Target Analytics' Fundraising Models
for Mid-Level and Transitional Giving

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Today's Agenda

- Target Analytics and Blackbaud
- Predictive Modeling for Mid-Level Giving
- Best Practices for Growing Mid-Level Programs
- Questions and Answers

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About Us

- Target Analytics, a Blackbaud Company since 2001
    - Backed by Blackbaud's reputation and experience
    - More than 25 years of practical experience exclusively with nonprofits

- Superior software and services from one source
    - Donor predictive modeling
    - Prospect research tools such as wealth screening and prospect management software
    - Donor benchmark comparison reports and program assessments
    - Integration with The Raiser's Edge and BBEC

- With the addition of NOZA, we've added more prospect research solutions, such as file screening and subscription to the searchable database of over 50 million gifts

- Our Mission
    - Help nonprofits maximize fundraising results…***at every stage of the donor life cycle!***

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Target Analytics has helped almost 3,500 organizations

healthcare • human services • k-12 private schools
higher ed • cultural • recreation/social • religious

American Cancer Society

National Baseball Hall of Fame

Stanford University

Brown University

Harvard University

The Metropolitan Museum of Art

Habitat For Humanity International

American Breast Cancer Foundation

Mayo Clinic

World Society for the Protection of Animals

American Junior Golf Association

Christian Broadcasting Network

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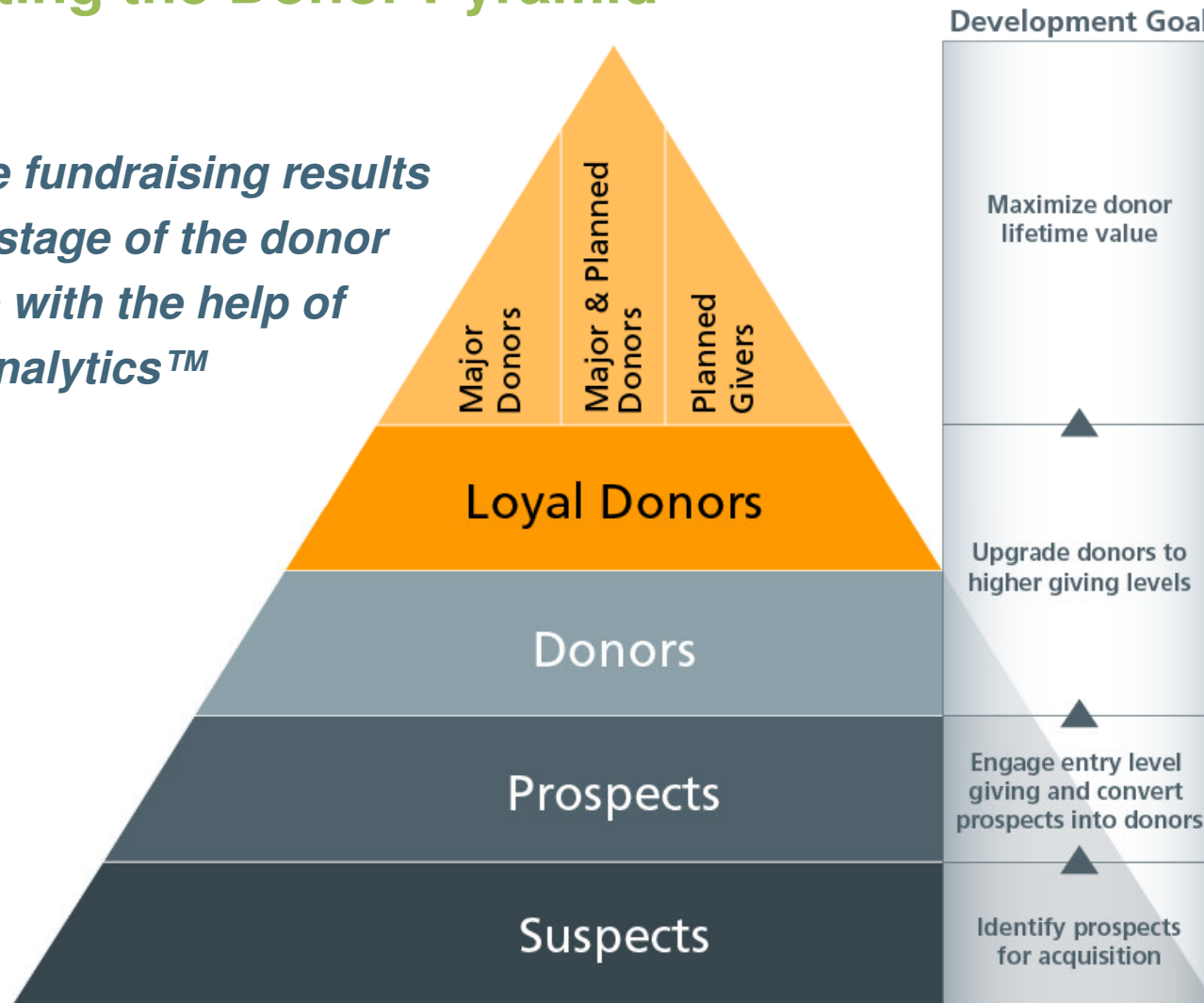
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MJ1   UPDATE THE LIST OF ORGS, DOES 2,500 WORK?
Meredith Johnson, 12/02/2007

Supporting the Donor Pyramid

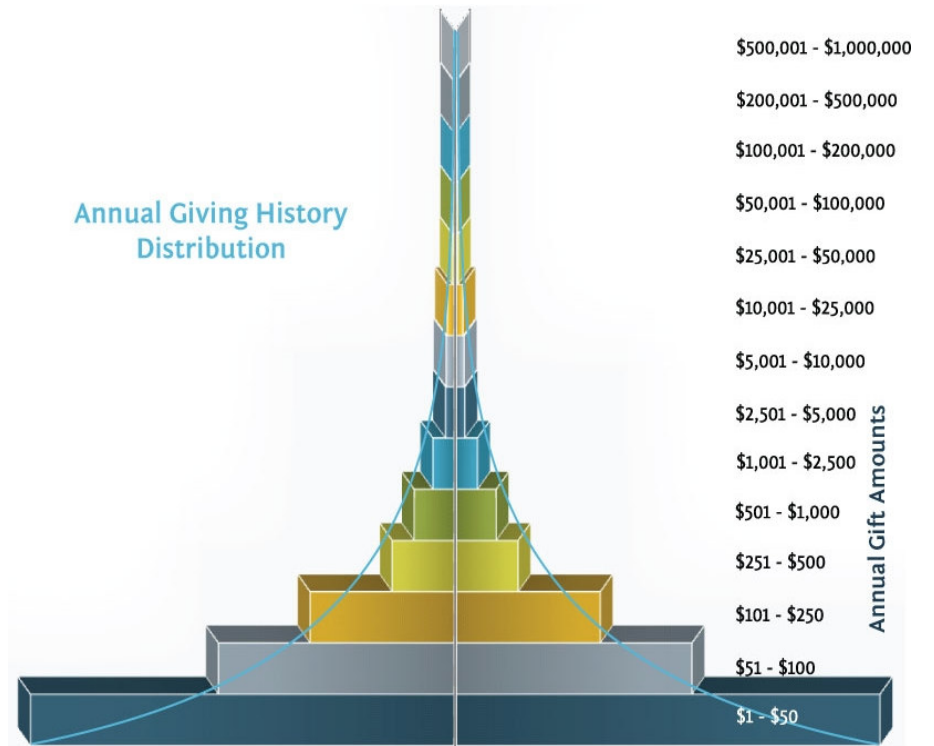*Maximize fundraising results at <u>every</u> stage of the donor life cycle with the help of Target Analytics™*

Development Goal

Major Donors

Major & Planned Donors

Planned Givers

Loyal Donors

Donors

Prospects

Suspects

Maximize donor lifetime value

Upgrade donors to higher giving levels

Engage entry level giving and convert prospects into donors

Identify prospects for acquisition

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Predictive Modeling for Mid-Level and Transitional Giving

Reality Check
Today's Donor Pyramid

Traditional Gift Pyramid

$500,001 - $1,000,000
$200,001 - $500,000
$100,001 - $200,000
$50,001 - $100,000
$25,001 - $50,000
$10,001 - $25,000
$5,001 - $10,000
$2,501 - $5,000
$1,001 - $2,500
$501 - $1,000
$251 - $500
$101 - $250
$51 - $100
$1 - $50

Annual Giving History Distribution

$500,001 - $1,000,000
$200,001 - $500,000
$100,001 - $200,000
$50,001 - $100,000
$25,001 - $50,000
$10,001 - $25,000
$5,001 - $10,000
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$1,001 - $2,500
$501 - $1,000
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$1 - $50

Annual Gift Amounts
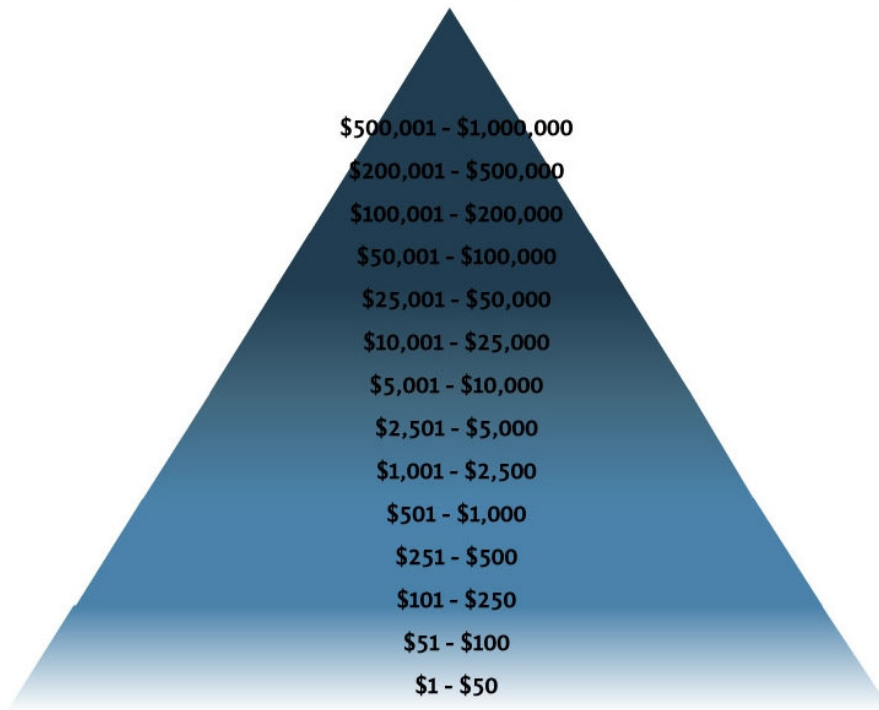
Activity – What Shape is Your Pyramid?

Mid-Level Giving: Why is it the Missing Link?

- Mid-Level giving often exists in the void between traditional annual giving methodology and the assignment of individual prospects to development officers

- As a result, we may fail to sufficiently populate the middle levels of the donor pyramid

- Emphasis is on both ends of the pyramid, entry level giving and major giving

- Donor counts, participation rates and capital campaigns may be the culprits

- We need to profile these individuals and target them for personal attention and cultivation

Proactive Research Begins With Data Mining

- **_Data Mining_**: Query and analysis of information from a constituent database: segmentation analysis, correlation studies, descriptive modeling

- **_Predictive Modeling_**: Discovery of underlying meaningful relationships and patterns from historical and current information within a database; using these findings to predict individual behavior

The Benefits of Data Mining and Modeling

- Comprehensive view of donor potential

- Understand donor/non-donor characteristics

- Jump starting prospect identification and classification

- Cost savings due to optimized solicitation

- Increase gift revenues

- Optimal staffing and resource allocation

- Knowing your institution, turning knowledge into results

Loyalty by Giving Level

Legend:
- Number of donors
- Committed
- Loyal
- Occasional
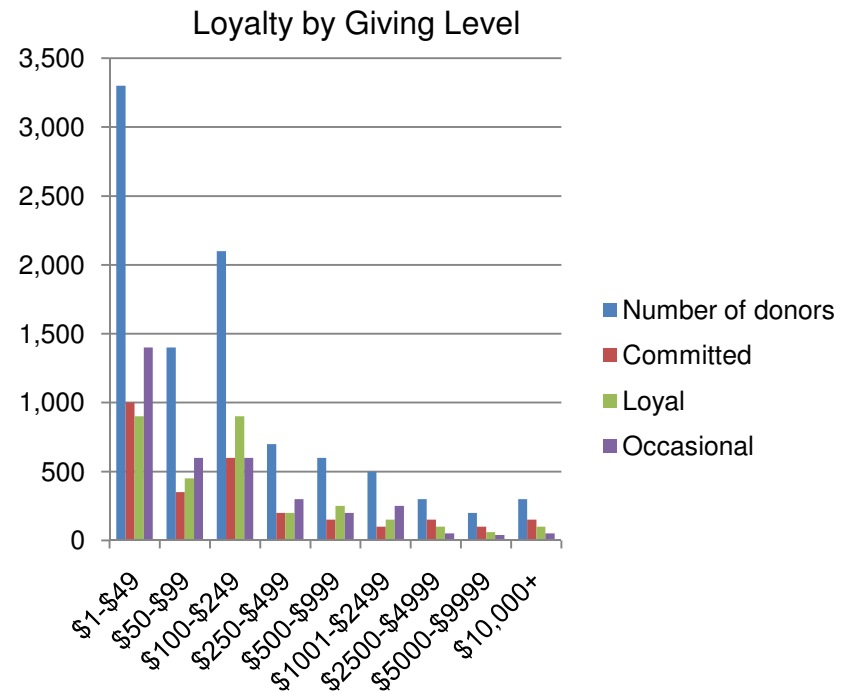
Data Mining Activity

For purposes of discussion:

- Let's assume that for this organization mid-level giving is defined as $500-$2500
- All the necessary shareholders have been engaged
- There is a rough plan for the strategy following the results

Although there are many patterns to analyze, let's plot and analyze three:

- Number of years mid-level donors have contributed prior to reaching "mid-level"
- Time of year
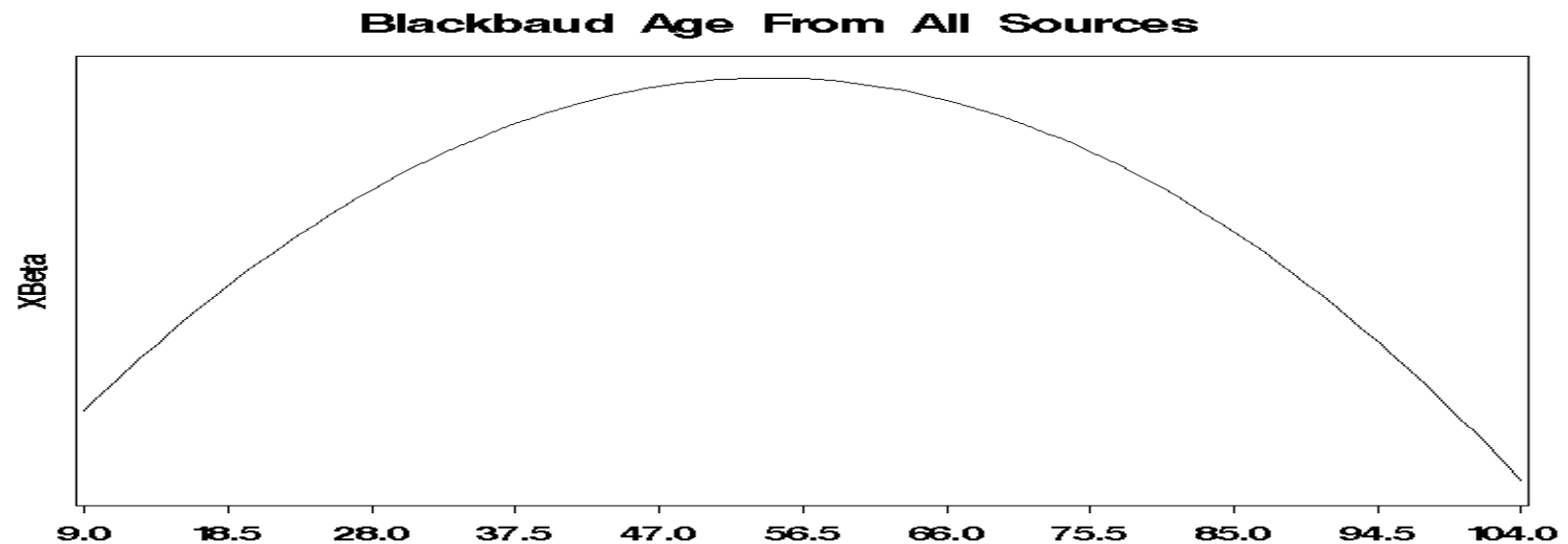- Age or life stage

Findings

Years of Giving

> Mid-level donors make an average of 9 annual gifts prior to reaching major donor status (also check mode or median)

> Establish a threshold, such as 6 annual gifts, to identify potential mid-level prospects

> Change stewardship efforts to cultivate better relationships with these prospects at earlier stage (i.e.- personal thank you program)

More Donor Analysis

- Time-of-Year Giving
  - Create a pool of all mid-level donors over the past 10 years
  - Create a subset of donors giving in at least 6 of the 10 years
  - Plot the months/quarters of their gifts
  - Identify the habitual donors
- Why is This Important?
  - You can thank them for their loyalty and habitual behavior
  - You can solicit at appropriate times
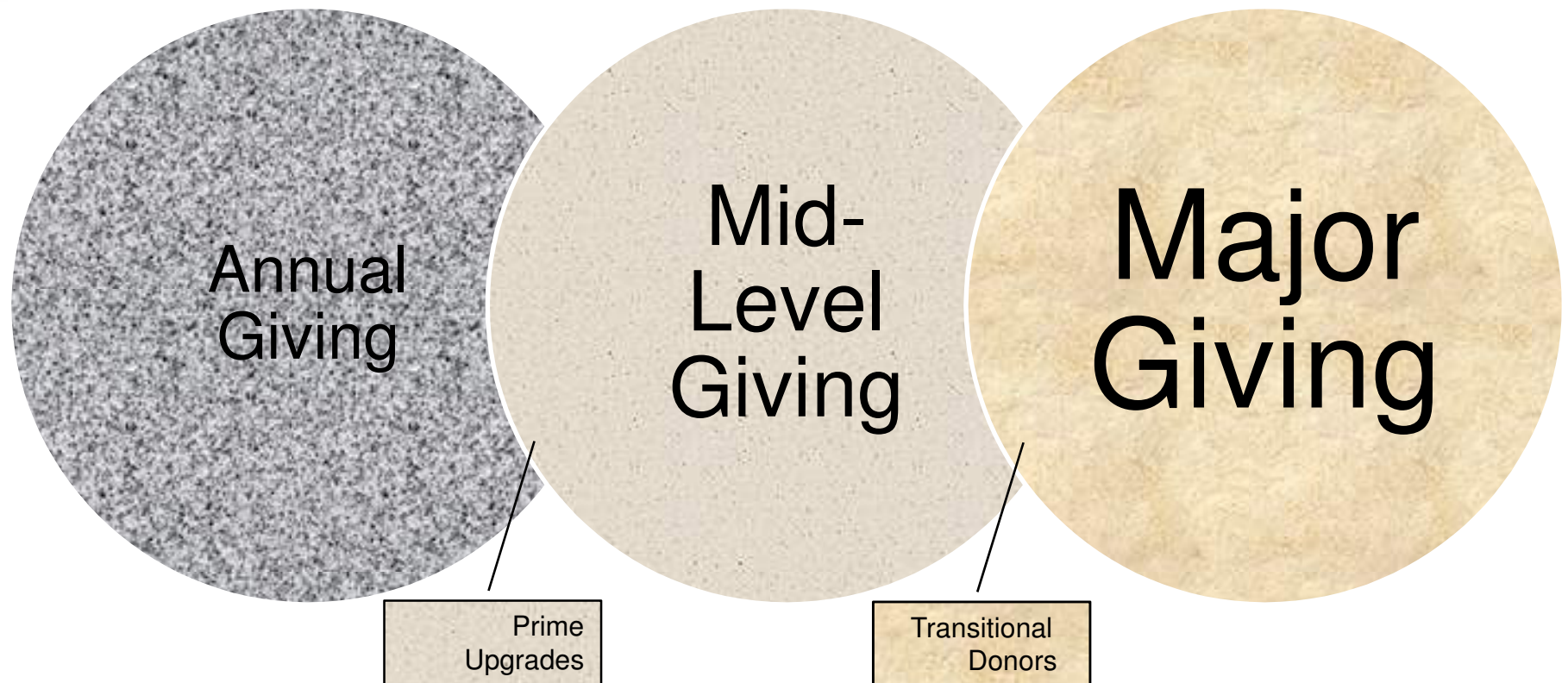 - You can build a relationship on fiscal responsibility

Age / Life stage Analysis

Blackbaud Age From All Sources

(X-axis: 9.0, 18.5, 28.0, 37.5, 47.0, 56.5, 66.0, 75.5, 85.0, 94.5, 104.0; Y-axis: XBeta)

➢Other than past giving, it is the single most predictive variable that you can analyze so collect it whenever possible

➢Don't accept industry wide age analysis unless you verify it applies to your constituents

➢Now create your own age curve for mid-level giving!
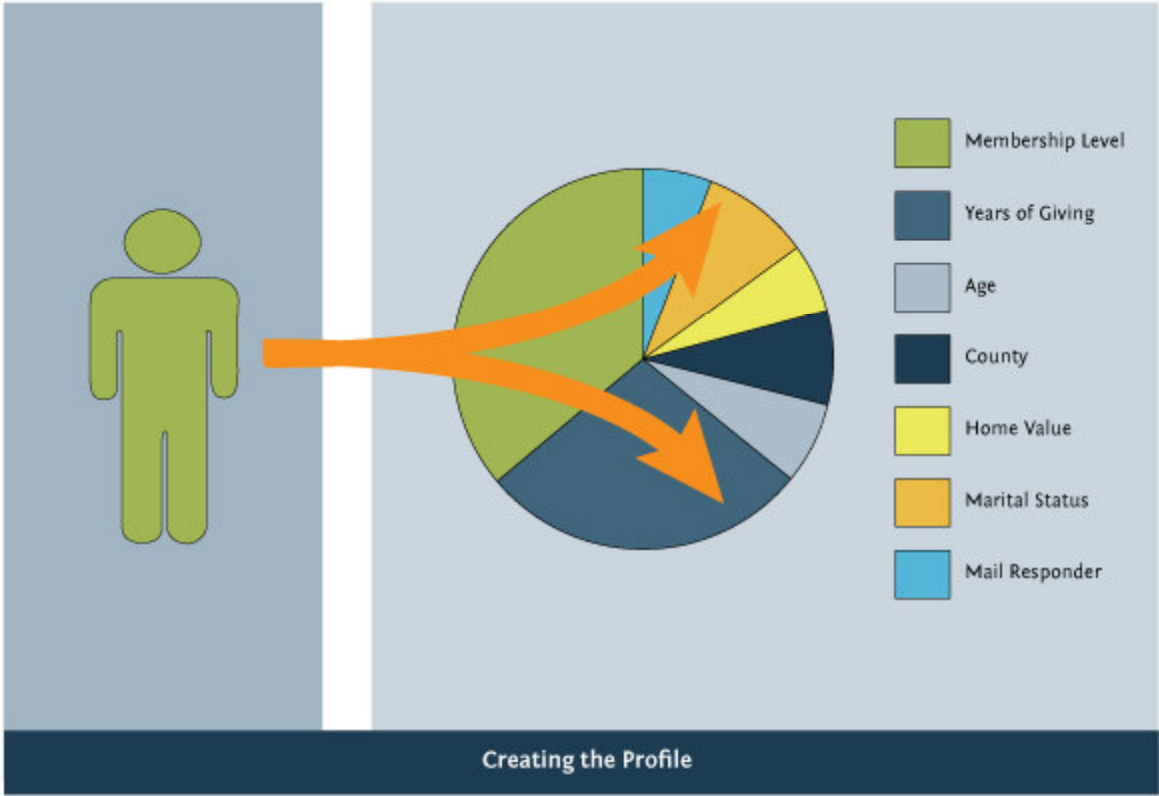
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Defining Mid-Level Giving for Modeling

o Giving level between annual fund or direct marketing and major giving
o Prime Upgrades are ready to move into mid-level giving
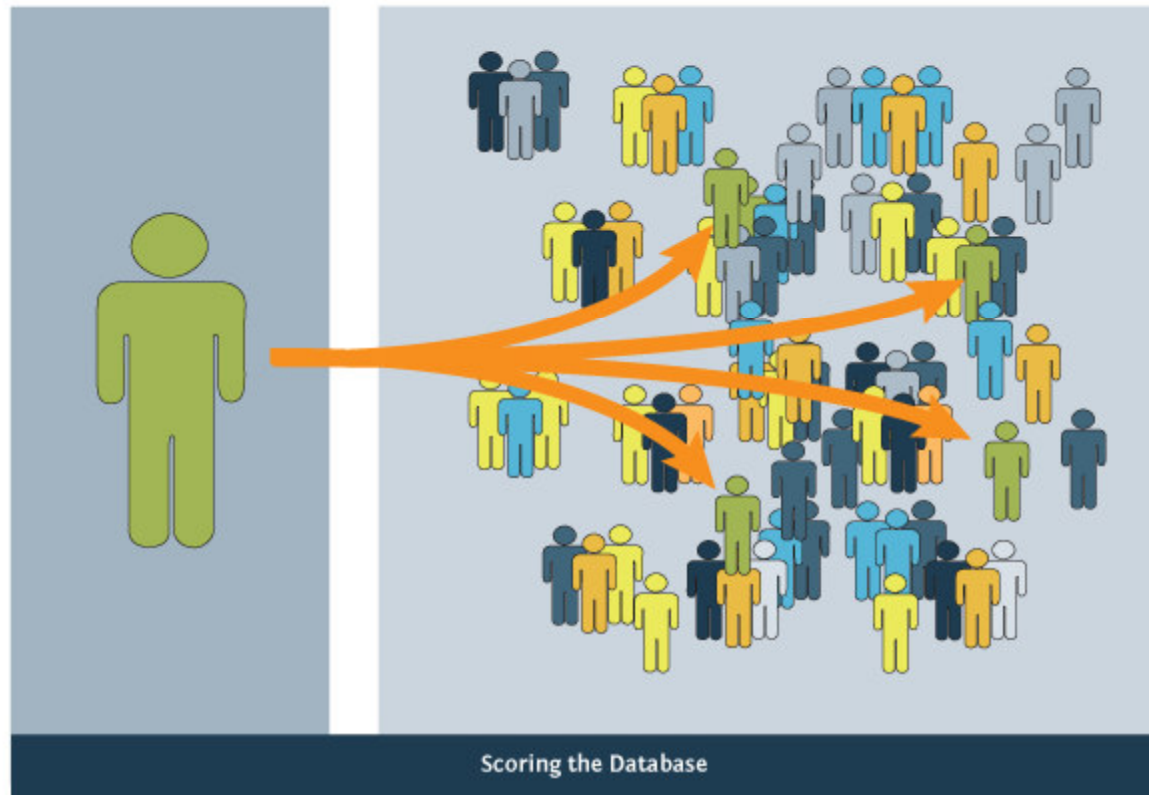o Transitional Donors are traveling up the pyramid to major giving

Annual Giving

Mid-Level Giving

Major Giving

Prime Upgrades

Transitional Donors

The Modeling Process - Identify

Identify Mid-Level Donors

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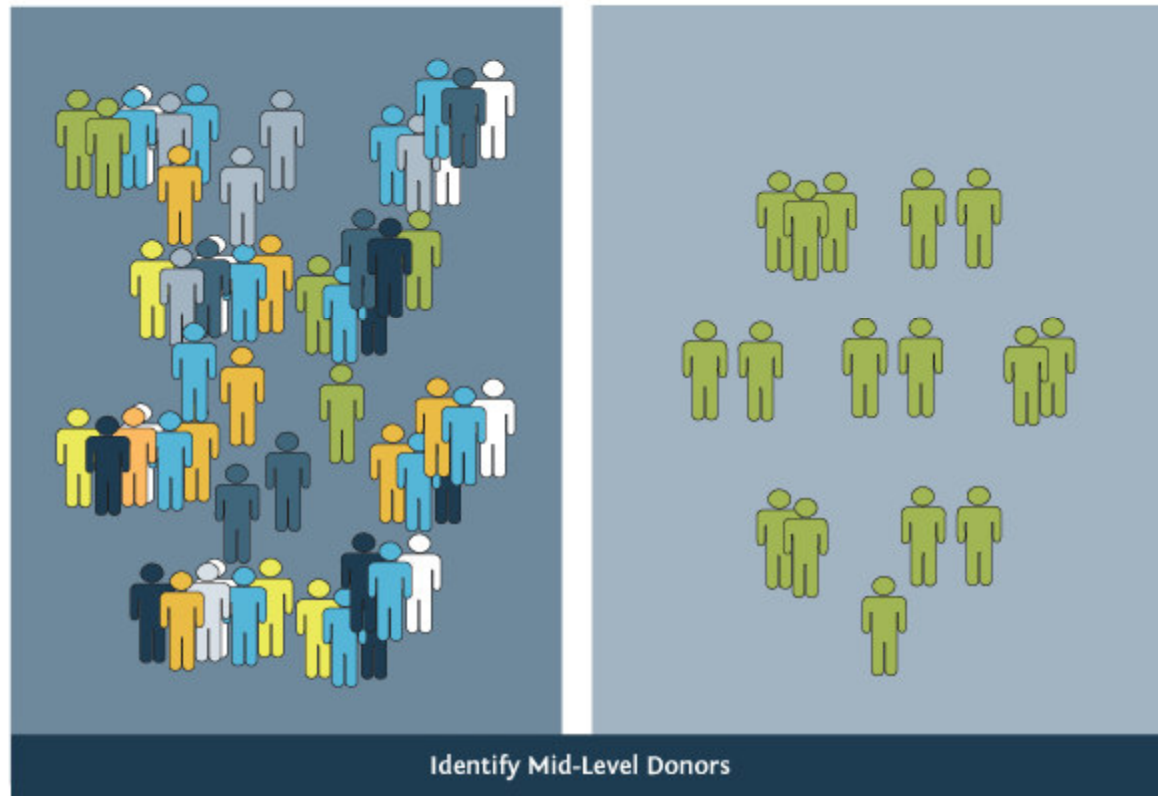
The Modeling Process - Profile

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The Modeling Process - Apply

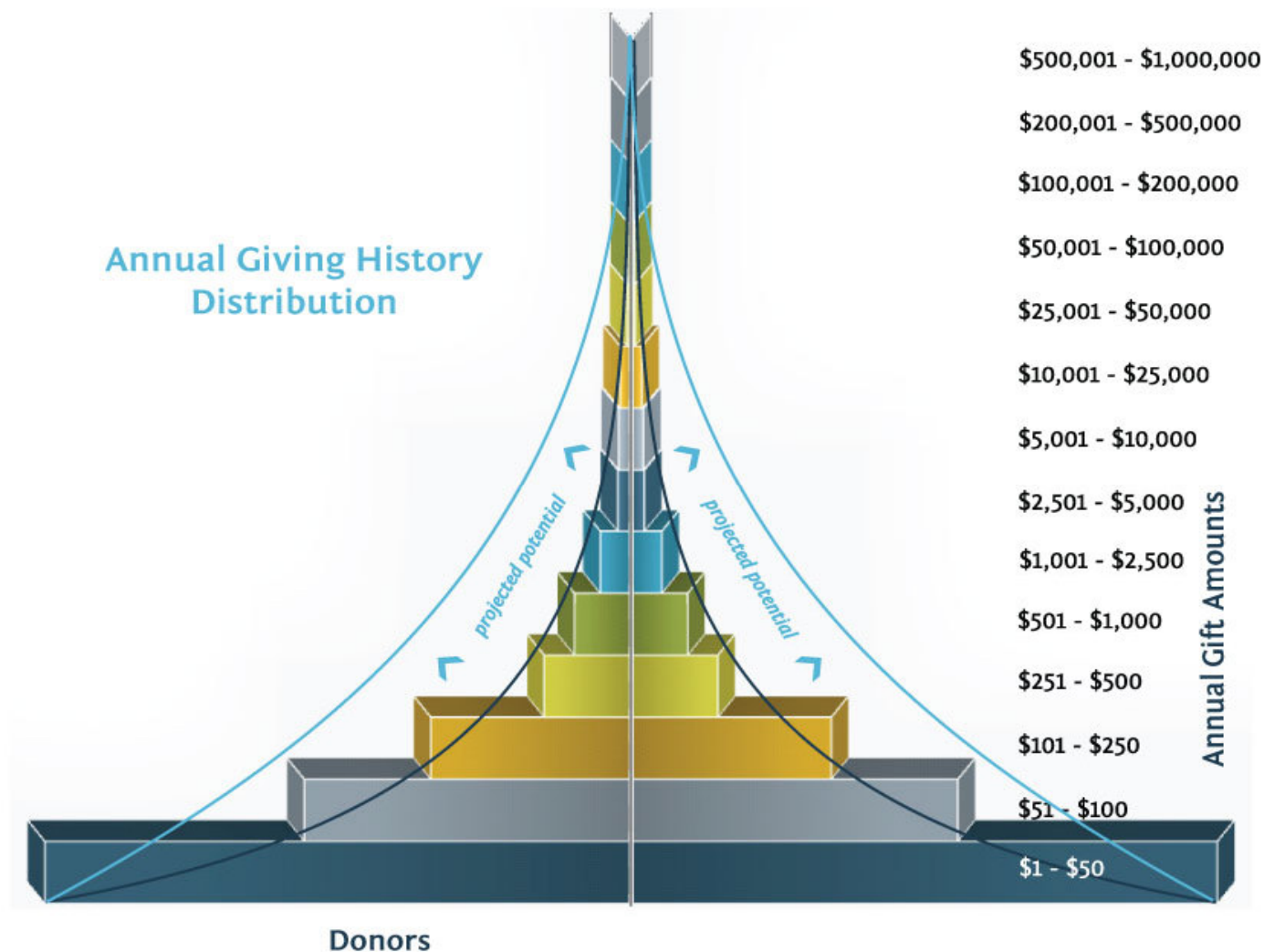Scoring the Database

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Before and After Comparisons

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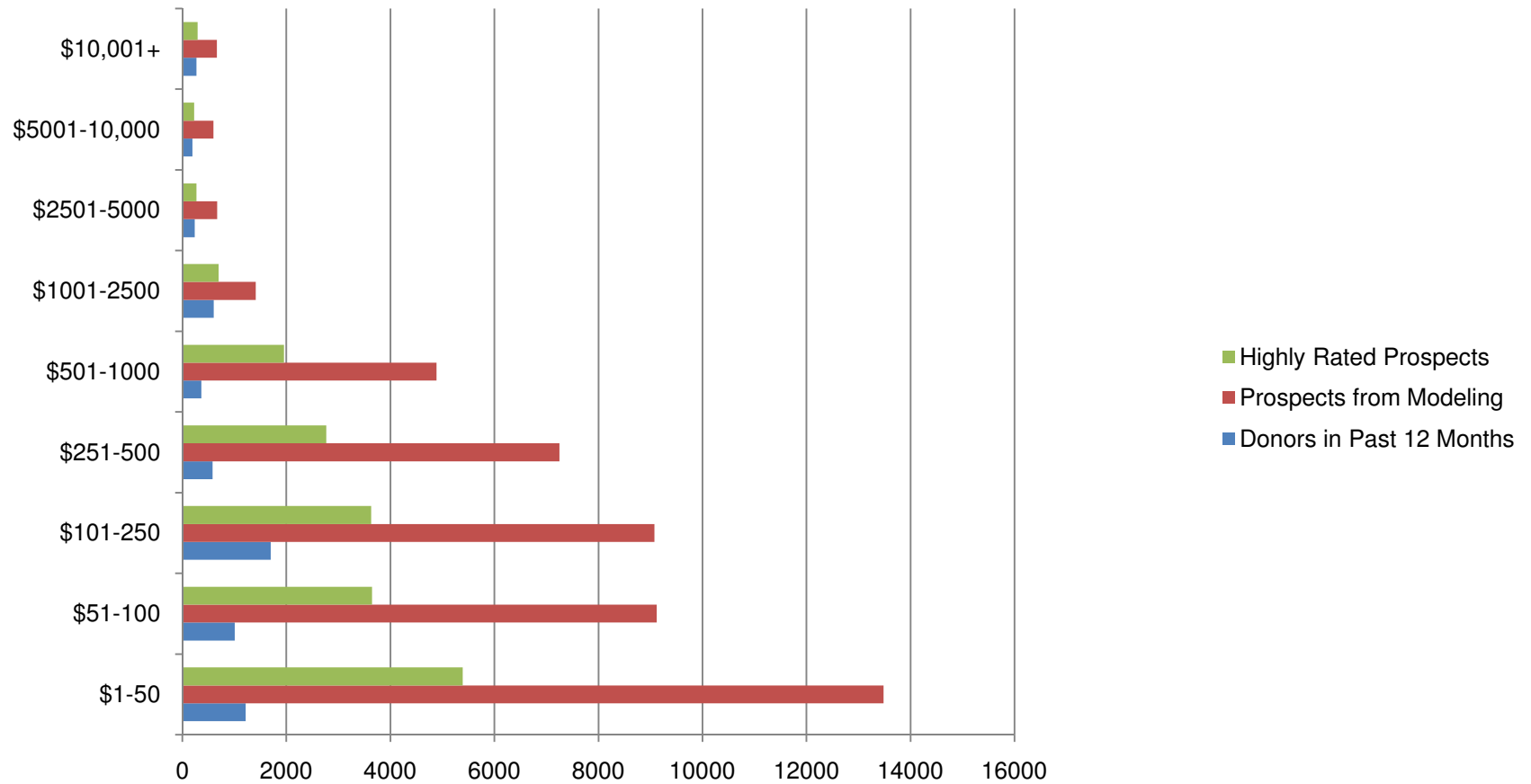
Best Practices for Growing Your Mid-Level Program

Your Pyramid Potential Lies in Mid-Level Giving

Annual Giving History Distribution

$500,001 - $1,000,000
$200,001 - $500,000
$100,001 - $200,000
$50,001 - $100,000
$25,001 - $50,000
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$2,501 - $5,000
$1,001 - $2,500
$501 - $1,000
$251 - $500
$101 - $250
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$1 - $50

Annual Gift Amounts

projected potential

Donors

Analysis That Leads to Action

- Identifying mid-level and transitional prospects is a worthwhile pursuit
- To succeed in building a stable fundraising pyramid, we must design cultivation and solicitation programs for this targeted group
- Are you doing it at your organization?
- What works?

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Implementation Recommendations
Mid-Level at $250-$1,000+

Direct Marketing Testing

- Identify candidates for upgrade mailings
- Target donors with high likelihood scores and capacity above their current giving level
- Simple A/B split test – Mid-Level Program Invite
  - Use the same package for both panels
  - Compare high-scoring donors with standard donor select for program
- Project true value of modeling by calculating additional response and revenue if only high-scoring names were mailed

| Test Panel	Qty Mailed	Responders	Response Rate	Revenue	Average Gift	Revenue per Piece
Modeled	15,000	447	2.98%	$ 18,739	$ 41.88	$ 1.25
Unmodeled control	15,000	330	2.20%	$ 11,052	$ 33.54	$ 0.74
Actual Campaign Results	30,000	777	2.59%	$ 29,791	$ 38.34	$ 0.99
Hypothetical Campaign Results	30,000	895	2.98%	$ 37,478	$ 41.88	$ 1.25
Lift/Gain from Modeling		*118*	*115*	*$ 7,687*	*109*	*126*

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Implementation Recommendations
Mid-Level at $250-$1,000+

Personalized Cultivation

- Brand your Mid-Level Program
- Use personalized invitations
- Messaging should include impact stories
- Match the offer with the donor's capacity
- Our research findings:
  - Top scoring donors upgrade their mid-level gifts when asked
  - This does not extend to annual fund upgrades
  - Scores provide the greatest impact within the giving range of the model

Upgrade Lift in Modeled Segments
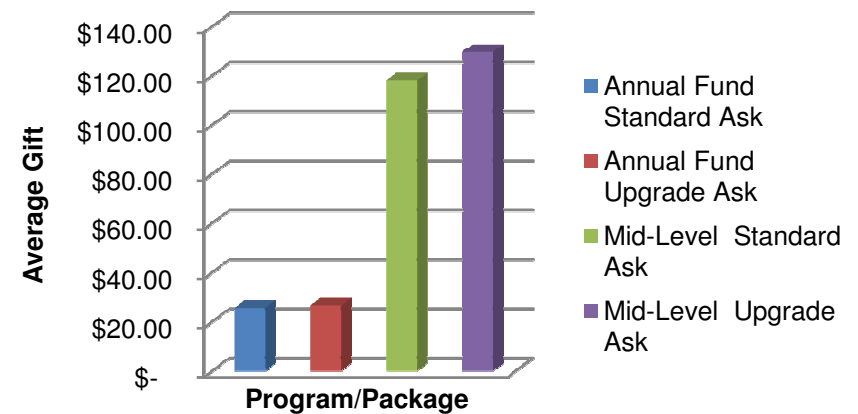
Maximize your modeling impact by building targeted models by program!

Implementation Recommendations
Mid-Level at $1,000-$25,000+

Take the First Steps

- Ensure that all mid-level prospects in the lower tiers are, at the very least, receiving differentiated or high-touch solicitations

- Review the entirety of communications to mid-level prospects, taking care to not over-solicit

- Assign a staff member to each prospect to act as a stewardship liaison

- Through surveys or personal contact, ascertain the interests of mid-level prospects to determine content of communication and cultivation

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Implementation Recommendations
Mid-Level at $1,000-$25,000+

Use Cultivation Events

- Likely to have more prospects than staff assignments will allow

- Maximize face-to-face opportunities

- Design events around identified interests of prospects

- Invite prospects to "insider" events

- Use other major or mid-level donors to invite and cultivate new prospects

- Whenever possible solicit gifts in line with identified interests

Research indicates that donors are more likely to restrict gifts as the level of giving increases

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Implementation Recommendations
Mid-Level at $1,000-$25,000+

Techniques for using scores for assignment

- **Mid-Level Prospects** have a high mid-level likelihood **and** capacity fits in mid-range
- **Prime Upgrades** are highly likely but capacity is just below mid-range

- Donor or member with significant recent activity or evidence of ongoing loyalty
- Indicators of personal wealth or philanthropic activity

Capacity in Mid-Level Giving Range - 12 months

Mid-Level Giving Likelihood	$501-$1,000	$1,001-$2,500	$2,501-5,000	$5,001-$10,000	$10,000+
Excellent					
Very Good					
Good					

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Implementation Recommendations
Mid-Level at $1,000-$25,000+

Techniques for using scores for assignment

- **Transitional giving prospects** have high likelihood and capacity just below major giving threshold
- Prospects with the highest scores are ripe for assignment are poised to move to the next level
- Assign newly rated prospects to fill pipeline
- Use modeling to identify assigned **Below Average Prospects** who are candidates for devaluation

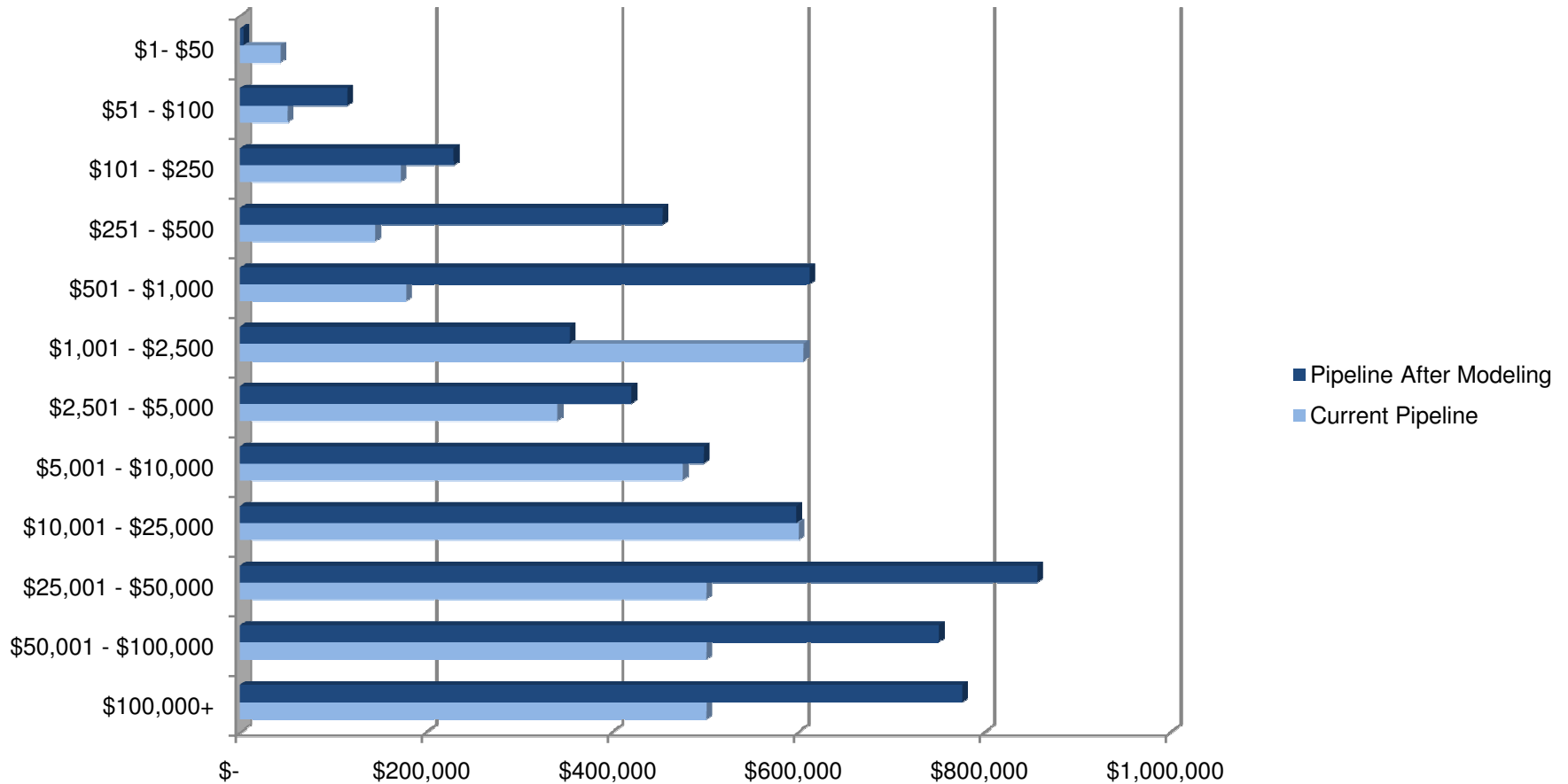### Capacity in Mid-Level Giving Range - 12 months

Mid-Level Giving Likelihood	$501-$1,000	$1,001-$2,500	$2,501-5,000	$5,001-$10,000	$10,000+
Very Good+					
Good					
Average					
Below Average					

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Prospect Pipeline by Likelihood & Capacity

Gift Range	Gift Minimum		# of Donors at this level	Current Pipeline		# of Qualified Prospects by Capacity	# of Qualified Prospects with High Likelihood	Pipeline After Modeling		Cumulative Total	
$100,000+	$	100,000	5	$	500,000	31	8	$	775,000	$	775,000
$50,001 - $100,000	$	50,000	10	$	500,000	60	15	$	750,000	$	1,525,000
$25,001 - $50,000	$	25,000	20	$	500,000	137	34	$	856,250	$	2,381,250
$10,001 - $25,000	$	10,000	60	$	600,000	239	60	$	597,500	$	2,978,750
$5,001 - $10,000	$	5,000	95	$	475,000	398	100	$	497,500	$	3,476,250
$2,501 - $5,000	$	2,500	136	$	340,000	672	168	$	420,000	$	3,896,250
$1,001 - $2,500	$	1,000	605	$	605,000	1,414	354	$	353,500	$	4,249,750
$501 - $1,000	$	500	355	$	177,500	4,887	1,222	$	610,875	$	4,860,625
$251 - $500	$	250	579	$	144,750	7,248	1,812	$	453,000	$	5,313,625
$101 - $250	$	101	1,699	$	171,599	9,076	2,269	$	229,169	$	5,542,794
$51 - $100	$	50	1,008	$	50,400	9,122	2,281	$	114,025	$	5,656,819
$1 - $50	$	1	42,172	$	42,172	13,460	3,365	$	3,365	$	5,660,184

Summary and Questions

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- White Papers:
  http://www.blackbaud.com/company/resources/whitepapers/whitepapers.aspx