

Analytics-Driven Fundraising

Everything You Need to Reach Financial Success



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INTRODUCTION:

Chuck Longfield

Life used to be so simple: Segmentation strategies that offered powerful results were easy to implement—no statisticians required. The elegance of a Recency/Frequency/Monetary (RFM) approach is that it requires only two pieces of information—when and how much. The accuracy of this information is reliable, and it exists for 100% of your donor file. But there is exponentially more data available now than when RFM was first invented, and it will continue to grow rapidly.

New technologies allow nonprofit organizations to track multichannel interactions that offer a deeper understanding of a supporter's passion for your cause, beyond basic giving history. Further extending an organization's visibility, an abundance of data is available for purchase—including powerful indicators like wealth, propensity to give, demographics, and lifestyle. Taken together, these signals can help nonprofits predict future behavior more precisely and provide an important competitive edge. But this data is diverse, voluminous, messy, and often in silos—making it challenging to correlate it into something valuable.

So how do we prevent information overload and derive these insights efficiently? The key is to make “big data” more manageable. Data must predict things worth predicting; not all of it is useful or actionable. We must narrow our focus to “smart data” that identifies problems worth fixing and opportunities worth pursuing. Analytics helps cut through the noise and surface these meaningful patterns, allowing organizations to make better decisions and achieve greater outcomes. And it creates ripple effects.

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To truly realize the fundraising advantages offered by analytics, a culture shift may be necessary. After all, data-driven decisions are made by data-driven people. Nonprofits must be open to evolving the way they do business, to campaigning differently, and to taking the long view. In this guide, we share the best ways for your nonprofit to incorporate “smart data.” By embracing analytics-driven fundraising, you'll uncover how to allocate your resources for maximum impact. And it'll show in your bottom line as you better engage supporters, connect with them, and maximize their loyalty.

Let's dive in.

CHAPTER 1: LAYING THE GROUNDWORK

Matt Nolan

Let's face it: We live in an instant gratification society, no doubt about it. More than for any other generation, technology has empowered our lives in media, banking, communications, medicine, nutrition, relationships, healthcare, education, and just about any other area you can think of. If you can name it, chances are there's an app for it. We've got access to what we want, right now—and there's always more, if you're willing to pay for it.

That kind of technology has changed our lives, sometimes for the better. But it has also made us dependent, and oftentimes, our need for right now creates unrealistic expectations. The influx of instant information has dazzled us, because it seems so simple. We just push a button, and BOOM! What we want appears just like magic. Right?

Unfortunately, that's not always the case when it comes to fundraising. Because in fundraising, like anything else, quantity never wins out over quality (even if you can afford it, which most can't)—which is especially true in regards to data. Having information in your database provides zero tangible value in and of itself. Unless you can directly apply it to your initiatives and recognize gains that exceed the cost paid, data is just a distraction—no more, and no less—albeit an expensive and interesting one.

The goal of this eBook is to help you lay the groundwork for analytics that can allow you to get the most out of your data: to get a sense of what you need to do and what you need to think about, so you can begin to plan, budget, and set expectations with the your organization's leaders.

The First Steps to Getting Started

To ensure that your database is ready for analytics, the first step is to optimize the information you already have: first and foremost, your donor contact information.

Even for online-only fundraisers, donor names and addresses are critical—nearly all data sources require a name and address to match data to your donor records. Some data (like social media profiles or influence segments), are connected only via email address, but that's an exception for the most part. You should consider it a hard-and-fast rule that if you don't have a high-quality name and address for a donor, it will be nearly impossible to append or derive any kind of value-add insight about that person.

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With that in mind, there are a series of best-practice techniques which are essentially considered “table stakes” for nonprofits; in other words, they are processes you need to implement before investing in analytics:

ADDRESS STANDARDIZATION: This process validates addresses against United States Postal Service standards in real time as the data is being keyed into the database, guaranteeing the quality of the data being added. (In a 2013 analysis, we determined that 18% of all records in nonprofit CRM systems were “un-mailable”, so this isn’t happening nearly often enough.)

NATIONAL CHANGE OF ADDRESS (NCOA®): About 11% of the US population moves every year and reports it to the United States Postal Service, which requires that mailers process their data through NCOA® at least once every 95 days to keep mail files current. (In the analysis mentioned above, we found that nearly 6% of all nonprofit donor records were out of date, and since out-of-date records can’t be matched to data sources, they are unusable in analytics.)

PROPRIETARY CHANGE OF ADDRESS (PCOA®): Another 5% of the US population moves every year but doesn’t report address changes to anyone other than banks, credit card companies, and utilities. The PCOA® process takes data gathered from those types of organizations and applies it back to the house file, allowing organizations to keep those donor records current. Typically, this process should be run once per year. Unfortunately, many nonprofits use NCOA® but don’t realize PCOA® is an additional option, so the bad data builds up over time, leading to duplicate data for the same donor, disconnected records, and campaign delivery issues.

APARTMENT APPEND: Often, a donor will provide an address that isn’t 100% complete; it will be missing an apartment or suite number—or perhaps that data simply isn’t keyed into the database. This is problematic when trying to match those donors to analytics sources, or when trying to mail into any type of dense urban area. Apartment Append adds or corrects the secondary address on a donor’s record, significantly increasing its potential use for analytics and campaigns.

DECEASED SUPPRESSION: An organization will lose 2–3% of its house file each calendar year on average, due to constituent deaths. Yearly Deceased Suppression identifies and flags any supporters who have passed away, which keeps the database updated, and removes them from inclusion in analytics.

DUPLICATE REMOVAL: Recent data shows that the average nonprofit will have 10-12% duplicates, largely because of all the issues listed above. Once the data has been standardized and updated, though, most CRM systems can identify these duplicates and consolidate them, removing duplicate versions of “James Smith” or “Amanda Williams” that are in the database with multiple addresses.

Types of Data and What They Can Tell You

One way to consider data and analytics is to break it down into three basic types, which will cover almost anything you’ll ever come across.

Type	Descriptive Data	Predictive Data	Prescriptive Data
Description	<i>What’s Happening Now</i>	<i>What’s Likely to Happen</i>	<i>What You Should Do Next</i>
Some Examples	<ul style="list-style-type: none"> • Wealth Screening • Philanthropic Giving History • Consumer Demographics • Social Media Profiles 	<ul style="list-style-type: none"> • Who Will Respond? • Who Will Give a Major Gift? • Who Will Attend An Event? • Who Will Re-Activate? 	<ul style="list-style-type: none"> • Assign to a Major Gift Officer • Ask for \$50,000 • Ask for \$50 via Direct Mail • Contact This Person Now
How It’s Used	To develop a profile on a donor, a prospect, or a segment of people with common traits	To identify individuals who are likely to take an action, and prioritize them ahead of the others	To take a very specific action, knowing that statistically, it’s likely to be the best approach

About 99.9% of the data out there in the universe is descriptive data, which means it really doesn’t predict what will happen—or tell you what to do—all by itself. It can be very useful, but it takes significant skill and planning to actually know which descriptive data to use.

For example, knowing someone’s age, income, wealth status, and more is interesting, but you can’t simply infer that because a person is rich, he or she will be a great prospect. What if the individual has never made a philanthropic gift in the past? What if he or she has never given to an organization like yours? Chances are, if you simply try mailing or cultivating without additional insight, you’ll end up spending a lot of time and money with nothing to show for it but wasted budget.

That’s why predictive data is important. Predictive data tells you how likely someone is to do something—for example, how likely a given prospect is to give you a \$25,000 gift. This kind of data has tremendous potential, as it takes all the descriptive data known about your prospects and filters it down into a single “score” that you can use to prioritize your initiatives. Let’s say you’ve got 10,000 prospects with more than \$1,000,000 in assets. The model will tell you which 500 prospects you should actually engage because they’re the most likely to give you that \$25,000, based on their past giving histories and profiles.

Prescriptive data takes things even a step further by recommending a specific course of action, based on all the known data. It’s by far the most useful kind of data—but it’s also the hardest to create. A great example

is a “next-ask amount,” which tells you exactly what size gift to ask someone for in your next appeal, or for an acquisition list. This kind of data has to take into account everything about your prospect and about your program. And then you have to trust it, which is hard for people to do—especially if it conflicts with what you already think you know.

So which type should you focus on?

Unless you have the time, people, and expertise to interpret a large amount of descriptive data (wealth screening is a good example), you should use it sparingly, and instead focus on collecting predictive information or prescriptive data, when and where it’s available. A good data or analytics provider can help by providing a mix of predictive, prescriptive, and descriptive attributes like the 16 examples below, which are heavily used in the nonprofit sector.

Data Element	Type	Description
Philanthropic RFM	Descriptive	Current giving level of a donor, to all organizations
Discretionary Income	Descriptive	Current yearly income for a donor, after expenses
Total Identified Assets	Descriptive	Current amount of donor’s total identified assets
Channel Indicators	Descriptive	Current marketing channel preferences of donor
Consumer Demographics	Descriptive	Current characteristics of donor household (age, income, etc.)
Consumer Behavior	Descriptive	Current behaviors of donor household (affiliations, interests, etc.)
Summarized Credit	Descriptive	Current credit status of zip4-level households (past due, open accounts, etc.)
Geo-Demographics	Descriptive	Current characteristics of zip-level households (age, income, etc.)
Principal Gift Likelihood	Predictive	Likelihood of a donor to give \$250,000+
Major Gift Likelihood	Predictive	Likelihood of a donor to give \$50,000
Annual Gift Likelihood	Predictive	Likelihood of a donor to provide an annual gift
Campaign Response Likelihood	Predictive	Likelihood of a donor to respond to a specific campaign
Target Gift Range	Prescriptive	Recommended donor ask-amount, over next 12 months
Next-Ask Amount	Prescriptive	Recommended donor ask-amount, for next appeal
Program Segmentation	Prescriptive	Recommended assignment of a donor, to major or annual program
Loyalty Segmentation	Prescriptive	Recommended investment level for a donor, based on loyalty and engagement

Results You Can Expect From an Analytics Investment

The actual return on investment (ROI) for an analytics initiative varies widely based on several factors: the type of organization, the initiatives it invests in, its organizational structure, its culture and fundraising maturity level, and more. But nonprofits can generally expect to see the following types of benefits:

IMPROVED PROSPECT IDENTIFICATION: With major giving being a key focus and revenue driver across all forms of nonprofit fundraising, it has become critical that organizations identify potential major givers (and mid-level providers with long-term potential) early on in the relationship, and they need to be able to weed out wealthy individuals who are simply not inclined to give, or not inclined to give to their type of organization. Predictive modeling (such as Major Giving Likelihood Models) allows an organization to quickly leverage all known information about its donors without heavy amounts of direct labor, as well as build weighted rankings and scores that pinpoint best prospects with precision.

HIGHER CONTRIBUTION LEVELS: Nearly all nonprofits can benefit from the application of a target gift range model; this technique assigns a yearly or campaign-level ask amount for each donor on file, which keeps organizations from under-asking and leaving money on the table. Plus, gift range scores are used to assess donor potential in terms of real dollars, helping nonprofits prioritize their cultivation efforts based on financial considerations.

INCREASED RESPONSE RATES: Annual Gift Likelihood and Campaign Response Models are designed specifically to target those donors who are the most likely to respond, whether over the course of a year or to a specific campaign. This technique allows organizations to segment their mail files more effectively, mailing to those who are already philanthropically inclined and most likely to provide a return on investment.

REDUCED MAILING AND PRINT COSTS: One of the benefits of the Annual Gift Likelihood and Campaign Response Models mentioned above is efficiency—in this case, being able to determine with some certainty which donors are unlikely to respond to a campaign so the organization doesn't waste postage, print, or processing dollars sending them mail. Given that nonprofits often spend \$1.00+ overall for each piece they drop in the mail, the combined savings can be thousands of dollars per campaign, if not more.

REDUCED DIRECT LABOR COSTS: Direct labor spend is often the least understood and appreciated aspect of a nonprofit's budget, but it can be extremely costly. Analytics simplifies the processes that fundraising professionals must apply every day (data maintenance, targeting, prospect research, segmentation, reporting, etc.), enabling them to do more with less and invest their time in more strategic projects, potentially with a much higher yield.

Conclusion

While the transition to a data-driven culture can be difficult, it's critical that your nonprofit lay a solid foundation before leaping head-long into any type of wide-scale analytics initiative. You must have up-to-date and accurate contact information, a firm understanding of the challenges, and a good sense of your own real capabilities. From there, it's a matter of deciding whether you want to execute the analytics yourself or find a partner to help you. Regardless of your path, there's a wide variety of data, software, and techniques you can use to derive analytic insight—it's just a matter of choosing your investments wisely and having reasonable expectations for return on investment.

CHAPTER 2: THE EVOLUTION TO MULTICHANNEL, DONOR-CENTRIC FUNDRAISING

Carol Rhine

How we measure success has evolved and is very different from the days when fundraising programs were largely made up of direct mail and personally solicited major gifts. The proliferation of fundraising channels—from direct response television to crowdfunding online—means it is now important to measure the interrelatedness of channels and to understand how they influence one another.

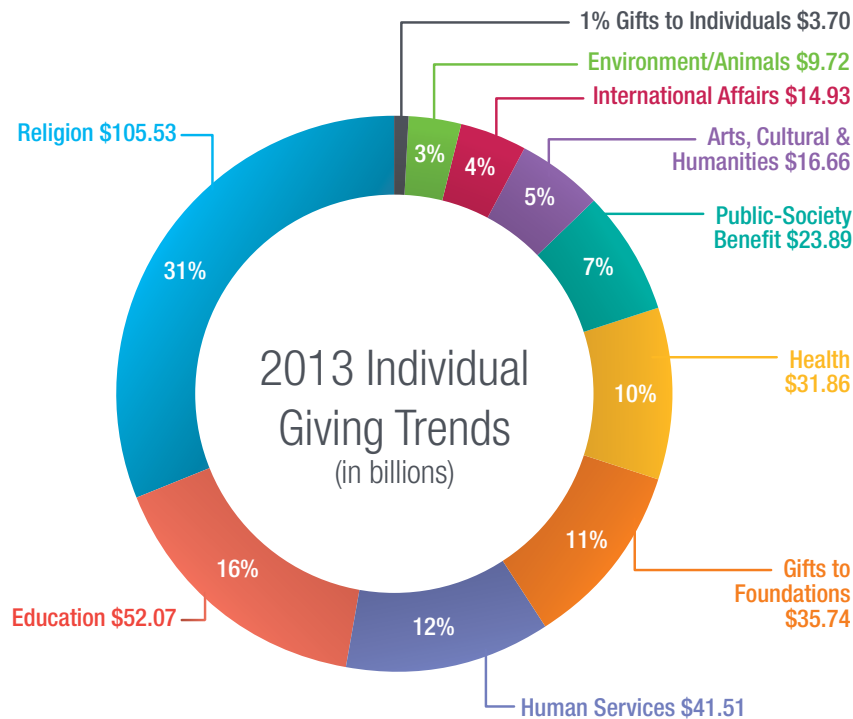
In addition to any single organization's fundraising program, it is important to know what is going on in your sector and in the industry as a whole. Nonprofits used to be able to look at their own numbers to predict performance, but that's not the case anymore. What's happening in the economy and in the larger nonprofit sector has a greater influence on your fundraising than it did in the past.

Plus, analyzing the performance of a fundraising program demands that we look long-term. Changing demographics and recent economic pressures means that depending on file growth for future revenue is no longer realistic; rather, decisions about fundraising investments have to be made considering their long-term impacts and effects on revenue retention.

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Setting Expectations: Establishing a Baseline for Success

Understanding external factors can help establish a baseline for your organization. There are several nonprofit sector indices that can inform a fundraiser's knowledge of the marketplace. For example, The Giving USA Foundation publishes an annual report of philanthropy. The current report is Giving USA 2014 and covers charitable giving in the United States in calendar year 2013. It has detailed information on giving trends by sources of contributions and by recipient sectors. In 2013, Americans contributed \$335 billion, an increase of 4.4% over 2012. The great majority of donations—87%—were made by individuals.



Giving USA tracks recipient organizations using the same taxonomy as the IRS. The largest share of donations went to religious organizations, followed by education and human services organizations. Giving to religious organizations in 2013 made up 31% of all giving—down from 57% in the mid-1980s. International affairs—which includes relief and development organizations, with recent increases driven by major natural disasters—has seen a steady increase in its share of total contributions and now represents 4% of all giving.

The Giving USA Foundation has been tracking giving since 1956. Since then, giving has remained at about 2% of GDP, slightly higher in good economic times and slightly lower in recessions. The most recent recession was the first in which giving actually declined. Giving in the US reached its peak in 2008 and fell in both 2009 and 2010. Overall giving has increased in the last three years, but not enough for recovery to the 2008 level adjusted for inflation. Giving is not expected to recover to the 2008 level for another few years, until sometime between 2016 and 2018. But while overall giving may not recover for a while, there are certainly sectors and individual organizations that have already recovered.

Target Analytics publishes a quarterly donorCentrics Index of Direct Marketing Fundraising, which covers the results for 75–80 national nonprofits and tracks donor behavior by sector. A report is published every quarter, and results track very closely with those of Giving USA. The Index shows revenue improving and on track for recovery in the next several years. It also tracks the number of new donors and multi-year donors in the contributing organizations. Those organizations have a total of more than 36 million donors, demonstrating that while revenue is recovering from the recession, donor counts are not. In the past 10

years, donor counts have fallen by a median 7.6%, and new donor counts are down 23.2%. Those trends are set to continue, and changing demography of the United States means that there will be fewer people becoming new donors over the next 10 or more years. That makes donor retention—and more importantly, revenue retention—more critical than ever.

Evaluating Program Performance

Broad-based donor support entered the world of direct marketing in the mid-1950s when Easter Seals began a direct mail program. From that point through the introduction of the ZIP Code™ and digitized mailing lists, direct mail came to dominate fundraising in the United States. From 1970 to 2005, donor files grew across sectors. There was a growing population of Americans reaching their 50s and 60s—prime donor years. The most important key performance indicator (KPI) was response rate. File segmentation, rigorously tested ask amounts, address labels, and back-end premiums were all aimed at increasing response to direct mail appeals.

Direct mail performance was enhanced through telemarketing and events, but multichannel fundraising didn't really affect performance until after 2005. It was the Indian Ocean tsunami, followed by a series of Gulf hurricanes, that taught American donors to give over the Internet. Online fundraising has blossomed into many different messaging platforms and now includes social media, search engine marketing, text giving, and mobile-enabled websites, as well as email and organizational website campaigns.

Until now, fundraising programs were evaluated on response rates to campaigns, file size, overall revenue, and current-year cost of fundraising. This table illustrates the changing KPIs.

Current Year Perspective	Long-Term Perspective
<ul style="list-style-type: none"> • Return On Expense • Cost per Dollar Raised • Overall Donor Retention • Campaign Response Rates 	<ul style="list-style-type: none"> • Return On Investment • Net Present Value of the File • Revenue Retention

New channels and changing donor demographics mean that the measures of success in a fundraising program now have to reflect a donor-centered point of view and an understanding of the effects of multichannel impressions on donors. What donors see on YouTube® can leave just as important an impression as the carefully crafted language of a direct mail appeal, so fundraising efforts must have a unified strategy for cross-channel marketing, with real-time integration. This makes the measures of success donor-centric across channels, rather than by channel. Donor behavior and interests should drive the channels, as well as content for communications. And, perhaps most importantly, budget expense and revenue plans have to roll up into a master fundraising plan so that budget silos don't constrict fundraising initiatives.

But measuring revenue across channels is challenging at best. A gift may have been made online, but the

The current fundraising climate demands that fundraisers focus their efforts on retaining revenue for the future.

decision to give may have been driven by a direct mail appeal. Organizations can compare mailing lists against online responders to gain some understanding of this dynamic. Donors may research an organization online and then mail or call in a donation. Social media may drive donations through the organization's home page. Even our organizational structures can dictate how we recognize revenue from mid-level donors who make a major gift through the mail, or low-level donors who were acquired online and left a planned gift. Revenue attribution means taking into account the multi-touch, multichannel approach of current fundraising.

Furthermore, new media demands new measures. Organizations need to measure the performance of their customer care initiatives, the connectedness of their constituents, and how donors and non-donors are interacting with them online. Here are some examples of social media KPIs:

- Number of actions taken
- Number of new email addresses acquired
- Customer service turnarounds
- Number of mentions and notable mentions

Such measures allow for organizations to compute their promoter scores and track trends relative to the online community.

Long-Term Value of Donor and Program Types

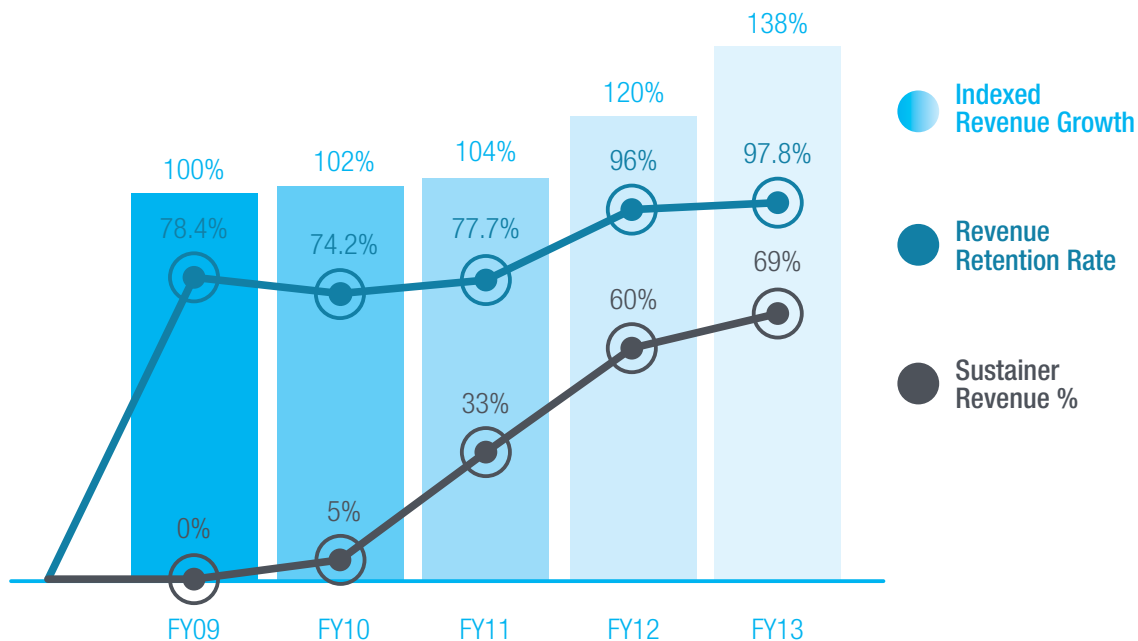
The asset that is the donor file is like an investment portfolio with various levels of risk and return associated with different segments of the file. Long-loyal renewed donors will deliver dependable returns, although they are unlikely to change behavior and upgrade their giving. Major donors require high personnel costs but very high returns on investment. Activists provide future value, as they are warm prospects for conversion to giving. It is the challenge of a fundraiser.

The current fundraising climate demands that fundraisers focus their efforts on retaining revenue for the future. There are three components that lead to higher year-over-year revenue retention: less attrition, higher retention of most valuable donors, and more upgrades than downgrades. The first of those components means paying more attention to attrition prevention by segment so that you don't lose your most valuable donors. This involves regular reporting on the giving, or non-giving, of those donors. The second means investing resources in the most valuable parts of the file—those with major or principal gift potential, as well as those targeted for planned giving. Upgrading in a broad-based file is most often the result of increased

giving frequency rather than an increased average gift. So increasing upgrades will involve well-coordinated campaigns that make a compelling case for that additional gift.

The one change in fundraising in the United States that can accomplish substantially increased revenue retention is the expansion of monthly giving programs. Sustainer programs have been around for more than 30 years, but they have increased rapidly over the past five years. Sustainer fundraising has seen the fastest growing change in domestic fundraising, outpacing even the growth in online fundraising. Whereas traditional, annual giving is based on one of two approaches (either an annual membership with renewals, or frequent asks for help as needed), sustainer programs are very different and focus on the donor rather than the organization.

Managing sustainers is like managing a rental property. Donations have to be processed every month and attrition must be dealt with as soon as a payment is missed. This is not like managing annual retention, where donors who lapse are put into recapture efforts for the following year. Here's an example of the increase in revenue retention experienced by a medium-sized regional organization with a sustainer program that started in 2009. Having reached a revenue retention rate of 97.8%, the organization now needs to replace just over 2% of its revenue to stay even; everything else is growth.



CHAPTER 3: MOVING THE FUNDRAISING NEEDLE WITH BUSINESS INTELLIGENCE

Katie Beth DeSchepper and Hilary Shore

Given the changing landscape of fundraising, it's now mission-critical for nonprofits to understand what makes their existing supporters valuable now, and how others may become valuable in the future. This understanding requires intimate knowledge of their key donors and segments, to isolate the nuances which motivate positive behavior. Understanding this continuous constituent "journey" requires both systems and repeatable business processes—not just software, but an approach to understanding supporters that is equal parts technology, strategy, and efficiency. Thankfully, today's nonprofit business intelligence solutions have been designed with the fundraiser's needs in mind.

A Primer on Business Intelligence

Business intelligence has very humble origins. It began as systematic reporting on historical performance—not much more than reports on paper—but evolved over time, especially given the increase in the volume and complexity of "big data," and gradually moved beyond a retrospective approach into a focus on forward-looking initiatives. Sophisticated analytical techniques are now used not just to describe what happened, but to predict what will happen, and, ultimately, to provide the user with a competitive advantage. Nonprofit and commercial organizations alike are using new business intelligence solutions to improve their decision making, optimize budgets, and identify new revenue opportunities, amongst other things.

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The changing orientation, scope, and speed of data in today's market makes it impractical to analyze with traditional database technologies—at least with any true efficiency. But technological advances and progressive statistical methods have driven the development of innovative new business intelligence

tools. These tools have become “information delivery solutions,” a blend of technology, architecture, and methodology that makes it easy to consume and interpret large volumes of information.

Business intelligence solutions reduce information overload by supporting a person’s natural inclination to think visually. Visualizing data lets users quickly explore and ask questions, providing the ability to make better decisions. Graphical dashboards, charts, and tabular reports simplify the most relevant, valuable pieces of information, across multiple views and data assets. Even subtle trends in key performance indicators quickly “pop,” and interactive interfaces allow users to drill down deeply to explore the findings.

To make all this work, business intelligence solutions are underpinned by data warehousing architecture. Warehousing environments can support large and diverse data sets and can easily scale over time to accommodate new sources and variations of data. To ensure that decision-makers have the latest information at their fingertips, data is refreshed daily or weekly, largely via automated processes.

As raw data streams in, it is transformed into a structure and context that has business meaning. Beyond merely standardizing and cleansing data, import processes translate the data into a framework familiar to the end user, and optimize it for analysis. Organization-specific business rules are applied to build connections between data objects, generate summary information, and compile key metrics.

As a result, reports and queries can be delivered at blazing speeds, and users can quickly test hypotheses to make data-driven decisions. They are able to shift from reactive to proactive—moving from asking what happened (and why), to predicting the most likely outcomes.

Business Intelligence for Nonprofit Organizations

Nonprofits are adopting business intelligence solutions to pull together data from systems outside of traditional fundraising solutions. Beyond gift history, they are amassing detailed multichannel campaign activity to compile a rich view of each supporter’s interactions and interests. To broaden their knowledge, these organizations are superimposing external data sets that provide extraordinary insight into the wealth, demographics, personality, values, opinions, attitudes, and lifestyles of their supporters

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Different roles throughout an organization—from executives to program and campaign managers, to agency partners and data analysts—are empowered to answer questions that may have been previously unanswerable. Business intelligence allows them to resolve challenges such as:

- How is the profile of our supporter base changing over time?
- How can we monitor key growth, revenue, and profitability metrics across our organization?
- How can we identify the programs or channels contributing the largest portion of revenue?
- Which aspects of a supporter's profile are most closely aligned with key segments, such as sustainers?
- How can reunion attendance, student activities, and demographics help identify young donors?
- How do we link channel preferences with an advocate's likelihood to give?
- How can we quantify the lifetime value and break-even point of acquisition groups?
- What is the true net value of our last multichannel campaign?

Fundraisers and marketers are using these answers to maximize short-term campaign value and optimize their long-term approach to donor development. By drilling deeply into RFM segments, they can explore additional attributes that influence response rates (for example, who receives the eNewsletter, average number of gifts per year, average gift size, channel preference, or how the name was sourced). As a result, they are able to identify clusters of supporters that are more or less profitable—and then target smarter. Also, because they have immediate visibility into what's happening right now and what will happen in the future, they are able to adjust their strategies “in the moment” to secure the highest possible returns.

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Business intelligence solutions are designed to improve operational performance and efficiency. Building and managing a cost-effective business intelligence platform, however, requires a level of expertise that few nonprofits can resource internally. As a result, many are embracing cloud-delivered solutions that remove the operational burden from their shoulders. These tools are typically delivered via the web, so that end users have access to answers to critical business questions on demand. In addition, these solutions are often coupled with consulting services from experienced statisticians, who serve as interpreters and guides; their analytical expertise in data mining and pattern identification helps maximize the organization's return on investment.

What Business Intelligence Can Mean for You and Your Organization

By adopting business intelligence solutions, your nonprofit can drive higher net revenue and become empowered to make better spending decisions across segments and channels. When selecting one strategy over another, you'll have visibility into both the opportunity costs and related return on investment; this will inform your budgets and facilitate data-driven investment conversations. Your organization can move beyond measuring the short-term, tactical successes of programs and campaigns, and instead apply a more holistic, donor-centric approach to address long-term success and financial stability.

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Business intelligence tools consolidate a tremendous volume of information into a single location and put actionable insight directly into the hands of your organization's key decision-makers. Throughout your nonprofit, individuals will have access to the data they need to answer critical questions; this "single source of truth" will help foster a data-driven culture, closing the never-ending debate about the accuracy of numbers, and refocusing your collective energy on initiatives that truly move the needle.

CHAPTER 4: WHAT ANALYTICS TELLS US ABOUT MAJOR DONORS

Lawrence Henze, Melissa Bank Stepno,
and Melissa Wayman

Over the course of the last decade, predictive analytics has surpassed traditional wealth screening techniques as the “must-have” for major gift fundraising professionals. The ability to rank, score, and segment thousands of prospects within hours—not months or weeks—provides strategic advantages in performance and efficiency that no nonprofit organization can afford to disregard.

Early in 2014, an analysis was performed of donors from 20 large national nonprofits—primarily in the “cause” and “cure” nonprofit sectors—which looked at a six-year giving timeframe. The goal was to benchmark the common characteristics of each organization’s major gift donors and provide insight into how those individuals engaged with an organization over time.

During the study, more than 2 million total contributors were analyzed, with 5,552 (roughly 1 out of every 400) considered “major gift” donors for having provided \$10,000 or more over any one-year period. The following are key findings from the analysis.

Significant Volatility in Donor Patterns

There was far greater volatility in the giving patterns of major gift providers than the team expected; for example, 49% of the major donors observed gave nothing to an organization in the year before they made a major gift, and 68% of major donors made only one major gift over the entire six-year timeframe. While this can be discouraging because it challenges common assumptions about positive giving velocity and loyalty as critical characteristics of major donors, it may actually be a positive for fundraisers—showing that it’s possible to solicit major gifts from high-potential donors with sporadic giving behavior. Regardless, it’s clear from the data that some of the best major giving prospects aren’t committed to annual levels of support anywhere near their capacity.

Another way to examine pre-major gift behavior looks at donor velocity, which measures the rate of increase (or decrease) in the amount a donor gives over five years. Given standard fundraising assumptions, one would expect major donors to have an increasing giving velocity leading up to a major gift, but the team

actually observed declining gift support in 54% of cases leading up to a major gift. It's important to note that only 27% of these major donors were increasing their giving at that point, and another 19% were holding steady at current levels or had not given in the last five years. Analysis of a longer period might show a more cyclical nature of velocity among major donors, perhaps where major gifts are separated by years of lower-level support. Or there may be other explanations—perhaps that the solicitations were geared more towards a one-time gift than ongoing support, or that these individuals may be alternating major gift support among several nonprofits of choice. Regardless, the concept of a gradual and consistently increasing giving pattern leading up to a major gift wasn't readily identifiable—a fact which challenges the nonprofit status quo to a large degree.

Regardless of giving trajectory of those giving to an organization prior to making a major gift, donor loyalty—or repeatedly giving gifts of any size to an organization—may help identify major gift prospects. Blackbaud found that “devoted” donors—those individuals who consistently retained, having given a gift of any size to the organization in at least three out of five years—were far more likely to provide major gifts than those with more sporadic retention levels. For example, 56% of major gift donors observed gave to an organization in three out of five years, but by contrast, only 21% of non-major gift donors retained at those same levels. This speaks to the requirement for an ongoing strategy that keeps donors engaged—specifically major givers, and those with future major gift potential—even if the size of the gifts does not show a consistent, gradually increasing pattern.

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Mid-Level Giving Requires Increased Focus

While analyzing the spread of gifts across all six years of data, it became obvious that a large percentage of organizational revenue (87.4%) came from a very small group of mid-level and major gift donors (8.9%). While major gift donors represented less than 1% of the population, mid-level givers (between \$1,000-\$9,999) represented 8.2%, a significant number. Those mid-level donors actually provided 40.3% of these organizations' revenue, comparable to that produced by major donors (47.1%).

It doesn't take a large leap of faith to assume that many of these mid-level donors will transition to major donors over the course of a few years, but it's easy to believe that their full potential might not be realized due to insufficient mid-level resources and focus, difficulties associated in merging direct marketing efforts with a high-touch major giving program, and the challenges in efficient and effective early prospect identification. The potential is there, but the market might not be ready to leverage it quite yet.

Major Gifts Are Special Exceptions the Rule

It is not unreasonable to hope that making a major gift will stabilize or even accelerate a donor's giving; unfortunately, though, that hypothesis was not supported by the data in this study. In fact, the data strongly suggested that donors actually view major gifts of \$10,000+ to be one-time, special contributions, as witnessed by a 72% revenue loss the year after a donor made a major gift. Also, as mentioned above, 68% of major givers made only one such gift over the course of six years. In fact, almost 40% of major donors gave nothing in the year following a major gift, and an additional 39% of donors downgraded their level of support by at least 10% in that year.

Prospect Identification Must Go Beyond Gift History

As previously noted, a common fundraising assumption is that major giving behavior is the natural by-product of increasing donor loyalty and giving over time. By extension, prospect identification primarily relies on finding donors who self-select into major giving programs by exhibiting the strongest giving histories. However, the data shows that this approach is flawed and, if utilized alone, will leave a tremendous amount of "money on the table."

For example, nearly 70% of major gift donors in the study weren't contributing at all to the nonprofit five years prior to making their first major gift, and almost 50% weren't contributing even one year prior. Clearly the evidence suggests that a good portion of major gift dollars comes from donors with less obvious or consistent giving patterns. As such, major gift prospect identification needs to take into account many other factors beyond past giving alone.

A Lack of Easily Identifiable Assets

Traditional prospect identification focuses on individuals whose wealth and assets are easily identifiable. Many organizations utilize wealth screening services, which rely on publicly-available real estate ownership, stock holdings reported through the SEC, and private business ownership. Database screenings can uncover other wealth indicators, and prospect researchers can dig to uncover less obvious wealth sources, but many assets still remain hidden. Data in this study suggests that while major gift donors are more likely to

Database screenings can uncover other wealth indicators, and prospect researchers can dig to uncover less obvious wealth sources, but many assets still remain hidden.

have identifiable assets than non-major gift donors, the large majority of major donors do not have easily identifiable assets. Just 22% of major donors at the \$100,000+ giving level had identifiable assets that exceeded \$1 million.

Further, having wealth and assets cannot assure that a person will, in fact, contribute a major gift. According to The 2012 Bank of America Study of High Net Worth Philanthropy, which interviews households with annual income of \$200,000 or more or net worth of \$1 million or more, less than 20% of respondents reported making a gift of \$10,000+ to any nonprofit in 2011.

Giving to Other Nonprofits: An Incomplete Picture

Some would argue that if looking at past giving patterns and wealth identification isn't sufficient, then surely focusing on a donor's philanthropy to other nonprofits would provide a solid methodology for prospect identification. Unfortunately, this isn't the case—at least, not completely. Based on published donor listings by nonprofits, at least half of all major donors studied had made a gift of \$1,000 or more to another nonprofit, while only 26% of non-major donors had done the same. However, while the majority of major donors are giving at least \$1,000 to another organization, a much smaller percentage made identifiable major gifts to other nonprofits.

Similar to wealth identification, this is not significant enough to be relied on alone for prospect identification. While looking at philanthropy may offer clues to a prospect's capacity, it likely does not suggest whether the prospect is inclined to make major gifts to multiple organizations. Further, it suggests that major donors may not be making major gifts elsewhere, or that their giving to other nonprofits is not being reported in an easily identifiable way.

The Predictive Modeling Approach

So, how should an organization develop a solid plan for major gift prospect identification? A balanced approach that takes every avenue into consideration is best, using multiple factors to gain insight into a person's capacity and inclination. But, if an organization is looking for the highest return on investment, predictive modeling is fast, efficient, and likely the best approach.

Predictive modeling is a process by which a nonprofit can integrate transactional giving data with large amounts of donor profile information and then predict with accuracy what actions donors are most likely to take in the future. A past study showed that predictive modeling, when compared to simple wealth screening, is more accurate at identifying future major giving opportunities. That study, focusing on the advocacy, healthcare, and higher education sectors, found that only 18%, 13%, and 31% (respectively) of major donors at these organizations had identifiable wealth of \$1 million or more. By contrast, 93% of the revenue from the study's test group came from major donors who were identified through predictive modeling techniques.

For this study, predictive models were constructed to look separately at a prospect's likelihood to make a major gift, as well as his or her capability to give at the \$10,000 level. Looking at the combination of likelihood and capacity is critical to the process, as the richest prospect may have little interest in your mission, and the strongest advocates may not have the capacity to provide large gifts. This combination of models definitely highlighted individuals who had strong past giving patterns—including longer consecutive

giving histories and increasing gift sizes year-over-year—but the giving component was only part of the equation, highlighting one of the strengths of a modeled approach. The best prospects (frequently empty nesters) also had other common traits that correlated with major giving: larger amounts of publically identifiable assets, strong credit, and a high level of equity in their homes. Offsetting their assets, the models indicated that they drove expensive vehicles, purchased upscale consumer products, made larger retail transactions, carried higher balances on their credit cards, and subscribed to religious magazines.

The purpose of building models is to determine what donor attributes are predictive of specific giving behavior, specifically for your organization.

All told, it was the statistical integration of all this information through a predictive model which enabled more effective targeting, by statistically determining how each aspect of a donor's profile and giving history helped contribute to likelihood and capacity, and then weighting those aspects accordingly when ranking and scoring the donors. Will this model work for all organizations in all circumstances? Of course not. The purpose of building models is to determine what donor attributes are predictive of specific giving behavior, specifically for your organization. Having said that, some common themes emerge in all modeling initiatives, such as strong past giving patterns to the organization, statistically demonstrating the adage that retention is easier than acquisition.

Conclusion

Given these findings, it's clear that a fundraising approach integrating prospect identification, management, donor retention, mid-level cultivation, and solicitation will promote greater major giving potential within an organization's constituency. If properly implemented, this approach translates to more fundraising success. But insight gained from this study also suggests that more work is necessary to successfully integrate these strategies at an organizational level, within many nonprofits.

There are interesting questions raised through the analysis, and the answers may positively influence lifetime value of major donors. If given the choice, would your organization prefer to receive a current gift of \$50,000 or a five-year pledge resulting in the same amount? What if analysis indicated that the five-year pledge would be more successful in sustaining major giving over time? And would you be willing to consider a pledge solution that gradually raised the annual contribution, creating positive velocity and a pattern of behavior that may be more productive long-term?

Overall, this research reaffirms a decade of analysis that indicates the best method for identifying major giving prospects is driven by predictive modeling—a technique fueled by the integration of multiple data sources, including hard assets, charitable giving, and a robust series of demographic, financial, and behavioral attributes.

CHAPTER 5: USING PREDICTIVE MODELING TO IDENTIFY PLANNED GIVING PROSPECTS

Lawrence Henze

Statistics. For many, it's a seemingly benign word that actually has the power to send shivers down your spine.

Fortunately, though, you don't need to understand statistical methodology to successfully use the results of statistical analysis to increase your fundraising success.

Over the past two decades, statistical analytics—or more specifically, predictive modeling—has been applied to the identification of the best candidates for planned gifts (also known as legacy gifts). As sufficient historical giving became available, it was made possible to identify the characteristics of donors most likely to make charitable bequests, charitable gift annuities, and charitable remainder trusts.

Historical giving data points to donor loyalty and age as key characteristics of planned gift donors, but that information—although now widely accepted in the nonprofit world—comprises less than half of the composite profiles for each planned giving vehicle. The missing criteria, critical to the accurate prediction of planned giving action, are discussed below.

The Characteristics of Planned Giving Donors

Twenty years ago, it became quickly apparent that predictive modeling would not only expand our understanding of planned gift donor behavior, but it would also challenge certain fundraising axioms that were based on incomplete or biased data. For example, we learned that the majority of prospects did not come from individuals who had previously made major gifts, and that the wealth of the donor was not a significant factor in predicting the likelihood of making a charitable bequest or annuity. And as analytical research continued, additional fundraising axioms fell by the wayside.

Success in identifying planned giving prospects has been driven by the accumulation and analysis of additional longitudinal giving behavior and the increasing depth and accuracy of appended data. Although there are differences in specific variables for each of our planned gift profiles, our comprehensive understanding of planned giving behavior may be explained through four categories of data as pictured and explained on the next page.

Loyalty to You	Age/Cohort	Fiscally Conservative	Engagement with Others
<ul style="list-style-type: none"> • Giving history is trending positively/consistently, or long-term giving history • Volunteerism • Engagement 	<ul style="list-style-type: none"> • Generational correlations to planned giving 	<ul style="list-style-type: none"> • Conservative use of credit • Preservation of assets 	<ul style="list-style-type: none"> • Political contributions • Giving to other nonprofits

Loyalty to You

The most common method of tracking loyalty to your organization is by examining giving or membership behavior. That information is tracked in a constituent relationship management (CRM) system, and it is the one aspect of loyalty that all organizations, colleges, and universities track. Ideally, a more expansive view of loyalty would include volunteerism, event attendance, and other elements of the concept typically referred to as “engagement.”

There’s no doubt that we will achieve even greater understanding of all aspects of donor behavior, including planned giving, as we improve upon our collection of engagement data in affinity activities. So what does that mean for you? It’s time to use your CRM’s data storage capacities to increase the knowledge you have of your organization’s donors, members, and prospects.

Age Cohorts

Although predictive modeling demonstrated that cultivation and solicitation were too narrowly focused on the older individuals in our databases, it also affirmed that age is a predictor variable in the planned giving algorithm. Cohort or generational data, such as information on Baby Boomers or members of The Greatest Generation, has proven very helpful in focusing the marketing and cultivation of planned giving prospects on age-appropriate individuals.

Age is also reflected in another common variable—“number of persons in a home”—which describes homes with one or two adults and no children. Smaller households are far more likely to produce planned gift activity.

Engagement with Other Nonprofits, Colleges, or Universities

Advances in data collection pertaining to charitable giving and support of political activities and candidates have allowed us to identify these activities as predictive of planned giving behavior. Prospects for planned gifts are, or in other cases were, involved in pursuits to improve their communities or support activities of personal interest to them. NOZA®, the largest and most accurate source of past charitable giving behavior in United States, combined with self-reported charitable giving behavior, allows us to build stronger profiles of all types of donors, including those who make bequests, annuities, and trusts.

Fiscally conservative people are drawn to planned gifts, as their investment and saving philosophy is highly similar to the function and purpose of planned gifts.

Fiscal Conservatism

When I first entered the fundraising profession in 1980, planned giving officers targeted older and wealthy individuals and households. Of course, we now know that only a small percentage of planned gift donors fit that profile. The use of summarized credit data provides a clear predictive profile; it is financial behavior—particularly conservative financial behavior—that typifies planned giving donors.

Fiscal conservatism does not preclude the presence of wealth; rather, it influences the manner in which that wealth is conserved or distributed. In fact, it is not unusual to meet very wealthy individuals who believe they need the income stream provided by life income gifts. Fiscally conservative people are drawn to planned gifts, as their investment and saving philosophy is highly similar to the function and purpose of planned gifts.

Moving Forward

Simply put, the more we understand about the characteristics that define our planned giving prospect population, the better we may develop communication strategies, stewardship plans, and cultivation and solicitation activities that promote increased gift revenue from bequests, annuities, and charitable remainder trusts. For many colleges, universities, and nonprofit organizations, the potential for planned giving revenue may actually exceed revenue achieved through current giving, so best practices must be adopted to make it happen.

CHAPTER 6: LEADING YOUR ORGANIZATION TOWARD A DATA-DRIVEN CULTURE

Michael Reardon

Let's say you're at a conference and meet someone who knows a little about what your organization does, but no specifics. She asks you, "What's it like working there?" How would you answer? Or maybe a prospective employee asks you in an interview, "What's the culture like here?" What would you say?

Many folks would answer with highlights of the collegial workplace, the pride of working at a place that does important work, the great friendships that employees develop, or similar themes. And while those answers may be true, are they how things really get done at your organization?

It's hard to read anything about organizations today without coming across the terms "big data" or "smart data," and these pages are filled with strategies and examples about the amazing power of harnessing information to help you achieve your mission. But what if you took all the steps to get and understand that data, and your colleagues never really acted on it? What if they still relied on their gut to tell them the final answer? And more importantly, what if that behavior was reinforced and rewarded?

If you're reading this and grimly nodding your head, don't fret. Many organizations have small pockets of folks who understand and can envision the advantages of really taking advantage of this wealth of information, but the organizations don't allow the opportunity act on it. And in many cases, it's not because there are formal rules in place that prohibit such activity. Rather, it's the even more powerful informal or unspoken rules of culture that get in the way.

So, the good news is that at least you're not alone. The challenge, though, is that an organization's culture isn't something one can wave a magic wand at and change overnight.

The Three "A"s

Organizational culture is defined in many ways, but prominent management scholar Edgar Schein's definition is highly regarded and helpful: Organizational culture is a "pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems."

Schein notes that culture is made up of three levels: Artifacts (visible things around the office), Espoused Beliefs and Values (sometimes spoken or visible, but not always), and Basic Underlying Assumptions (unconscious taken-for-granted beliefs).

Taking Schein's perspective, then, it becomes easier to see why culture is such a slow-moving element of organizations. While it might be easy to change some surface-level things, such as adding more open workspace, doing so doesn't really impact those unspoken rules or assumptions that have been used and taught to employees for years. Simply having the manager sit in a cube with her subordinates doesn't automatically change the power structure, does it? Or the perception that at the end of the day, whatever she says goes, right?

Harvard professor Rosabeth Moss Kanter said, "Change is a campaign, not a decision." Perhaps this phrase is never more accurate than when one is trying to change an organization's culture. If the management team decides to take advantage of deeper, more robust data, that's the easy part. The real challenge is undertaking (and sticking with) the much longer work of changing the deeply embedded culture to appreciate that data. While we would all like it if going to the gym once a month would get us in good shape, the truth is that only with regular committed workouts can one achieve that goal. And it's the same with culture changes.

So what's the workout program that will get your organization's culture in shape to take advantage of smart data? There are no easy answers, of course, but focusing on what I call The Three "A"s—Assess, Audience, and Allow—can be a great start to your new culture.

Assess Your Culture

First, it's necessary to assess your current culture, and that takes honest, deep work. Remembering Schein's contention that only the "top level" of culture—the Artifacts—are easily visible, you'll have to really explore the underlying, taken-for-granted assumptions that guide your work.

What is it that is truly valued and rewarded in your organization? While many organizations insist that they value teamwork, for example, they often will reward folks individually. If that's the case, and I have a choice to make as to whether to favor individual achievements or team achievements, can you blame me if I choose the individual path? When the spoken, visible elements are in conflict with the unspoken but ultimately rewarded ones, we can expect our employees to choose the latter.

The same can be said of data. If you want to demonstratively elevate data's status in your organization, you need to emphasize and reward using it, especially if it goes against the way things have always been done. Have you always sent direct mail using a standard query that has produced pretty good results? What if a new approach to data analysis suggested sending it to a different group of constituents? Now, what if your annual evaluation depended on raising a certain amount of money? What choice would you make? The tried-and-true query list or the new approach? If you weren't confident you would be understood and rewarded for "listening" to the data, would you do it? My guess is probably not.

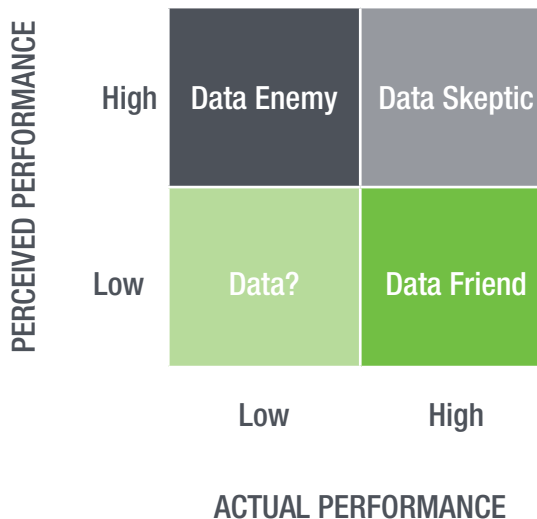
If you want to demonstratively elevate data's status in your organization, you need to emphasize and reward using it, especially if it goes against the way things have always been done.

But what if the organization had made clear—in words, actions, and rewards—that utilizing smart data would be supported no matter the outcome? What if you were celebrated for taking what would today be known as a risk? Imagine the difference. That confidence would only be achieved with consistent messaging and a culture that supported that path.

In sum, be sure to first look hard and deep at where you are today. Only then can you trace a path to where you want to be in the future.

Identify Your Audiences

Second, identify the audiences in your organization who understand the power of smart data and have the tools and ability to really put it to use. Be careful here, though. Those individuals may not (and perhaps are probably not) at the top of your organization. Sometimes those who really “get” smart data are those who may have gone somewhat unnoticed in your old culture. Remember, in your old culture, utilization of smart data may have not been recognized or rewarded—so those who might be your biggest assets in this change campaign may come from places previously unknown.



Jeff Bladt and Bob Filbin wrote a very intriguing article in the Harvard Business Review (May 16, 2014) in which they argue that one can characterize employees’ willingness to embrace data by putting them into four categories created by a 2x2 matrix with “Actual Performance” and “Perceived Performance” as the two axes. The two categories that merit special attention are the High/Lows. Those who fall into the high perceived performance/low actual performance quadrant are labeled “Data Enemies” because they know that the increased reliance on the data may reveal the true (unflattering) picture of their contributions. Those who fall into the low perceived performance/high actual performance category are labeled “Data Friends” for similar, but opposite reasons: They know that the data will demonstrate that they’ve been stars all along, but haven’t been recognized. The high/high group are called “Data Skeptics” because they will need some convincing; they’ve been successful in the current climate, so they may be reluctant to change—but they may ultimately be allies to your new movement. Those in the low/low group are called “Data?”, with a question mark that implies they’re not engaged in any real way.

This characterization is very helpful in your pursuit of a new culture of data appreciation. To make any change, you'll need support from the ranks, and identifying those who will be evangelists is exceptionally useful. Ask those Data Friends how they might capitalize on smart data, and be sure to really listen—even (or especially) if it is NOT the way you do things today. Then, give them the support and resources they need to really show the rest of the organization smart data's true power. Use them as a testing ground. Allow them to make some mistakes and figure some things out. But most importantly, when they succeed (and they will), be sure to celebrate, publicize, and reward them. Let others know that this is the new way to work. Others will notice and follow suit. You may have heard about the need for “quick wins” in a change campaign? It's true. And it works.

As for the Data Enemies and Skeptics, remember the biggest of key of any communication: Know your audience and their hot buttons. Take the time to truly understand what's important to them—and realize that it might not be the same thing that's important to you or another audience. For example, while your passion may be to use smart data to advance the mission of your organization, theirs might be to hit their annual numbers and get recognition. If that's the case, show them how the new culture of data appreciation can help them achieve that goal. Speak to them in the language they understand, and connect your goals to theirs. They'll start to get the message.

Allow for Time and Course Corrections

Allow, our final “A”, represents two different areas. First and foremost, allow yourself to appreciate how ingrained your current culture is and that it will take consistent work and extended time to really change it. Employees today are numb to management announcing the next big thing and then not following through. Ask folks about past changes that have not worked, and you're probably in for a long conversation. That's OK, though—sometimes those are the same folks who will be the most impressed with your commitment and turn out to be your biggest cheerleaders. Appreciate that they probably are carrying that baggage and aim to break those negative expectations. But also know that will take some time. Remember Kanter's words—a campaign, not a decision.

In addition to allowing yourself some time to fulfill your vision of a new culture of data appreciation, allow yourself the freedom to make some missteps along the way. The path to any new place is never as straight and smooth as first mapped, so if you blow a tire or take a wrong turn, it's OK! Don't be the guy (or gal) who doesn't stop to ask for directions; take some time to understand the wrong turn and backtrack if necessary. Changing the culture isn't an endeavor that can be put on a tight timeline, so don't artificially frustrate yourself or your team by focusing on those wrong turns. Just correct the course, and move forward.

Many nonprofits originated well before the boom in data and the understanding of its applications, but that certainly doesn't mean they can't value and harness that power as they move forward and grow. Smart data can be the fulcrum of that growth, but the organization itself has to be a place where putting it to work is emphasized, celebrated, and rewarded. So as you start this journey to change your culture, remember The Three “A”s to help you take that first (of many) steps.

CONCLUSION

Chuck Longfield

Analytics can help your organization harness the power of new technologies, communication channels, and data sources as you move forward and grow. Picking the right starting point might seem daunting, but analytics-driven fundraising is a continuous, grow-as-you-go practice and is accessible to nonprofits of any size. An important decision is whether to manage analytics in-house. If your organization doesn't have the resources to analyze data well, consider augmenting your capabilities through outsourcing. Working with the right partner can provide a tremendous return on investment, and it's often the easiest and most cost-effective way to get the ball rolling.

The first step is to prepare your data for analysis by ensuring its quality and establishing a plan for governance. Put someone in charge of data quality, and make sure that individual has the authority to set cross-departmental guidelines for capture and maintenance. If you monitor your data health regularly and implement recommended best-practices, you'll avoid a large number of roadblocks later on, such as challenges with matching to data sources and consolidating duplicate information.

Analytics-driven fundraising is a continuous, grow-as-you-go practice and is accessible to nonprofits of any size.

Once the foundation is in place, you'll be ready to expand on it by layering on additional data, variables, and calculations that would be the most valuable to your organization. You can avoid "analysis paralysis" by focusing on just a handful of variables—such as age, channel preference, gift likelihood, or donor affinity—that indicate a supporter's or prospect's level of passion for your organization. Interactions like event attendance, gift matches, visits to your website, or calls to your call center all indicate elevated interest by your donors. Avoid the temptation to discover new variables if you aren't yet taking advantage of the ones that other organizations have already found to be actionable.

With access to the right mix of tools and skills, your organization will be able to improve decision-making, better allocate its resources, facilitate investment conversations, and—ultimately—drive higher net revenue. Start by forecasting multi-year performance and understanding its context within the nonprofit industry. This will allow you to budget strategically to address your organization's long-term goals. Then, continuously mine your data for patterns so you can make strategic adjustments along the way, and assess long-term impacts more pro-actively. As you surface new opportunities and identify potential risks, use predictive modeling

to take full advantage of the insights available in your data; this will help locate your best prospects more efficiently and effectively.

Lastly, make an organizational commitment to act on your discoveries, and adapt to new ways of doing things. The opportunities identified through analytics can only be realized if you can make the corresponding changes in your business practices. For example, if you identify a number of major gift prospects, you must have the staffing and moves management practices in place to take advantage in a timely manner, or the analytics weren't helpful. Similarly, if analysis reveals that many annual donors should be converted to monthly givers, you need to manage the cash flow during the transition and have adequate infrastructure

Make an organizational commitment to act on your discoveries, and adapt to new ways of doing things. The opportunities identified through analytics can only be realized if you can make the corresponding changes in your business practices.

to handle the disruptions which result from outdated card data, or rejected checking account transfers. By fostering a culture that values and acts on its data, successful analytics-driven fundraising is within reach.

Analytics should not be seen as a panacea, a magic-wand, or even a silver bullet, but there are significant and very tangible financial benefits to be realized if your organization is committed to changing how it makes decisions, applies its resources, and solves tough problems. A nonprofit willing to invest in the right data, people, and software has a whole world of amazing information at its disposal—but it can't solve a problem with the same type of thinking that got it there in the first place.

RESOURCES

Blackbaud has been the leading provider of analytics and data services to the nonprofit market for more than 20 years, and we can help you build a winning, data-driven fundraising strategy. We combine state-of-the-art analytics with the industry's largest collection of philanthropic data assets to help our clients recognize more than \$1 billion in incremental contributions each year. Here are just a few of the ways we can help.

Data Quality

In a world of multi-channel communications, it's becoming increasingly difficult to stay engaged and top-of-mind with supporters. Data quality is the key; it's too easy to become overrun by stagnant addresses, bad phone numbers, missing emails, and gaps in your donor information. Blackbaud's Data Quality Services help ensure that you're optimized for campaign success and can maximize your cultivation efforts. [Learn more about the options available, including access to a complimentary Data Health Scorecard.](#)

Supporter Profiling

By developing a richer and more robust constituent profile, nonprofit organizations can enhance segmentation, improve message effectiveness, and target those donors most likely to contribute significant amounts to their organizations. We provides nonprofits access to more than 600 different supporter attributes, from age and income to passions, preferences, lifestyle segments, and social profiles. [Learn more about the attributes available in Blackbaud's Supporter View database.](#)

Peer Benchmarking

Direct marketing is all about understanding your donors: how they behave, which way they're trending, and how to leverage insights to drive program performance. donorCentrics™ helps organizations develop strategies that maximize the value of their relationships with donors at all stages of giving, from the first gift on file to the 20-year sustainer. Get the kind of accurate, unbiased performance data you need to evaluate your program and identify opportunities for growth, and then collaborate with peers to benchmark those successes, share fundraising best practices, and discover new techniques for success. [Learn more about donor performance benchmarking.](#)

Business Intelligence

With **VantagePoint™** you'll have the clear insight you need to make decisions with confidence. Our approach brings opportunities into view by centralizing fundraising sources and turning your data into timely, actionable information—without the manual effort. Interactive business intelligence tools provide industry-standard KPIs and dashboards that visually communicate fundraising performance to quickly bring attention to where it's needed most. As a result, you'll make better investment decisions, drive new revenue, and increase engagement across channels. [Learn more about VantagePoint.](#)

Predictive Modeling

Earning a gift from a supporter requires an investment of time, resources, and relationships. Whether that contribution came from a direct mail appeal, online constituent, or major gift prospect converted after years of hard-earned cultivation, the key to earning it is to ask the right person, for the right amount, at the right time. Predictive modeling from Blackbaud enables smarter fundraising decisions, allowing you to cut through the red tape and find those likely to give, give often, and in significant amounts—and stay engaged with your organization over the long term. Using Target Tags™ for direct mail and ProspectPoint™ for your major gift initiatives, you'll take advantage of all the information available about your prospects and put that insight to work the very next day. [Learn more about predictive modeling from Blackbaud.](#)

Creating the Culture

Change is an effective catalyst for growth, but it requires a culture that nurtures, celebrates, and rewards new ways of doing things. Successful transformation depends on more than implementing new technology and processes; a focus on people and their needs is equally important. Drawing from our unique nonprofit expertise, we offer comprehensive planning to cultivate a data-driven culture and the successful adoption of new technologies. Let us help you plan and execute communication and training plans to help your staff feel not only comfortable, but excited about the change ahead. [Learn more about change management consulting services available from Blackbaud.](#)

BIOGRAPHIES

Katie Beth DeSchepper

Consulting Manager, Blackbaud

Katie Beth DeSchepper is responsible for creating and managing the analytical and marketing strategy used in Blackbaud clients' customer relationship and direct marketing programs. She has a proven track record developing long-standing relationships with key decision-makers, showing them the analytically proven CRM path they should embark upon and guiding them through the integration of systems and processes to allow true CRM to function. She also manages the analytical team to create effective solutions to gain insights and intelligence within an organization's data. Katie Beth uses her economic and business acumen to bring extremely complicated analytics to life and create custom ROI-driven solutions for long-term gains for each organization.

Lawrence Henze

Principal Consultant, Blackbaud

Lawrence Henze has worked in the nonprofit sector for the past 34 years, focusing the first 13 years on development and marketing positions in the nonprofit sector (primarily in higher education). He formed Core Data Services, a market research and quantitative analysis firm specializing in the application of predictive modeling services to the nonprofit marketplace, in 1998. Blackbaud purchased the company in 2001, and Target Analytics®, a division of Blackbaud, Inc., was born. Lawrence works with a variety of clients as a principal consultant and helps develop new services for the company. He is a frequent presenter at nonprofit conferences across the United States and Canada, covering subjects that include annual giving, planned giving, relationship management, and predictive analytics. Lawrence holds a BA in political science from Carroll University, and a MA and JD from the University of Wisconsin at Madison.

Chuck Longfield

Chief Scientist, Blackbaud

Chuck Longfield became Blackbaud's chief scientist in January 2007 and is the founder of Target Software, Inc., and Target Analysis Group, Inc., both now Blackbaud companies. Chuck has extensive experience designing and implementing national and international constituency databases that address the fundraising information needs at many of the world's largest nonprofit organizations. In recognition of his

accomplishments, Chuck is the recipient of the DMA 2012 Max Hart Nonprofit Achievement Award. Prior to founding the Target companies in 1992, he taught math to middle and high school students. He was honored by FundRaising Success in 2007 with a lifetime achievement award for his contribution to the nonprofit sector. He holds a BA in mathematics and a MEd from Harvard University and has more than 35 years of experience helping nonprofits effectively use technology and information to improve their fundraising performance.

Matt Nolan

Director of Data Products, Blackbaud

Matt Nolan is the director of data products for Target Analytics®, a division of Blackbaud, Inc. Before joining Blackbaud in 2012, Matt worked in the commercial marketing sector for more than 15 years as an analyst, marketing strategist, and product manager. In those roles, he helped financial services, pharmaceutical, and retail organizations integrate advanced analytics into their CRM systems and marketing programs. With Blackbaud, his responsibility is the development of new, progressive data services—anything and everything that can provide insight for data-hungry nonprofits.

Hilary Shore

Director of Services Marketing, Blackbaud

Hilary Shore is the director of services marketing and is responsible for developing solutions that help customers achieve long-term success and derive the most value from their Blackbaud products. In addition to her background in engineering, product management, professional services, and marketing, she draws from more than 15 years of experience helping nonprofits innovate their use of technology to create change in the world at GetActive, Convio, and now Blackbaud. Hilary holds a BA in Computer Science from Columbia University.

Melissa Bank Stepno

Consulting Team Lead and Manager, Blackbaud

Melissa Bank Stepno is the consulting team lead and manager for Target Analytics®, a division of Blackbaud, Inc., where she is responsible for managing a team of consultants and consulting services related to strategic implementation of data analytics projects. Prior to assuming her current role in 2014, she served as consultant at Target Analytics for nine years. Her areas of focus included the impact of high net worth philanthropy on major giving programs and on helping organizations develop effective research

and prospect management operations. Melissa has also worked for both Boston University and Boston Ballet and has served on the boards of NEDRA, AFP's Northern New England Chapter, and Brandeis University's Alumni Association. Melissa holds a BA in psychology from Brandeis University. She also holds master's degrees in arts administration and policy, planning, and administration in higher education, both from Boston University.

Michael Reardon, PhD

Principal Change Management Consultant, Blackbaud

Michael Reardon, PhD is a principal change management consultant with a passion for interacting, understanding, and communicating with different audiences. He facilitates change management and adoption readiness for the major software implementation of Blackbaud's enterprise clients. Previously a communication professor at The College of Charleston, Michael's career focus revolves around new technologies, teaching and learning, and organizational effectiveness. He received his PhD in organizational communication from Purdue University.

Carol Rhine

Principal Fundraising Analyst, Blackbaud

Carol Rhine joined Blackbaud in 2005 as the principal fundraising analyst for Target Analytics®, a division of Blackbaud, Inc. She brings more than 30 years of experience in broad-based donor support to our donorCentrics™ and benchmarking services. Carol serves as the key facilitator for the Target Analytics benchmarking collaborative meetings and industry indices and serves as a lead analyst for our international benchmarking and analysis work through our INGO Global Initiative. She specializes in broad-based donor support for nonprofits of all sizes. Before joining Blackbaud, Carol was the development director at KQED public television and radio in San Francisco; membership director at KVIE public television in Sacramento, California; a fundraising consultant at Dodd Smith Dann, and the development specialist for the National Federation of Community Broadcasters. Carol holds a BA from DePauw University with a double major in economics and psychology.

Melissa Wayman

Statistician, Blackbaud

Melissa Wayman is a statistician for Target Analytics®, a division of Blackbaud, Inc., where she is responsible for developing predictive models related to nonprofit major giving and direct marketing. Her strengths include research design, data manipulation, and utilizing statistical techniques to predict donor likelihood to give and capacity for giving. Prior to joining Target Analytics, Melissa managed research projects for the School of Medicine at the University of Kansas Medical School and conducted market research for multi-unit restaurant and retail companies at Service Management Group in Kansas City, Missouri. Melissa holds an MA in social psychology from the University of California, Santa Barbara, and a BA from Doane College with a double major in English and psychology.

About Blackbaud

Serving the nonprofit and education sectors for more than 30 years, Blackbaud (NASDAQ:BLKB) combines technology and expertise to help organizations achieve their missions. The company works with more than 30,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, private K–12 education, animal welfare, and other charitable causes. Offerings encompass a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes, including: [fundraising](#), [eMarketing](#), [advocacy](#), [constituent relationship management \(CRM\)](#), [financial management](#), [payment solutions](#), [analytics](#), [education solutions](#), and vertical-specific solutions. Nonprofit organizations around the world raise more than \$100 billion each year using Blackbaud solutions. Recognized as a top company by Forbes, InformationWeek, and Software Magazine, and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada, the Netherlands, Ireland, and the United Kingdom. For more information, visit www.blackbaud.com.

