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DATABASE

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# A Fresh Look

## *6 revealing perspectives in data analysis*

Fundraising begins with accurate donor targeting. No one has the time or money these days to take a scatter-shot approach to attracting and retaining the most valuable of relationships.

It stands to reason, then, that the more fresh insight you can glean about your prospects, the more precisely you can refine your appeal with messaging that resonates.

Using the same formulas to solve the mysteries of your donor data will always derive the same results. If those results aren't getting the answers you need, there could be better ways to look at your information. Here are six of the least-used and most effective lenses you can try.

### 1. SPEED MATTERS

It's not quantum physics that RFM (recency, frequency, monetary value) analysis targets donors who have given recently, given often and given more. The truth is that how fast donors give is a much stronger, more accurate predictor of repeat giving.

How do you know if a donor's speed is increasing? It's if the time between their donations has been decreasing. When that happens, it's an indicator that contact with them should be ramped up.

Donors whose velocity is changing positively are more likely to give again. Go a step further and rank your donors according to speed of giving and you'll find the fastest 20 percent is three times more likely to give than the rest.

The lesson is that speed can sometimes reveal the destination. Yet, it's still not quantum physics.

### 2. GIVE THE GUY A CHANCE

Traditional RFM analysis has its uses, sure. But it can paint groups with the same broad, and sometimes inaccurate, brush. One donor is being compared to another donor -- and the behavior is predicted based on that single cluster-based comparison.

No one would assume that because a friend's husband surprised her with diamonds, it's more likely that yours will, too. However, if your sweetie's idea of a romantic gift was grass seed last year, this year's toaster should renew your faith.

Everyone's normal is different. Instead of comparing your donors to each other -- compare them to themselves over multiple time periods.

- Have they increased their gift since last year?
- Have they started giving more frequently?
- Have they decreased their gifts?

These answers help you realize who is getting left behind and whose relationship is being nurtured.

Donors who decrease frequency are worrisome. RFM will label them as active donors but in reality they are on the verge of lapsing.

### 3. DONORS ARE INVESTORS

To be a successful fundraising organization, you should think of your donors as investors -- as soon as their check is written they are a stakeholder in your mission. Studies have shown that a 5-percent improvement in loyalty might increase profitability by as much as 25 percent, depending upon the industry.

To get an accurate measure on the quality of relationship with your donors, it's important to consider donor variables beyond years of giving or time on file. When you scientifically measure your donor's loyalty by classifying them into levels such as most loyal, tipping, or risky, it gives you information to help develop or modify that donor's current relationship and realize the gains of loyalty marketing.

### 4. WAIT AND SEE

Development professionals must offer validation for their department's largest expense -- acquisition. To do that, the number one measure is the quick and immediate calculation of the cost to acquire a new donor. Add other factors to the mix and over time, your return on investment (ROI) will likely get a huge boost.

Of course, this requires an exercise in delayed gratification. To measure the true ROI, you'll have to wait 12 to 24 months after the acquisition campaign you are measuring. Wait and the numbers will outshine the cost to acquire and make the next acquisition campaign a snap to get approved.

### 5. SURVIVAL RX

In medicine, doctors need to understand which treatments help patients survive longer and which have little to no effect at all. In the fundraising world, the objective is to have a similar understanding of donor lifecycles.

Setting aside variables and drilling down to a plain vanilla survival analysis requires one thing: hazard probability -- that is the chance that a donor who has thrived for a length of time is going to lapse or expire before the next unit of time.

Computing your hazard probability by month will reveal a pattern and give you the opportunity to correct your course. If the numbers tell you that 40 percent of your file will lapse in April, an amendment to your communications strategy that month should be the right prescription for damage control.

### 6. REMEMBER THAT ALL BUBBLES BURST

Fundraising professionals are adept at testing donor thresholds. Most donors have a ceiling on the amount of support they'll offer and how many times they'll tolerate the pitch. Once they reach it, you guessed it; they go through the roof.

The single biggest indicator that your ask strategy is too aggressive is this: you have a statistically significant dip in the number of donors and increase in revenue during the same period of time.

On the surface this would seem like a positive trend. Who wouldn't love a greater net income and fewer names to mail? For one to two years, the net income bubble will grow -- then a dramatic decline is assured. This is the very high cost of pushing donors too hard. Be on the look out for it and it will keep your ask strategy in check. *NPT*

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