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Lower your membership amount? Think twice.

By Marc Ruben, Vice President, M+R Strategic Services and Andrew Stocking, Economist, University of Maryland

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With direct mail and other fundraising channels hitting the skids, nonprofits are looking to boost online revenue in any way they can – trying out new tactics to get that all-important first donation from non-members.

This one might have crossed your mind: “What if we lower the minimum cost of membership?” M+R and two economists from the University of Maryland partnered with a major nonprofit to run a test. In an email appeal to first-time and deeply lapsed donors, we reduced the minimum membership amount from \$35 to \$25.

What did we find out? Framing is everything.

Simply reducing the membership amount to \$25 produced no increase in response rates.

But reducing the membership to \$25 and telling donors it was a special discount raised just a hair more overall, and from many more donors. This tactic reduced average gifts, but increased response rates, securing first-time gifts from more people.

	\$35 membership (control)	\$25 membership (no 'discount' language)	\$25 membership (with 'discount' language)
Response rate	0.23%	0.23%	0.27%
Average gift	\$45	\$36	\$38
Total Raised*	\$10,189	\$8,256	\$10,199

* per 100,000 recipients

Discounts are a fundraising tool employed by many nonprofits (including M+R clients). More and more, they are being used in combination with membership offers.

Want to try this at home? If you're going to lower your membership, be sure to tell your supporters they're getting a bargain!

We found something else interesting when we broke the results down by past behavior. The discount language increased returns among supporters who had EITHER donated in the past OR taken action, but not among those who had done both (i.e., donor-activists).

Therefore, to maximize revenue, consider suppressing donor-activists from the discount offer and giving them the regular membership ask instead.

And if you're still not fundraising from your activist file, chew on this – past activists were 3.6 times more likely to become members than those who had never taken action. (That doesn't show causation, but it confirms that activist lists are fertile ground for appeals.)

Here are a few top-line takeaways:

- If you're offering a discount, *say* it's a discount.
- When it comes to past donor-activists, run a test before you decide to offer them a discount membership.
- Fundraise from your activist-only list.
- Experiment! Just because you've asked for \$20 from new donors for the past decade doesn't mean it's still the best amount to ask for today.

Of course, we haven't answered the elephant-in-the-room questions. Will the bargain-hunters renew their memberships next year at the normal level? How will the discount membership affect their future donations?

Stay tuned for the answers! We will release a companion white paper in September that analyzes online and offline donations for each of the three test groups in the 12 months following this test.

To download the full study, *Charitable Memberships, Volunteering, and Discounts: Evidence from a Large-Scale Online Field Experiment*, by Andreas Lange and Andrew Stocking, visit <http://www.nber.org/papers/w14941>.

QUESTIONS, COMMENTS?

If you have questions or would like to discuss your organization's online fundraising strategy, please don't hesitate to get in touch with us.

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