

Modeling for Success in Health Care

Target Analytics' Fundraising Models

Laura Worcester, Senior Consultant , Target Analytics
Nancy Johnson, Analytics Partner Director, Target Analytics
Ann Sitrick, Executive Director, Beloit Health System

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Today's Agenda

- Blackbaud, Target Analytics and Your Presenters
- Challenges and Needs of the Health Care Development Office
- Predictive Modeling for Donor Development
- “I’ve Modeled, Now What Do I Do?”
- Beloit Health System’s Success Story
- Questions and Answers

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!***



► YOUR PRESENTERS

Laura Worcester
Senior Consultant, Target Analytics

- Laura has been a member of the Target Analytics team since its inception in 2001. During that time she has assisted hundreds of health care, education and other non profits in implementing their TA screening results. Laura was inducted into the Target Analytics Hall of Fame in 2010
- Laura earned her BA from Creighton University and has pursued graduate studies at the University of Wisconsin – Madison.
- Laura's 25+ years of advancement experience includes UW-Madison, St. Norbert College and Alverno College, as well as independent Schools in Wisconsin and Indiana. She has presented at CASE, AFP, AHP on topics ranging from prospect research to annual fund and capital campaign management.

► YOUR PRESENTERS

Ann Sitrick, CFRE
Executive Director, Beloit Health System Foundation

- Ann has served as Beloit Health System's Executive Director since 1996. Target Analytics has proudly counted her among its clients since 2001 when Ann first purchased our modeling services.
- Using the Target Analytics initial results, Ann took the Foundation from \$600,000 to \$6.2 million in 5 years. Under her direction they have consistently raised \$750,000-\$1,000,000 annually and doubled planned giving expectancies.
- Ann earned her BA from the University of Illinois and achieved her CFRE in 2004. She is a member of AHP and AFP. Ann has served as a faculty member for the University of Wisconsin's "Fundraising for Non Profits" seminar series and is past member of AHP's Journal Advisory Committee

► YOUR PRESENTERS

Nancy Johnson

Analytics Partner Director, Senior Consultant, Target Analytics

- Joined Target Analytics in 2010
- Past President of Target America, a VA based wealth screening company
- Bachelor of Sciences, Indiana University
- 20+ years of experience working with the nonprofit industry
- Emphasis Areas: Prospect Research, Major Gift and Capital Campaign analysis, Healthcare and Grateful Patient Programs focus
- Past Speaker at AAM, AFP, AHP and ePhilanthropy.org
- ePhilanthropy.org Trustee and Master Trainer

The Challenges and Needs of the Health Care Development Office

Challenges of Health Care Development Offices

- Misperceptions of funding sources
 - “You mean with these rates you need to raise money?”
- No ‘natural’ constituency
 - Grateful patients aren’t exactly alumni
- Community economic climate can impact philanthropic success
- Ongoing high expectations
 - Reduce Your Budget
 - Raise More \$\$
 - Are you kidding me??

Everyday Needs of Health Care Development Offices

Save Time

- “I need to **find new** Annual Fund donors, **upgrade current** donors while still **retaining** as many as possible!”

Manage Priorities

- “I need to **manage** top tier Major Giving prospects, but how can I do that when I don't know **who to target** for major gifts?”

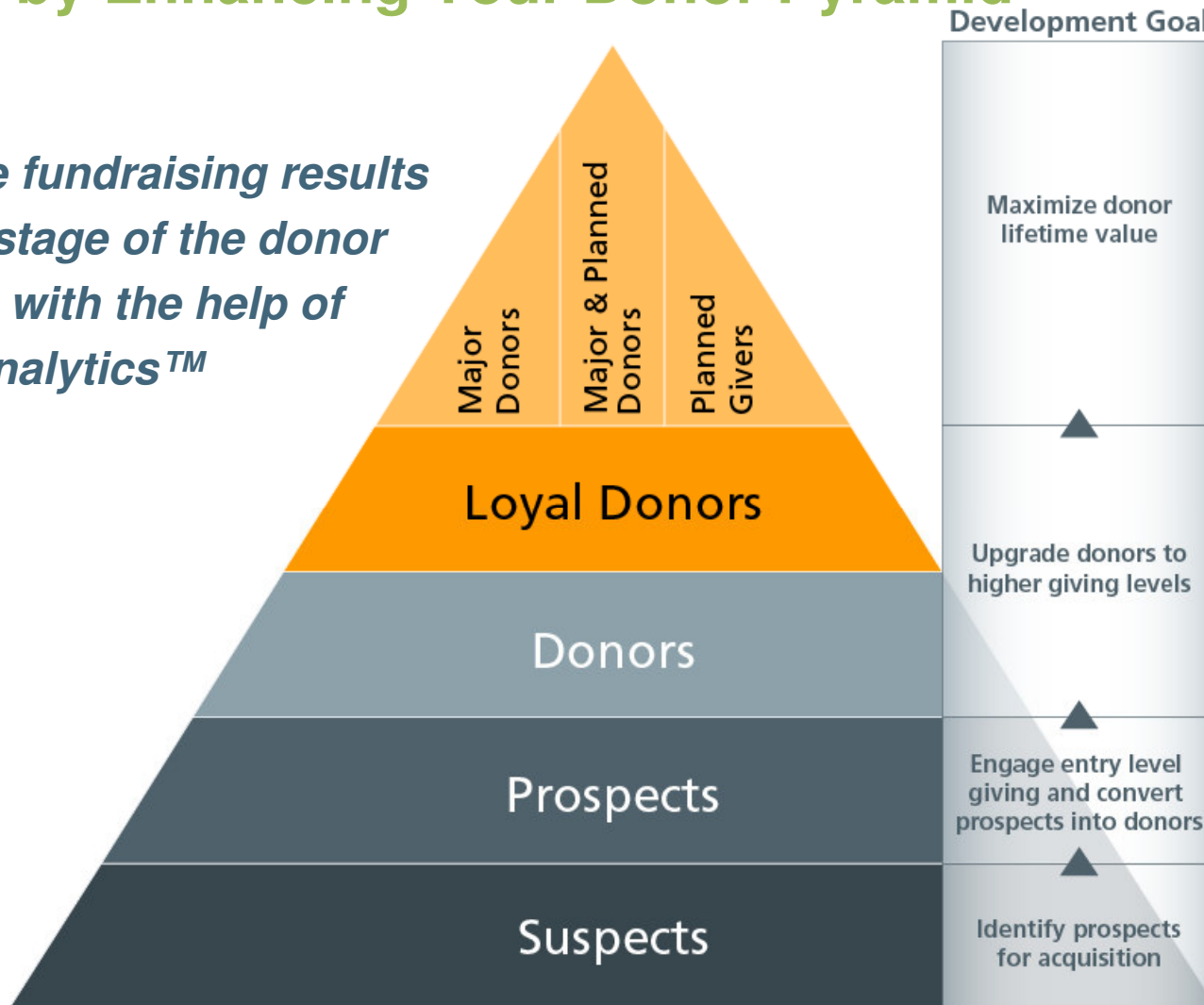
Increase Efficiency and Effectiveness

- “I need to **raise 25% more** money this year with a **25% smaller budget**”

***Survivor Mentality: Outwit * Outplay * Outlast:
Doing More With Less***

Results by Enhancing Your Donor Pyramid

Maximize fundraising results at every stage of the donor life cycle with the help of Target Analytics™



The Benefits of Data Mining and Modeling

- A comprehensive view of your database
- Jump starting prospect identification and classification
- Potential cost savings
- Clean your database
- Understand donor/non-donor characteristics
- Create cost-effective appeals
- Increase gift revenues
- Staffing and resource allocation
- Knowing your institution, turning knowledge into results

Analytics Begins With Data Mining

- ***Data Mining***: Automated or manual extraction or query 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

Data Mining – Internal Data: Anyone can do it! (And should!)

- Look for internal and transactional data to tell us donor/non-donor characteristics
 - Internal
 - Age
 - Gender: keep record keeping in mind (soft credits)
 - Constituency
 - Type/number of Relationship(s)
 - Transactional
 - Ticket buyers (athletic, cultural, other)
 - Special events

Data Mining – External Data Adds Depth and Breadth

- Data appended to your file:
 - Census—updated annually
 - Cluster data
 - Equifax Niche data
 - Summarized credit data
 - Philanthropic Data
 - NOZA, Guidestar
 - Wealth
 - Hard asset data
 - Other wealth indicators

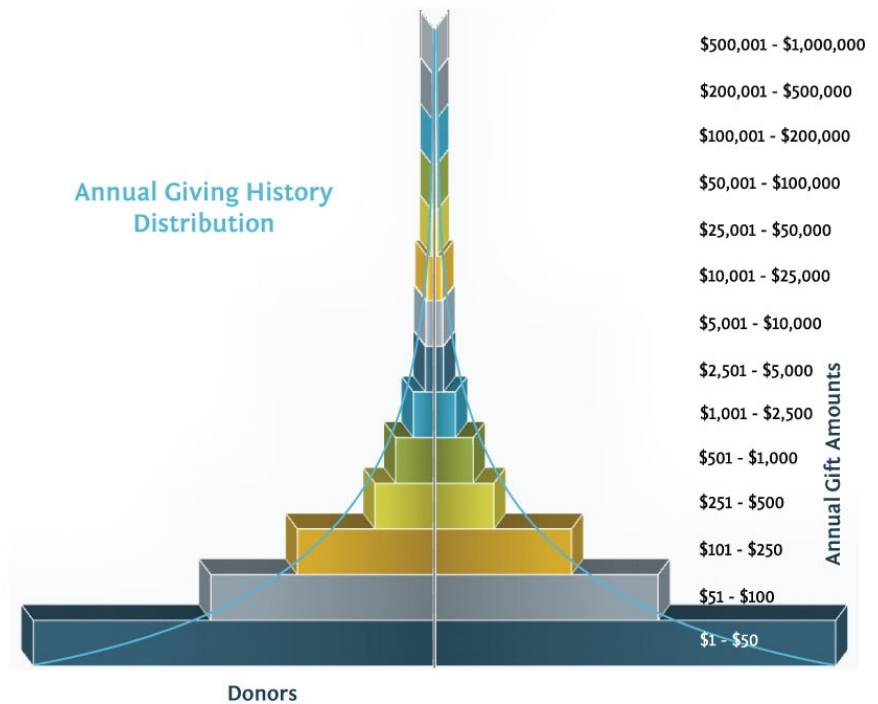
Predictive Modeling for Health Care Donor Development

Reality Check – What Shape is Your Pyramid? (Does it Look More Like the Eiffel Tower than Great Pyramid?)

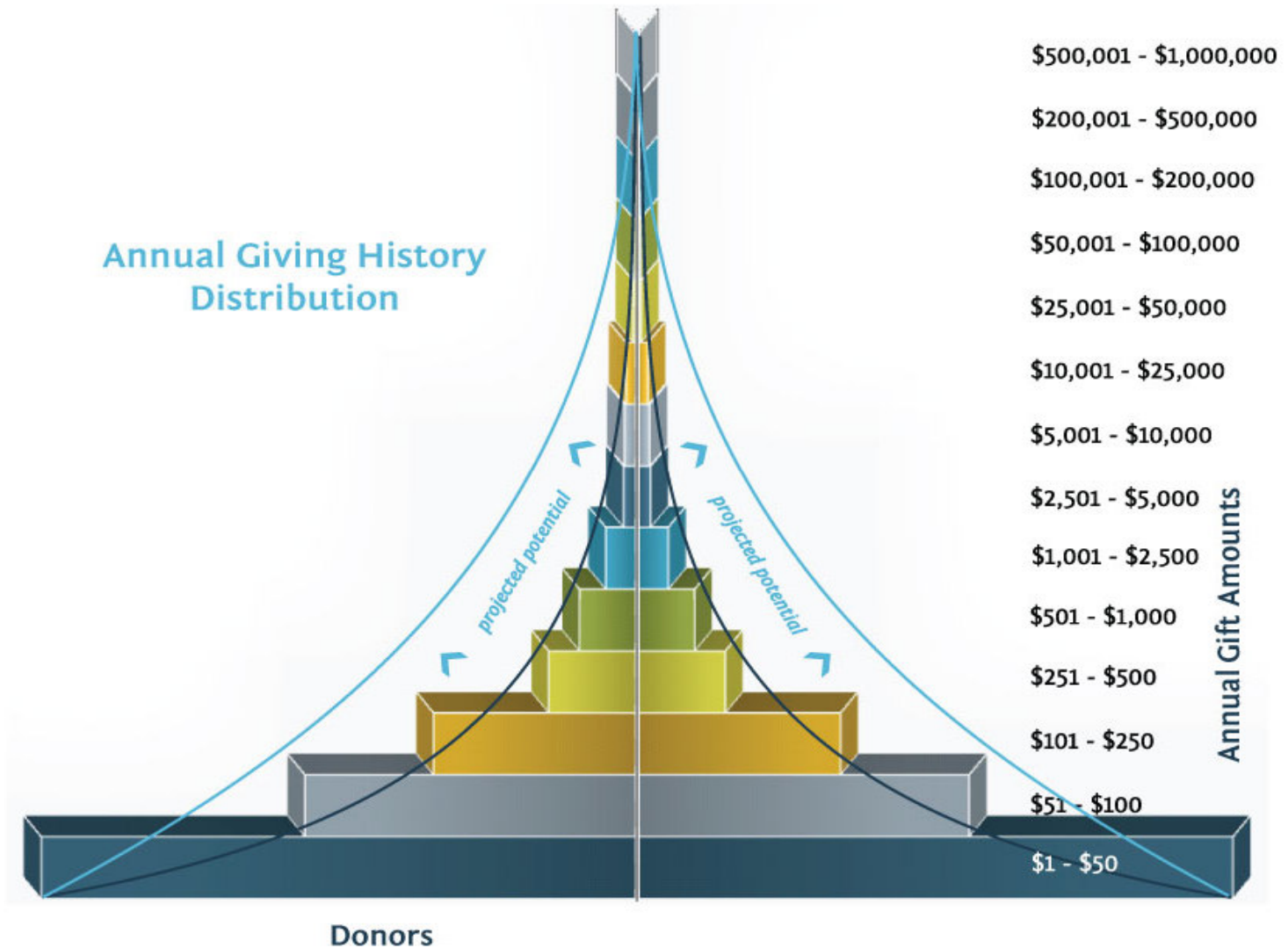
Traditional Gift Pyramid



Annual Giving History Distribution



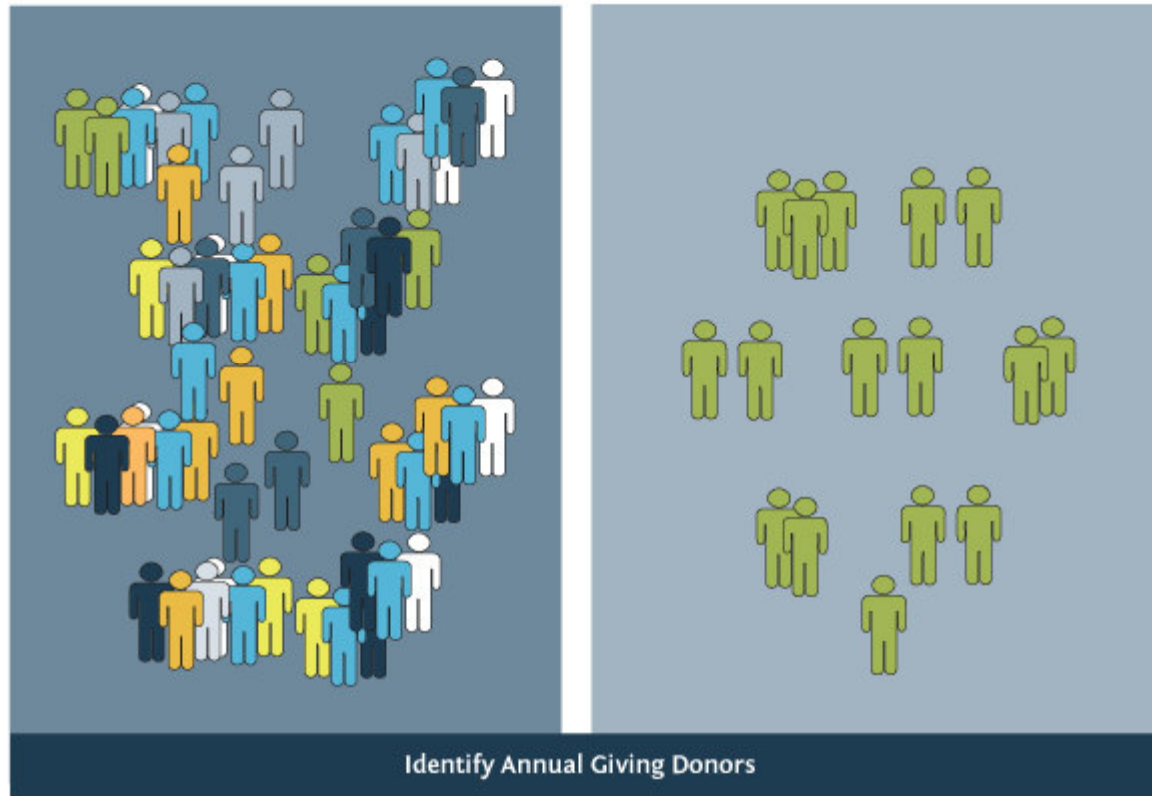
Pyramid Power



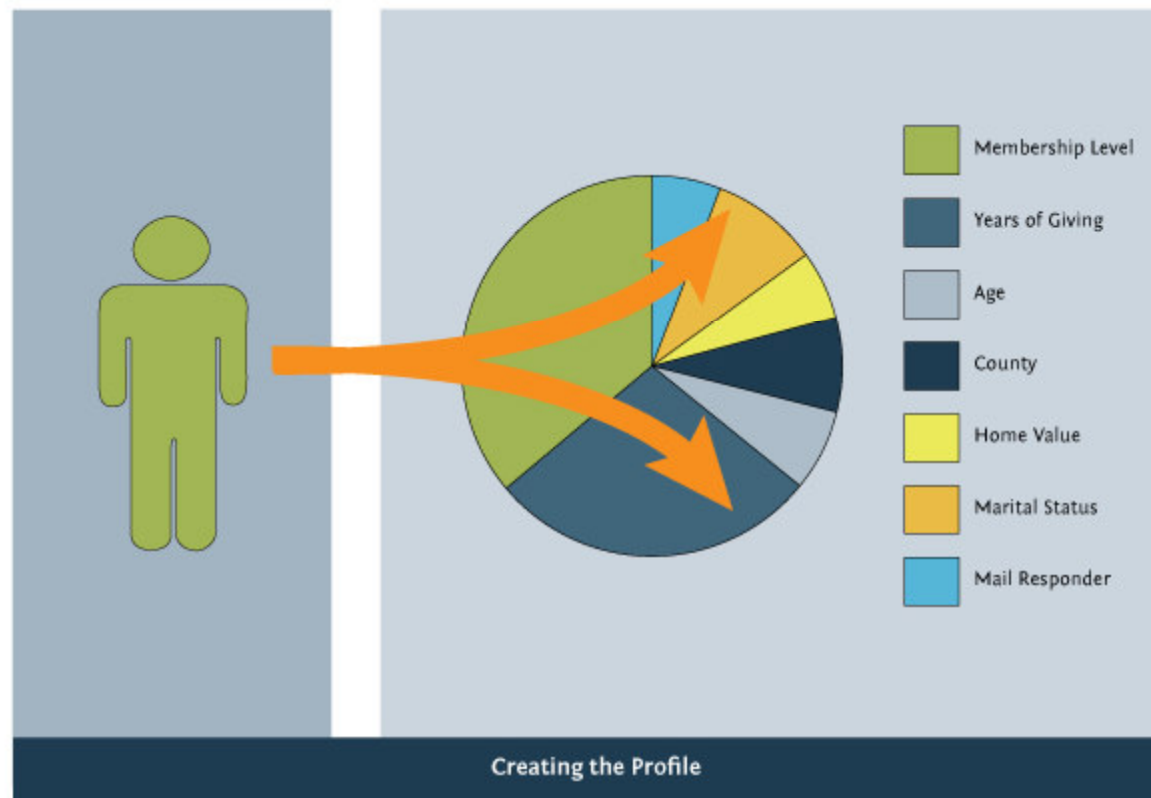
Predictive Modeling - Why it Works

- Giving profiles are complex and unique
- Profiles vary by
 - Organization
 - Constituency
 - Giving level/type
- Giving propensity and capacity are often different
- **Propensity and capacity scores will enable you to identify prospects to strengthen your donor pyramid**

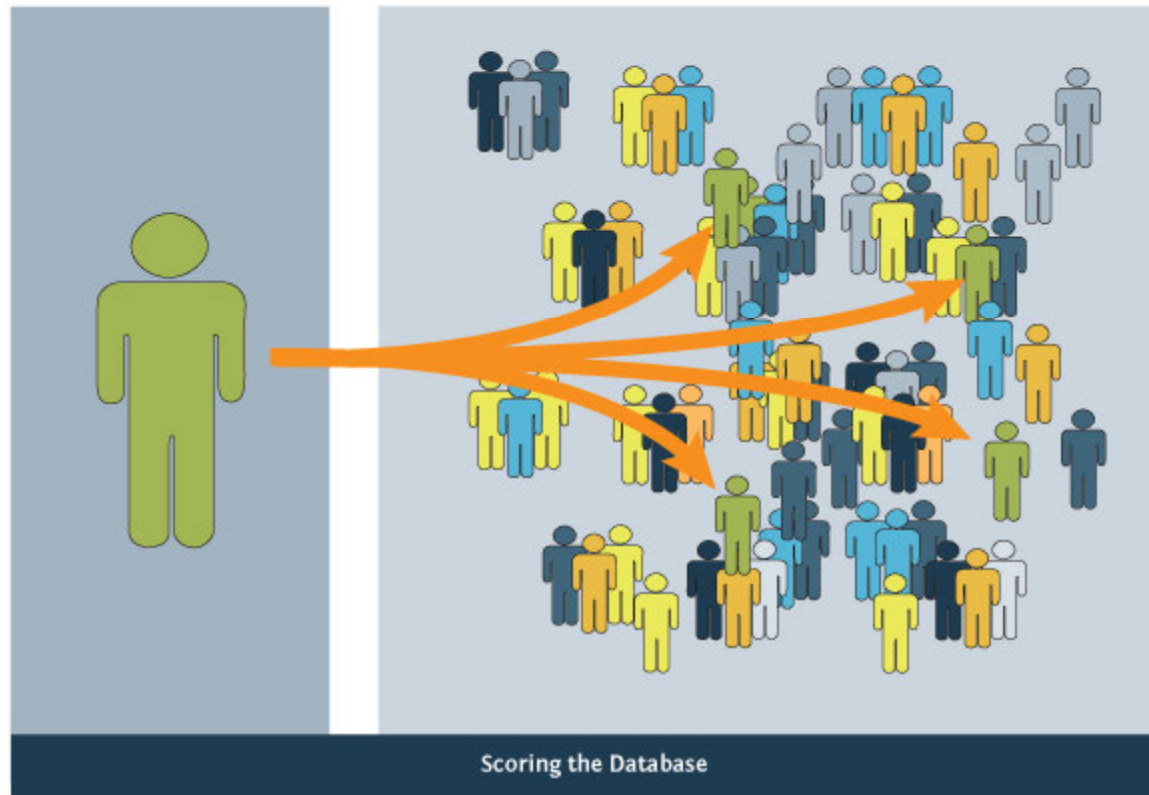
How Modeling Works: Who are You Looking For?



Building the Profile: Common Denominators



Scoring the Database: Finding the “matches”



Target Analytics Predictive Models

- Models & Services can be “scaled”
 - Not a “one size fits all” approach
 - Smaller offices can select services designed to address
 - current needs
 - limited staff
 - limited resources
- Implementation can address unique needs of health care development office
 - Identify and prioritize specific goals
 - Facilitate incremental implementation

What Type of Model: What Questions to be Answered?

- What are you trying to do?
 - Annual Giving: Good place to start
 - Who is likely to give/not give?
 - Who can give more?
 - Who is likely to be loyal donor?
 - When/how are they likely to give?
 - Major Giving
 - Who is likely to make a Major Gift?
 - How different from Annual gift donor/prospect?
 - Planned Giving
 - Who are best prospects for personal cultivation?
 - Who should we target for marketing success?

Predictive Models from Target Analytics

What Options Meet your Organization's Needs?

Likelihood Models

- ◆ Annual Giving Likelihood
- ◆ Major Giving Likelihood
- Planned Giving Likelihood
- Others?

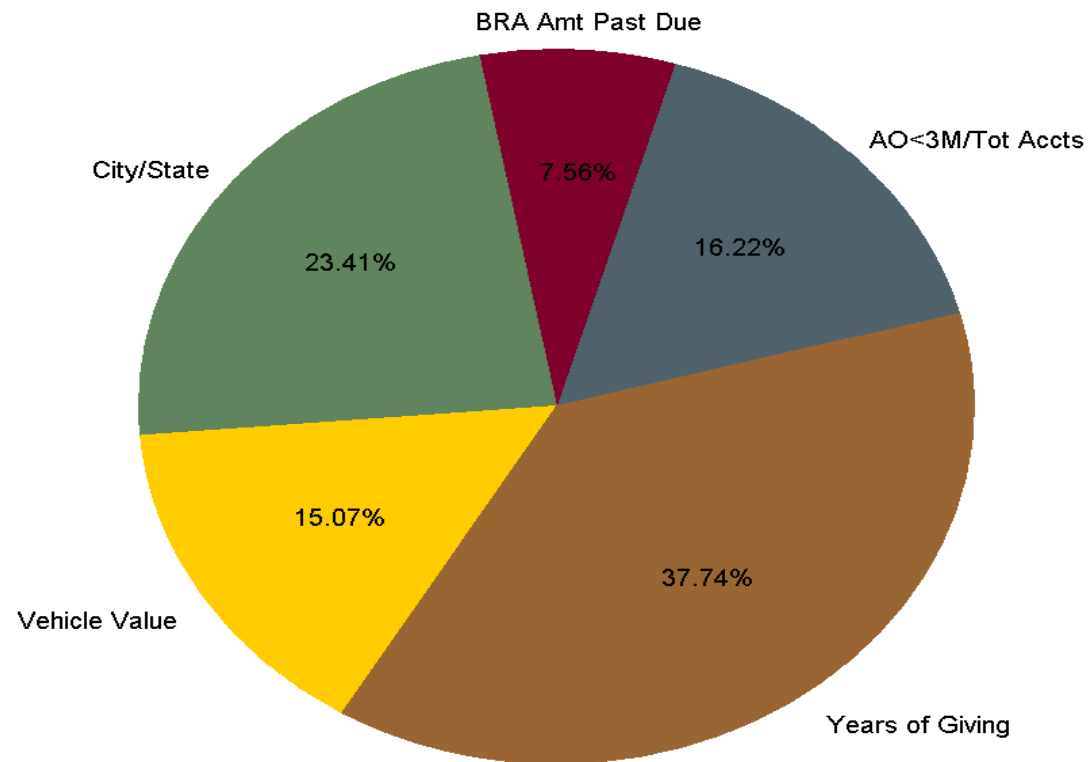
Target Gift Range Model

Suitable for all organizations
All gift sizes

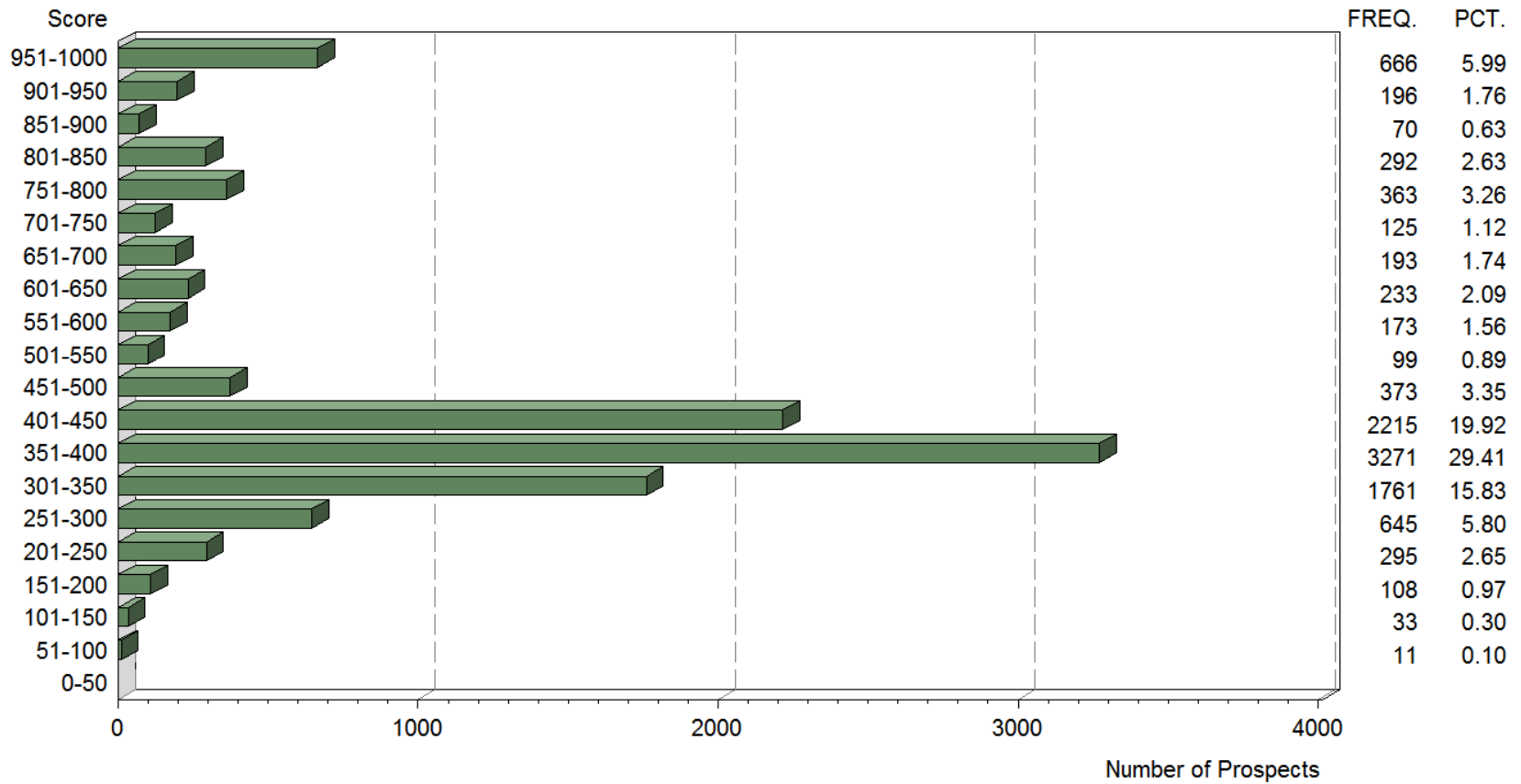
Annual Gift Likelihood and Major Gift Likelihood Models

- Utilize each with Target Gift Range model
 - AGL + Lower TGRs for Annual Giving
 - AGL + Mid level TGR for Leadership Annual Giving
 - MGL + Higher TGRs for Major Giving
- Targeted profiles for specific giver types
 - Identifies differences in “types” of donors
- Cultivate Major Donors while enhancing Annual Fund
- Targeted segmentation for
 - Each gift officer
 - Each giving priority

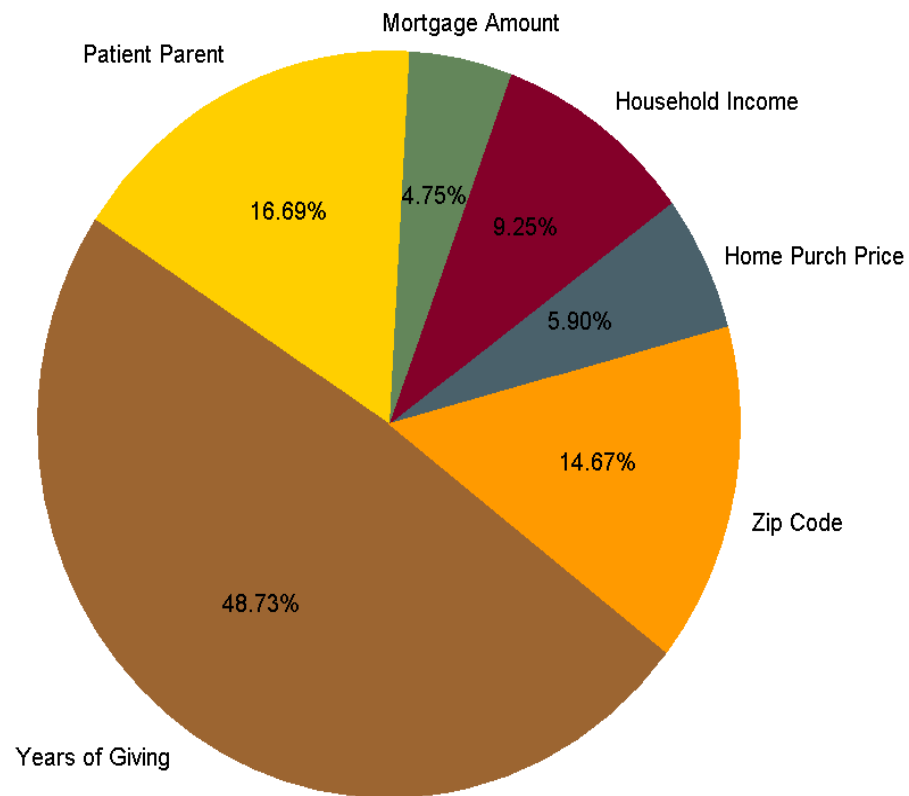
Sample Annual Gift Likelihood Variable Distribution



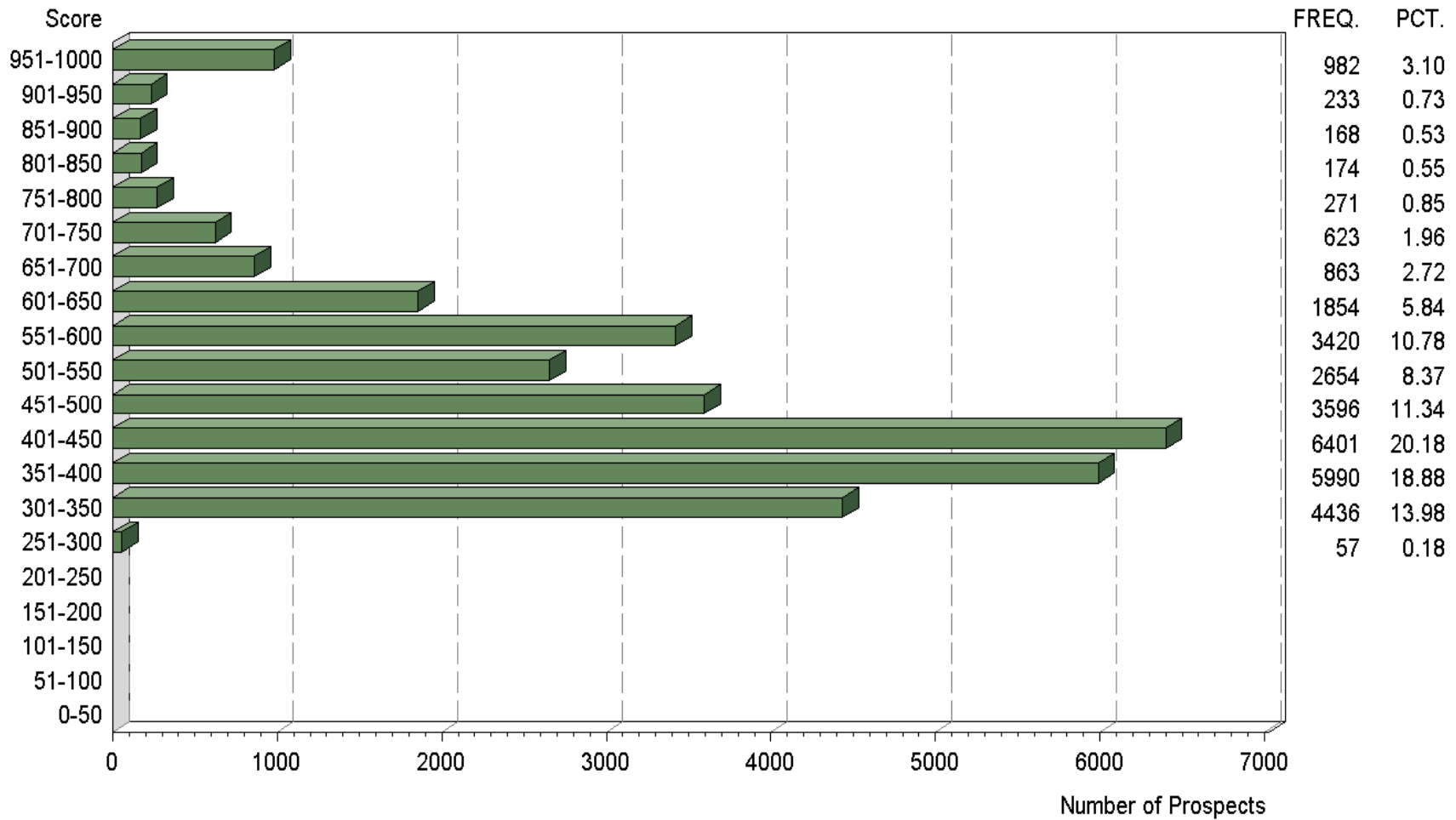
Sample AGL Score Distribution (0-1000)



Sample Major Giving Model



Major Giving Score Distribution (0-1000)



Target Gift Range (TGR) Model

- The TGR model looks at the inclination combined with the capacity a prospect has to make a gift at a certain level to *your* organization
 - Target Gift Range is projected by the predictive model for a **one year period**
 - Target Gift Ranges are numbered 1 to 12, from \$1-50 to \$100,000+
-

1: \$1 - \$50

2: \$51 - \$100

3: \$101 - \$250

4: \$251 - \$500

5: \$501 - \$1,000

6: \$1,001 - \$2,500

7: \$2,501 - \$5,000

8: \$5,001 - \$10,000

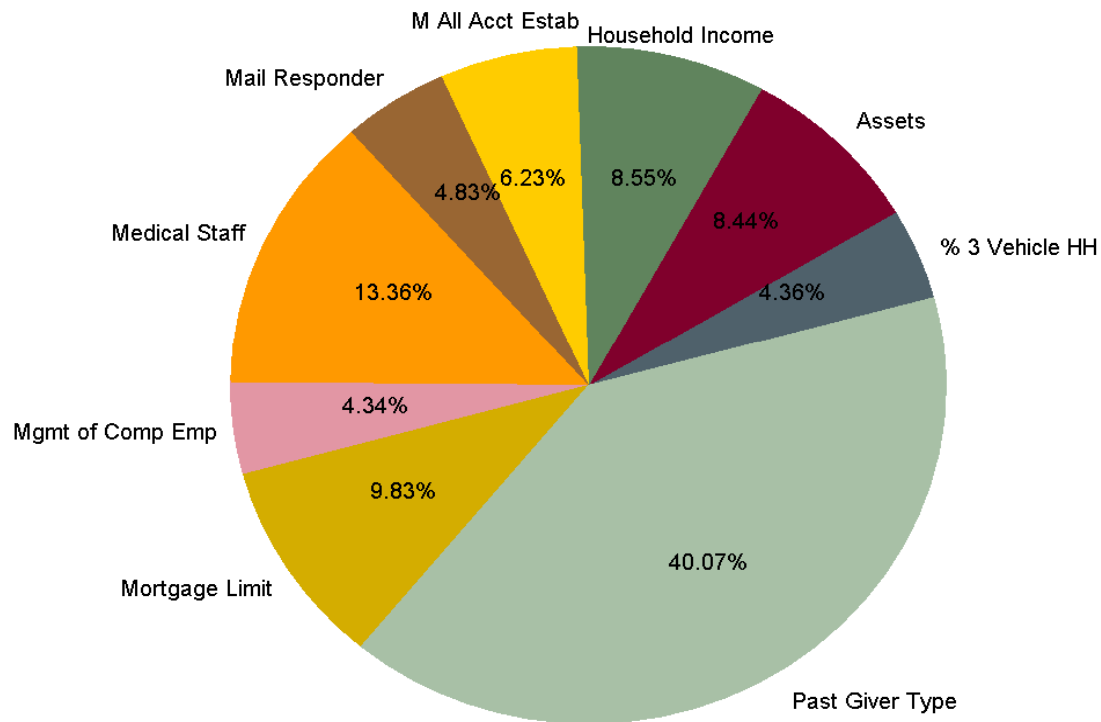
9: \$10,001 - \$25,000

10: \$25,001 - \$50,000

11: \$50,001 - \$100,000

12: \$100,001 +

Sample Target Gift Range Model

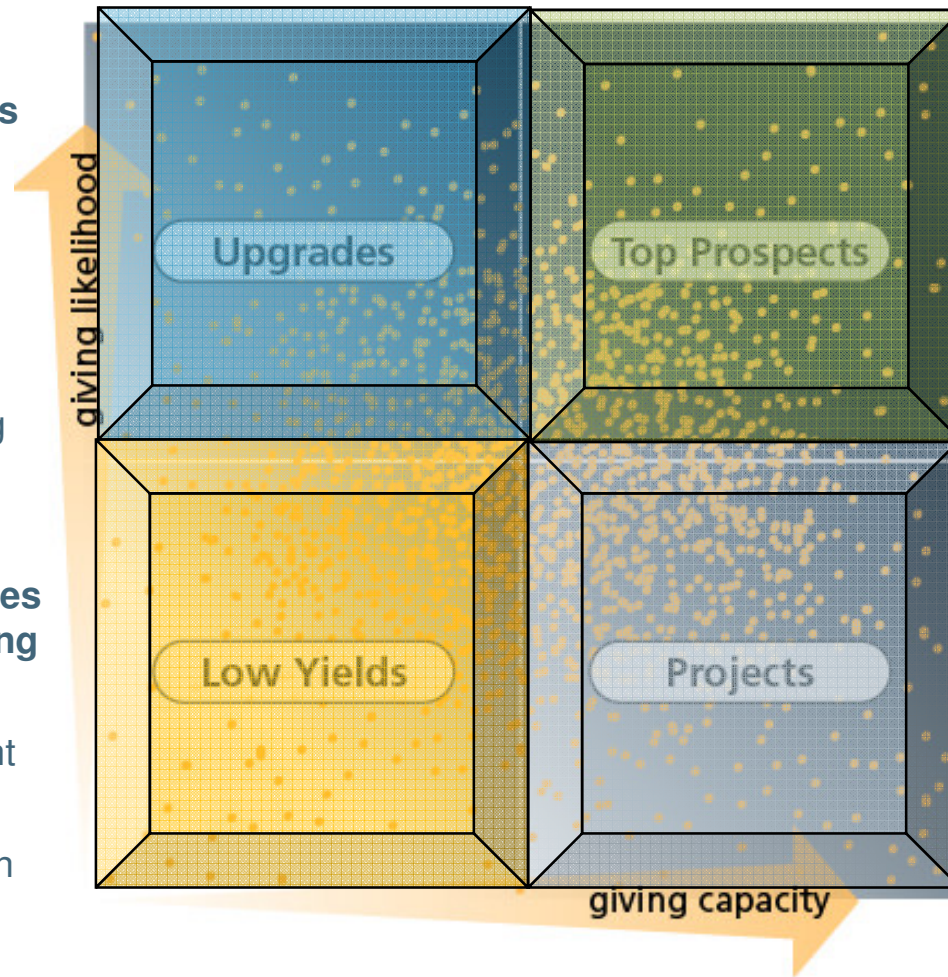


Suggested Ask (TGR) Compared to Largest Gift

Gift \$ Range	# of Individuals in each TGR	# with Maximum Gift at each level	% Change in Prospect Pool
\$0		53,584	
\$1 - \$50	17,192	2,189	+685%
\$51 - \$100	21,057	915	+2201%
\$101 - \$250	13,636	454	+2904%
\$251 - \$500	2,957	143	+1968%
\$501 - \$1,000	1,420	64	+2119%
\$1,001 - \$2,500	685	24	+2754%
\$2,501 - \$5,000	304	14	+2071%
\$5,001 - \$10,000	117	2	+5750%
\$10,001 +	25	4	+525%

Segmenting Prospects by Likelihood & Capacity

- **High likelihood scores and mid-level target giving ranges**
 - Implement targeted upgrade, mid-level major gift strategies
 - Increase annual giving
- **Low likelihood scores and low target giving ranges**
 - Minimize investment
 - Consider reduced resource application



- **Highest scores and high assets**
 - Further qualification and research
 - Immediate individual cultivation
- **Lower likelihood scores, but high target giving ranges and assets**
 - Need to be sold on your mission
 - Longer term cultivation

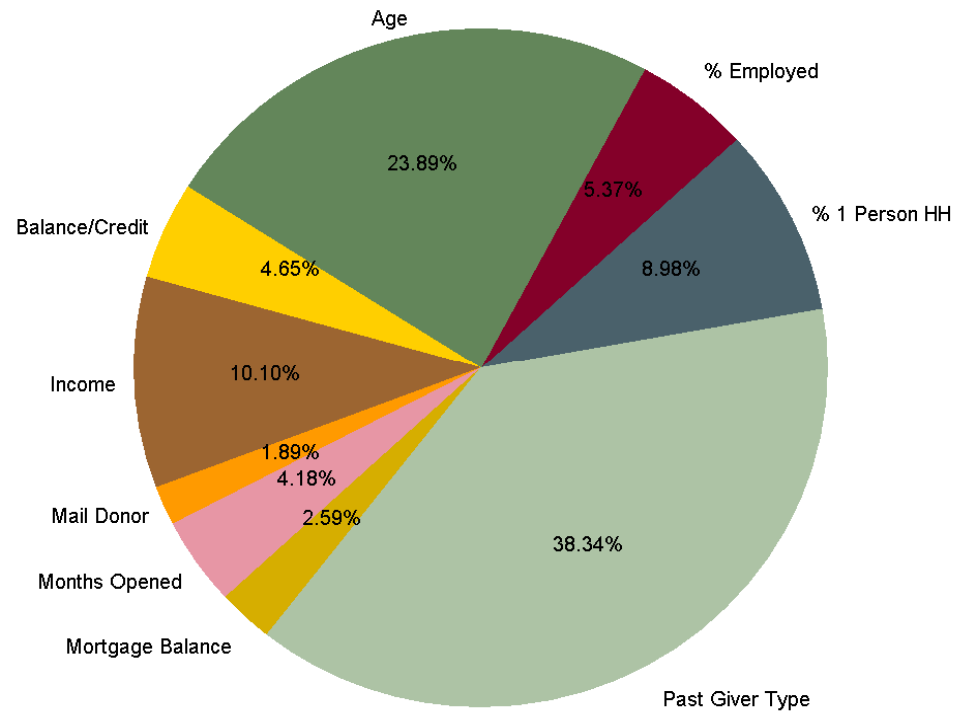
Integrating Giving Likelihood & Capacity: Annual Giving

	TGR \$1-\$250 (1,2,3)	TGR \$251-\$500 (4)	TGR \$501-\$1,000 (5)	TGR \$1,001-\$5,000 (6,7)	TGR >\$5,000 (>=8)
AGL >= 851 (Excellent)	1199	1217	1070	1194	225
AGL 651-851 Very Good)	4123	1045	497	386	99
AGL 551-650 (Good)	5649	1488	474	293	74
AGL 451-550 (Average)	8605	1610	330	233	44
AGL <= 450 (Below Avg.)	12,709	1526	245	185	39

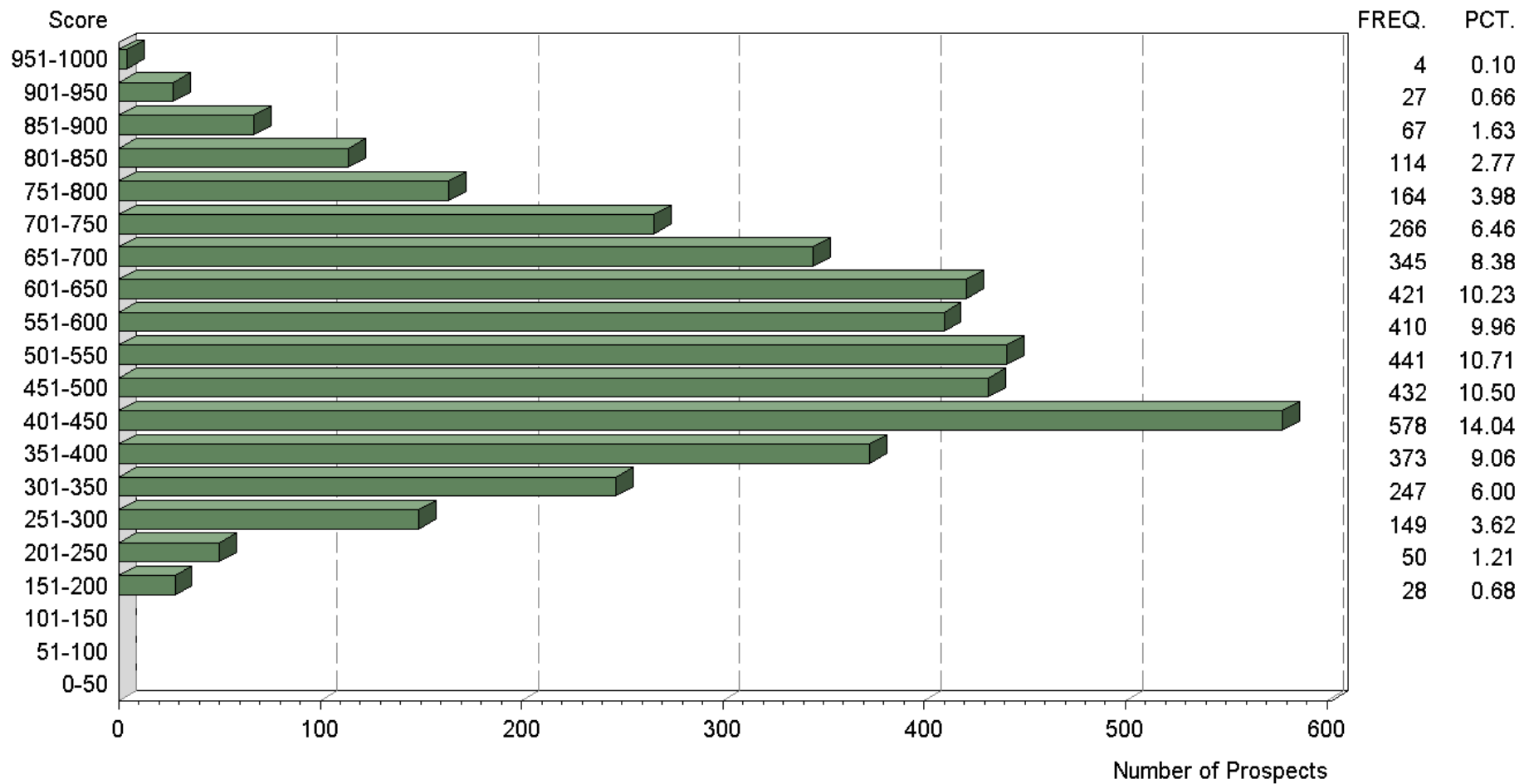
Integrating Major Giving Likelihood and Capacity 2259 Top Prospects in blue and green

	Target Gift Range			
	TGR 6-7 \$1,001-\$5000	TGR 8 \$5,001-10,000	TGR 9 \$10,001-\$25,000	TGR10-12 \$25,001+
Excellent MGL >=901+	<u>883</u>	<u>253</u>	<u>111</u>	<u>62</u>
Very Good MGL 751-900	<u>441</u>	<u>74</u>	<u>30</u>	<u>15</u>
Good MGL 601-750	<u>325</u>	<u>42</u>	<u>20</u>	<u>3</u>
Projects MGL <=601	<u>442</u>	<u>45</u>	<u>20</u>	<u>9</u>

Sample Planned Gift Likelihood Variable Distribution



Planned Giving Likelihood Score Distribution

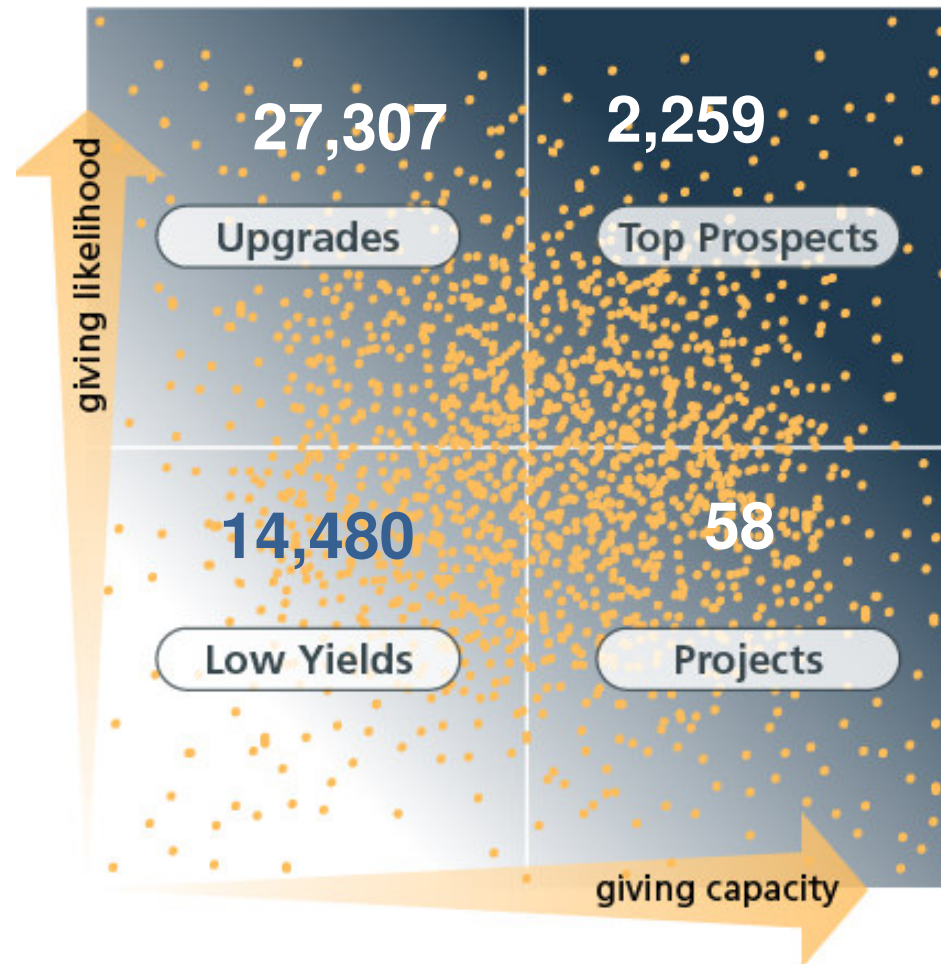


Planned Giving Likelihood Prospect Analysis

- Your best Planned Giving prospects:

PGL Score Range	Count
601-1000	1408

Identified Annual and Major Giving Prospects



Beyond ProspectPoint: Past Patient Tags

Maximizing Patient Direct Mail Response

- Increase your direct mail returns with Past Patient Tags, a predictive model that finds your most responsive patients
- Use Past Patient Tags to modify your contact strategy and yield higher returns while reducing your direct mail costs

	Tag Score	Total Records	Contact Frequency (# Appeals/Year)	Total Mailed	Annual Average Response Rate	Total Returns
Without Past Patient Tags	none	200,000	1	200,000	0.86%	1,720
With Past Patient Tags	A	24,000	2	48,000	1.68%	808
	B	24,000	2	48,000	1.44%	691
	C	24,000	1	24,000	0.97%	233
	D	24,000	0	-	-	-
	E	24,000	0	-	-	-
	X	80,000	0	-	-	-
Total Using Tags		200,000		120,000	1.36%	1,732

Putting it All Together: Predictive Modeling + Wealth Screening

The Power of Combining Wealth and Modeling

- A recent study completed by one of our senior statisticians showed that Wealth and Modeling *together* account for higher gift potential in a database than either method by itself
- Modeling alone can identify 75-85% of major gift prospects
- Wealth alone can identify 10-23% of major gift prospects
- Together can identify over 90% of major gift prospects
- Learn more! Read the paper for more insights
 - http://www.blackbaud.com/files/resources/downloads/WhitePaper_TargetAnalytics_MaximizingGiftPotential.pdf

Putting It All Together

A Top Prospect's ultimate rating will consider

- ProspectPoint predictive giving scores: use in tandem
 - MGL/AGL + Target Gift Range
 - Past giving to you
 - Past giving to other organizations
 - Wealth Screening and other prospect research
 - Anecdotal information

Prioritize Prospects:

- High MGL + TGR + *WealthPoint* + giving history + known info
- High MGL + TGR + giving history + known info
- High MGL + *WealthPoint* + known info
- High MGL + known info

Putting it All Together

Find the “low hanging fruit”

- Not all prospects will have “everything”
- Review the best prospects first
- Qualify as you go
- Use remaining prospects to feed pipelines as prospects are qualified/disqualified

Now What Do I Do? Next Steps for Success

Next Steps: Now What Do I Do?

You can't do things the same old way and expect different results

- Have to commit to changing “the way you do business”
- Examine everything that goes out of your office
- Are your letters tangible?
- What if donor asked, “What will you do with \$1000 if I give it to you?”
 - Be specific
 - Paint a picture
 - Ask with confidence
 - Think Heifer International: \$1000 will buy two heifers!

Painting the Picture

- When a family has a cow, every morning there's a glass of rich milk for the children to drink before heading off to school. Classes are paid with the income from the sale of milk, and there's even enough to share with the neighbors.
- A good dairy cow can produce four gallons of milk a day - enough for a family to drink and share with neighbors. Milk protein transforms sick, malnourished children into healthy boys and girls. The sale of surplus milk earns money for school fees, medicine, clothing and home improvements.
- Better still, every gift multiplies, as the animal's first offspring is passed on to another family-then they also agree to pass on an animal, and so on.
- And because a healthy cow can produce a calf every year, every gift will be passed on and eventually help an entire community move from poverty to self reliance. Now that's a gift worth giving!

An Informal Case Study of Upgrades

- Identified \$50 donors with TGR 4 (\$250-\$500)
- Typical next request would have been \$85
- Split the group
 - Control group—Asked for \$85 with old letter
 - Test Group— Asked for \$200 with new letter
 - Specific funding priorities
 - Acknowledged upgrade request
 - What will upgrade amount fund? (Individually and aggregate)
- **More donors upgraded to \$200 than \$85**
- What made the difference?
 - Letter: more specific: What will this gift fund?
 - Targeted ask
 - Confidence to ask once potential was identified

The Proof is in the Pudding: Client Success

Perspectives from a Long Time Analytics Client

Beloit Health System (BHS) Foundation is located on the Wisconsin/Illinois border and serves residents of both states. Beloit is a community of 35,000 residents while BHS has a market service area of 200,000. The Beloit Health System consists of a 125 bed community hospital plus seven clinics, two assisted living facilities and a health and wellness campus.

The BHS Foundation is 25 years old. Prior to Ann's arrival 16 years ago its fundraising was primarily event based, resulting in limited revenue. Ann first partnered with Target Analytics in 2001. Faced with the challenge of shifting funding sources, a fluctuating economic climate and ambitious goals, Ann knew she had to try something new if they were to raise more money

- . Since that time the screenings have not only helped Ann increase charitable revenue, but also led to the Foundation's creation of Annual Giving, Major and Planned Giving and Corporate Philanthropy committees

Beloit Health System Foundation Launches Innovative Programs to Engage Donors; Uses Target Analytics® To Drive Growth

“To raise more money, we had to better understand the donors in our database and develop cultivation plans. The truth is a small organization often needs fundraising modeling even more than a larger one.”



“Our donors feel a sense of ownership and it really builds our community. . . The thing is, we have to engage people and show results. That’s where I count on Target Analytics.”



“The results we received from Target Analytics were very solid, very well organized, and very insightful. They have improved our organization’s ability to raise the money we need to support the hospital.”

Ann Sitrick, CFRE
Executive Director
Beloit Health System Foundation

Beloit Health System Foundation

Special events have produced many loyal donors for Beloit who were largely identified by **fundraising models**. These events have contributed to the Foundation exceeding its support of the hospital's new Emergency Center project by an incredible **68%** over goal

Increased Annual Giving: A hospital volunteer and her husband made a first year gift of \$250. By identifying them early and inviting them to personalized events, the couple increased their annual giving to \$1,000 in less than four years – and they began to designate the Foundation as a recipient of an employer's matching gift

Results of Beloit Health System's first ProspectPoint fundraising modeling project for the last quarter of 2001 resulted in a **17% increase** in donations over the previous year's final quarter

Beloit has regularly used many types of fundraising models, including: Annual Giving Likelihood, Major Giving Likelihood, Planned Giving Likelihood, and **Target Gift Range**



Contact Info and Resources

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- www.prospectresearch.com
- Webinar Recordings:
<http://www.blackbaud/modeling>