

The Role of Freemiums in Growing Donor Files

Trivia question ... What is more important: a) bringing in new donors; b) bringing in new donors who stay? Or, what brings better results for your organization: a) bringing in new donors with a low gift; b) acquiring new donors with a higher gift?

The ideal answer: Bringing in new donors with a higher gift who stay with the organization. Unfortunately, there's no recipe for that success. What is best for a start-up may not be the right move for an established organization. The ingredients are the same, but the mix is different.

Also, donors don't necessarily react the way we, fundraisers, want them to react. The key difference between a nonprofit and a for-profit is that the donor decides the price he or she wants to "pay" and we can only "guide" them.

What About Freemiums?

One way to entice a larger gift is by using upfront give-aways, often called "freemiums." While giveaways entices a donor to give initially, they may backfire in the long run.

The big advantage of a freemiums is their ability to bring in higher response rates and more new donors—which means that, even if the drop-off rate after the first year is 60 to 65 percent, more donors will be around the next year, thus providing a great way to build a donor file.

But the growth of this file of donors is much more expensive to maintain later on. Once you go the freemium route, you can't go back or—if you do—only with great difficulty.

What's the Experience?

I have worked with organizations who do it both ways. Some use freemiums; others use straight letter appeals, focused on the mission of the organization and selling the "cause."

The long-term effect is that donors acquired with straight letter appeals tend to stay on longer. The donor file will grow more slowly, but the organization will also retain more donors, because those who come on board for the "cause," care about the organization. Often, it's also easier to upgrade them to higher levels or to monthly giving.

The short-term effect is that, without freemiums, the response rate will be lower than the organization might like. However, I've been pleased to learn that some of the clients who were working with mission appeals actually broke-even on their acquisition using very simple packs, focused on geography and lists (note: breaking even on acquisition is highly unusual these days).

Ultimately, what is best for your organization depends on your goals, the focus of your organization, the money that's already being raised, and the development stage you're in.