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Finding the Most Effective Prospect Research Solution to Maximize Giving Potential

wealth screening vs. affinity-based modeling

Executive Summary

Traditionally, nonprofits have focused their prospect research efforts on finding people with publicly identifiable wealth. However, smart researchers are discovering the drawbacks to this method — primarily, it exhausts identified resources early and doesn't provide an expanded base of support. Researchers from Target Analytics, a provider of prospect research tools and techniques, conducted a study among some of their customers to identify a proven and successful method. They discovered that their customers were only able to maximize their potential among new givers by combining the power of wealth and custom statistical modeling.

Introduction

The goal of prospect research is to maximize a prospect's giving potential, according to Prospect Researcher David Lamb. Traditionally, nonprofits focus primarily on finding people with obvious wealth, with the assumption that "if they are rich, I can get them to make a gift." Using this method alone has certainly worked for many nonprofits in the past. However, many organizations have long since discovered the obvious wealth in their files and now struggle to expand their base of support.

Fortunately, prospect research practices have evolved over the last decade thanks to new data sources, updated technologies, and improved methods that help accurately evaluate known constituents and identify valuable new prospects. This paper shares the results of a study by Target Analytics that identifies the most effective research solution for maximizing an organization's giving potential.

Identifying & exploring various methods

Through the years, we have all heard stories of gifts from donors who you never would have guessed had the capacity to give or who never showed up in wealth screenings. Given the increasing pressure to maintain performance yet reduce costs, many nonprofit researchers have recently asked us questions like:

"What is the more reliable predictor of major giving — wealth screening, affinity-based modeling, or a combination of both?"
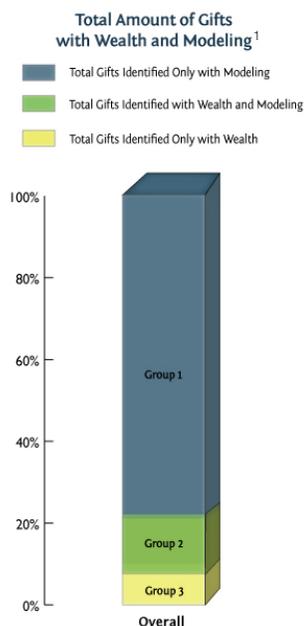
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As providers of many various research tools and techniques, researchers from Target Analytics wanted to help customers with shrinking resources make the best decisions to ensure the highest level of support for their programs. Wealth screening alone reveals potential donor capacity, but says nothing about the probability that a prospect will actually make a gift. Statistical modeling alone is the best way to identify the probability of giving, but does not fully address the gift amount.

We wanted to determine whether or not a screening methodology using both statistical propensity and identifiable assets would provide a more reliable and cost-effective predictor of total giving potential within a donor file.

A diversified prospect research program maximizes results by allowing you to find three categories of prospects:

**Total Amount of Gifts
with Wealth and Modeling[1]**

Total Gifts Identified Only with Modeling

Total Gifts Identified with Wealth and Modeling

Total Gifts Identified Only with Wealth

100%

80%

60% — Group 1

40%

20% — Group 2

Group 3

0%

Overall

1. **Prospects with a high likelihood to donate to your organization but not necessarily large capacity**: This group is prime for upgrading to mid-level or sustaining donors as they have a strong affinity to your organization and have the capacity to increase their giving. In addition, this group may have hidden wealth and are therefore worth further investigation.

2. **Prospects with both a high likelihood to donate and a high capacity**: This group loves your organization and has the desire and capacity to make a significant investment.

3. **Prospects that have a low likelihood to donate to your organization but large financial capacity**: This group will take longer to cultivate as they have little to no attachment to your organization, and therefore you will need to build a relationship.

Target Analytics' methodology

We worked with multiple nonprofits that had used Target Analytics in the past for prospect research. Each of those customers used a diversified prospect research solution made up of both custom predictive modeling and wealth screening. We reviewed their databases and identified new major donors — people who made their first major gift in the years after the organization completed its prospect research project. This study focuses solely on major donors who were discovered and solicited as a result of the Target Analytics project. We will refer to this group throughout the rest of the paper as our test group.
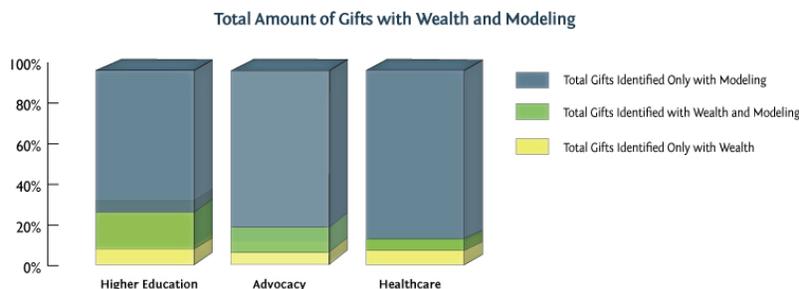
The results

For one major university, 31% of revenue from the test group came from new major donors who had identifiable wealth. Had they focused on wealth alone, they would have missed out on more than $100,000 in contributions. Furthermore, 93% of revenue from the test group came from new major givers who were identified through custom statistical modeling to identify those likely to make large gifts.

[1] For a primer on the best way to identify the likelihood/affinity of a prospect, read the Using Statistical Modeling to Increase Donations white paper by Lawrence Henze. This white paper can be found on the Blackbaud website in the Nonprofit Resources area.

Only by creating a diversified prospect research program and investigating both prospects with likelihood and prospects with capacity, did the university receive 100% of the revenue from the test group. It is also important to note that following the initial major gift, 77% of these donors continued to invest in the university at a significant level.

Total Amount of Gifts with Wealth and Modeling

- Total Gifts Identified Only with Modeling
- Total Gifts Identified with Wealth and Modeling
- Total Gifts Identified Only with Wealth

In one healthcare organization, only 13% of the revenue from the test group had publicly identifiable wealth. In an advocacy organization, of their donations from the test group of new major donors, 18% had publicly identifiable wealth. If each of these organizations had solely completed a wealth screening, they would have missed 87% and 82%, respectively, of funds from the test group. Note that with modeling alone, they would have also missed contributions and failed to reach the full potential available through using both methods.

As we discuss in the next section, wealth screening enhances modeling results by refining the ask amount to appropriate levels to maximize the donation. Again, only by combining the power of wealth and custom statistical modeling did these organizations maximize their potential among new givers.

How can i use these tools together?

There is significant overlap between these two groups because many prospects in the test group with identifiable wealth also scored well in the statistical models. Many who eventually made major gifts, however, were identified solely by the affinity models and not found in the public sources of wealth information. As mentioned before, modeling alone also understates potential because some donors with the large capacity do not display giving patterns that reveal affinity to an organization.

The overwhelming conclusion is that statistical analysis that reveals affinity and the wealth screening data that reveals capacity strongly complement each other. The affinity models filter the database to find people who appear willing to make a major gift, while wealth screening is an effective indicator of ability to make large gifts. In many cases, the models can suggest an ask amount much greater than an individual's historical giving, helping to identify a major gift donor who has been masquerading as a small-gift donor. The wealth research will then refine the understanding of specific aspects of the prospect's wealth, such as their real estate, stock holdings, or private company ownership. Often, wealth data will reveal even greater capacity than that indicated by the models. Thus, the fundraiser who identifies a major gift prospect through the models can sometimes rate the prospect even higher using wealth research.

There is no perfect prospect research solution. Depending on how broadly and smartly you cast your net, you will either miss donors or spend time vetting information that doesn't pan out. We have heard from experienced development officers that if a donor agrees to your initial ask, you didn't ask for enough. It is imperative that you cast a broad yet well-calibrated net to truly maximize your giving potential. By using a combined solution of wealth and affinity modeling together, you will do just that.

Conclusion

The most effective research solution for any nonprofit seeking to maximize giving potential is a combined solution of wealth screening and statistical analysis of affinity. Just because someone is rich, doesn't mean they are generous. And even if they are generous, that doesn't mean they will be generous to your organization. Cultivate both groups — if you are diligent and use proven cultivation strategies, your efforts will pay off. As with any investment portfolio, a diversified strategy is the best approach.

About Blackbaud

Blackbaud is the leading global provider of software and services designed specifically for nonprofit organizations, enabling them to improve operational efficiency, build strong relationships, and raise more money to support their missions. Approximately 24,000 organizations — including The American Red Cross, Cancer Research UK, Earthjustice, International Fund for Animal Welfare, Lincoln Center, The Salvation Army, The Taft School, Tulsa Community Foundation, Ursinus College, the WGBH Educational Foundation, and Yale University — use one or more Blackbaud products and services for fundraising, constituent relationship management, financial management, website management, direct marketing, education administration, ticketing, business intelligence, prospect research, consulting, and analytics. Since 1981, Blackbaud's sole focus and expertise has been partnering with nonprofits and providing them the solutions they need to make a difference in their local communities and worldwide. Headquartered in the United States, Blackbaud also has operations in Australia, Canada, Hong Kong, the Netherlands, and the United Kingdom. For more information, visit www.blackbaud.com.