

Challenges, Matches, Drawings And The Public Trust

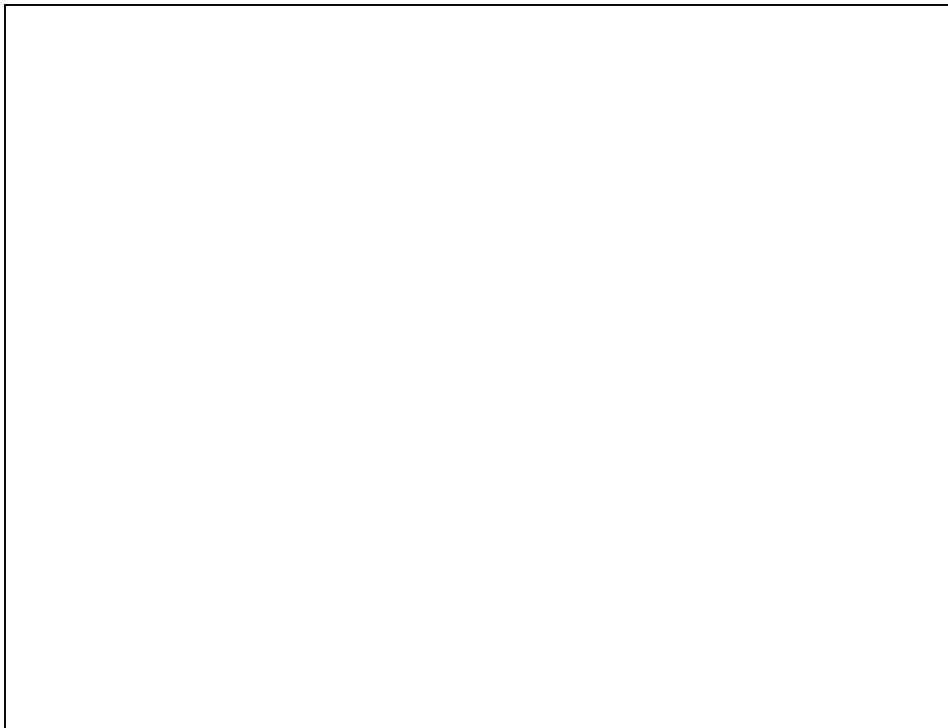


This document consists of slides and notes from sessions presented at the Public Radio Development and Marketing Conference in New Orleans and the Public Radio Program Director's Conference in Philadelphia. Thanks to Mary Hendley at WBHM, Tim Emmons from WNIU/WNIJ, Andy Bienstock from WYPR, and J. Mikel Ellcessor formerly of WNYC for being on the panels and adding their insights to the discussion. To find out how you can get audio of the sessions go to Deiworksite.org and PRPD.org.

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Document Outline

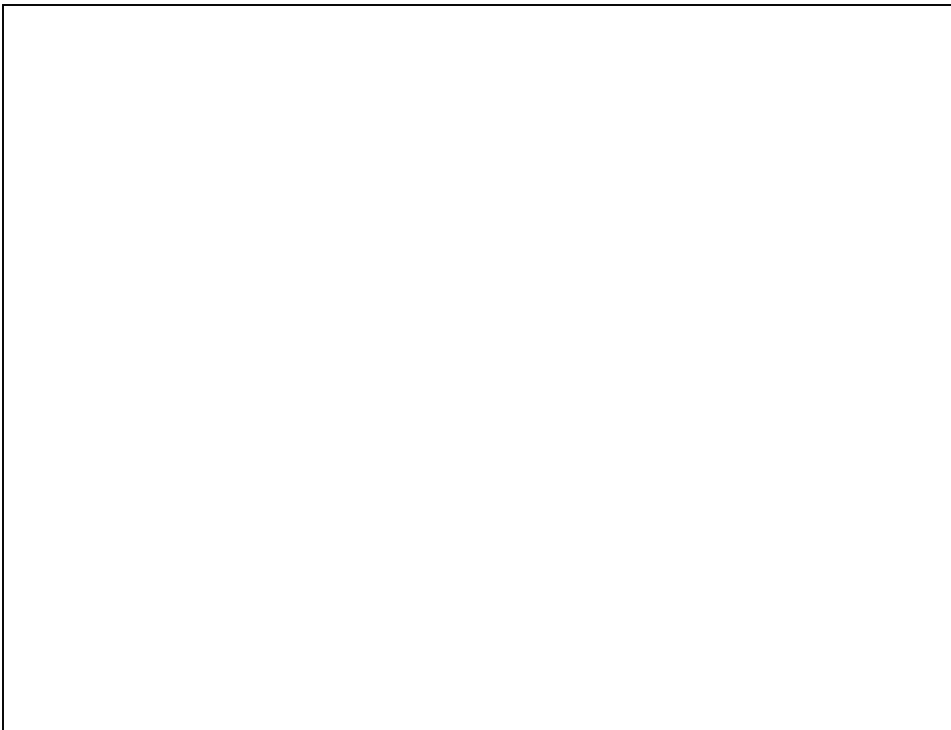
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Summary

Many stations raise considerable money while maintaining a high level of accountability in the challenge grant, match money, and sweepstakes programs

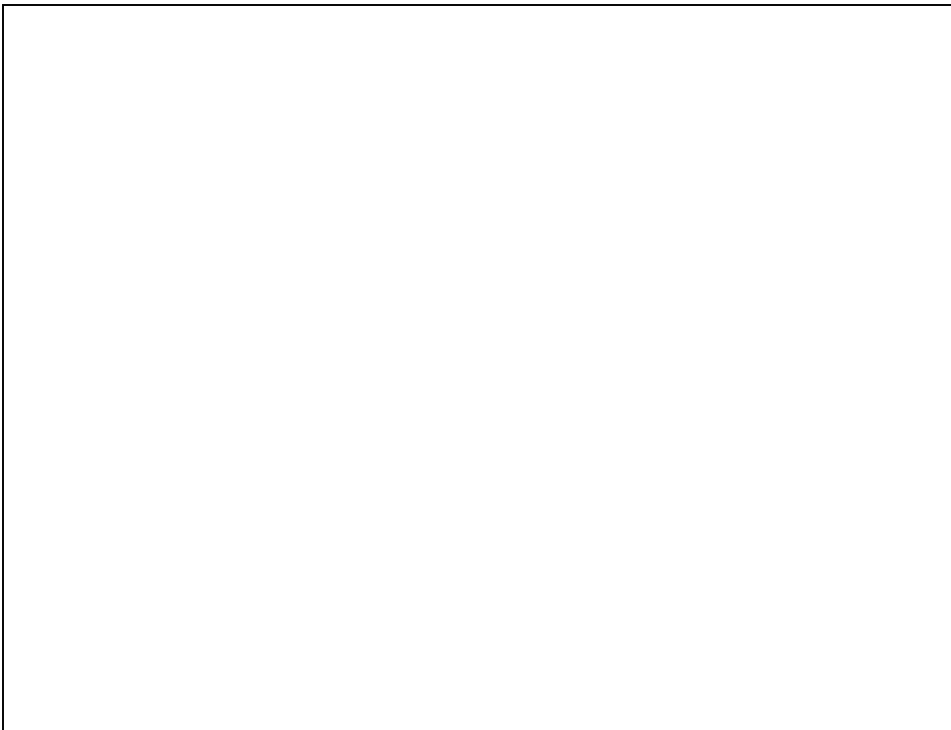
But while 90% of respondents using challenge grants claim their challenge grant and matching money programs have a high level of integrity, more than half of those stations cannot back that claim with documentation



Summary

Just 61% of respondents using sweepstakes during pledge drives said their contest rules had been approved by legal counsel

30% of respondents using sweepstakes never announce context rules on the air even though such announcements are required by law



Some JSA Observations

Streaming your pledge drive over the web might subject your sweepstakes to Internet sweepstakes rules and the laws of all 50 states

- The same is true of e-mail
- Another issue is direct mail that crosses state lines

Invest the time and money to operate your sweepstakes and drawings in compliance with all appropriate laws. Consider the costs when calculating fundraising net

Off the record, several lawyers told John Sutton & Associates (JSA) that most stations using sweepstakes were probably violating some sweepstakes law in some state where their audio streams could be heard. This is also an issue when letters and e-mails for sweepstakes cross state lines. You will need to decide how much of an issue this is for your station by talking with your legal counsel.

Some JSA Observations

“It’s not a bake sale anymore”

Public radio fundraising is far more sophisticated and under far more scrutiny than ever. The level of scrutiny will go up over time, not down, especially as public radio starts competing for more major gifts and legacy gifts. A greater level of accountability now goes with the territory. We have to stop thinking about fundraising like it’s a bake sale where everyone packs up at the end of the day and goes home. The decisions we make to raise money now have consequences down the road. Let’s make the decisions that make the most money and meet the public’s high expectations of public radio.

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Project Goal

To write guidelines on proven challenges, match, and drawing practices that also maintain the public trust

Notes: We're just starting to write
One size will NOT fit all
A full report will be available on-line

Public radio stations are all over the map when it comes to how they plan, implement, and document Challenge Grants, Matching Money, and Sweepstakes during pledge drives. The goal of this project is to help stations use these techniques effectively while maintaining the public's trust that they are real, honest, and fair.

The guidelines will be just that, a set of suggestions for stations to follow. They will be made available through DEI and PRPD.

For this project, Challenges are defined as All-or-Nothing Challenge grants where the station must meet a specific goal to receive the money. Falling short means the station does not get the money.

Conference Session Agenda

Project Overview

Survey Results – Practical Applications

Survey Results – The Public Trust

Station Panelists Response

Q&A

The project had three phases: an on-line survey of stations, a panel review of the survey results, and JSA's analysis of the survey and review. The survey analysis had two components: practical applications for fundraising professionals and an analysis of public trust issues.

We don't have the station panelists' responses in this document. During the conference sessions, they spoke about how they would implement the findings of this project. Both sessions are worth a listen. For more information go to Deiworksite.org or PRPD.org and find out how you can get the conference audio.

Overview

67 stations responded to a voluntary web survey

- Not a scientific study, not to be projected

The mix of stations was good. There were large and small stations and a good mix of formats.

Overview

Public Trust results shared with 5 Commentators for their opinions

- David Boyce: Journalist, PR Specialist, former WETA Board member
- Bill Buzenberg: Senior News VP, MPR
- Gwen Cox: WBHM listener
- Judi Jackson: Fundraising expert, Boston
- Bob Steward: WBHM listener

These are the names of the five outside commentators who reviewed the survey results and shared their opinions. They were not given a questionnaire. Instead, they were given a narrative of the results. Our goal was to get a mix of opinions that would give us insight to public trust issues. Commentators were asked how they would respond to the survey findings if they read about this in their local newspaper.

The findings on the public trust issues follow the report on practical applications for stations.

Survey Results: Practical Applications

The most significant finding is that the perceived effectiveness of challenge grants and matches is NOT linked to

- Call goals
- Dollar goals
- Minimum pledge required

Stations were asked about the effectiveness of their challenge grant programs. They did not think that the effectiveness of their challenges were affected by the above factors. That is – a station can succeed with call goals, dollar goals, and by welcoming pledges of any amount.

Survey Results: Practical Applications

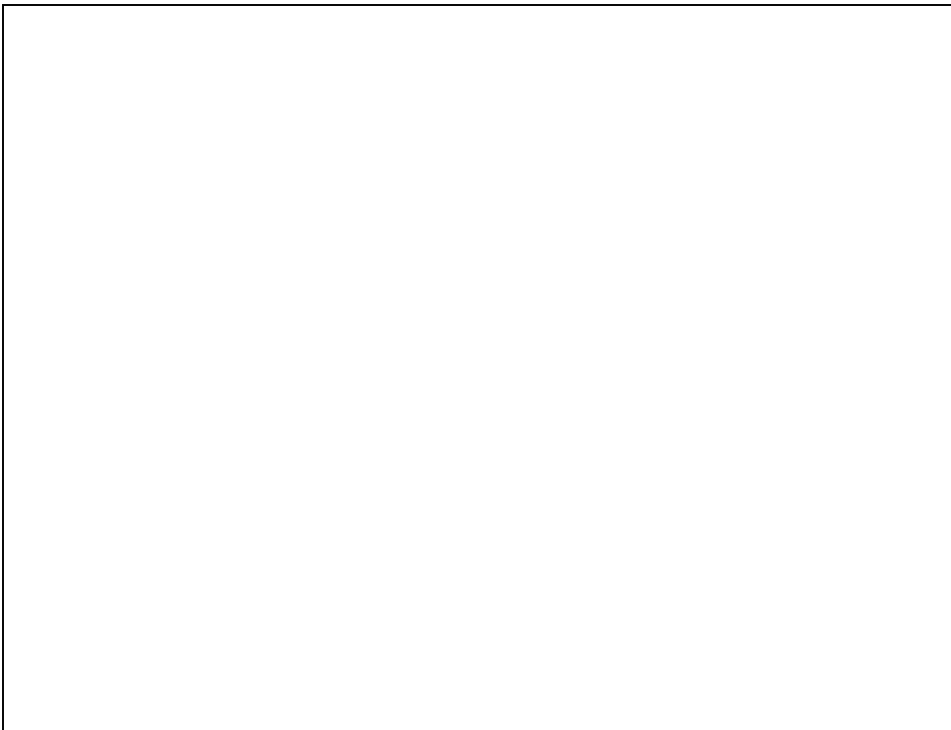
Stations that restrict matches to new members-only perceive their match programs to be less effective than stations offering unrestricted matches

But there was a feeling that restricting challenges to new-members only limited effectiveness.

Survey Results: Practical Applications

The survey results for Challenge Grants and Match Money were very similar

In the interest of time, detailed results for Challenge Grants will be shown but you will only see where results for Match Money were different



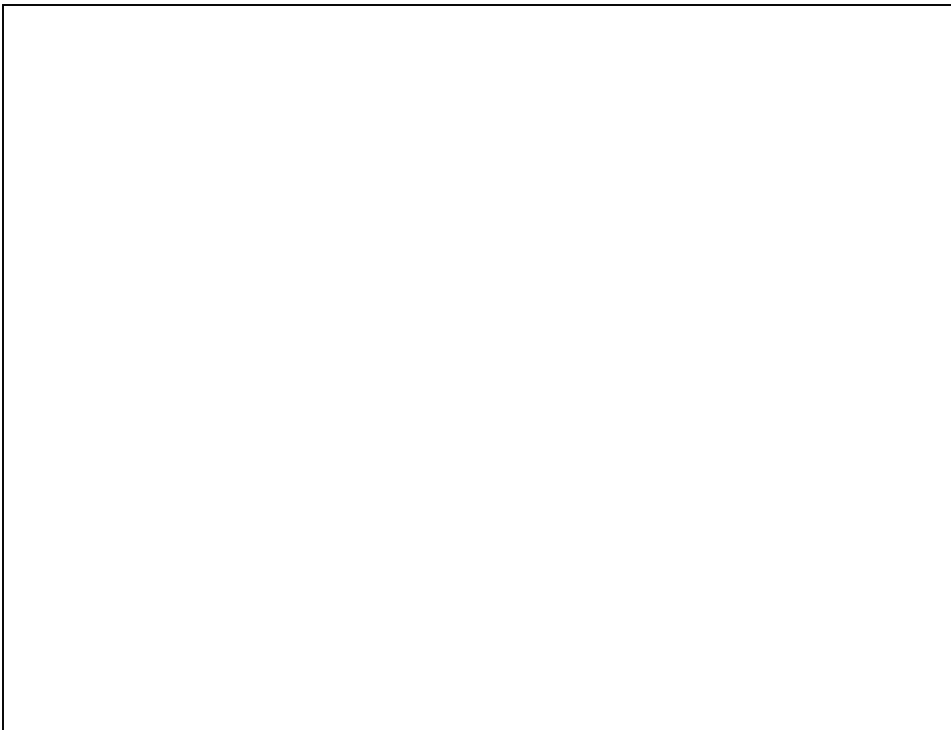
Survey Results: Challenge Grants

Challenge Grants (all or nothing)

- 64% of survey respondents use challenges

Of those stations using challenges:

- 94% get them from Individual Givers
- 76% get them from businesses
- 46% get them from foundations or friends groups



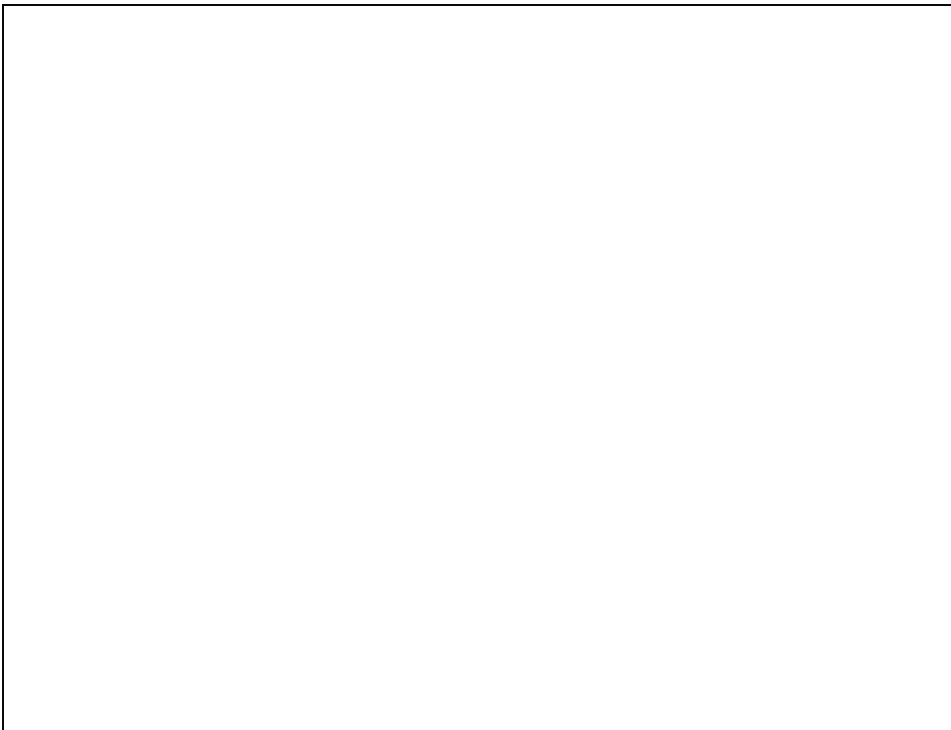
Survey Results: Stations Using Challenges

Of those stations using IG challenges:

- 92% of challenges come from \$1,000+ donors
- 42% of challenges come from < \$250 donors

Direct Mail and Personal Solicitation were used by more than half of the stations to get challenge money

Fewer than 1/3 of the stations used E-mail and telemarketing to get challenge money



Survey Results: Stations Using Challenges

91% used challenges that were additional gifts to the station

61% used renewal gifts as challenges

No surprise that most stations used additional gifts for challenges. The renewal number was unexpectedly high because it suggests stations are putting renewals at-risk if the challenge isn't made. Either that, or the station is expecting to get the money no matter what happens during the drive. Does that make a renewal challenge a true challenge? If the donor specifically says so, then yes.

Survey Results: Stations Using Challenges

There was no consistency on how stations collect process and manage challenges

- Some use an opt-in method
- Some use opt-out
- Some assume the donor's intent is to offer a challenge because the letter focused on or included a challenge "ask"
- Some have a specific challenge grant contract with the donor

Stations collect and manage challenge and match money in different ways. Many do not get explicit consent from donors. One recommendation from this project is to document explicit consent from donors that the money is to be used for a challenge or match. That pretty much rules out "opt-out" as a tactic. Have the donors check a box designating their gifts as a challenge or match or make certain that the explicit purpose of the letter or telemarketing ask is for the challenge or match fund. Be sure the donor is consenting to a challenge or match.

Survey Results: Stations Using Challenges

Most stations can use challenge grants as they see fit

- 56% have complete control over the start time, end time, and terms of the challenge
- 37% usually have complete control over the challenge

It is rare that the provider of the challenge or match sets the criteria for the challenge. Stations have control, meaning the listeners and donors are putting considerable trust in the credibility of the challenge program.

Survey Results: Stations Using Challenges

63% of the stations add challenge money to their drive totals as soon as the challenge is earned

More than half of the stations have the challenge money in the bank before the drive begins

- 34% put the money in the operating budget
- 27% hold the money in a restricted account until the challenge is earned
- 22% invoice only after the challenge is met

There's some question as to whether challenge money should be added to drive totals. Does it go towards the goal for the drive or not? This is a not only a source of confusion for listeners, but also staff. If the people who work at the station can't explain how it works, the program's credibility is reduced. If challenge money is not added to your drive totals, it is a good idea to report out two numbers: dollars pledged and challenge money earned. "We've earned \$180,000 in pledges and \$30,000 in challenges so far..." That helps clarify things for everyone.

If you are required to put challenge and match money in the bank right away, see if it can be put into a restricted account and then moved into the operating budget once the challenge is earned. This way, the money cannot be spent until the challenge is earned. Properly documented, it adds credibility to your program.

Survey Results: Stations Using Challenges

69% of the stations try to convert \$1,000 pledges that come in during the drive into challenge grants

Missed challenges are handled differently across stations

- 48% announce missed challenges on the air
- Two-thirds reuse challenges
- One-third keep using challenges until they are met

Our guest commentators had some interesting reactions to this. The conversion of \$1,000+ pledges to challenges was not really an ethical issue provided the pledge was not already in response to a challenge or match. Then it felt like bait and switch to them.

Not announcing challenge results was more problematic for the guest commentators. They feel that it hurts the credibility of the challenge program. So does reusing challenges more than once.

Survey Results: Stations Using Challenges

Stations handle good fortune in different ways

- 54% let listeners know when challenges are going well and announce the goal as soon as it is met
- 32% wait until the end of the challenge period to make that announcement even if the goal is met early

Maintaining credibility requires giving an accurate count on-air. The practice of slow-counting to extend the challenge is considered suspect in the minds of the guest commentators.

The good news is many stations have found success in announcing challenges when they are met early. Some move on to the next hour's goal. Some introduce a mini-challenge or match for the remainder of the hour. Some just make the announcement that the goal was met and ask listeners to continue giving.

Survey Results: Match and Challenge Differences

Examples of matches include:

- Dollar-for-dollar
- Add-on gifts (e.g. \$25 added to every pledge)

67% of stations using matches get match money from donors giving < \$250

- Compared to 42% among challenge grant stations

Stations are more likely (67% to 42%) to get match money than challenge money from donors giving less than \$250, presumably because matches are easier to earn and there is less chance of having to call donors back in the event of a missed match.

Survey Results: Match and Challenge Differences

Stations are more likely to have matching money in the operating budget before the drive

49% versus 34%

Not surprisingly, match money finds its way to the bank faster than challenge money. It is a good idea to keep all challenge and match money in a restricted account until it is earned and documented. If it is not earned and must be returned, the station will have much better documentation when pulling it out of a restricted account.

Survey Results: Program Integrity

Despite the differences in how stations handle challenge grants and match money, about 90% say that their challenge and match programs have “a high level” of integrity

However, fewer than half of the stations say that their programs are documented well enough to prove it

Documentation of challenges and matches, or lack of it, is a big problem. Stations believe they are doing the right things, but most say they cannot prove it. If there is one essential outcome from this project it is this – stations need good systems to document the integrity of their challenges, matches, and sweepstakes. The DEI/PRPD Partnership and JSA will provide resources to help you build those systems. Keep an ear out for more information on this in late 2006.

Commentator Perspectives Overall

The public and media hold nonprofits to a higher standard of ethical conduct than they do corporations and government

Honesty and transparency are key to meeting that standard

Disclose. Disclose. Disclose. If that makes a station uncomfortable, then don't use challenges or matches

Our guest commentators were clear that their expectations of stations are extremely high. As the saying goes, "if you wouldn't want to read about it in the newspaper, don't do it." An updated version of that idea is, "if you're whispering about it around the volunteers, it's probably not a good idea."

Commentator Perspectives Challenges and Matches

Challenges and Matches are good for motivating listeners to “act now”

Listener commentators said they can be interesting and engaging

And they doubted that the challenge or match provider would really withhold the money. They indicated they were not bothered by that

Commentators felt that it was important to announce a goal and track its progress on the air

Even though our commentators assumed the station would eventually get the challenge money, they wanted to know that the challenge provider could withhold the money or get it refunded. The credibility of your challenge program comes from listeners knowing that the money **could** go back. If that's lacking, or proof of a mechanism for returning challenge dollars is lacking, don't do challenges.

Commentator Perspectives Challenges and Matches

If you give updates or progress reports on the goal throughout the challenge period, then honesty and transparency dictate announcing when the goal is met, even if that happens before the end of the challenge period.

Listeners notice when we stop talking about the challenge or start talking about it differently after a while. They are not fooled by our silence or carefully chosen words.

Commentator Perspectives Challenges and Matches

Reusing challenges and matches can present serious problems if a clear policy and documentation do not exist

Asking for upfront permission to reuse challenges and matches is okay but should be limited to one additional use in order to maintain credibility

The rules should always be clear. Frequently announce challenge/match policy on-air and post on web site

Panelists thought that station procedures around challenges and matches should be as rigorous as they are for sweepstakes and drawings. One idea you might want to try is posting the policies and rules of challenge grants and matches on your web site. In partnership with DEI and PRPD, JSA is developing a challenge grant FAQ. This should be suitable for most stations to use with minor, local modifications.

Commentator Perspectives Challenges and Matches

Converting pledges received during drives to matches and challenges is okay provided the donation was not in response to an existing challenge or match AND the donor provides written verification

If a phoned-in pledge is converted to a challenge, confirm it in an e-mail or with a fax or letter.

Commentator Perspectives Challenges and Matches

Listener commentators have no opinions of how the internal accounting should work. They trust you

Journalist and fundraising experts suggest honoring that trust by keeping challenge and matching funds in a restricted account until the money is earned

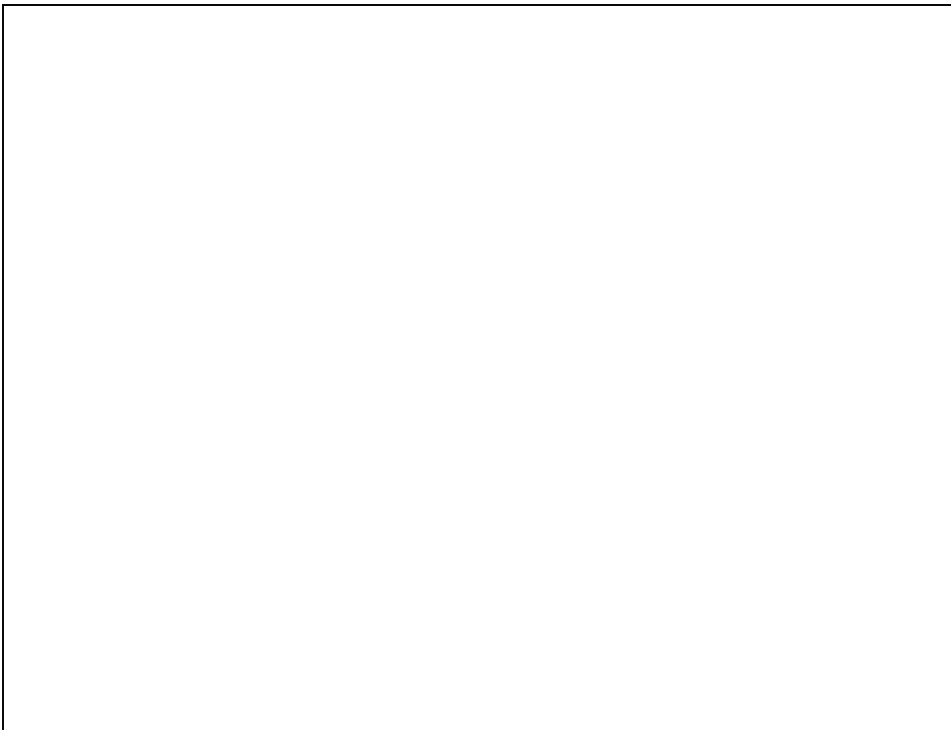
Be able to document in detail how money was earned, missed, reused

Keeping a spreadsheet or word document showing how challenges are used, missed, earned, and reused is essential. Archive the information as well.

Survey Results: Prize Drawings

64% of survey respondents use prize drawings or sweepstakes

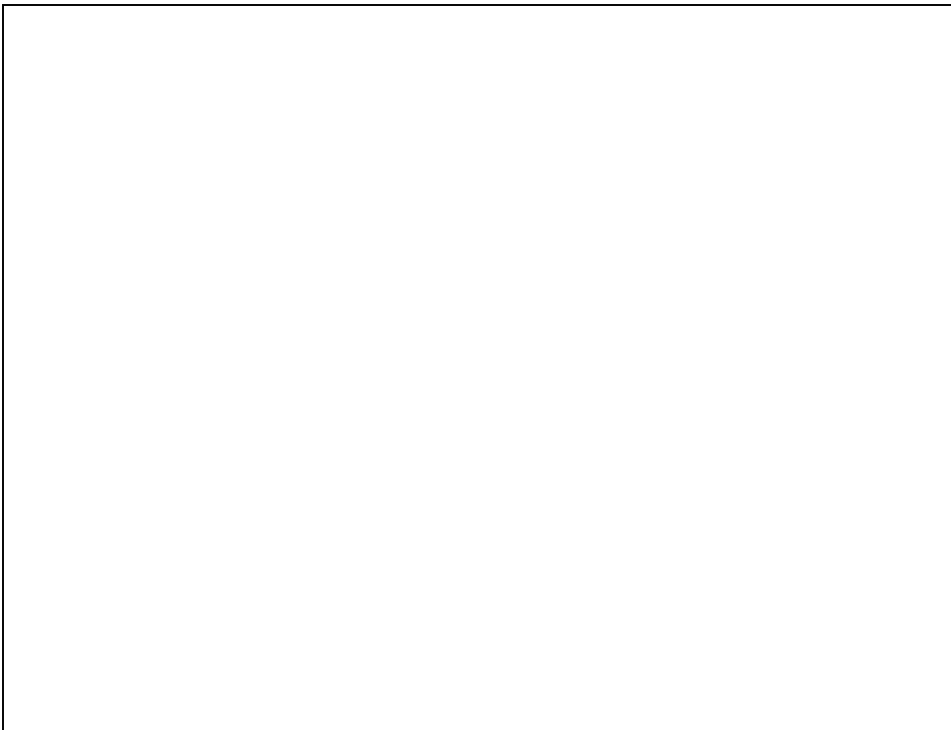
- 82% of respondents using sweepstakes get their prizes donated to the station
- 63% trade for prizes
- 61% buy prizes
- 37% get prizes as part of underwriting deals that include cash



Survey Results: Prize Drawings

Stations differ in how they use prize drawings

- More than half use them only during on-air drives
- One-in-five use them as stand-alone fundraising events



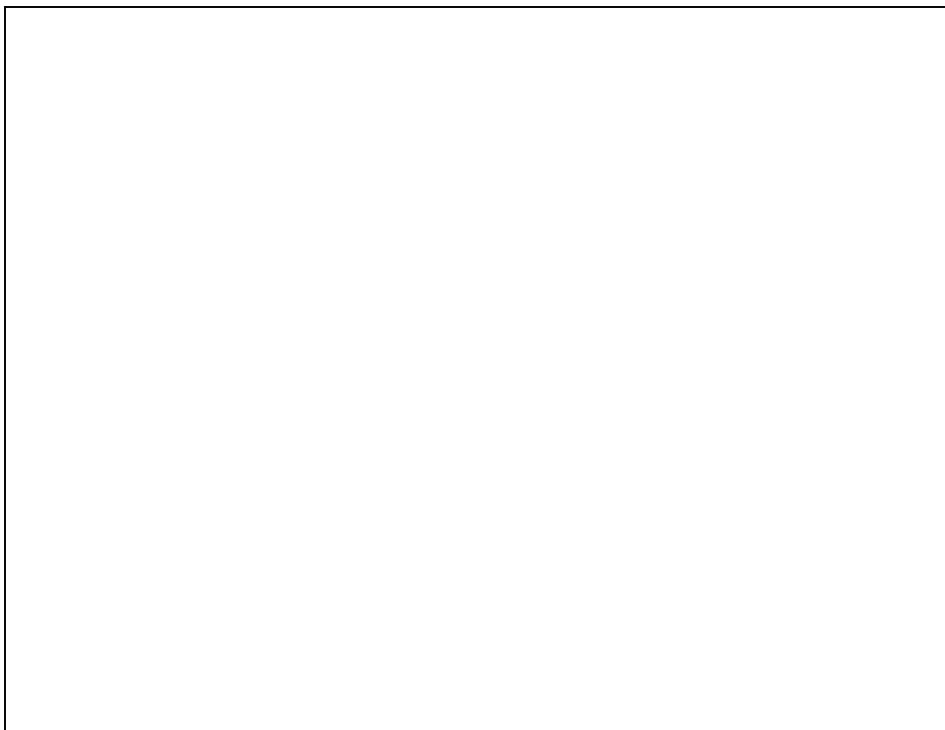
Survey Results: Prize Drawings - Practices

60% of the stations offered three or fewer drawings per on-air drive

- Responses ranged from one drawing per year to as many as 30 drawings per pledge drive

The most common prizes were Consumer Electronics (63%) and Travel/Vacations (63%)

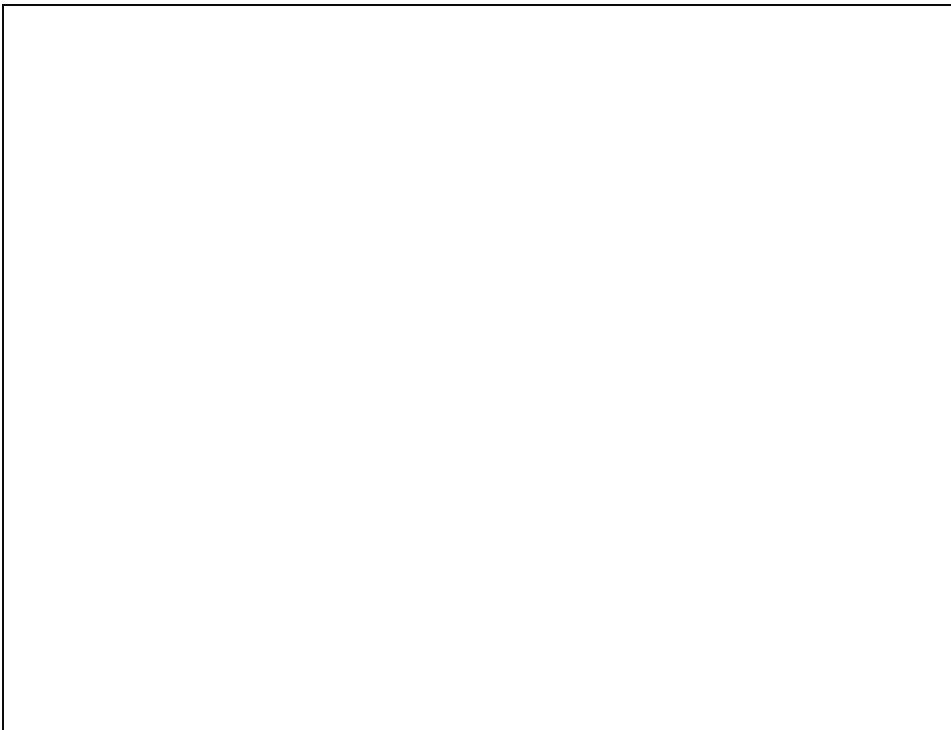
- No other single category was used by more than half of the respondents



Survey Results: Prize Drawings - Values

53% of the stations said their prizes are sometimes aligned with the station's core values

45% they are always aligned with the station's core values



Survey Results: Prize Drawings - Rules

87% of stations said they had official rules for prize drawings

40% of the stations had rules for every drawing

58% had a blanket set of rules for every giveaway

13% of the respondents are doing drawings without having rules – a dangerous thing to do.

Survey Results: Prize Drawings - Rules

61% of respondents have contest rules approved by the station's legal counsel

About one-in-four of the respondents did not know if lawyers checked their rules

15% of the stations said their rules had not gone through a legal review

We also found that many stations are copying rules from other stations and just updating the call letters, etc. Always get your rules approved by your legal counsel.

Survey Results: Prize Drawings - Rules

30% of stations using drawings never announce contest rules on the air

82% of stations said it was easy for listeners to find and obtain contest rules

73% said they always posted the contest rules on the station's website

It's required by law to give contest rules on-air. Nearly 1/3 of the survey respondents are out of compliance.

Survey Results: Prize Drawings - Entries

76% say the “make it easy for anyone to enter the drawing at any time during the contest period”

The majority of stations (71%) mention “entering without pledging” once per daypart or less

29% of stations go out of their way to encourage entries without pledging

There is no law about going out of your way to encourage people to enter without pledging, but there is anecdotal evidence that it is a good practice. First, it sounds welcoming and inclusive (as a public radio station should). Second, it is good customer service to major donors and other contributors who might have given the day before or through the mail or as part of an installment program. At JSA, we've seen no fall-off in revenue performance when stations go out of their way to encourage entries without pledging.

Survey Results: Prize Drawings - Documentation

97% say their drawings have a high level of integrity

Drawings are much more likely than challenges or matches to be well documented

- 63% of the stations saying they could easily demonstrate a high level of accountability (Challenges = 44%)

Stations are more rigorous with sweepstakes than challenges because they are required to be more rigorous. Still, about one-third would have a tough time showing they complied with the law.

Survey Results: Commentator Perspectives

Be tasteful

- The WBHM listeners noted that sweepstakes were not necessarily consistent with their perception of a public radio station's values
- The idea that prizes don't always align with Core Values was of concern
- 30+ giveaways per drive seemed excessive

One station in the survey reported having more than 30 drawings during a pledge drive and panelists found that disturbing. Note: WBHM does not do sweepstakes or giveaways so its listeners are probably more likely to have a negative opinion of them.

Survey Results: Commentator Perspectives

Be tasteful

- The buying prizes was of concern. This is a different issue than premiums when the prize is deemed to be expensive and not aligned with station values
- Be welcoming to non-donor entries. Public radio shouldn't be exclusionary

While buying prizes often makes good business sense, a \$1,500 airline gift certificate can be leveraged into well over \$15,000, the practice is not easily understood by listeners. This is true even though the return on investment can be better than for premiums. Recognize that many listeners assume the prizes you give away are donated. To them, the idea of paying cash for a prize is no different than just giving away the cash. Think about how that would sound on the air. "Make a pledge and you're entered into a drawing for \$1,500 in cash." Not very public radio like. So get prizes donated when you can. Or trade for them. And if you do buy them, be sure that everyone on staff understands the rationale and can explain it if asked. Avoid putting yourself in the position of having to defend the nature of a prize as it relates to the station's mission and core values.

Survey Results: Commentator Perspectives

Follow the rules

The panelists were clear on this issue. Follow the rules for sweepstakes and drawings. Breaking them is a violation of your Core Values. In their minds, there is no excuse for that.

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