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Rapport

Sustainer Retention

SUSTAINER PROGRAMS:
COMPLACENCY BREEDS STAGNATION AND LESS REVENUE

Across the fundraising industry, sustainer programs are growing at an incredible pace and have solidified themselves as an integral part of many nonprofits' fundraising programs. Sustainers are highly valuable to a nonprofit as they …

> … provide a reliable revenue stream that is less susceptible to economic fluctuations.
>
> … typically have a higher lifetime value because they give multiple times throughout the year.
>
> … are more invested in a nonprofit's cause and typically have a higher 12-month value than a new donor.

Monthly giving brings tremendous value to fundraising programs. In 2018, revenue from monthly giving increased by 17% from 2017[1], and it accounted for 16% of all online revenue[2].

But despite this growth, sustainer programs face the same challenges that trouble other fundraising programs, like new donor acquisition and renewal. The first-year retention rate of newly acquired sustainers hovers around 35%[3]. And of those new sustainers who are still giving 12 months later, only 64% are retained beyond 13 months[4].

In other words, if a nonprofit acquires 1,000 sustainers, only 224 of those sustainers will still be making monthly donations 13 months later. This equates to a retention rate of 22%. In comparison, new donor retention was 27% in 2018[5].

Complacency breeds stagnation, and stagnation has bred a loss of revenue in the case of sustainer programs. Letting the numbers speak for themselves, it's evident that there is plenty of room for improvement in retention for this program. Increases in retention lead to increases in revenue. It's time that nonprofits rethink their approach to managing and engaging with their sustainers.

Set It and Forget It. (Wrong!)

Since 2010, sustainer programs have shown to be lucrative and nimble — having various acquisition channels, a low barrier to entry and relatively low associated costs. Having grown from only 5% of online revenue[6] to 16% of all online revenue in 2018, sustainer programs in the United States are on the rise. But they're seeing nowhere near the success that has been attained in other countries, like the United Kingdom and Canada. Why do nonprofits struggle with retention, and why aren't these programs living up to their full potential?

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1. "It seems history is to blame ... "

- Sustainer programs began as monthly billing programs. (Remember the days of "MoBill"?) The concept was simple: Donors were already paying bills every month, so nonprofits created a giving program that "billed" donors on a monthly basis.
- These monthly billing programs were exactly what they sounded like; each month, nonprofits would mail a statement to the donors who signed up for this program and bill them for the amount they committed to. The monthly statement mailings were designed to mimic a utility bill, so rarely did they include information about the impact of the donor's support or other organization updates.
- The communication strategy for monthly billing programs was to communicate as little as possible — and usually not at all. The thought was that by not communicating with these donors, it would not remind them about their monthly support. So as a general rule, these donors were suppressed from most direct mail appeals and other fundraising efforts, like telemarketing campaigns.
- And these monthly billing programs were successful. The program introduced an additional revenue stream, which required little oversight and management beyond ensuring the monthly statements were mailed. So why would nonprofits change something that was working?

2. "The times they are a-changin' ... "

- As utility and other companies moved away from mailing monthly statements and turned to online bill pay, nonprofits followed suit. They began encouraging sustainers to switch from using checks to using automated payments with credit cards and electronic funds transfers. This transition marked a significant moment in the transformation to sustainer programs as we know them today — what was once a mail-driven program became a digitally-driven program.
- The move from mail to web signaled another significant change: A transformation within the donor base. With increased accessibility resulting from mobile technology, society became more connected and donors became more informed and engaged.
- Today, donors are far more educated and engaged than they were just five years ago. They have the world at their fingertips, with an almost overwhelming number of causes asking for their support. Having so many options has pushed donors to become more philanthropically savvy. They want to support an organization that's a good steward of their generosity — and they want to understand the impact their generosity has on that cause. This is a huge

> *"New sustainers acquired directly to direct debit payment method...[have] a median 78% retention rate [at 13 months]."*
>
> — Deb Ashmore
> Trends in Sustainer Giving — Key Findings from the 2019 donorcentrics Sustainer Summit

departure from the long-held belief that sustainers "did not care" and that it was okay to generally ignore them with minimal consequence.

- Not only are donors savvier and more conscientious — they have higher expectations for their engagement experience. Thanks to the Amazons and Zappos of the world, donors now expect that same level of service during their interactions with nonprofits. And unfortunately, many nonprofits fall short, leaving donors frustrated and unsatisfied.
- Advancements in software applications have been another factor in this transformation. Various systems offer nonprofits the tools to improve how they manage this program and engage with sustainers.
- Attention spans are shorter. Social media has increased nonprofits' reach and enabled a rise in reactionary giving. But it promotes a transactional acquaintanceship at best, as donors are easily distracted and on to the next thing before their acknowledgment even lands in their inbox. This makes it all the more challenging for nonprofits to make an impression — nevermind build any type of meaningful relationship.

3. "Time makes you bolder … "

- For so long, nonprofits have held the notion that sustainer programs just run on their own and require little attention — the "set it and forget it" mentality. Well, that's no longer the case. Sustainer programs require just as much attention, scrutiny and resources as any other fundraising program.
- Changes to the primary payment method, a transformation in the donor base and the influence of social media are forcing nonprofits to more actively engage with their sustainers. And these sustainers **expect** a high level of engagement.
- With the broader fundraising challenges facing nonprofits today, organizations cannot afford to ignore — or be complacent in — the management and strategy of their sustainer program. This is a program that has never realized its full potential.
- Sustainers are challenging the status quo; they expect more from their interactions with nonprofits and have made it clear that they can take their support elsewhere when disappointed. This is okay. Today's sustainers are pushing nonprofits to reevaluate their existing programs and pushing us as an industry to do better.
- Sustainer giving is in a period of transformation, and if it's embraced, nonprofits will reap the benefits of this transformative period. The world around us is changing, and to survive, nonprofits need to change with it.

> *"The 13-month retention rate for donors acquired as sustainers…increased by 11%… having a strong sustainer acquisition process in place…was critical to keeping those donors on the file the following year"*
>
> — Deb Ashmore
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Anything Worth Doing Is Worth Doing Right.

The first step towards change is admitting you have a problem. And a 22% retention rate should be a compelling enough reason to admit that your sustainer program has a problem. Remember the 224 retained sustainers from the example in the first section? That's 776 sustainers that were not retained. Imagine the potential revenue those sustainers would have generated if they were retained. Even with a $10 monthly gift, these lost sustainers would have added $7,760 in donations every month!

Reframing an already established giving program is not an easy task. But it can be done. And it all begins with a strategic plan.

Invest time in understanding the capabilities and limitations of your systems and applications.

1. Know whence you came.

- Before any change, any planning, or anything else can happen, it's vital to understand the current engagement experience for your sustainers — from their acquisition to your recapture efforts. Understanding the current experience will serve as the springboard for change and improvement.
- So, erase the white board, pull out the markers and Post-it notes and begin mapping out what the engagement experience actually is for your sustainers. Be sure to include all channels; keep track of the owners of each interaction and the vendor partner when applicable. This will be a good resource to reference farther down the road.
- Potentially even more important than understanding the engagement experience is understanding current program metrics. Intimately knowing these numbers will allow you to easily identify problem areas and opportunities and will help prioritize the implementation of new strategies. At a minimum, metrics should include:
    - Number of Active Sustainers
    - Cost to Acquire
    - Average Monthly Gift Amount
    - Average Number of Months as a Sustainer
    - Annual Revenue
    - Annual Retention Rate
    - Monthly Revenue
    - Monthly Attrition Rate
    - Attrition Rate by Cause (examples: declined credit card, active cancellation)

2. Not all systems are created equal.

- Just because one system can do one thing does not mean your system can do that thing, too. Invest time in understanding the capabilities and limitations of your existing systems and applications — learn how various systems integrate with one another. Having a basic understanding of system capabilities and their relationships will help guide the development and prioritization of changes to your existing sustainer program.

- While some changes will be easy to implement within an existing system, others may be more involved and require additional functionality that may not be available. Be realistic with yourself and with your team about what is doable and what is not. More often than not, improvised workarounds only cause headaches down the road and are usually not scalable.

3. What works for you may not work for me.

- Every sustainer program has its own unique set of problems that need to be solved. Don't rush through your program assessment; take the time to clearly define the challenges and make sure you fully understand the necessary steps to address them.
- Identifying the challenges is the easy part. The hard part is figuring out how to tackle them and deciding what the best engagement experience is for your sustainers. The program assessment of the existing experience and current metrics, along with a basic understanding of technology capabilities and limitations, will serve as a solid foundation for you to begin putting a strategy into place.
- As you brainstorm and establish your plan to transform your sustainer program, make sure to go back and reference your research from your program assessment. These insights should not limit you, but rather act as your guide as you develop a sustainer engagement strategy. These notes will give you an idea of what's possible — and the level of effort and resource investment it will require (two elements to keep top-of-mind throughout this process).

4. To make a big impact, go small.

- **You did it!** You've completed your sustainer program assessment and have created the ideal engagement experience for your sustainers. Now, all you need to do is implement it — not a small undertaking.
- Remember, this is not a sprint; it's a marathon. You should approach your implementation in phases. Start with the smaller projects, like adding a welcome letter to the sustainer onboarding process, or implementing an automated credit card updating process through your merchant service provider.
- These smaller initiatives will not only make a positive impression with your sustainers, they will make an impact at your organization. Your sustainers will start receiving the "no-brainer" stewardship communications they should have been receiving all along, retention

Smaller initiatives will not only make a positive impression with your sustainers, they will make an impact at your organization.

will improve and you'll have a win under your belt, validating the motivation and need for this program revamp.

- Continue to work through your list of improvements using level of effort and revenue impact to help prioritize projects. Rolling out these changes over time will allow you to focus on one task at a time, so it's done correctly the first time. Naturally, there will be many unforeseen issues and questions that will require your attention. Rather than making a hasty decision because you're juggling too many things, taking this methodical approach will allow you to focus, evaluate and make the best decision for the success of the program.

Research, assess, and be realistic and measured in your execution are the keys to successfully implementing a new strategic framework for an existing program. Nonprofits and fundraisers know the immense value that a monthly giving program brings to an organization in the near and long terms. But now, it's time to recognize that the archaic "set it and forget it" mindset is causing nonprofits to lose substantial amounts of revenue and valuable donors.

The definition of success is no longer just having a sustainer program. Success is defined as having a sustainer program that retains and upgrades. And to do that, nonprofits need to change their approach to sustainer engagement. Nonprofits can no longer ignore theses donors; they need to proactively communicate with them and share the impact of their support and reach out when they have lapsed.

When it comes to transforming an existing program, the path to success is not an easy or linear one — especially when long-established beliefs have shifted due to external factors, like changes in technology and within the donor base. Transformation is possible with time and proper resources and investment. Of all the fundraising decisions nonprofits need to make, investing in the improvement (or overhaul) of their sustainer program should be an easy choice. Just remember that to be successful, it's not how quickly it's done; it's how well it is executed. The tortoise ended up beating the hare; slow and steady always wins the race.

Interested in learning how Merkle RMG can help transform your sustainer program?

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About Merkle RMG

Merkle Response Management Group (RMG) is a processing, data and technology-driven company. By combining best-in-class direct response processing, customer care and fulfillment solutions with actionable data insights, Merkle RMG drives one-to-one relationships for an improved donor and customer experience that increases retention and revenue.

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