assessing performance for stations within public radio's different formats, these broad patterns are critical.

This aligns with a long chain of audience research.

Twenty years ago, summing up the findings of Audience 88, we wrote:

- Listeners who choose public radio are significantly different from those who do not.
- Listeners who make a public radio station their favorite are different from those who just sample its programming.
- These differences extend to the kinds of listeners who are attracted to each of public radio's distinctive formats and services.
- All of these differences are reflected in the extent to which listeners consider public radio important and worthy of their financial support. (*Audience 88: Issues & Implications*)

More recently, several joint studies by SRG and Public Radio Program Directors on the value and values of public radio's different formats underscored important differences in listeners' uses of and benefits from our different services. This research informed PRPD's widely publicized Core Values of News, Core Values of Classical Music, and Core Values of Jazz.

This past year SRG's *Public Radio Format Study: Listening Patterns* underscored key differences in the audience dynamics of stations with different formats, showing, for example, that News station listeners are 35% loyal to that group of stations while Jazz station listeners are 25% loyal. Listeners to News stations rely more on their station than listeners to Jazz stations. This is a key factor in understanding the different relationships between listeners and giving for these two groups of stations and brings us full circle to the start of this report.

> How listeners listen and what they believe – about the value of the programming to them and the way the station is supported – are powerful predictors of their giving to public radio.

Does this mean that format is fundraising destiny? Yes and no. The differences in fundraising results between formats are huge. But within each format there are stations that are clearly above the predicted line and those that are clearly below. The differences between top performing and low performing stations with similar audiences amount to tens of thousands of dollars.

What accounts for the difference between these two groups?

Our view – and those of most others who have studied the question –is that it is the interplay of both programming and development efforts at the respective stations that makes the difference.

Those stations that exceed the predictive model do so, in part, because their listeners include a higher proportion of people who use the station regularly, value it, and understand the importance of listener support in ways that fit the *Audience 98* and *Tracking Study* giving models. They execute their respective formats in a stronger, more consistent, more compelling way.

But if that were the full explanation, adding such factors as core cume, average loyalty, or average time spent listening to the station model should have strengthened its predictive power. That turned out not to be so.

The second reason stations get better-than-predicted results is they do a better job at development. They execute the many practices and recommendations presented in this report in a stronger, more consistent, more compelling way.

Most public radio stations know that a successful programming service cannot be built around one host or one show – however important they might be. It is service through the day and across the week that builds a station's place in its listeners' lives and in its community.

We believe the same is true with individual fundraising. It cannot turn on a great pledge week or a few wealthy donors – however important they might be. It is a sustained disciplined effort throughout the year, on air, in the mail, and online, that embraces givers at all levels of support that generates the sustainable revenue streams to fuel our service.

Acknowledgements

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We thank all of them for their knowledge, insights, and support and for their permission to make use of their work.

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