



**46th AFP International  
Conference on Fundraising**

March 29 – April 1, 2009  
New Orleans, Louisiana

**Mining for Gold:**

Using Modeling to Find Hidden Treasure

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## Before we begin... What do we mean by “modeling?”

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Using like characteristics about people in combination to find those most likely to predict future behavior.



## Before we begin – What can modeling do?

- Help identify groups that may be responsive to being treated differently
- In return you can...
  - Raise More money
  - Mail More Cost Effectively
  - Invest more in Donors with a higher Lifetime value
  - Improve on Retention and Upgrades



## Before we begin – What can't modeling do?

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- Replace testing and best practices
- Make up for a weak case for support
- Cannot account for the emotional element that exists in philanthropic giving



## The Techniques



Segmenting beyond RFM



Using your merge/purge



Using other internal lists

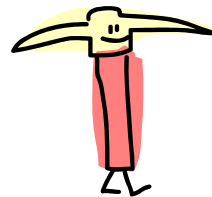


External data and mail

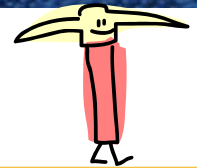
In house

Need  
Help

## Beyond Recency, Frequency and Gifts... Simple “Modeling” With Big Results



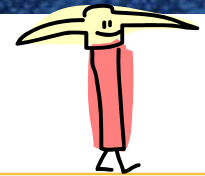
## Selecting donors based on things other than recency, frequency and gift amounts



### Two Challenges

- Organization 1 mailed an annual calendar fundraiser to 75,000 people with declining net income
- Organization 2 needed to raise \$100,000 for a building campaign without reducing unrestricted revenue





## How were additional factors used in segmentation?

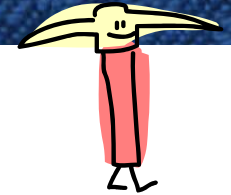
- Organization 1 added past giving behavior to segmentation
  - Has the person responded to a prior calendar?
  - Has the person responded to another premium?
  - Have they been given the opportunity to give to a premium?
- Created a non-premium mailing to send to others
- Selected far fewer and different people than RFM



# What were the results?



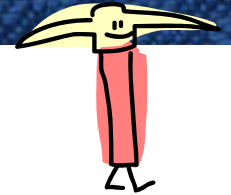
	Prior Year Calendar	Calendar with new Selection	New Additional Appeal	Actual Total
# Mailed	70,000	25,000	45,000	70,000
Resp	4,058	2,000	2,025	4,025
% Resp	5.80%	8.00%	4.50%	5.60%
Total \$	\$138,000	\$68,000	\$85,050	\$153,050
Avg \$	\$34.00	\$34.00	\$42.00	\$38.02
Cost	\$120,000	\$50,000	\$27,000	\$83,000
Net!	\$18,000	\$18,000	\$58,050	\$76,050



## Additional Considerations

- People receiving the regular appeal were offered a calendar as a back end premium (additional cost \$6,000)
- The next year people who requested the back end calendar were included in the main calendar mailing

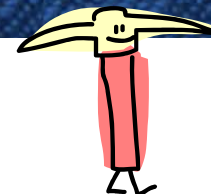




## A Second Example

- Organization 2 split data in new ways
  - Added “value” of donors to segmentation
  - Added past behavior in special funding campaigns
  - Added deep lapsed, high dollar and other categories not normally selected for appeals
- Mailed more overall with a different split





## What is “value?”

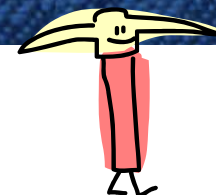
- Looked at total giving over a person’s life and how it related to the investment made on acquisition
- To simplify selection used “classes” of donors based on what package they had been acquired on (i.e. control used from 1988 – 1994 etc.)
- Factored in non-mail gifts people had made (planned gifts, major gifts, event gifts)



# What were the results?



	Original Budget (all unrestricted)	Restricted Appeal	Unrestricted Appeal
# Mailed	100,000	10,000	95,000
Resp	5,000	460	6,175
% Resp	5.00%	4.60%	6.50%
Total \$	\$250,000	\$115,000	\$216,000
Avg \$	\$50.00	\$250.00	\$35.00
Cost	\$85,000	\$15,000	\$51,000
Net!	\$165,000	\$100,000	\$165,000

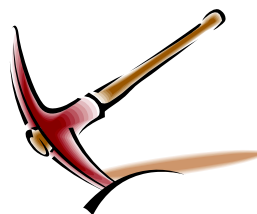


## Additional Considerations

- Acknowledgements and the database had to be segmented to respect the gift source
- The restricted gift was not factored in when later selecting last gift or highest gift since it was a different request
- Messaging is still key!
  - This worked because the unrestricted offer was very compelling



## Merge/Purge: You're Already Modeling and May Not Know It!

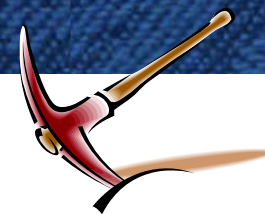




## Your merge/purge can tell you a lot about your donors!

- Who is still giving?
- Are you their only cause – or one of many?
- How does their other giving effect how they give to you?
- Are you suppressing hidden prospects?

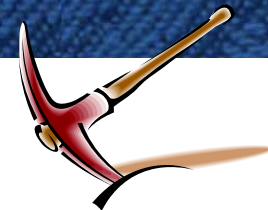




## How one organization used merge/purge to improve appeals

- Mid-size social service organization with underperforming donor file.
- As part of the merge, the house file and suppression file were run against 30+ outside lists.
- Appeal segmentation was based on the number of hits against the outside lists.

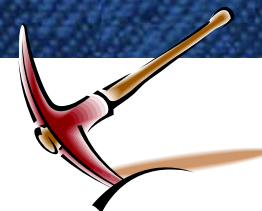




## What was revealed in the merge

List Segment	% of File	% Response	Av. Gift	CTRAD
Donor Only:	39%	3.43%	\$42.83	\$0.17
Donor & 1 hit:	22%	4.08%	\$34.70	\$0.17
Donor & 2+ hits:	28%	5.09%	\$32.40	\$0.15
Suppression Hits:	11%	6.53%	\$49.27	\$0.08



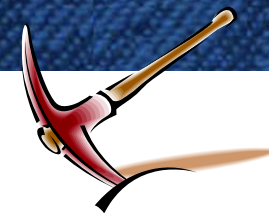


## What did the model reveal?

List Segment	% of File	% Response	Av. Gift	CTRAD
Donor Only:	39%	3.43%	\$42.83	\$0.17

Those giving only to this organization had the lowest response rates but highest average gifts. This group can be targeted for upgrade efforts as their most loyal donors.





## What else did we learn?

List Segment	% of File	% Response	Av. Gift	CTRAD
Donor & 1 hit:	25%	4.08%	\$34.70	\$0.17
Donor & 2+ hits:	32%	5.09%	\$32.40	\$0.15

More than half of their donors are actively giving to other organizations. This means higher response rates but lower average gifts and more competition in the mail.





## Other things Learned

List Segment	% of File	% Response	Av. Gift	CTRAD
Suppression Hits:	11%	6.53%	\$49.27	\$0.08

Check the hits on your suppression file! Outdated mail preferences, prior bad addresses, even deceased files could be suppressing potentially responsive donors.





## Using merge/purge to determine regional preferences

- Most regional organizations believe that closer is better.
- Most national organizations assume that point of service doesn't matter.
- Both may be wrong!

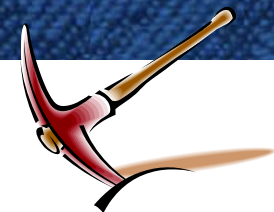




## How one group improved regional performance

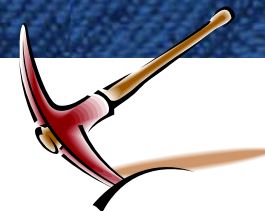
- Small New York cultural organization.
- Mailed too broadly
- This large selection area kept them from honing in on the most responsive prospects.





## What the merge revealed:





## How was the knowledge used

- Mail only donors close to the service area - No!
- Expand zip select to include donors further from the organization – Yes!
- Most of all – merge/purge is an effective tool to gain this information and redefine the prospect pool.



## Modeling Tools in the Database Next Door





## Mail Less or Mail More? Identifying and Cultivating Internal Prospects

- Lapsed Donors
- Non-direct Mail Donors
- Volunteers
- Former Participants/Activists
- Anyone else living on your database!



## Psst... what about “those other donors?”



- Small regional senior services provider
  - Donor base was a mix of direct mail acquired, and non-direct mail acquired, volunteers, and friends
  - How can we mail less reduce costs and still reach the most profitable group to solicit?





## Who did we mail?

All Prospects	Prospects with some affiliation - 19,042	Prospects with no known affiliation – 6,096
Prospects identified with past donor behavior	1,440	48
Prospects identified as direct mail responsive	2,072	93
Prospects matched to compiled lists	3,102	325
Prospects with no matches	12,431 – 65%	5,630 – 92%
<b>Total Prospects Mailed</b>	<b>3,512 – 18%</b>	<b>0%</b>



## What did they learn?

- Prospects identified with prior giving or as direct mail responsive were mailed. Donors who showed no matches were dropped from the mailing.
- Reducing the in-house prospect list generated savings that was reinvested into true acquisition to better potential donor lists.

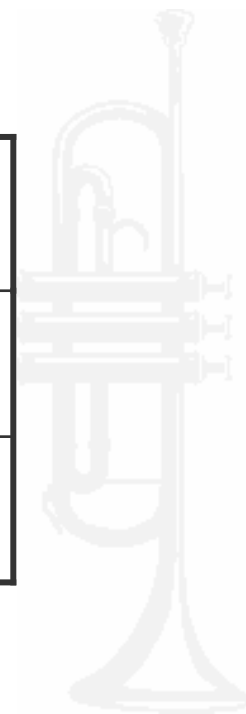




## But wait...

Some of the non-direct mail acquired donors were great prospects:

Acquisition Segment	Qty Mailed	Percent Resp.	Gross Revenue	Ave. Gift	Total Cost	Net Revenue	Cost to raise a dollar
Outside Lists	37,450	0.95%	\$24,749	\$69.86	\$13,485	\$11,244	\$0.55
In-House Prospects	3,512	0.83%	\$1,847	\$63.69	\$1,357	\$490	\$0.73



## Using Outside Services for Modeling to Improve Mail Performance





## Three Studies

- Using outside data to Improve Acquisition
- Using outside data to Improve Retention
- Using data to Improve Upgrades





## First, A Note of Caution

- “The Best things in Life are Free”
  - ... but data costs.
  - MUCH LESS THAN IT USED TO!
- Frequently, you will need to “give” to “get” – consider your internal policies
- “Good things come to those who wait”
  - Build extra time into your schedules



## External Modeling and Acquisition



- The problem: Acquiring too many low dollar donors
- 15% of new donors acquired through acquisition gave under \$5.00
- Creative package treatment helped a bit, but they weren't upgrading or renewing
- Needed a way to eliminate them from data in the first place





## What they did

- Used the Target Analysis cooperative database before mailing acquisition
  - Data base contains information on 190 million households enhanced with data from 450 non-profits with 72 million unique donors and 1.5 billion individual donations.
- Sent post-merge, continuation lists to Target, so donors who give under \$5 habitually to other lists could be identified & segmented separately in the acquisition
  - Almost 5% of prospects (across 35 lists) were identified as low dollar donors.





## What were the results?

- Didn't eliminate the "optimized" names in the first mailing to test the process ... it worked! Next time, eliminated those folks and are working on strategies to work with higher dollar donors

	Response	Gross \$	Avg. Gift	CTRAD
<b>Optimized</b>	1.79%	\$1,595	\$4.97	\$5
<b>Continuations</b>	0.93%	\$52,584	\$20.93	\$2

## External Modeling and Retention



- The problem – RFM selection on large lapsed file had declining results
  - It was requiring an investment to reactivate people who had not made gifts in the last 48 months
- Same Target Analysis Coop (as in previous model) had helped some
- Had a full linear regression model done on lapsed names





## What they Did

- Sent all data to a third party vendor (selected through an RFP) who built a predictive model based on more than 50 variables
  - RFM part of it
  - Time between gifts
  - Packages on which people were acquired and gave before lapsing
  - Upgrade amounts and time between upgrades
- Compared to known reinstatement people to find similarities





## What were the results?

- Tested the records selected by the model against a control group – not modeled.
- Model – which looked for most cost effective reinstatement – clearly factored gift amounts in highly
- When model redone, weighed response rate more

	Response	Average Gift	Cost Recovered
<b>37+ months Model</b>	2.77%	\$98.11	301.28%
<b>37+ month Control</b>	5.29%	\$23.06	135.29%



## External Modeling and Upgrades



- The problem – an organization had a donor willing to match any gift of \$250 or more within a 3 month period.
- Using traditional RFM analysis, the group only identified 2,714 prospects who were appropriate
- Used an outside firm to model entire database to find additional people with the capacity, the inclination and donor behavior similar to those who were selected





## What were the results?

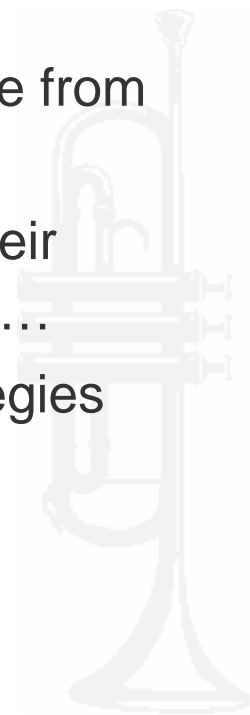
- Identified another 830 people with “very likely” possibility of giving at that level and 4,400 “likely” possibility.
- Generated an additional \$100,000 for the organization

	Mailed	Gifts Over \$250	\$250+ Response Rate	Total Raised \$250+
W/O Model	2,174	136	6.25%	\$74,000
Model “A”	830	67	8.07%	\$17,000
Model “B”	4,412	144	3.26%	\$36,000

## Some final thoughts...

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- Strategic “Data Mining” and tagging systems are becoming an increasingly essential component in maintaining historical levels of performance.
- Donors continue to receive solicitations by mail and phone from many organizations competing for their charitable dollars.
- While tagging systems provide a list management tool, their effectiveness is limited by the way in which they are used...
- The human element in developing list management strategies remains the most important ingredient!





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