

Identifying Non-Profit Donors

USING SCIENTIFIC METHODS TO MAXIMIZE PROSPECTING DOLLARS



At a time when people and businesses are tightening their belts, non-profit organizations are increasingly concerned with securing financial support.

Facing funding

cuts and reduced donations, many non-profits find themselves with diminishing budgets just as the demand for their services is growing. In these difficult times, success for any non-profit is contingent on improving efficiencies in strategic planning and service delivery.

As part of this focus on efficiency, a growing number of non-profits are turning to more scientific methods to maximize their return on dollars spent prospecting. Going beyond basic identification and cultivation of a solid base of donors, use of statistical modeling can create a more sophisticated and targeted profile of likely givers. For example, research

has shown that relationship to the organization is important -- people give to what they value and believe in. Progressive organizations understand the need to measure the strength of individuals' connection to the organization and identify the key drivers of that connection. These organizations not only identify unique profiles of givers, but measure their needs as well. Bottom-tier, mid-tier, and top-tier givers typically have different preferences for things such as receiving information, means of contact (e.g., telephone vs. email), frequency of donations, etc. Knowing the intricacies of their base gives non-profits even greater control in fine-tuning their marketing, advertising and communication efforts.

Although the trend for more sophisticated profiling is growing, the techniques are not new. They are similar to those used in marketing research for years to segment and target marketing efforts. Statistical techniques such as structural equation modeling, cluster analysis and discriminate function analysis are now being used to classify individual donors into segments, profile donors based on psychographic characteristics, and target fundraising efforts toward those with increased likelihood to give.

The first step many organizations take is to review the published research in this area. Using a general approach to understanding donor characteristics and behavior, non-profits can gain a great deal of insight into donor expectations and behavior by leveraging existing published data to identify who is likely to give to other similar organizations. For example, published studies indicate women are often more likely

to donate than men; that major contributions tend to remain fairly stable while smaller first-time donations do not; and that small businesses are more likely to contribute to community-focused charities. This general research can offer helpful insights and may be most useful for organizations that do not have an existing support base.

For smaller organizations, this may be the most appropriate method for gaining a more targeted approach. Sophisticated statistical analyses require large amounts of data, and many small non-profits may not have the data they need to conduct custom profiling research. However, as non-profits grow and their donor base increases, organizations can greatly increase the accuracy of their donor profile by customizing it to their unique organizational characteristics. Many prefer a more targeted approach, and often learn that their own donor tendencies are the exception to the rule.

Using existing demographic information combined with survey responses from an organization's donor base, researchers can identify key characteristics and create a profile of the individual most likely to give to a specific charity or cause. As they dig deeper to understand the psychological and demographic characteristics of their most generous givers, some organizations are

surprised at what they find. For example, one Questar client assumed that those with higher incomes would be most likely to give large donations. Contrary to this assumption, Questar found that the donor profile defined as "High Income/Career Minded" individuals was more likely to give gifts *under* \$500 and was the *least* likely group to give over \$10K.

Extant research highlights the importance of bringing market research principles into the non-profit arena. Studies of for-profit organizations have shown a relationship between market orientation and profit performance measures (e.g., ROI, sales growth, market share). Similar results are found in studies of non-profit organizations, indicating that those who make use of statistical market modeling are better able to satisfy their target groups and attract financial resources.

Since meeting financial objectives is a key factor allowing them to continue to provide services – and given the current economic pressures – this approach can be particularly important.