Developing a Monthly Donor Program

By Harvey McKinnon

In this article we will look at why an organization should start a monthly donor program and what is required for such a program to be successful. In subsequent issues of the *Journal,* we will discuss how to set up a monthly donor program and how to market it.

Nobody knows how much money North American charities raise through monthly pledge or sustainer programs, but we do know three important things about them:

1. Monthly donor plans are one of the best ways to reduce donor attrition and to upgrade an individual's giving level. In the next decade charities will increasingly look toward monthly donor programs to increase their income.

2. Monthly giving programs have considerable appeal for both younger and older donors because they are easy and convenient, and because they allow people who are not earning much money or who are living on a fixed income to become major donors by spreading a larger gift over the course of a year.

3. Monthly donors are far more likely to leave bequests or consider other forms of planned gifts than are occasional or even reliable annual donors.

Be the First to Ask

You want your organization to be one of the first a donor makes a monthly commitment to for a very simple reason: most philanthropically minded individuals will give gifts to four to ten charities a year, but they will rarely join more than two to four as a monthly donor. And they will not necessarily choose their favorite causes as a sustaining donor. They will often join pledge programs based on who asks them first.

When a donor joins a monthly donor club, there are consequences. The donor may start reducing their single-gift donations to other nonprofits — perhaps yours! — because they have committed a greater share of their charitable funds through monthly donor programs.

Here's an example to help illustrate my point.

A donor, Ms. Cindy Williams, has regularly given a total of $1,000 a year to ten charities, or $100 each. That's her limit. She is successfully recruited by two of those charities into $25/month donor program. This means that, combined, she will give them $600 (or 60% of her annual giving), leaving only $400 for the other eight charities. If Cindy splits the remaining money evenly, the nonprofits will see their donations decline to a $50 gift each. This is a 50% reduction. Cindy may even decide to give $100 to four nonprofits and stop giving to four others. Or she could choose a combination of these approaches. Whatever decisions she makes, the clear winners are the nonprofits who invited her to join a monthly program. They each upgraded Cindy's annual giving by 300%. Even if a nonprofit continues to receive an annual $100 donation from Cindy, it has lost because she's not likely to join a third at $25 a month. Also, Cindy's annual giving to the other nonprofits is far more likely to lapse than her giving through a monthly donor program.

Multiply this scenario by hundreds or thousands of individuals, and you see the potential loss to your donor income if you are not chosen to receive your donors' pledges.

That's why you need to approach your donors first and soon. Donors have told me they often have joined organizations even when the organizations are not at the top of their list of priorities, but they continue to give because they have "made a commitment."

Myths to Overcome

Despite the logic of a monthly donor program, many nonprofits are reluctant to launch them. Too often, the organizations fall prey to the mythology that has grown up around monthly giving. There are at least seven widespread myths.

1. It won't work with our donor base. A few years ago a large European charity spent a lot of money mailing an invitation package to their entire list with what, in hindsight, was obviously the wrong monthly donor proposition. The program they were offering was too complicated and they didn't spell out the benefits to the donor. It bombed. The organization concluded that its donors wouldn't respond to a monthly donor giving program. Now, just two years later, after developing the proper proposition and a good ask, they make more than 60% of their income from monthly donors — and the proportion grows every month.

2. Our donors are too old. I have a large nonprofit client in the U.S. with 30% of their donor base made up of members who are 65 or older. The organization's monthly pledge program shows that 29% are members 65 or over — the same proportion. Seniors are just as likely to pledge as any other donors. I have other clients with seniors as monthly donors in a greater proportion than that segment in the donor file.

3. Our donors are not committed enough. If this is the case, you have problems that cannot be solved by any kind of fundraising program alone. However, my experience is that any organization can make a significant amount of money from a monthly pledge program. You won't know until you try it.

4. We tested and it didn't work. A decade ago, at a Canadian Direct Marketing Association meeting, the manager of major Canadian nonprofit stood up and said, "Personalization doesn't work. We tried it." I thought he was one candle short of a chandelier and under questioning he revealed the details of his so-called personalization test. He simply addressed a donor as "Mrs. McDonald" versus "Dear Friend," rather than testing copy variations based on Mrs. MacDonald's giving history. Obviously he was unaware that effective personalization involves far more than simply inserting a donor's name here and there: it requires using information about the donor that will lend a personal touch to the letter. Yet he was willing to pontificate publicly about the test. Worse, he abandoned his donor base to "Dear Friend" letters for who knows how long. This story is far too common. People who do not know how or what to test believe, based on faulty research, that something does or doesn't work. When you test, you've got to do it properly.

5. It's too much work. I always wonder how having more money can be more work for a nonprofit than having less. Of course, there is some work in getting pledged money by Electronic Fund Transfer (EFT), where money is taken directly from a donor's bank account, or by credit card. You can reduce the amount of work involved by contracting those tasks out to a service bureau. You could also decide to offer donors only the option of sending a check, or only of paying through EFT or credit card, to reduce staff time and costs. You could get a consultant to develop the strategy and the creative work. Then your only extra work will be spending the actual income.

6. We don't know how to do it. Re-read previous paragraph.

7. It's a small amount of money. I worked with a medium-sized Australian nonprofit that went from no monthly donors to 11,512 in 11 years, for an annual value of $3,492,381 and the program is still growing rapidly. This is in a country of 20 million people. Foster Parents Plan of Canada, which is based on monthly donors, raises close to $34,000,000 annually in a country of 30 million people.

Planning for Success

The success of your program will be based on many factors: the product, the offer, the benefits to the donor, the media you use, your budget, and the copy or pitch. Your program will work if well done and it will bomb if you do it badly.

Ask yourself the questions in the box below, and jot down your responses to get an overview of what you know and don't know about your plans for a monthly donor program. Your responses to these questions will give you a sense of how much planning you will need to initiate a program.

Remember, however, that even without being "completely" ready, you can start a program and increase your income and long-term stability. GFJ

Harvey McKinnon is a fundraising consultant who works with nonprofits in the US and Canada. He offers Journal *readers a 15% discount on his book,* Hidden Gold: How Monthly Giving Will Build Donor Loyalty, Boost Your Organization's Income, and Increase Financial Stability *(regularly $39.95 + shipping). To order, call 800/815-8565.*

PLANNING FOR A MONTHLY DONOR PROGRAM

1. Is the maximization of long-term income one of your organizational goals?
2. What methods will you use to recruit monthly donors? Mail, phone, television, door-to-door, volunteers, special events?
3. Are you going to give individuals a choice of making a single gift in addition to a monthly commitment?
4. What is your marketing proposition? What do you offer a prospect?
5. What list segments of your donor file will you approach to invite to join your club?
6. Is there a staff person or dedicated volunteer who can devote time to this program?
7. Do you have the ability to manage a pledge program with your current software, or can you afford software that integrates pledge information?
8. Do you have a commitment to continue the program once it's started?
9. Do you have a compelling reason for people to join a monthly program?
10. Do you have committed donors who would join a program if given the opportunity?
11. Have you considered other methods to build a program in addition to direct mail and telemarketing?
12. Do you have the staff to create and direct the program or do you need outside assistance? What are the costs if you need outside help?
13. Will you offer monthly reminders? If so, will you do the work of sending them in-house?
14. Will you offer credit cards as a payment option?
15. Will you offer Electronic Funds Transfer?
16. What benefits will you give to donors?
17. Is there organizational support for the program?
18. What overall resources do you have to devote to the program — financial, technical, and human?
19. Do similar organizations have monthly giving clubs? Have you researched their programs and promotions?
20. Have you done a survey of your supporters that would help you to tailor a monthly giving proposition to them?