A TALE OF TWO SYSTEMS

PBS DIGITAL FUNDRAISING WHITEPAPER & ROAD MAP

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EXECUTIVE SUMMARY

When it comes to raising money and acquiring new members, PBS stations seem to fall into two distinct groups: those experiencing rapid growth and those whose results are lagging. The Whitepaper is based on a review of system-wide fundraising results and interviews with stations. Findings include:

1. Stations with the greatest fundraising success tend to view the investment of time and money as a key part of their growth strategy, not an add-on activity. They measure the ROI on digital activities, and distinguish between risk and experimentation.

2. The five obstacles to online fundraising growth have less to do with station size and more to do with station culture, especially regarding attitudes toward popular consumer technology. Experimenting and testing drive programs, not internal opinions.

3. Online giving among PBS stations now tilts heavily toward monthly sustainer giving and is preferred by established members, although Passport is expected to increase new member acquisition. Additionally, email is under-valued as a fundraising asset at many stations but is used aggressively and effectively by others.

4. Case studies from several stations suggest a “roadmap” for online fundraising success:
   - KTTZ: Measuring ROI, experimenting and using humor have yielded success.
   - KLRU: Segmenting email by giving history, online appeals to program interests and embracing local giving days and social media have produced 260% growth in two years.
   - KQED: Targeting by interest in gift incentives yielded big gains, as did simplifying and testing online giving forms.
   - Nashville PTV: Simplifying giving forms around a sustainer strategy produced 480% sustainer growth in three years.
   - WETA: Focusing on calendar and fiscal year-end campaigns, and aggressive but targeted use of both the station website and email, produced WETA’s highest returns ever, also dispelling some concerns over audience reaction.

5. Responding to questions about the role on station personnel in online fundraising, the Whitepaper outlines specific steps for CEOs and GMs, “C Suite” and VPs, and directors and managers. Many steps are focused on understanding digital giving through the experiences of station members and viewers, and understanding the ROI of digital channels compared to pledge, direct mail, telemarketing and other traditional activities.
PART ONE  ADDRESSING IMPORTANT QUESTIONS

ONLINE FUNDRAISING
Are we there yet?

Some PBS Stations report digital fundraising channels like email and website traffic are by far the most cost-effective ways to acquire new members and increase sustainer giving. They experience double-digit growth with rapidly-evolving programs. Yet others consider digital, or online, giving as a secondary revenue stream, worth little more attention or investment.

In short, the system can be divided into stations who believe digital fundraising is “nice to have” and those who believe it is something they “need to have” to build their files, improve retention and lower their fundraising costs.

Part One of this Whitepaper addresses two important questions:

- What is behind the divided opinion — and varied performance — of digital fundraising among PBS stations?
- Why are some stations achieving steady, even dramatic, online revenue growth and what is keeping other stations from emulating their success?

Part Two provides a Roadmap to Digital Fundraising identifying specific strategies to take advantage of the favorable member acquisition ROI produced by online fundraising. The Whitepaper is based on an analysis of station digital fundraising results commissioned by PBS from Blackbaud’s Luminate service, in addition to a scan of similar metrics outside the system and interviews with PBS stations of widely varying sizes and situations.

Why does a discussion of digital fundraising have such importance, or even urgency, in 2016? Because there are two sets of trends from which no station is immune:

- Externally, there are increases in online access of media, continued growth in social media, unrelenting growth in the use of mobile devices to access the web for email, and the rapid growth in popularity of sustainer giving in the U.S.
- Within the PBS system, stations now have greater incentive than ever to focus on digital giving: The availability of Passport, which was crafted specifically as a digital benefit, the increasing availability of audience names from the PBS Prospect Portal and a well-developed collection of digital fundraising examples from successful stations. For joint licensees there is also the increased support for fundraising on mobile devices available from NPR digital services.
Leading Stations Are No Different Than Those Who Lag. They just think differently.

Several factors distinguish highly successful digital fundraising stations from those still lagging. The factors are unrelated to size, market or resources, but are found in mindset and station culture. The most productive online fundraising occurs when station executives, managers and staff believe that:

- The ROI on digital fundraising makes it among the cheapest channels available, especially for member and sustainer acquisition.
- Experimentation is not the same as risk in digital fundraising. The cost of failing is usually minimal, the reward for success can be significant.
- Test data always outweighs the opinions of management or staff.
- Digital fundraising is highly iterative, requiring constant test-refine-test-refine.
- Because of low response rates, digital testing requires high volumes and rapid repetition of successful appeals.

And perhaps most important, successful stations understand that members’ and viewers’ use of email and the web do not at all resemble their use of traditional channels:

- Digital communications either occur at the request or permission of the recipient, like email subscriptions. More often, contact is actually initiated by the user; when they are on your website they have chosen that moment to focus on your station.
- Compared to the infrequent contacts by pledge, direct mail, telemarketing and canvassing, digital channels offer frequent touch points with viewers, providing many low-risk opportunities to test messages and offers. Online exchanges are part of people’s expected daily flow of information.

Although staff inexperience and inadequate technology are retarding digital fundraising growth at some stations, the single biggest requirement for online success is a shift in thinking.
SO WHAT’S STOPPING YOU?
The top 5 obstacles to growth.

1. **Failure to understand, measure – or invest – based on true ROI of fundraising channels.** These charts show a nine-year study of PBS stations’ membership operating revenue and expenses by source. Online fundraising produces by far the highest ROI at $5.24 compared to $3.64 for mail, $2.38 for pledge and $1.71 for telemarketing. Yet system-wide, online fundraising is getting the lowest investment of any channel. If your station is going to invest another $10,000 in fundraising, would you invest it where you could make $20,000 or $30,000 – or where you could make $52,400?

WHERE DO STATIONS GET THEIR BEST RETURN?

![Diagram showing membership ROI by source: 2006-2014](2005–2014 Development Overview SABS — Station Management Center)

BUT WHERE ARE WE PUTTING OUR MONEY?

![Diagram showing system membership investment by source: 2006-2014](2005–2014 Development Overview SABS — Station Management Center)
In legacy channels like mail or canvassing, the cost of failure is punishing and the benefit of success is usually marginal; a winning legacy appeal will often add only a fraction to fundraising performance. So budgeting for costly legacy campaigns understandably focuses more on avoiding big failure than seeking big benefit. It is liberating, but probably very unfamiliar, for a station to focus almost entirely on pushing for higher returns from their email and website tests while not worrying about unit costs.

2. **“Pot of Gold” expectations and old-fashioned impatience.** Mail, pledge and telemarketing programs required a lot of time to become productive. So does digital fundraising. Because online appeals do not usually produce a sudden flood of money, some stations are disappointed they are not an instant solution to growth. Because the internet is fast, mobile and ubiquitous does not mean digital fundraising solutions can ignore planning, testing, targeting, creativity and learning the new rules. This takes time and effort.

3. **Applying traditional direct marketing planning to digital fundraising.** Stations are used to weeks of planning and more weeks of waiting for results when using mail or canvassing, often looking for an appeal that can be repeated for months or even years. Yet digital fundraising telescopes testing and results into a matter of days. Successful digital fundraisers test and roll out winning appeals — or replace failures — immediately. Moreover, digital success is driven in part by timely, fresh messages; the direct marketing concept of an evergreen message and design, repeated again and again, simply doesn’t produce good results online.

4. **Failing to recognize the value of existing fundraising prospects, especially email subscribers.** Many stations still neglect to build, test or segment their email lists, which are highly productive fundraising assets for stations raising the most money online. The next section puts a measurable dollar number on email addresses, and outlines uses for this valuable source of new members.

5. **Planning in an echo chamber.** Many station fundraising professionals are not acquainted with digital fundraising practices and trends outside the system — or even within the system. They listen only to people internally. Related to this are two “syndromes”: HIPPO (highest paid person in the room’s opinion) and TEXO (the tech expert’s opinion). Basically, some programs are stalled because staff does what the boss wants — or what the ranking tech person thinks is right — instead of following data or other stations’ examples.
SO WHERE’S THE REAL MONEY?

Four things every station should know.

At the request of PBS, Blackbaud’s Luminate Online service assessed over 10 million general station email messages and 2 million fundraising email messages, as well as $2 million in online gifts and their source. They produced a set of Benchmarks generally dividing data into cohorts of “Small” and “Large” stations in two ways: those with <100,000 or >100,000 usable email addresses, those in DMA market sizes <1.5 million or >1.5 million TV households. Blackbaud PBS Benchmark metrics were identified for nine key fundraising performance categories for 14-18 participating stations, depending on available data:

- Housefile fundraising performance
- Total email effectiveness
- Enews effectiveness
- Fundraising email performance
- Online fundraising metrics
- First-time gifts
- Repeat gifts
- Sustainer gifts
- One-time gifts

The entire Blackbaud Luminate Online Benchmark Report is rich in details of value to marketing and fundraising staff. For a wider view, this Whitepaper also compared these metrics to data from stations not using Blackbaud Luminate. The metrics were also probed during station interviews.

Four findings stood out:

1. **Online revenue now means sustainer revenue.**
   - 79% of all online gifts in the Benchmark study were sustainers, regardless of station size. And this was before the advent of Passport, perhaps one of the best sustainer recruitment benefits available, and specifically tailored for digital users.
   - Average PBS sustainer gifts online were just under $14/month, regardless of station size, and contributing to the high digital fundraising ROI we’ve seen. The average PBS sustainer gift average is lower than the overall nonprofit sector ($18-$24/month depending on the source of the gift), but overall percentage growth in PBS sustainer giving was 39.59%, well ahead of the nonprofit sector’s overall 24% growth.
   - The Benchmark does have a cautionary number revealed by station size: online sustainer growth was over 63% at larger stations, but only 22% at smaller stations. A double-digit sustainer growth must feel good at smaller stations, but in a larger context the 22% growth is actually a signal of unmet potential.
For members, your online giving form is a renewal service...for now.

- 83-85% of benchmark gifts were from active or lapsed members. That’s good news for your retention, upgrade and sustainer conversion efforts.
- It is also a reminder of the importance of using email to support renewals and conversion to sustainer giving, as well as recapture efforts to lapsed members.

The flip side: only 1 out of 7 online gifts was a new member. But that will change thanks to Passport.

- New member gifts averaged about $100 in the PBS Benchmark study, relatively competitive with pledge and far exceeding averages for direct mail and telemarketing new member acquisition.
- Why is new member acquisition such a small portion of some stations’ online revenue? One reason is the lack of email targeting non-member e-subscribers; including a JOIN or DONATE button in e-newsletters is not nearly enough. As the following examples show, aggressive, creative use of email — especially around calendar year-end and pledge — significantly increases new member acquisition.
- Another factor which is already boosting online new member acquisition is Passport. We expect online new member acquisition to grow system-wide thanks to Passport, but maximum growth will occur only with active support from stations. Many are not yet ready, based on a scan of several stations; they offer Passport somewhere on their website, but fail even to mention it on their primary giving forms.
Email remains under-valued by many stations, even though it is highly productive for those who use it aggressively and well.

- The value of every email address remains high despite the seeming avalanche of messages and the fact that over half of messages are viewed on a mobile device. According to Blackbaud, each email address has a fundraising value of $11.77 for stations with larger email databases, and $10.31 for stations with smaller lists. Why? Because frequent, informative or interesting email brings people back to your website — to whatever page you choose. If each address generates $10-12 in revenue, what if you had 10,000 or 100,000 more email addresses? You do the math.

- Stations too often regard their email file as a big, undifferentiated list. Yet the only email addresses with value for fundraising — or for events or even tune-in promotion — are “Usable” e-mail addresses, i.e., those deliverable. The Benchmark took a snapshot of usable email addresses, and the number is about 57% for smaller stations and 55% for big stations.

- Like every other list you use for fundraising, station email lists contain both people who are only somewhat interested in your messages as well as those who are highly engaged, and therefore prospects. (Despite its value as a fundraising prospect list, email lists are too often neither in the hands of, nor regularly available to, station fundraisers.) An important metric is the percent of email addresses which are not just Usable, but “Active”, i.e., those who have actually opened or clicked on a station email in the last 12 months. That number is not in the Benchmark study but was volunteered during Whitepaper interviews. That number of “Active” email subscribers is often only 30-40% of a database, even for stations with high-performance fundraising programs. The targeting of this smaller, but more engaged, segment unsurprisingly produces higher rates for delivery, and more importantly, higher fundraising responses.
A ROADMAP FOR INCREASING DIGITAL REVENUE

HOW TO RAISE MORE MONEY ONLINE?

Don’t sweat being a leader.

The PBS system has many great online fundraising leaders. What we need is more great followers. The examples, the tests and the data are all available. Their successes — and their failures — are freely shared by stations who have achieved significant fundraising growth. The "Resources" section contains a wealth of resources, and here are five examples to stimulate your thinking. Quotations are from Whitepaper station interviews.

ROI, Humor and Better Tools: Lessons from Lubbock

GM Paul Hunton is emphatic: “Huge ROI starts with experimentation.” He acknowledges that Texas Tech’s KTTZ is playing catch-up, pushing online giving only since 2011 and originally receiving online gifts mostly during pledge. Now, Hunton notes, “If you tie your fundraising to events and Passport, you can ask all year.” The station’s on air promotion of online giving has evolved into year-round testing of messages and offers. The ROI “is huge on our digital activities,” allowing KTTZ to reduce costly legacy activities.

Believing that fundraising needs to connect emotionally, Lubbock turned to humor to promote online giving, using everything from an homage to online cat videos to a contest offering a chance to give the GM a pie in the face.
Lubbock also mounted two Indiegogo crowdfunding campaigns for local productions, raising $52,000 in gifts plus $25,000 more in matches. Post-campaign emails to Indiegogo donors who were not already members produced 8-12% response rates, high by any acquisition standard. On the Indiegogo page, note the very high average gift, the humor — and 297% of the goal raised.

Learn more...

If you’re tempted to scoff, KTTZ’s Hunton would probably just point to the results: “With consistent messaging and humor, we tripled online donations.”

What’s next in Lubbock? With experimentation firmly a part of station culture, KTTZ is launching targeted messages around science, history and other interests available from the PBS Prospect Portal. Stressing the importance of starting from a donor’s viewpoint, KTTZ is partnering with Goodworld, a fast-growing D.C. start-up specializing in simplifying social giving via Facebook and Twitter, requiring that donors only enter a hashtag and gift amount. Why? “To be where everyone is, and reduce friction.”
How did KLRU chalk up a 260% growth in online giving in two years?

The team in Austin began by recognizing that a pledge drive should be a true multi-channel campaign, sending periodic emails with messaging tied to that evening’s key programs.

An example of a KLRU email syncing the message with that day’s programs. Note the update on pledge progress, a feature of the daily series. Each link from a program title goes to an online giving form featuring that DVD offer. KLRU credits the strategy with helping it increase its online pledge revenue from 30% to 60% in less than three years.

This email targeted families with children, and leveraged a local event. KLRU offered event tickets to generate $200 gifts — and a Meet-and-Greet contest with a gift at any level PLUS a social media engagement.
Since ongoing renewal emails cannot target by daily programming, KLRU decided to segment by something very personal to members – their giving level. E-renewals took members to online giving forms reflecting appropriate levels, and KLRU’s Susannah Winslow reports the strategy is “one of the most productive” elements of their online giving program.

Segmenting and aggressively using their email list made KLRU a firm believer, in Winslow’s words, that “more is more,” and “segmenting is the secret” to email success.

What’s new in Austin? Increasing its focus on the local community and the most loyal KLRU members, the station has begun to embrace local “giving days” and short, challenge-based campaigns integrating peer-to-peer fundraising.

In June, 2015, a short challenge experimented with providing a Fundraising and Advocacy Guide for members’ use of email and social media, especially Facebook. The experiment raised $94,000 in 5 days, about 14% from a small group of first-time peer-to-peer volunteers. Now that it has a core of digital volunteers, KLRU is mapping ways to increase that number over time. KLRU acknowledges, “It’s a learned behavior.”
A TALE OF TWO SYSTEMS

How to accelerate online fundraising growth? KQED says, “Target, tailor the giving experience and follow the data.”

KQED knew that a Downton Abbey DVD offer would be appealing, but wanted also to get gifts from people who either didn’t want the DVD or didn’t want to give at a high level.

After sending a year-end email promoting the Downton Abbey DVD, KQED targeted those who opened the email but didn’t respond. They received a follow-up DVD offer. But those who didn’t open the Downton DVD email appeal received non-premium year-end appeal messages.

How did KQED provide a giving experience that matched the targeted message? They turned to 3rd party provider of online giving forms, Classy, which allowed email messages to link to simple forms supporting the fundraising message. KQED’s Andrew Alvarez reports that Classy was “very easy” to use, albeit with a few limitations, and the flat annual fee “paid for itself quickly” in response increases of up to 150%.

KQED tested offers tied to simple, customized forms throughout the year. Successful tests ranged from asking donors to add a small amount to cover processing and credit card fees (up to 50% did so) to testing a localized Passport message targeted to PBS.org traffic. The offer was “quite successful” for new member acquisition: 75% were new to KQED files, many of them sustainers.
Want to double your online sustainer acquisition? And double it again? Nashville says “Fix your forms.”

Sometimes nailing the basics is the key to substantial growth. Nashville Public Television struggled, as every station does, balancing sustainer giving, one-time giving and a multitude of thank-you gifts. In 2013 their on-air and other fundraising activities produced a modest 581 sustainers. WNPT’s Linda Wei reports that by implementing a new form with a clear, simple sustainer option, sustainers jumped to 1,245 in 2014, and to 2,150 in 2015, the year of the Benchmark data.

Note the clarity of choices offered at NPT. This year, online sustainers are on track to reach 2,800, a growth of 480% in three years.
How to compete in the crush of year-end fundraising? WETA says, “Think goals, urgency and frequency.”

WETA firmly believes that calendar year-end followed by fiscal year-end and pledge drives are by far the best times to boost online giving – if a station is prepared to be both strategic and aggressive. Light boxes and other strong visual techniques are a daily feature of weta.org in December, late June and during pledge drives, taking people to increasingly simple giving forms.

WETA credits goals, urgency, and changing messages with helping the station break records for year-end giving, adding the importance of offering a match. And the importance of testing website promotions.
WETA also does significant testing of website promotions during pledge. For example, during their August 2015 TV pledge drive, WETA conducted an A/B test in which 50% of website visitors saw the lightbox below (up to once per day) while 50% did not see any lightbox. The lightbox led to a 75% increase in initial revenue (from $9,988 to $17,500) with only a 7% increase in the bounce rate, which is the percentage of visitors who view only one page and then leave the site.

WETA’s rapid test-measure-refine thinking also applies to its email list, which the station emphasizes requires segmentation by two major criteria, the first of which is recency of user activity. VP Jeff Regen says, "WETA rarely sends email to non-donor subscribers who have shown no engagement activity in the past twelve months," which has substantially improved deliverability and response rates.

Recognizing the need to change both offer and language for nonmember e-subscribers, WETA has crafted a member acquisition strategy specific to non-members ranging from event invitations to Passport promotions, the latter of which are by far the most effective e-appeals for this segment.

What is common to all the success stories is a willingness to experiment, recognize the value of website visitors and email subscribers, and a relentless pursuit of test data to drive fundraising online. In addition, the most successful stations have uniformly reported the benefits of facing squarely any limitations of their digital tools – giving forms, email database and the like – and replacing them with more flexible and productive tech solutions.
IF I CAN’T EVEN KEEP UP, HOW CAN I GET AHEAD?

It is no mere bromide to say that everyone has a stake in – and a role in – digital fundraising success. But the speed of digital fundraising growth, the unfamiliarity of many strategies and the seemingly endless number of technology choices can easily overwhelm station management and staff. So let’s boil down what you can do, no matter what your job title.

Here are top-line suggestions for ways to ignite online fundraising growth:

If you’re a CEO or GM

■ When you ask the size of your audience, membership, etc., also ask for the size of your digital fundraising assets, i.e., website visitors, nonmember email subscribers, etc. And ask how you’re doing converting these viewers — who have asked to communicate with your station — to members.

■ Ask to see your fundraising budget through an ROI lens, especially how much you’re paying to acquire a new member. Don’t be surprised if it takes a little work for your team to nail down this number. But keep insisting; once you have a baseline, investing wisely becomes much easier.

If you’re in the “C Suite” or a VP

■ Talk with peers at stations whose digital fundraising is growing fast. Ask what’s driving their success. Ask candidly what their obstacles to success were, and how they overcame them. Be prepared to hear that you have to shift your spending priorities and maybe your staffing assumptions.

■ Ask your team – and your technology providers – if you are getting maximum use of the technology you have already paid for. Tech providers uniformly report their tools are under-utilized.

■ Do a candid assessment of your station personnel’s readiness to be more aggressive in digital fundraising. It’s highly likely that more attention to training and recruitment is needed before you can raise more money. It is worth adding that a serious investment in training can improve staff retention. Acknowledge that you might need a little more education yourself, and be prepared to do some digging.

■ Identify with your team the top metrics by which you will measure digital fundraising success, especially ROI, cost-to-acquire a new member, performance of website and email fundraising, growth of digital constituencies, and the other metrics discussed here. Ask for updates on the use of PBS Prospect Portal names. Then review them monthly – and never accept “we’re different” as a reason for poor performance.
Help your team identify any obstacles to growth, especially inter-departmental coordination and technology. If new tech tools or staff with new skills appear to be needed, prepare an unvarnished budget and realistic timetable for acquiring them.

If you’re a Director or Manager:

- Study the online fundraising strategies, budgeting and techniques of leading PBS stations, as if your job depends on it. It might. Remember to set aside your opinions, and those of your boss, for the moment. Develop a plan to imitate faithfully the examples you’ve seen.
- Take the metrics you’ve developed with your boss and tape them to your door or cubicle. Work with your staff every week on ways to beat them.
- Identify the least productive fundraising activities in your program, perhaps a direct mail acquisition, deep lapsed telemarketing, member benefit no one uses, unproductive event, etc. Find ways to shift money to digital efforts, and make your case for re-allocating expenses…before you ask for more money.
- Share your metrics and goals with your technology provider(s) and tell them you’re in this together. Ask for ideas, training or product improvements your team believes will advance your program. Some stations rarely talk more than housekeeping with tech providers; don’t be one of them. Tell your tech providers you intend to make both of you stars.

Whatever your job, from CEO to membership assistant:

- Go through the process of signing up for your station email and making an online gift to your station using a laptop. Preferably do it from home. Then sign up and give again, this time using your phone. You’ll see what your constituents experience whenever they start to give to you. Any problem you experience – delay, complicated form, payment options, giving choices, impersonal language, anything – should go to the top of your To-Do List if you want to raise more money online.
Free fundraising tools & resources other nonprofits would love to have.

The entire PBS Digital Fundraising Benchmark Study can be downloaded here. Additional fundraising resources, updated very frequently, include:

- For stations from PBS:
  - Make the most of Passport: MyPBS.org/passport
  - Digest the PBS Sustainer Learning Center: PBS.org/sustainer
  - Improve digital fundraising performance: Donor Engagement & Cultivation Guide
  - Learn ROI of fundraising activities: Station Management Center

- For stations from technology resources for nonprofits:
  - 2015 M&R Benchmarks for NTEN: MRbenchmarks.com

- For joint licensees and members of Greater Public:
  - NPR Digital: Mobile-responsive forms, data, monthly analytics discussions: digitalservices.npr.org
  - Greater Public: Online Revenue Detector (self-assessment quiz): greaterpublic.org/resources/online-revenue-detector

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