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## **The Power of the Premium: Convincing Prospective Donors to Give**

*Jessica Bosanko, Senior Consultant, Eve Fox, Vice President, and Karen Matheson, Manager of Quantitative Research and Analysis, M+R Strategic Services  
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There's no denying that the recent economic downturn is affecting nonprofit organizations' funding streams. Although [a recent M+R study](#) found that nonprofit online fundraising continued to grow through the end of 2008, we did note that average gift sizes have declined considerably. Since there is no predicting which way this trend will go, it seems wise to pull out all the stops to recruit new donors and to maximize online giving.

One of the biggest challenges nonprofits face when it comes to raising money online is getting a prospective donor to make that all-important first gift. In order to clear that hurdle, the organization must effectively convince the potential donor that there is a good reason why they need to give **right now!**

One way to make that case is by offering a premium for donating. Premiums alone will never provide the entire 'case for giving' but when combined with a compelling institutional or campaign ask, they can have a significant impact on returns.

### **Putting premiums to the test**

We recently worked with four nonprofit organizations (Easter Seals, Human Rights Campaign, the Save Darfur Coalition, and The Wilderness Society) to test the effects of offering a premium to prospective donors during their 2008 end-of-year fundraising campaigns.

Offering a premium significantly boosted response rates *and* average gifts for two of the four organizations. The other two organizations saw a significant increase in either the response rate or the average gift. On average, response rates rose by 95% and average gift size increased by 37% when a premium was offered.<sup>1</sup> That translates to nearly twice as many new donors, on average!

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<sup>1</sup> See methodology for a full explanation of calculations.

## Getting to the bottom line

When we looked at the net dollars raised per email recipient **after** taking into account the cost of producing the premium and getting it to donors, three of the four nonprofits netted more with the premium. The fourth organization did not have significant results due to a small test group. On average, the net dollars raised per recipient was 51% greater when a premium was offered.

In addition, all of our study partners offered their donors the opportunity to opt-out of the premiums. We found that on average, 24% of the donors elected not to receive the premium, helping keep the average cost-per-donor down.

### More donors *and* more net? Is it too good to be true?

Some nonprofits shy away from offering premiums in their direct mail programs because it may result in a list of direct mail donors that will only give in response to premium offers.

Unfortunately, we do not yet have sufficient long-term data to determine whether or not this will hold true for online donors. However, we plan on releasing a study looking at the long-term impact of premiums on online donors in the fall of 2009. ([Sign up to receive the study via email here!](#))

## RECOMMENDATIONS

- **Choose an appropriate minimum gift.** Make sure the minimum gift to qualify for the premium is enough to cover your costs so you can't actually *lose* money on the offer!
- **Set a deadline.** Associating the premium with a deadline will give potential donors a compelling reason to give *now*.
- **Offer an opt-out.** You will save money by giving prospective donors the chance to opt-out of receiving the premium you're offering, because many of them will be happy to skip it. The percentage of donors who choose not to receive the premium may vary widely between organizations and even between different premium campaigns run by the same organization. We've seen these premium opt-out rates run the gamut from 11% to 60% of donors for our clients.
- **Include a photo.** Whether a hat, a calendar, or something else, including a picture of the premium in the email appeal and/or on the donation page will make it more tangible (and, hopefully, more appealing) to the prospective donor.
- **Choose a relevant, appealing premium.** It's important to pick something people will actually *want* and that is relevant to your organization's mission and brand. A premium's impact on response rates and average gifts *will* change depending on the item. Some of our clients have even run tests pitting different premiums against each other to find the one with the greatest bang for the buck.
- **Use what you have.** For example, if someone has donated 2,000 free books to your organization, you might want to use them for a premium offer (and whoever's office they were cluttering will probably thank you, too.)

- **Don't target existing donors.** Premiums are particularly effective with non-donors and, for some of our clients, lapsed donors, but we would not recommend offering them to existing donors without first testing this with your own file.

## **METHODOLOGY**

Our data included the results of end-of-year fundraising campaign appeals from four organizations:

- Easter Seals
- Human Rights Campaign
- Save Darfur Coalition
- The Wilderness Society

The appeals were launched in December 2008 and the data was collected and calculated for the study in the middle of February 2008. Each organization launched an end-of-year appeal with a premium ask and an end-of-year control appeal that did not include the premium. Different premium offerings were used by each client and included scarves, calendars, t-shirts, and blankets. When calculating the net amount raised per recipient, we factored in the cost of the premium as well as the fulfillment costs of packing and shipping the premiums to the donors who had opted to receive them.

Using Pearson's chi-square test, the difference in response rates between control and premium emails was found to be statistically significant ( $p < .05$ ) in three of the four organizations. Using independent samples t-test, the difference in average gift sizes was found to be statistically significant ( $p < .05$ ) in three of the four organizations. In the averages presented above, the three clients with significant differences in average gift size were used to calculate the average gift and net amount raised per recipient. Additionally, the three clients with significant differences in response rate were used to calculate the percent change in the average response rate.

## **QUESTIONS, COMMENTS?**

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

Jessica Bosanko  
Senior Consultant, M+R Strategic Services  
[jbosanko@mrss.com](mailto:jbosanko@mrss.com)  
646-624-5053

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