PREDICTIVE ANALYTICS IN FUNDRAISING

How knowing donors helps in growing donors

SUMMARY

In every company, new customer acquisition is an essential component of marketing strategy. Even when retention is important, every organization needs a healthy inflow of newly acquired clients in order to prosper. However, attracting a new client is often a more severe challenge than retaining or developing existing clients.

Similarly, in fundraising, detecting new but promising donors is a strategic challenge. Based on the knowledge of the current valuable donors, Direct Social Communications and Python Predictions have developed a predictive model that has successfully been deployed to 'clone' valuable donors, and detect new donor potential in specific geographical areas in Belgium.

In a real-life acquisition campaign, this approach has led to an improvement of 82% in the revenue per letter sent.

ABOUT DIRECT SOCIAL COMMUNICATIONS

Since 1985, Direct Social Communications (DSC) is a Belgian communication agency focusing on fundraising for humanitarian organizations. In order to improve fundraising campaign results for its 22 participating organizations, DSC invests heavily in direct mail. As such, DSC annually organizes around 400 direct mail campaigns representing a total of over 8 million letters to private individuals, resulting in 600,000 yearly donations for a total amount of over 24 million Euro. An important twist is that DSC pre-finances these campaigns, and hence shares both successes and losses with its partnering organizations.

THE CHALLENGE OF NEW DONOR ACQUISITION

As in other industries, DSC realizes it is easier to convince current donors than it is to attract new donors. Campaigns on known donors on average result in response rates between 10 and 14 percent, while pure acquisition campaigns usually generate only 2 to 3 percent response. However, as in other industries, a natural outflow exists in the current donor base, and so in order to remain successful, DSC continuously needs to attract new donors in order to continue to prosper. In many cases, DSC is forced to accept a (preferably small) loss on new donor acquisition campaign in the short term, hoping that new donors will hopefully develop into profitable donors in the near future.

THE 'OLD' WAYS

DSC's traditional approach was heavily based on (re-using) existing addresses. For example, good donors from one organization were used as potential targets for other organizations. Other existing approaches included purchasing address lists at data vendors based on socio-demographic criteria or pre-cooked (geographical) segmentations. These approaches, however, imply that too often the same 'known' addresses are over-contacted, while some untapped potential remains ignored.

UNDERSTANDING AREA PROFILES

In 2011, DSC contacted Python Predictions to construct a predictive model with the aim of cloning the best existing donors. In this approach, Python Predictions has matched the existing donor database at DSC with a complete geographical profile of every Belgian neighborhood. To construct a compelling socio-demographical profile, no less than 700 variables were computed, containing information on area residents (age, education, activity,…), housing (surface, comfort,…), and neighborhood (facilities, transportation,…). These profiles were constructed for each of the 20.000 geographical areas in Belgium - each area containing on average between 200 and 250 - households.

TURNING PROFILE INTO POTENTIAL

The key development existed in building a winning combination of the most important predictors of new donor potential. In this approach, Python Predictions tested and compared different methodologies to finally select the most promising representation of new donor potential. While quantification of potential was the main delivery of this process, the exercise also challenged and broadened the current understanding of valuable potential areas. The final results were discussed by representing predictive performance, profiling graphs, and heat maps projected on the Belgian territory.

THE BENEFITS

As a direct mail specialist, testing lies in the heart of DSC's approach. Based on the technical results and the consistent profile of the predictive model, DSC decided to test the model in a specific fundraising campaign in March 2012. In this first test, it became clear that the new approach increased the response rate by 37%, but additionally also increased the average donation amount by 32%. Combined, the new method increased the revenue per letter sent by 82%. In a subsequent test for another fundraising organization, the model succeeded in generating a profit of 10 to 30 cents per letter sent. In short, by combining DSC's expertise in direct mail with advanced targeting techniques, DSC succeeded in launching profitable acquisition campaigns – the dream of many marketeers interested in growing their customer base.

ABOUT PYTHON PREDICTIONS

Python Predictions is a Brussels-based service provider specialized in data science projects with impact.

The company has a strong legacy in predictive analytics projects in a business context, and success cases of applied data science in marketing, risk, operations and HR. Python Predictions enables clients to take their adoption of data science to the next level.

Founded in 2006, Python Predictions is active in b2b and b2c retail, financial services, utilities, postal services, telecommunications and fundraising.

PYTHON PREDICTIONS

For additional information, please visit www.pythonpredictions.com