

Keep the Acquisition Ideas Coming: List Optimization

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Nonprofit Federation

Why is list optimization important?

- Part of larger goal towards fundraising efficiency
- Current fundraising environment is difficult
- How can we achieve better performance, expand universe, and lower cost?

How can you optimize list performance?

- Match audience to right package
 - List level targeting
 - Contact cadence
- Refine list universe
 - Segmentation strategies
 - Zip model application
- Optimize list cost
 - Reuse strategies
 - Understanding list interaction

Match your audience with the right package...

By List Source

- Start with the data
 - Having acquisition results at the list and package level are a must
 - Analyze package results and determine which list sources provided the best performance
 - Use P/L's to determine success
 - Net/Donor or Cost Per \$\$ Raised (CPDR)

Match your audience with the right package...

By List Source

Example: Nonprofit has two control packages and would like to determine which list/package combination will optimize their acquisition spend:

<i>List Name</i>	<i>Segment</i>	<i>Offer</i>	<i>Resp Index</i>	<i>Grs Rev/M Index</i>	<i>Cost Index</i>	<i>Net/Donor Index</i>
EASTER SEALS						
	(6 MONTH) \$10+ DONORS					
		Non Premium	1.00	1.00	1.00	1.00
		Premium	2.51	1.79	1.26	2.79
GUIDEPOSTS DONORS						
	(12 MONTH) \$10+ CONTRIBUTORS					
		Non Premium	1.00	1.00	1.00	1.00
		Premium	1.42	0.98	1.46	0.31

Match your audience with the right package...

By Contact Cadence

American Diabetes Association:

- ADA identified prospects by # of contacts
- Divided prospects by unique vs. multiple contacts
- #10 OE (Control) vs 6x9 OE (Test)



6x9 Format



#10 Format

Match your audience with the right package...

By Contact Cadence

Results:

- Test package shows promise when mailed to those prospects that had been contacted previously by ADA

<i>Segment</i>	<i>Package</i>	<i>Resp Index</i>	<i>Grs Rev Index</i>	<i>Cost Index</i>	<i>Net/Donor Index</i>
1st Contact	#10 Control	1.00	1.00	1.00	1.00
1st Contact	6X9 Test	1.28	1.21	1.33	1.14
2+ Contacts	#10 Control	1.00	1.00	1.00	1.00
2+ Contacts	6X9 Test	1.45	1.35	1.33	0.91

Refine list universe...

By list segmentation

Target marginal list sources for refinement

- RFM works in acquisition
- Off data card segments
- Data overlays are more common now
- Premium acquired segments

<i>List Name</i>	<i>Segment</i>	<i>Resp Index</i>	<i>Grs Rev/M Index</i>	<i>Net/Donor Index</i>
ALZHEIMERS ASSOCIATION DONORS				
	6 MONTH \$10+ NON PREMIUM DONORS	0.70	0.78	0.83
	6 MONTH \$10+ PREMIUM DONORS	1.02	1.05	1.03

Refine list universe...

With zip models

Targeting your best performing zip codes optimizes performance and reduces cost.

- Penetration vs. profile models
- Application can lift performance 20% or more
- Expands universe by pulling marginal list sources back into the listplan
- Pre-selecting names is more efficient than post-merge suppression models
 - Mailer only pays for the names selected with the model

Refine list universe...

With zip models

Gain charts verify the lift in performance the model will deliver in a live mailing environment.

- Back validate prior acquisition campaigns

<i>Decile #</i>	<i>Cumulative Resp Index</i>	<i>Cumulative Grs Rev Index</i>
1	138	136
2	127	125
3	123	121
4	119	117
5	116	114
6	113	111
7	110	109
8	107	107
9	105	105
10	100	100

Refine list universe...

With zip models

Verify performance at the list level.

- Random Nth vs zip select

<i>List Name</i>	<i>Segment</i>	<i>Resp INDEX</i>	<i>Grs Rev INDEX</i>	<i>Net/Donor INDEX</i>
<i>CHRISTIAN APPALACHIAN PROJECT</i>				
	<i>12 MO \$10+ DONORS (Random Nth)</i>	<i>1.00</i>	<i>1.00</i>	<i>1.00</i>
	<i>12 MO \$10+ DONORS (ZIP 1-3)</i>	<i>1.26</i>	<i>1.24</i>	<i>1.18</i>

Things to consider...

- Use zip models on marginal lists
- Be aware of how different packages respond to zip model

Optimize list cost...

By reusing core lists

Reusing names from prior campaigns expands universe and lowers cost.

- Reuse vs. omits on strong list sources
- Cost benefits:
 - Pay only on net out of first merge quantity
 - Segment fees are generally waived (i.e age, gender, zip, etc)
 - Lower exchange debts
- Performance:
 - 20% decline in response rate compared to 1st mailing
 - Gift is usually neutral

Optimize list cost...

By reusing core lists

Example:

- Placed two orders for same list:
 - 1st order omitted prior order (standard process for this client)
 - 2nd order was a net reuse of prior order

<i>List Name</i>	<i>Segment</i>	<i>Resp INDEX</i>	<i>Avg Gift INDEX</i>	<i>Grs Rev/M INDEX</i>	<i>Net/Donor INDEX</i>
NATIONAL WILDLIFE FEDERATION					
	(12 MONTH) \$10+ DONORS	1.23	0.93	1.15	2.52
	NET REUSE (12 MONTH) \$10+ DONORS	1.10	0.93	1.03	1.93

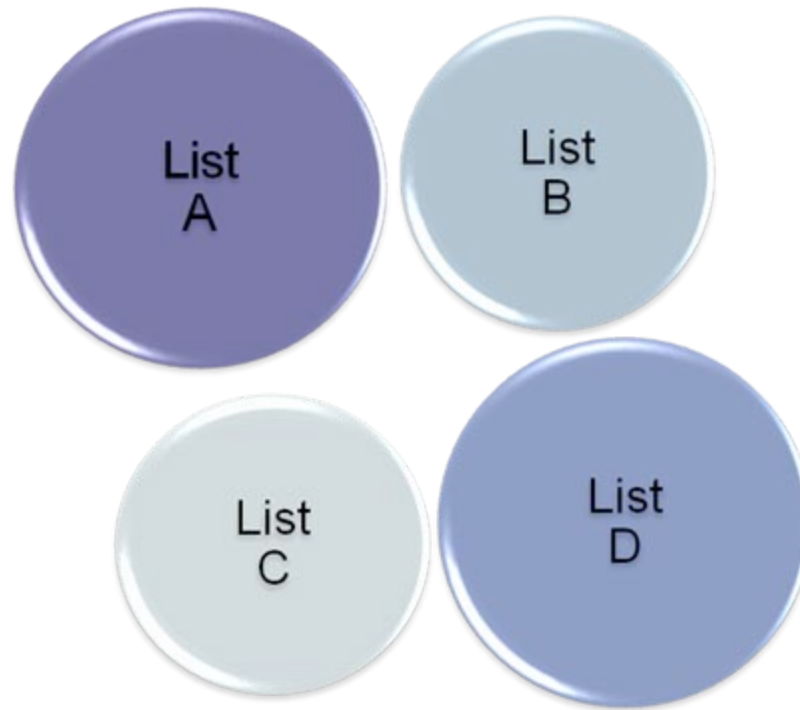
Optimize list cost...

By reducing name duplication

Name duplication within the merge drives list cost up.

- Tend to only think of list universe in net output terms

Source	Net Output
List A	25%
List B	25%
List C	50%
List D	30%

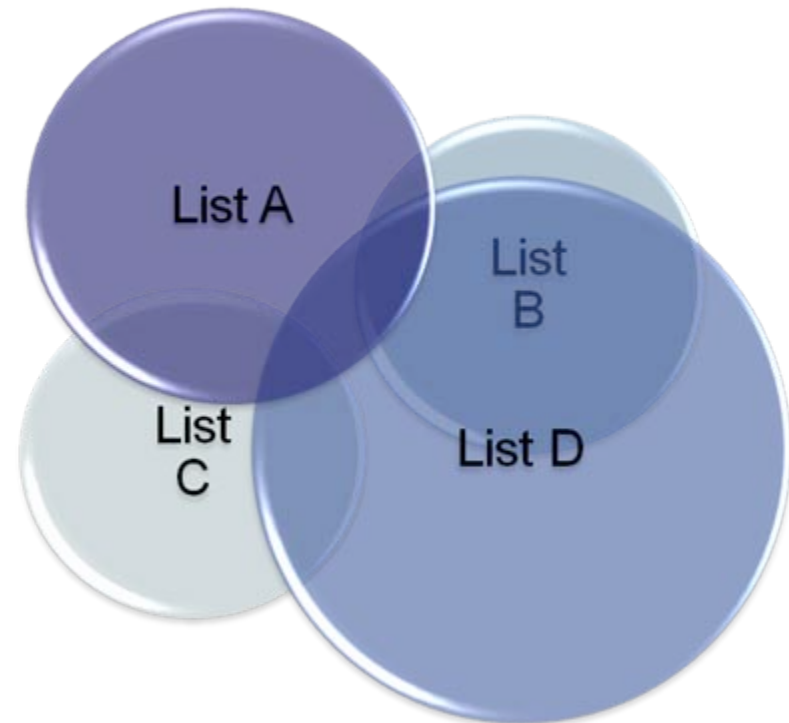


Optimize list cost...

By reducing name duplication

- Understanding the list interaction in the merge can help identify opportunities to trim cost

Interaction	List A	List B	List C	List D
List A	0%	5%	8%	10%
List B	10%	0%	0%	80%
List C	18%	0%	0%	20%
List D	5%	25%	5%	0%



Who am I?

Glenn Gibson
Director, Strategic Marketing
National Wildlife Federation

Who was I?

Glenn Gibson
Founder/President G² Consulting
Marketing Manager Bits and Pieces
Circulation Manager EMEDCO

What can you optimize?

Almost everything!

- Customer Segments
- House, Non-Buyer
- Outside Lists
 - Rental
 - Exchange
 - Multi
 - Single

But today we shall talk about outside lists

Pre-merge vs. Post-Merge

Zip Models

- Types and Applications

Optimization Models

- Suppliers
 - Modelers Skill
 - Data with which to model
 - Input data to model
- Pricing

Implementation

Zip Models

- Select vs. De-select
 - Allow lists to enter the merge that wouldn't normally make it
 - Maximize value of exchange balances

Optimization Models

- Multis are not the same as Singles

Case Study

Optimization Model

Validation

Model Segment	Mailings	Responses	Response %	Response Index	Donation Dollars	IPPM	IPPM Index
1	72,464	4,874	6.73%	210	\$93,629	\$1.29	241
2	71,282	3,692	5.18%	162	\$67,875	\$0.95	178
3	71,301	2,767	3.88%	121	\$50,442	\$0.71	132
4	75,399	2,266	3.01%	94	\$43,044	\$0.57	107
5	81,048	2,203	2.72%	85	\$40,165	\$0.50	93
6	80,477	1,962	2.44%	76	\$36,509	\$0.45	85
7	82,447	1,790	2.17%	68	\$39,461	\$0.48	89
8	87,460	1,699	1.94%	61	\$37,852	\$0.43	81
9	80,513	1,359	1.69%	53	\$25,438	\$0.32	59
10	94,579	1,353	1.43%	45	\$29,011	\$0.31	57
Total	796,970	23,966	3.01%	94	\$463,426	\$0.58	109

Case Study (continued)

Optimization Model

- Based on the validation table, we dropped the 19s and 20s out of our mailing, back-testing some of them to make sure it holds as promised

Results

- Overall, our prospecting response was 1.71% for that mailing
- The 19s and 20s did only a 1.18% response
- Clearly, we were right to drop them

Optimizing Internal Names in Acquisition

Cheryl Lovinsky

Associate Director, Direct Response Marketing

American Diabetes Association



Nonprofit Federation
January 28-
29,
2010

What are Warm prospects?

Vary across organizations, but include any names that have a relationship with your organization but aren't currently donors.

Examples can Include:

- Special Event Participants
- Information requesters
- Patients
- Volunteers
- Members
- Purchasers

Why Mail Warm Prospects?

- Already have an affinity with your organization
- Are 'free' once information is captured
- ***May or may not be direct mail responsive***

ADA's experience with warm prospects

- Extremely large universe – 9MM names
- Generated from multiple sources:
 - Membership
 - Catalog purchasers
 - Special event donors and participants
 - Residential volunteers and donors
 - Tribute and Memorial donors
 - And others...
- All housed on a single marketing database

ADA's current uses for warm prospects

- 'Cross selling' across many different programs.
- Including direct mail...
 - Audiences are rolled into larger groupings of prospects and modelled.
 - Top scoring names are mailed in acquisition
 - Currently receive acquisition control packages
- We know we're not optimizing this valuable resource.

ADA's Future opportunities

- Developing a new warm prospect model for DM
- Breaking down larger tracks into smaller segments based on origin and recency.
- Messaging to prospects based on interest and affinity.
- Development of reporting to look at overall value

OPTIMIZING LIST TO IMPROVE DONOR VALUE: A CASE STUDY

Tiffany Neill

**Partner,
Lautman Maska Neill & Company**



Nonprofit Federation
January 28-
29,
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What did this group want to improve

The Good ...

- High acquisition response rates
- Strong retention of new donors
- Excellent conversion to monthly donors

The Challenges ...

- Declining acquisition average gift
- 1/3 of the donors acquired 2 mailings in a row were \$5.00 or less
- Poor upgrade prospects, poor ROI

What did they decide to do?

- Tried refining list selects (test dollar ranges, segments)...
 - Not so good
 - Some segments too small to see if change really mattered
- Tried package modifications
 - Some ask testing worked, some didn't

So then what?

- Test model to identify people who chronically gave \$5 or less
 - First time test
 - Test across packages
 - 3rd Party Database
- Select low dollar donors from continuation lists only
 - provides more accurate measurement

But wait...

- Check list agreements
 - Had to re-clear lists to make 3rd party modeling apparent
- Adjust timing
 - Build in post-merge time for the modeling
- Budget

Did it Work?

- Heck Yes!
 - Previous Acquisition (no modeling)
 - Response Rate: 1.21%
 - Average Gift: \$17.64
 - Overall Test Segment (donors identified as low dollar)
 - Response rate: 1.80%
 - Average Gift: \$4.98
 - Segments that excluded the identified records
 - Response Rate: 1.10%
 - Average Gift: \$19.30
 - Follow Up Mailing Implementing change
 - Response rate: 1.10%
 - Average Gift: \$19.44

Continued List Segmenting

- Continue refining list selections
- Test eliminating low dollar names in test lists
- Test eliminating with multis

Continued Modeling

- Can we get higher dollar people to give more? YES!
 - Model to find prospects likely to give \$20+
 - Response Rate: 1.25%
 - Average Gift: \$42.00
- Test different ask line, treatment, letter, etc.
- Using different ask in letter improved performance

Renewals and On-going gifts

- After adding optimization
 - Simultaneously added additional new donor cultivation
 - New donor retention rate increased by 6%
 - Upgrades improved by 20%
 - However... sustainer sign ups declined by 7%
- Lifetime Value
 - More \$100+ donors after 2 years
 - Lower monthly donor participation rates
 - Jury out on upgrades to \$1,000+ annual levels and planned giving

Analyze, Analyze, Analyze

- Carefully monitored first and multi year retention rate
- Check sustainer conversion rate
 - Testing messaging and timing of sustainer offers
- Monitor upgrades and overall donor value
 - Test against other models
- Refine, test, refine, analyze