

The Guide to Subscription GivingSM

BUILDING A BETTER RECURRING GIVING PROGRAM



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SECTION 1

The Idea



Introducing Subscription GivingSM

We're here to bring an urgent message to our friends in the nonprofit industry: you're not retaining your donors, and that's bad news.

You probably know the statistics. According to [the AFP Fundraising Effectiveness Project](#), only 45% of donors in 2018 gave again in 2019. Practically, that means everything you do to acquire and cultivate donors – much of your hard work – is washed away each year by poor donor retention.

Think back to year-end. Donors make one-third of all online gifts in the final three months of the year, but it doesn't happen by magic. It's a grind; a never-ending cycle wherein you work tirelessly to acquire a donor, receive a one-time gift, the donor seldom gives again, you acquire a new donor, and on and on. What if there was a way to break the cycle?

That's where Subscription GivingSM comes in. But before we dive in, we need to talk about monthly giving. Let's face these two inconvenient truths head-on.

The Two Inconvenient Truths of Traditional Fundraising

#1: As a sector, we still place too much emphasis on one-time gifts.

We know that recurring donors retain better year-over-year. In fact, [M+R](#) reports that only 22% of first-time donors in 2018 gave again in 2019, compared with 59% of repeat donors. Even better news: these gifts grew even during an overall downturn in charitable giving over the last year. The same study revealed that revenue from one-time gifts increased by only 8%, while monthly giving revenue saw a 22% increase.

Most nonprofits agree that monthly donors are, in fact, a good and desirable revenue source that they probably ought to focus more effort on growing. However, few have made serious strides toward building a robust and successful monthly donor program that drives a significant portion of fundraising revenue. Even fewer have placed monthly donors at the center of their fundraising efforts, thereby "future-proofing" their donor base with high lifetime value supporters.

A wide-ranging review of nonprofit fundraising campaigns reveals the situation: thousands upon thousands of fundraising campaigns centering on one-time gifts. The “one-time donation” option remains preselected on the majority of donation forms we’ve seen. Despite the increase in revenue from monthly gifts, monthly giving accounted for [only 17% of all online nonprofit revenue in 2019](#). The average nonprofit still defaults to one-time asks and it’s time to change.

Consider the donor’s perspective and try this exercise: Name your favorite cause outside of your own organization. Do you only care about it today? This month? Or is it something you’ve cared about for a long time; something you’d be willing to support as long as you could afford it and your help is needed?

The emphasis on one-time gifts doesn’t make sense for nonprofits from a fundraising return-on-investment (ROI) perspective, and it doesn’t make sense for your donors. Remember, if they care about your cause today, they’ll probably care about your cause next month and the month after.

#2: Traditional monthly giving is broken.

The concept of monthly giving is obviously not new. Organizations understand the value of monthly revenue and want more of it. Unfortunately, even when nonprofits make a real effort to increase recurring fundraising revenue, they generally take the wrong approach.

What’s missing from traditional monthly giving? Customized and multi-channel content.

In 2019, we surveyed more than 2,000 nonprofits to assess their year-end fundraising efforts and performance. We found that nonprofits using two or more types of communications (e-mail, direct mail, or text) for year-end fundraising performed significantly better than those that didn’t. Donor retention improved, more donors gave, and total donation amounts increased when the nonprofit utilized multi-channel methods. See our full findings in [Our Digital Dilemma](#).

Donors contacted often and through a variety of channels are more likely to stick around longer and give more. The takeaway: you’re not annoying your donors with your communications (if you’re doing it right). They want to hear from you. They want to see, learn, and experience how they’re helping you make a difference.



Right now, you may or may not be thinking this sounds obvious. Of course donors want to hear how their money is used! There’s a big difference, however, between understanding donor communication preferences (including frequency), and making those preferences the founding principle of your monthly giving program. Sadly, traditional monthly giving programs typically don’t bring donors along on a nonprofit’s journey of growth in a meaningful, compelling way.



The average monthly giving program tends to treat monthly donors the same as one-time donors and overlook the fact that these donors have already committed to the future of the organization. Most nonprofits with a monthly giving program don't use targeted messaging for those donors, instead repurposing their existing communications with only surface-level customization for monthly donors.

There's something else missing that's holding you back: your metrics.

Growth at subscription-based for-profit companies (Netflix always comes to mind, but there are endless other examples including news media, groceries, clothing, and music subscription companies) is measured differently than traditional for-profit companies. To be truly successful at Subscription GivingSM as outlined in this guide, nonprofits need to look to the for-profit "[Subscription Economy](#)." Yes, we want to replicate the incredible 70% customer retention these companies achieve, but in order to do that, we have to also replicate their rigorous tracking of Pirate Metrics, named for the acronym AARRR: Acquisition, Activation, Retention, Referral, and Revenue/Reinvestment. These metrics are critical to for-profit subscription companies because they highlight the five most critical aspects of recurring revenue. Some "first-mover" nonprofits like charity: water have already embraced and adapted this type of measurement with encouraging results.

Like traditional for-profit metrics, [traditional fundraising metrics](#) are helpful but just scratch the surface of what you can learn about your recurring donors. By using subscription metrics, you can evaluate performance, identify areas for improvement and continuously optimize your program.

Three years ago, charity: water did not have a monthly giving product, the only option was a checkbox on a donation form. In 2016, we launched our first-ever Subscription GivingSM program, The Spring, and invited supporters to join us in fighting the water crisis month after month. We used SaaS Pirate Metrics to measure our progress and optimized the user journey to show supporters their impact and celebrate their generosity. It's worked—today The Spring has more than 44,000 members across 120 countries and our 12-month donor retention is at 70% – higher than most of today's most recognizable subscription products.

-LAUREN LETTA, Chief Operating Officer, charity: water

The Case for Subscription GivingSM

We think there's a very strong case for this new type of recurring giving that combines the best of monthly giving and what for-profit subscription companies already know about consumer (or donor, in this case) behavior. In order to validate our hypothesis, we a) performed a series of interviews with companies like Netflix and nonprofits like charity: water and ChildFund International, and b) conducted primary research with donors on their buying, paying, and giving preferences. Here are the facts:

- 1) Donors consume subscription-based services, prefer auto-pay billing options, and are open to recurring gifts.
- 2) Donors want to hear frequently and openly from the nonprofits they support.
- 3) Donors give because they care about a cause and will continue to give as long as they have the money to do so and see the need for the gift.
- 4) Nonprofits generally aren't doing a good job of offering compelling content that illustrates the work they do and the ongoing need for support.
- 5) The for-profit subscription-based economy is booming, and its best examples are centered around one idea: providing content in exchange for a subscription fee.

Nonprofits want to escape the endless cycle of donor acquisition, increase donations in order to sustain programming, and build stronger donor relationships. Donors want to do good in their communities, understand how their money funds important work, and receive a steady stream of engaging content that makes them feel needed, appreciated, and... good.

Subscription GivingSM allows both donors and nonprofits to get what they want.

Subscription GivingSM is simply this: treat your donors like subscribers. Give them content – exclusive, engaging, frequent content – in exchange for their ongoing subscription. Once subscribed, your regular prospect and one-time donor communications aren't appropriate for these donors, who have already chosen to subscribe to your nonprofit's mission. Your typical stream of fundraising appeals, occasional examples of impact, and acknowledgments don't meet the needs of the subscription consumer.

We believe (and have set out to prove) that your supporters will subscribe to your nonprofit and continue giving as long as certain conditions are met. We've looked outside the nonprofit sector to the subscription economy to determine what those conditions are, and to understand why content subscription company Netflix has a retention rate of 93% to the nonprofit sector's 45%.

Subscription GivingSM is here to bring a transformational shift in the nonprofit sector. In this guide, we'll show you how donor preferences and consumer behavior converge to form the basis for a Subscription GivingSM program that every nonprofit – regardless of size – should implement if they raise money from individuals.



We think you'll draw the same conclusion we did. Subscription GivingSM is the answer to a huge problem faced by fundraisers today: donor retention.

To confirm our hypotheses about the donor side of the equation, Network for Good surveyed 3,000 year-end donors to learn what motivated them to give, what encourages them to give more than once, and what nonprofits can do to retain them as donors.

During this process, we uncovered a trend that forms the very basis of Subscription GivingSM.

Donors are open to giving to nonprofits in the same way that they - as consumers - now receive goods and services and pay bills: through subscriptions and automatic recurring payments.

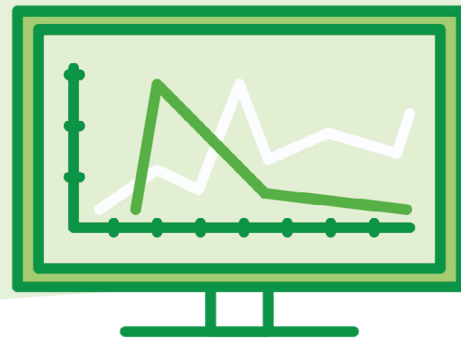
When surveyed, donors revealed that many (and not just the younger donors) subscribed to one or more content subscriptions and overwhelmingly preferred online or automatic bill payment methods.

When we asked the same donors how they felt about recurring donations, just over half responded that they were open to or even preferred recurring donations. In fact, 46% of donors had made recurring donations in the past.

And when we sought to understand what motivates them to give, we discovered that donors overwhelmingly give because they see a need for the nonprofit's mission in their community and because they know the nonprofit does good work. Only a very small percentage give for self-interested reasons: to receive a tax deduction, to get a donor appreciation gift in return, or because of a personal relationship with board members.

Our findings suggest that as long as donor desires are addressed by the nonprofit (the desire to know how donations are used, the desire to help fund important programs, and the desire to receive communications about the impact of the nonprofit), donors are likely to stick around.

Section 2: The Data

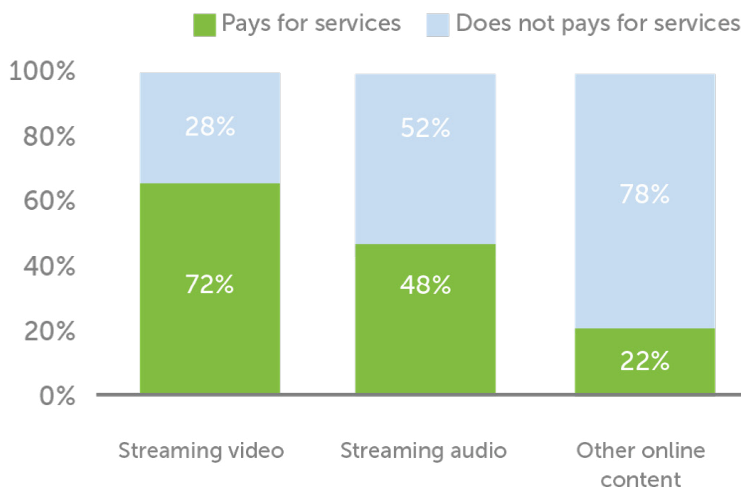


Today's Donors Are Subscribers

Let's forget about fundraising for a moment. Donors don't exist on an island – they're part of a larger economy outside of the charitable sector.

So, in order to understand donor behavior, we need to peek outside of the nonprofit bubble to see what our donors are doing – how they spend their money, how they prefer to pay bills, and how they choose what to spend money on.

Subscription Services



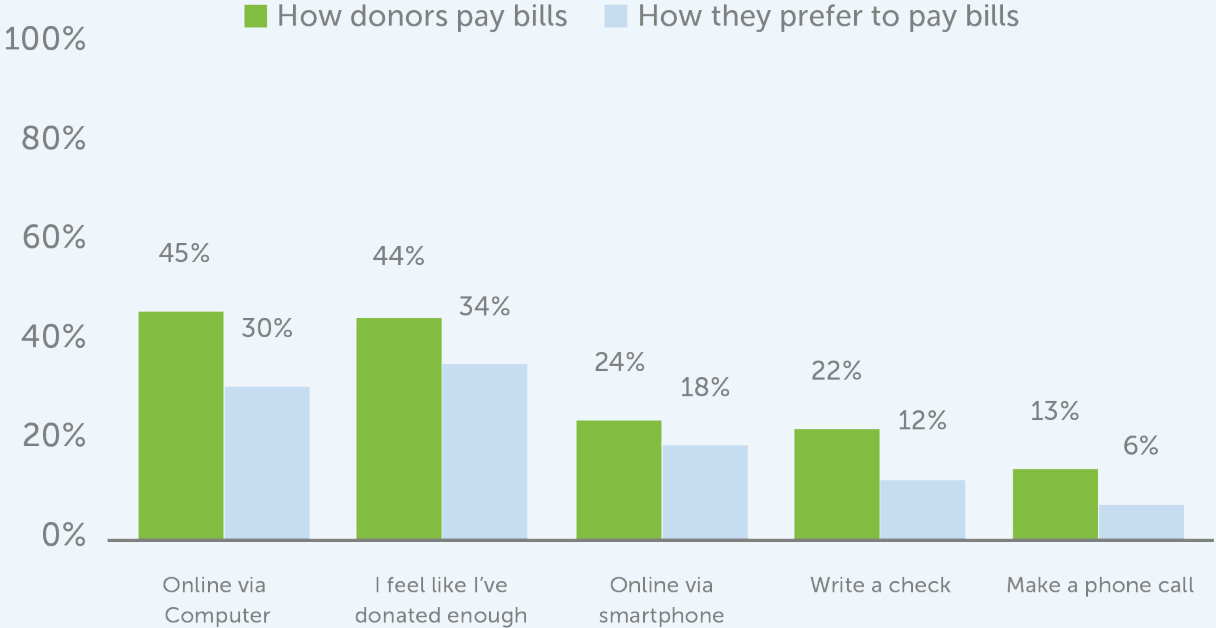
	Millennial	Non-Millennial
Streaming video (e.g., Netflix)	93%	60%
Streaming audio (e.g., Spotify)	71%	36%
Other online content (e.g., news)	34%	16%

We found that donors, and not just younger donors, are content subscribers.

Most respondents paid for *some* type of content subscription, and many paid for multiple subscriptions.

Next, we wanted to understand to what extent donors have set up their goods, services, and bill payments through auto-pay and recurring payment methods. We asked how respondents preferred to pay bills and, to no one's surprise, they favored no-hassle bill payments – preferably online or auto-pay.

How donors pay bills vs. how they prefer to pay bills



The success of content-based subscription services hinges on a positive customer experience, and easy bill-pay is clearly integral to a positive customer experience.

Donors and consumers want simple recurring billing. They do not want a lapse in services and they don't want to have to remember to re-subscribe to services – they just want to set payments up once and continue until they decide to unsubscribe (and we'll discuss what we can do about that later).

Nonprofits can tap into this attitude toward subscription services by making giving as easy as paying their bills each month and by providing content that creates value and captivates interest. In this instance, for-profit companies have paved the way for nonprofits – with the majority of consumers already seeing the value in content subscriptions, Subscription GivingSM is a much easier sell.

Donors Are Open to Recurring Gifts, But Monthly Giving Programs Aren't Cutting It

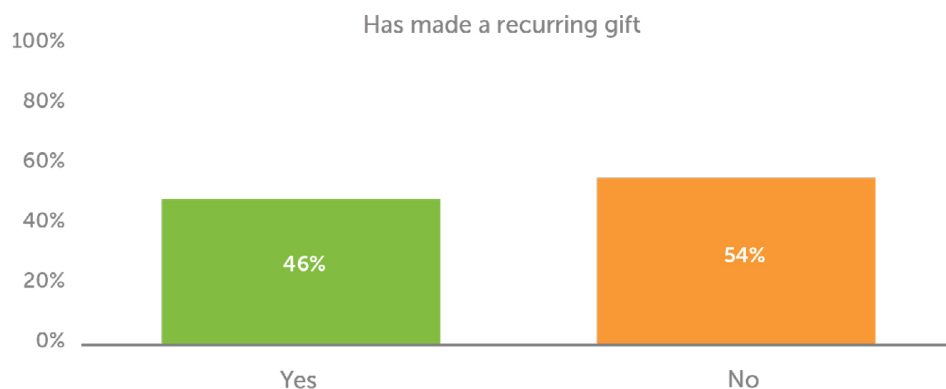
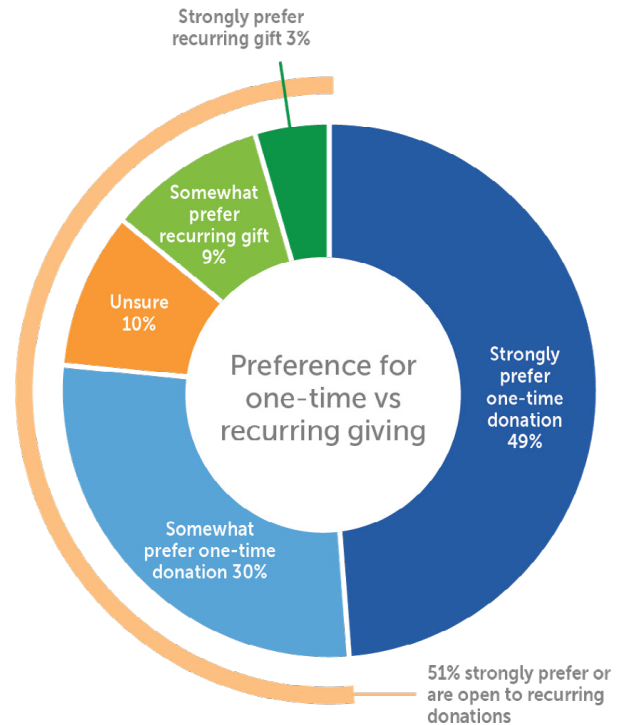
We went back to this same segment of donors to get their opinions on recurring gifts.

We found that while most donors may still slightly prefer one-time donations, just over half of donors – 51% – are at least open to recurring donations and in some cases actually prefer recurring gifts. That's an incredible number of donors who are, at minimum, willing to hear your Subscription GivingSM asks from the outset.

We also asked whether donors had previously made a recurring gift. 46% said they had.

51% of donors are open to or prefer recurring gifts. Are 51% of your donors enrolled in a monthly giving program of some kind? Probably not, given what we know about monthly donor revenue. Much work remains to be done to energize donors around the benefits of recurring giving, but the opportunity is huge.

So now, nonprofits have a competitive advantage in two important ways: 1) a donor audience who is subscribing and auto-paying in most other aspects of their lives will inherently understand the concept of Subscription GivingSM, and 2) we have a chance to leverage the relatively recent learnings and proven approaches of for-profit subscription companies for nonprofit benefit.



Why Donors Give

Donors like automatic content subscriptions and they are open to recurring donations – these are the founding principles of a Subscription GivingSM program. But how do we turn a donor relationship into a content subscription? What content, exactly, should nonprofits offer their subscribers?

To answer this, we wanted to determine what matters most to donors when they decide to make a charitable donation. We asked donors to evaluate the importance of eight different reasons for donating.



The results should make you feel good about the future of fundraising. Donors ranked “I see a need for a nonprofit’s mission in my community and I know it does good work” right at the top, just above “I feel the nonprofit will use this gift to stabilize or expand needed programs.”

Self-interested reasons all ranked at the bottom, including “I want the tax deduction” and “I know someone on the nonprofit’s board or who volunteers.”

Therefore, if you’re wondering what type of content your donors want to receive, it’s stories and testimonials that answer your donors’ top questions: “Is there a need for this mission in my community and does the nonprofit do good work?”

Why Donors Continue Giving

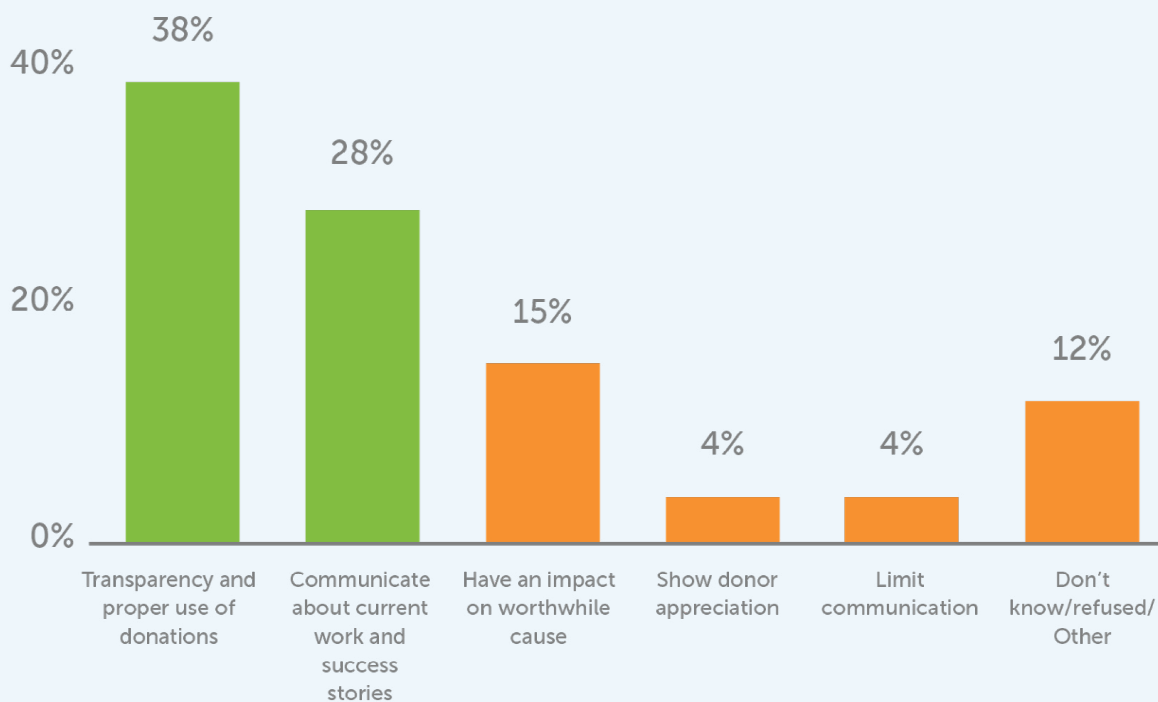
Now, let’s dive into the core of the issue – the reason monthly giving programs made up a paltry [17% of overall nonprofit revenue in 2019](#). It’s the same reason individual donor retention hovers around 45% while for-profit Software as a Service (SaaS) companies generally see a much more impressive 70% customer retention.

Among other issues, nonprofit monthly giving programs don't meet the needs of the consumers (donors). They fail to communicate how the nonprofit uses those donations, programmatic successes, and the ongoing need for support.

To determine these basic needs of the donors, we asked what nonprofits can do to keep them engaged and interested in donating. The results show that donor communication is the single most important thing that nonprofits should focus on with regard to their giving programs, recurring or otherwise.

We also asked donors what would drive them to cancel their monthly gift, and the results are generally consistent with why one-time donors don't renew – lack of communication, transparency, and inability to give.

Number one thing a non-profit organization can do to keep donors engaged and interested in donating

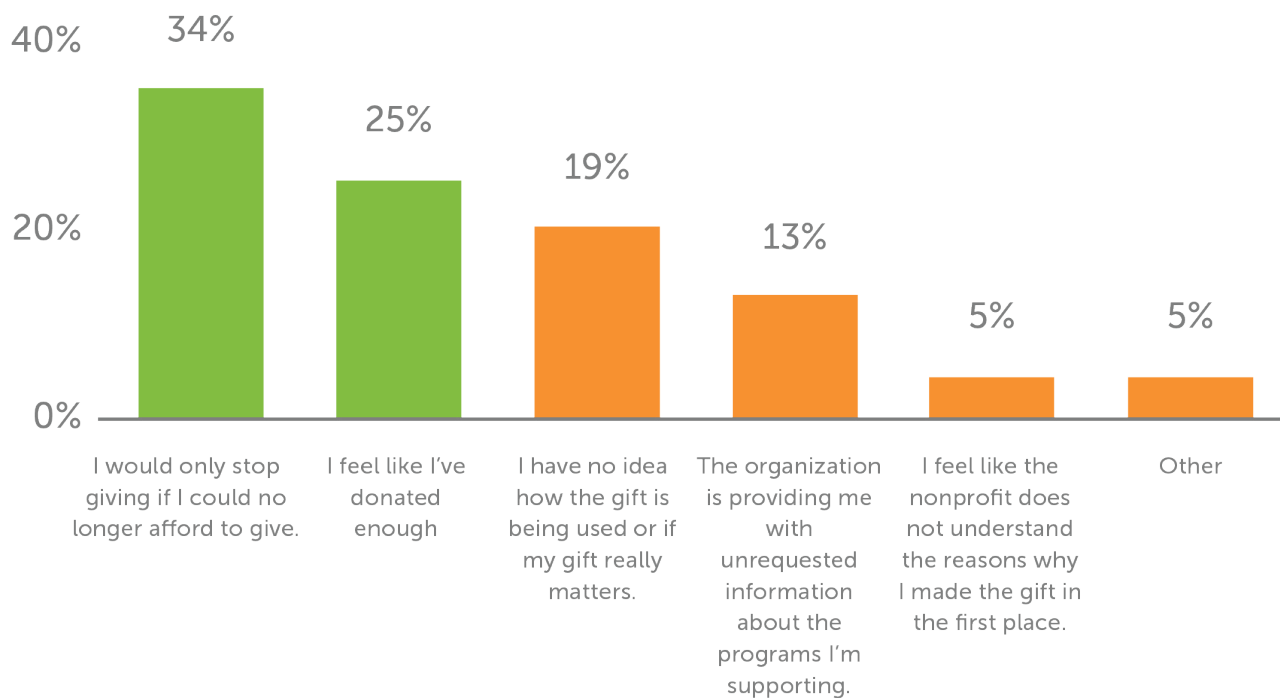


Worried about sending too many updates? 28% of recurring donors say the number one thing a nonprofit can do to keep them engaged is to communicate about current work and success stories. Only 4% want nonprofits they support to limit communication (and that's what the opt-out button is for). Overall, recurring donors want to hear more, not less, from nonprofits they support. Transparency and communication are the two most important actions that a nonprofit can take to keep its donors interested.

Fundraisers should use this data to make sure they're doing everything they can to make monthly donors feel appreciated, heard, and needed. Here's a helpful starting place: [The 6 Reasons Monthly Donors Cancel and How to Get Them to Stay](#). Frequent communication is not only welcomed, but preferred, as long as - and this part is extremely important - you're providing the kind of programmatic updates and donation impact information that donors want to hear.



Reasons for stopping a recurring donation



But the answer is more than just sending regular acknowledgements, impact stories, and donation appeals. Much of what nonprofits do to raise money no longer engages donors the way it used to. Well-meaning appeals that express financial need or other fundraising goals don't encourage repeat giving in the subscription economy world.

Instead, the consistent and multi-channel delivery of content that describes the impact a nonprofit has on its community will keep donors coming back. If this practice isn't built into your monthly giving program from the ground up, you won't achieve anywhere near the donor retention metrics that the nonprofit sector needs for true, world-changing growth.

Section 3:

The Opportunity



Let's Build a Subscription GivingSM Program

An opportunity exists to combine the best practices of consumer subscription companies with the best pieces of nonprofit monthly giving programs. Together, let's shed outdated and ineffective monthly giving tactics and replace them with proven methods from the consumer subscription economy.

If you're ready to start building your Subscription GivingSM program, here's what you should keep in mind: you may need to spend more to get more.

For-profit companies will pay more to acquire a retaining customer. Shouldn't you? For example, many subscription-based companies today would happily pay \$1 of expense to acquire \$1 of new revenue - if that customer retains for five or six years, it's a good investment.

Today, most nonprofits try to spend less than [\\$0.20 to acquire a donor](#). That makes sense for a one-time donor, but with increased donor retention rates that come with Subscription GivingSM, nonprofits should expect to invest more in donor acquisition. The lifetime value of the Subscription Donor will still be higher.

The Four Fundamental Elements of a Subscription GivingSM Program

For-profit subscription companies like Netflix, Amazon, and countless others have developed best practices on what works with consumers. Large, innovative charities like charity: water and ChildFund have adapted these best practices for donors. Network for Good is bringing them to small nonprofits.

Our experts, with the help of our national team of Personal Fundraising Coaches, developed an approach to Subscription GivingSM for the small and mid-size nonprofit, presented here in a very high-level summary. In partnership with the Bill & Melinda Gates Foundation, we're currently testing our full Subscription GivingSM program with a group of small nonprofits, backing their efforts with dedicated Personal Fundraising Coaches and our all-in-one fundraising software to provide insights and support.

However, we believe every nonprofit can and should replicate our program. A successful Subscription GivingSM program adheres to these four tenants:

- 1) Segment prospects and donors into three groups; prospects, one-time donors, and recurring donors.
- 2) Make your first ask a request for a recurring gift through your Subscription GivingSM program.
- 3) Engage recurring donors like subscribers.
- 4) Analyze progress using subscription metrics.

1. Segment prospects, donors, and recurring donors.

Proper donor segmentation is the first step to building a Subscription GivingSM program. We recommend three separate segmentations with unique communication streams: prospects, one-time donors, and repeat donors. If you're not already segmenting, you should start these groups now.

The goal of Subscription GivingSM is to convert as many of these segments (prospects, one-time donors, and repeat donors) into recurring donors who are signing up to continually support your cause. You'll want to develop different messaging for each segment, generally with the goal of converting them into recurring donors.



2. Make your first ask a request for a recurring gift through your Subscription GivingSM program.

Remember, most people who agree to support your cause are not doing so because they only care about it in the moment. So why would we ask them to give only once (especially now, knowing that 51% of donors are open to or prefer automatic recurring gifts)?

Ask at the outset for support until your donors don't want to support you anymore, they no longer care about your cause, or you achieve your mission. Just like subscription-based companies do, let's put the onus on the donor to cancel.

Don't forget to implement what we discovered about donor preference toward auto-pay and online payment methods. Donors want simplicity, so make it easy for them to set up payments and then never think about them again.

And yes, we *do* mean that you should ask every supporter to make a recurring gift instead of a one-time gift. Make this the standard option on your donation form. Your donors should still have the option to make a one-time gift, but let's lead with an ongoing relationship from the start.

3. Engage recurring donors like subscribers.

The donor engagement approach associated with Subscription GivingSM is perhaps the most important element.

You'll need to rethink your relationship with your recurring donors and think of them as signing up for a subscription – a subscription to regular content, which could be monthly or quarterly.

For ideas about what type of content to send, revisit the graph on page 13. Show them the impact of their donations and how they're helping you do good in the world.

4. Analyze progress using subscription metrics.

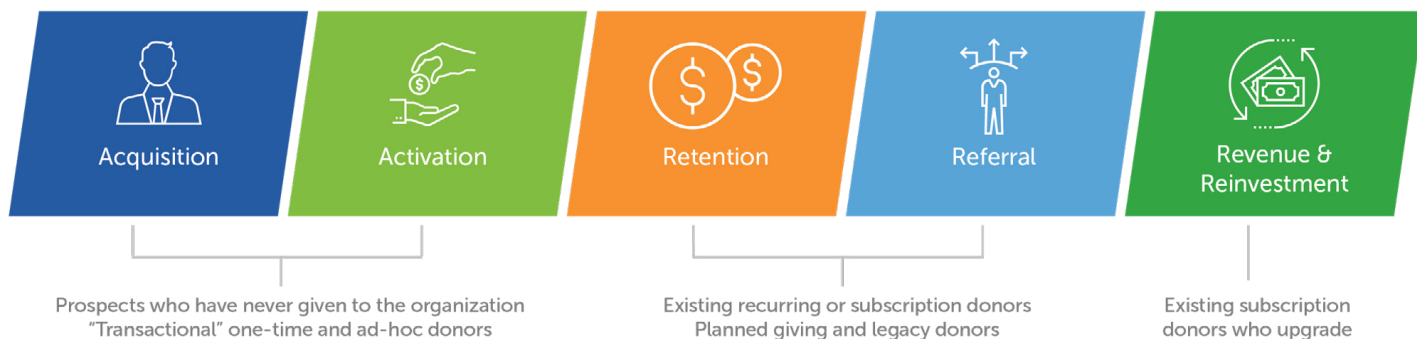
When implementing Subscription GivingSM, think of a leaky bucket of water and how much fresh water (new donors) you will need to add each year to keep or increase the same level of water in the bucket. Nonprofits leak approximately 55% of their donors on average each year, so just to maintain the same donor-level each year, the typical nonprofit needs to add 55% more donors. Consumer-facing subscription service companies leak only 30% of their customers on average so to maintain consumer subscriptions they need only add 30% each year.



As you get started, your goals are to determine how many recurring donors you will need to add to your bucket each year and how you can decrease the number of recurring donors flowing out of your organization's leaky bucket.

The top three metrics that you must track as you build a Subscription GivingSM program are recurring donors, annual recurring revenue from those donors, and lifetime value of your donors. But in reality, the only way nonprofits will ever approach the retention (and revenue) success of for-profit subscription companies is to track their Pirate Metrics: Acquisition, Activation, Retention, Referral, and Revenue/Reinvestment (AARRR).

Pirate Metrics (again, so named because when said aloud, the acronym AARRR makes you sound like a pirate) are the phases developed by Dave McClure for growth at subscription-based companies. They apply well to nonprofits by helping you pinpoint "leaky" areas in your Subscription GivingSM engagement and retention stream. We've adapted the Pirate Metrics stages to fit small to medium-sized nonprofits.



For a more in-depth look at each of these metrics, [visit this article](#).

The Network for Good and Bill & Melinda Gates Foundation Pilot Program

Network for Good is excited to take the data and methods we shared here and put them to immediate use. Through a partnership with the Bill & Melinda Gates Foundation, we have already selected a cohort of fifty nonprofit organizations throughout the United States to pilot our Subscription GivingSM fundraising methodology.

Our Subscription GivingSM Pilot Program takes the findings presented in this guide and builds them into an automated, multi-channel, digital communication strategy with a singular goal: providing meaningful and valuable content to each donor.

This program consistently communicates the impact and outcomes of a nonprofit's mission, transcending gift acknowledgement and traditional donor stewardship methods. It fuses technology, real-time data, and one-on-one coaching to create philanthropic outcomes built on fundraising success.

The Subscription GivingSM Pilot Program, once complete, will share and offer a repeatable template for nonprofits to follow. Best of all, we've designed to be implementable for even the smallest nonprofits, who, because of their limited resources, must focus on the donor segment with the greatest opportunity for ROI – recurring donors.

We can't wait to share the Subscription GivingSM Pilot Program outcomes with you. Stay tuned!



Subscription GivingSM can't be done without an all-in-one fundraising platform. Request a demo of Network for Good's simple, smart fundraising software today to get started.

