# Pledge Drives in a Bear Market

Roger Gomoll, March 2001

The days before the Spring 2001 Coordinated Membership Week are economically uncertain, to say the least. The NASDAQ has tanked over the last year. The Dow is poised to follow into bear territory, falling below 9,500 points after passing the 11,700 mark in Jan 2000.

Income from dot com companies has all but dot vanished. Layoffs are beginning to be seen in companies such as Proctor and Gamble and GM. What's happening? How can we prepare? How should we position ourselves during the upcoming pledge drive?

"I'm far more concerned about corporate underwriting than membership," says Jim Lewis of Lewis Kennedy and Associates. In his over twenty year history of working in public broadcasting and non-profit fundraising, Jim has seen more than his share of slow times. But the news so far isn't necessarily bad. "What we're hearing from other segments of the non-profit community is that they're not hearing more 'No's,' it's that they haven't been hearing, 'Yes'. You can sense the caution."

Lewis says the caution shows itself in underwriters not saying "yes" quite as quickly. Underwriters are still convinced of the value of public radio underwriting, but are being a bit more cautious before committing.

So what would Jim recommend?

Be patient. Be smarter. Work harder.

"Be patient in waiting for the 'Yes.' Make more asks- especially if you're working on a deadline. Sell marketing more. Even in bad times, there is someone who is doing well." Declining home sales means more people are remodeling. New car sales are down, but car repairs are strong. Being smarter is the key in the short term. "In the same way that we discovered the dot coms, we must discover who has the money now."

John Sutton of John Sutton and Associates has similar optimism. "See this as an opportunity—an opportunity for change." He adds that change can come on many levels. But the criteria for change must be in the bottom line. "Think of your Development efforts as a profit center. Our goal is to put as much money as possible in the hands of the station." Net income, says Sutton, is determined by subtracting your costs of fundraising from the gross dollars you've earned. It's the remainder, or the net that benefits your station. Doing whatever possible to keep underwriting strong makes sense, he says, because earning a dollar through underwriting costs less than earning a dollar through membership. "Underwriting is about ten to twelve cents per dollar cheaper than membership. It's still the best revenue to expense ratio tool in our toolbox."

The concept of focusing on net rather than gross sales numbers is not new. But that bottom line mentality pervades Sutton's advice. "More asks will result in more sales even if your closure rate goes down. Now may be the time to add the next person on your sales staff." And if your prime time is sold out and you're left with hard to sell off-prime avails, manufacture more prime time opportunities. "Take an existing twenty second avail and make two ten second avails out of it. Even if you sell these shorter avails for 75% of the price of the longer one, the effect will be a

50% increase in revenue." Find every opportunity to decrease the cost of sales, and improve your ability to work smarter by investing more in this revenue source. "Invest in the process, in intelligence, in people, and in advice. Consider this- if you had a dollar to spend in new potential, where would you spend it?"

*But it is membership and not underwriting that is on the minds of stations that are heading into the Coordinated Fundraising week.* News of the economy is everywhere. Will it have an effect on the outcomes of this membership drive?

I spoke to some of the best minds out there and asked them that very question. Barbara Appleby, formerly of MPR. John Sutton, of John Sutton and Associates. Jim Lewis and Helen Kennedy of Lewis Kennedy and Associates. Al Anderson, Director of Membership Marketing at Minnesota Public Radio.

They all agreed on this point: Unless your market has been hit hard by layoffs and the unemployment rate has drastically risen, your drive will be fine. You have every chance to reach and even exceed your membership goals for Spring 2001.

Why the rosy optimism? Why shouldn't stations suffer with the economy?

John Sutton puts it most bluntly. "Membership will suffer only if a station lets it. Think about it from the consumer's perspective. Generally the economy is still strong. Few salaries have been cut. Household incomes are as high as they ever were. The reports of conservative spending habits mean that consumers are buying fewer big ticket items, which means that it's easier to give $100 to their public radio stations."

Jim Lewis elaborates. "For the most part, this is not affecting listener's incomes. It's affecting their assets. Economic uncertainty makes for harder fundraising—especially in capital and endowment campaigns—but if you're careful, it doesn't have to affect current income."

Being careful in this case means one thing, according to Helen Kennedy. "Don't Panic!" Resist the temptation to address these uncertain economic times during your on-air drive and center on the basic relationship between your core listener and your station. Don't create a problem that your listeners may not have. By mentioning hard economic times, you may be building a problem that is not there, and giving listeners an excuse not to contribute. "Membership will do fine, although the average gift may slip slightly and you may have ONE weak add gift campaign as the membership gets used to the new economic reality--although I don't think we know what it is yet."

John Sutton's advice is to stick to the basics during your drives. "During troubled times is when public radio is a more valuable service to listeners. When there's news that has impact, people turn to us for answers. This is the time when the station is at its greatest value to the listeners."

Al Anderson is Director of Membership Marketing at Minnesota Public Radio. "The only thing that I wouldn't ask for right now is gifts of appreciated stock. Listeners' number one benefit is the programming, so go back to the basics. You listen, listeners support, please contribute. Public radio delivers a useful, quality product." But that doesn't mean that Anderson would ignore the economic realities of today's market. "I'd use the bear market as a selling point. Now we should talk about Sound Money and Marketplace and how we deliver what you want, which is economic news. Our core audience is very firmly with us. Stations have not yet used all the tools in the toolbox to reach that core. "

Anderson also sees this as a time to be smarter about your total membership program. Do that extra mailing. Begin that telemarketing program you've wanted to have. Bolster your membership presence on your website and boost it with on-air messages. "Find out what it is that gets first time givers in the door. Use as many approaches as possible."

There are plenty of opportunities to promote the value of stations to listeners. Talking points for this coming drive are plentiful, according to Sutton. "We're going through a pretty incredible political time right now. The new Republican administration is raising significant issues- Human and environmental resources- the relationship between business and government, and even the way supreme court justices are selected. We're still very valuable to our listeners because of that. Listeners count on us to report these issues. You can bet that I'll find an appropriately sensitive way to bring these issues up in fund drives. Change affects our listeners. Public Radio reports on those changes and because of that is especially valuable. We're entering a period where public radio is even more important to our audience than it was during good economic times. Listeners will pay for that."

The general sense of these experts is clear. Don't make the economy a problem if it isn't in your area. Be strong on the basics. Build on the successes of past drives. Pitch the fundamental arguments of membership—you listen, listeners support this station, call with your pledge. Listeners will not only find value in the service, they will support it with their contributions. Don't make radical changes in your pitching style if there is no crisis.

But how can you tell if there is a crisis in your market? "Your listeners will tell you" says Sutton. "Direct mail will be down. Telemarketing will be down" Lewis concurs. "They'll tell you by writing on their bills that they want to pledge but can't. They'll talk to your telemarketers and say the same thing." Only then would Lewis begin to add language about hard times in mail and drives.

Jim Lewis has been there. He worked with public television in New England during the recession of the late seventies.

"We saw record increases in membership in the midst of the bleakest recession in years. People were home more. They believed in the service. They had to take action themselves to keep the station strong." Lewis sees opportunities for membership to grow during weaker times. And this growth can come in all areas. "Additional gifts, new memberships, and renewals. There are some people who will not be able to make add gifts—but others understand that times are tough in the community and will be able to make them. Remember: A third of your audience has always been sitting on the sidelines. Over half of them have never made a gift to your station. It's a great opportunity to sharpen the argument to get them to the table for the first time."

But what should that argument be? " Do the basics. Then on top of that, sell value to the community- not just to individual listeners. Create a little bit larger vision for the community." But language has to be carefully crafted, says Lewis. "Don't give people an out by saying 'people aren't giving'. Say 'there are people in the community who can't give as much. You've depended on their gifts in the past—now they're depending on you."

So the advice of the experts is pretty clear. Don't panic. Don't manufacture a problem that isn't there. Do your best to achieve your goals and you'll most likely make them. Pitch the economy only as a news selling point. And see this as an opportunity for growth and success.