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[Home](#)
CURRENT.ORG

[Jobs](#)
IN PUBLIC TV & RADIO

[Current](#)
ABOUT THE NEWSPAPER

[Calendar](#)
EVENTS IN THE FIELD

[Links](#)
TO OTHER SITES

What does pledge mean to viewers?

Watch closely: we're sending the wrong message with premiums

Originally published in *Current*, Feb. 22, 1999

Commentary by Michael B. Soper

No, I'm not going to preach that public TV should stop using premiums to attract and upgrade members. Premiums are too effective to give up on them. But if we misuse them, they are also quite effective at undercutting the long-term relationships we want and need with viewers and members.

As a fundraiser who has worked at stations as well as at PBS, I'm concerned that the way many stations now use premiums during on-air drives will make it increasingly difficult for them to secure renewals, annual upgrades, and additional gifts from members acquired using premiums.

And I'm even more concerned about what premium-driven pledging means to our existing base of the most loyal donors.

In our move to "transactional marketing," some have ignored an obvious fact — television is a mass medium. Our most philanthropic, most generous donors watch more on-air membership appeals than the non-donating viewers or marginal members we seek to acquire through on-air drives. Those who are likely to give make up the majority of the target audience when we pledge — a now-dated Nielsen study of "What Members Watch" revealed the obvious: members do watch more public television. So we shouldn't be surprised when these loyal members renew to receive a premium. We are very effectively repositioning public television in their minds.

An increasing share of the "dollars pledged" success can be attributed to the fact the field has used the "power of television" to retrain its most loyal members. We are combining premiums with the most powerful communications medium in the world to send the wrong message: that both current and potential members deserve merchandise of significant value—something more tangible than the programming — in return for their gifts.

If you had the option of receiving something attractive in return for your contribution, wouldn't you take it? You bet. In most cases, you'd take the premium even if that wasn't



Soper

A former top fundraiser at PBS discusses productive and counterproductive uses of pledge premiums

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Mike Soper's marketing consulting firm, [TeamSoper](#).

what was motivating you. And you'd expect a similar offer the next time. That's why the most recent "lifetime value of a member" study (published by PBS, based on KQED's data) gave such a high lifetime value to on-air donors who take premiums.

What the analysis seems to have missed is that these are the same people who used to donate year after year without receiving anything but a "thank-you letter" in return. Public television's odds of converting these increasingly high-churn, premium-driven members into philanthropic major donors will be challenging at best.

As a result, the relationship between the premium cost and price — the markup — is not just a practical pricing decision. The traditional rule of thumb was that the thank-you gift should cost just 10 percent of your suggested donation level. In those days, premiums were designed to provide the extra emotional motivation to secure a higher average gift—but the gift itself was a token thank-you for philanthropic support of public television.

Today's premium offer and its related fulfillment costs may represent more than 35 percent of the contribution received. Premiums are now the central focus of many pledge drives. They are still priced well above WalMart, but our best donors can afford to pay that extra amount for the convenience. And they do.

It doesn't help that many pledge drives also adopt the same look and feel of home shopping networks. We imitate the pressure, the downscale, deal-oriented patter, the credit-card logos that distinguish one of television's least admired institutions, the home shopping channels. This presentation conflicts profoundly with the conclusions of the PBS Funding Task Force's "Funding the Future" report that outlined how stations benefit by building images of enduring, even monumental civic institutions worthy of long-term support.

(Many people in public television also are concerned about the degree to which our development of pledge specials is driven more by their premiums than by our mission, but that's another story.)

The mark-up on the premium not only carries a meaning with long-term effects on donors' giving. It also has immediate meaning for the pledge drive's bottom line.

Quantum leaps have occurred in almost every area of membership — with the exception of on-air pledge drives. Times have changed, yet on-air pledge drives have not. Perhaps because it is so visible, the measure of success for most stations' drives has remained a simple gross-revenue number: "dollars pledged."

High-value premiums may increase a drive's dollars pledged, but acquiring the expensive merchandise significantly cuts into the net income to stations after you subtract that expense plus the costs associated with collecting the pledge, using credit cards and providing other benefits (e.g., the program guide, membership card, etc.). The net investment in the industry's mission continues to shrink.

The right role for premiums

If we want to earn some merchandise income, we must find other ways to do our retailing, including catalogues and coupons. But we can find creative ways to use true premiums to secure loyal donors. For instance:

- **Focus your message:** Use premiums on-air to acquire "lapsed" or "non-active" members—make that a message point. Yes, you can still provide a premium to active members who request it, but direct your premium messages to non-members, focusing on how becoming a member—right now, and at a higher dollar level than they initially might have considered—will advance the station's mission. Existing members who call and request a premium will still receive it—but the driving force behind using premiums must return to acquiring new memberships or reactivating lapsed members. Certainly we appreciate current members' gifts, but we want to remind them of how their support goes directly to fund stations' program services.
- **Evaluate your net income:** What is the trend in "net income" from your on-air drives over the past five years? If you don't have access to figures on all the expenses, try comparing the total cost of premiums with fulfilled income from on-air drives.
- **Set your own cost / price guidelines:** If the old 10 percent target doesn't work for you anymore, what new cost guideline are you using?
- **Look for impact on your member renewals:** As you apply better off-air renewal techniques and retain more of your most loyal members, you would expect direct mail membership retention rates to increase. If this is not the case, you may be renewing an increasing percentage of your members on-air and training them to wait for just the right premium offer before they renew.
- **Watch the net income and life-time value of your pledge-acquired members:** When acquiring non-active members, consider their long-term value. You may never be able to upgrade your purely transactional members. As a result they may be moving in the direction of a net negative value when you consider all costs, including: credit cards fees, premiums, program guides, a portion of out-of-pocket studio costs, etc.
- **Innovate in pledging:** Can you, working with PBS and other stations, develop new, emotionally appealing but low-cost and easily fulfilled premiums? Around The Civil War, for example, stations sent donors more than 125,000 reproductions of the immensely moving letter written by the union Maj. Sullivan Ballou to his wife. These thank-you gifts had genuine value for donors, but it clearly was not a retail transaction.

Innovation is called for because the institution of pledge is in need of adjustment. In the mid-1970s, when you asked members about pledge drives, they were twice as likely to volunteer things that they liked about on-air drives as things they disliked. Today, attitudes of active members toward on-air pledge drives have totally reversed. The proof comes in recent studies conducted by Statistical Research Inc. (SRI) for the experimental pledge-free cable programming service under development at WCET, Cincinnati, backed by the CPB Future Fund.

Today, with current and lapsed member databases already containing the vast majority of people likely to support public television, on-air drives have become an increasingly aggressive, costly pursuit — to reach rising "dollars pledged" goals, and to acquire the relatively few truly new members (new move-ins or others who have never contributed).

The long, routine, but ultimately most productive route to public support is the cultivation of active members — moving them up the donor pyramid, persuading them to become ever-larger and more frequent donors to the PBS programs and stations they love. The single greatest risk to growing this donor

pyramid is the failure to acknowledge the mass-medium nature of on-air pledging. Through the use of this powerful medium we must persuade viewers that PBS is "worth watching" and "worth paying for," not just that its "premiums are worth buying."

In the end, each station must decide how best to use on-air drives to strengthen the long-term relationship between stations and those individuals who are the most financially capable and personally committed to sustain our service.

Instead of using television for retail sales, we have the opportunity to reinforce the recognition that philanthropic giving is a right and rational thing to do, and that public broadcasting is worthy of support.

There is no doubt that television can sell and that premiums motivate members more than even they'd like to admit. What matters most is knowing the audience you're talking to — loyal or marginal members. On-air, there is no choice. You reach both. The challenge is to make sure messages fit the medium.

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Web page posted Feb. 25, 1999

Current: the newspaper about public TV and radio in the United States

Current Publishing Committee, Takoma Park, Md.