

Data-Driven Fundraising

The Evolving Role of Digital Technology and Data Analytics in Australian Fundraising



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Introduction

Organisations are increasingly integrating digital technology across all areas, which is fundamentally changing daily operations and value delivery. The International Data Corporation (IDC) has estimated that global spending on digital transformation will reach a staggering \$9.4 trillion AUD by 2023. The pandemic accelerated this trend as organisations pivoted to virtual strategies to keep their donors and communities engaged.

One outcome of these investments is that today, Australian charities have an unprecedented ability to create an increasingly coordinated donor journey across each of their communication channels and fundraising programs. Strategies span social media, digital platforms and virtual convenings, email and newsletters, direct mail, and volunteerism.

At its best, these efforts create an omni-channel presence: one where a charity's donors are **reading** about the issues they care about on the platform of their choice, **engaging** with the organisation and their networks on activities that matter to them, **donating** at their convenience on the platform that best fits their needs, and **understanding** the impact of their support.

While charities can often prioritise external operations and engagement when implementing an omni-channel approach, an investment in internal systems brings an often-overlooked long-term value. A foundation of a successful omni-channel strategy is organised integration of data from multiple channels. By streamlining data inputs and centralising data assets, organisations can more easily help individuals have a seamless experience regardless of their point of contact or the medium with which they engage.

High-performing philanthropy teams and major gift programs leverage their organisation's limited resources, harvesting data and unleashing the value of latent assets in support of efficient and impactful fundraising initiatives. To achieve this level, charities first have to build a culture where the power of data is understood and valued across all levels of the organisation.

Capturing and maintaining data is important, as it tells a story about your donors, and charities often have untapped potential in their databases. There are likely lower-level donors in your database who—if identified and properly cultivated—will be drivers of growth as future major donors.

In the Australian context, there is a lot of opportunity for charities to drive growth by increasing their commitment to data and technology. Infxchange's 2021 'Digital Technology in the Not-for-Profit Sector' report found that only 53% of non-profits are satisfied with the way they are using technology. While there is still a lot of progress to be made, the report suggests Australian non-profits are becoming more attuned to the need for investment:

"The tide is turning with organisations now investing more in technology than in previous years, enabling them to build more reliable and resilient technology environments to support their work. When it comes to emerging technologies, 6% of organisations reported using data analytics/big data and 10% reported the use of data-driven technology solutions & platforms. Now is the time for not-for-profit organisations to invest in digital technology to succeed and thrive in a post COVID-19 world." **David Spriggs, Group CEO, Infxchange**

More charities are turning to cutting-edge data activities, such as predictive analytics. To realise these powerful tools, charities must first build a culture that embraces data.

A Culture That Values Data

Creating a culture that values data is a critical task for fundraising organisations. Too often database infrastructure is lacking, poorly used, or not understood.

Staff turn-over, a lack of investment in infrastructure, and prioritisation of data inputs can lead to sub-optimal databases and donor outcomes. Importantly, this can be turned around quickly with opportunities and tools to generate, capture, maintain, and analyse data continuing to increase.

Creating a culture that values data comes from the top, with a board and management team willing to prioritise it as a key strategic tool. This is a leadership task, not just for fundraising teams and development offices, but for people working on boards of charities that depend on fundraising revenue for essential funding. This point was made in Koda Capital's white paper, *Preparing for the Future*:

"A truly forward-thinking approach to engaging supporters and stakeholders is to harness the potential of digital technology up and down the organisation. Learning to use the power of technology as a tool to reach and build relationships with people who in one way or another have the potential to help advance a particular cause, is a responsibility of the non-profit director."

Whilst data has a cost (acquisition, staff time, software, etc.) it is critical to understand the down-the-line payoffs:

- The value of good data to fundraisers can be priceless, it can give you an edge in the market
- Without good data, fundraising can be very difficult and unpredictable
- Other fundraising investments are less risky when based on good data
- Data is the best way to turn your brand and good will in the market into revenue
- Data drives both superior donor acquisition and stewardship strategies.

It may take time to generate, capture, and maintain data, but starting sooner rather than later will only help you to realise your investment faster and de-risk your donors being successfully engaged by other charities who understand them better through their own database analytics.

A culture of good data management drives both revenues and impact. Deliberately creating and investing in a culture that values data has the potential to improve organisational decision-making, reducing the likelihood of poor investments, and increasing the likelihood of fundraising success. Thus, data, seen as an asset, can be leveraged to build overall organisational sustainability.

As an organisation begins to address data management practices and processes, it can begin to turn its attention to cutting-edge data applications. Predictive analytics is an excellent example of a tool that nearly any charity of any size can integrate into their operations. Deliberately analysing donor data can unleash its potential to target fundraising activity and drive revenue, something the for-profit sector has understood, invested in, and benefited from for many years.

The Role of Predictive Analytics in Fundraising

Just as for-profit businesses often use predictive analytics to grow revenue, Australian charities can use predictive analytics to improve fundraising results by increasing the efficiency and accuracy of the identification of new major gift prospects.

With this technique, organisations can pinpoint the best prospects for cultivation, including those that are currently unknown to or not yet managed by fundraisers.

Predictive modelling uses information about the past to predict future outcomes. In the context of major gift fundraising, predictive modelling can forecast which donors are likely to make large commitments to your organisation. Valuable models are built on as few as 20 quality data fields to as many as 200 and beyond. Organisations should not be deterred by perceptions of their own data lacking quality. Putting data to use through modelling is a springboard to creating a culture of valuing data and investing in it.

A multi-step process that is customised to each database is the most effective method to assess the potential contained in a donor database. By the end of the process, an organisation will have a prioritised segment of the most promising new major gift prospects, who are already in the donor database. The following illustration shows how this process works in practice.

A PREDICTIVE MODELLING JOURNEY

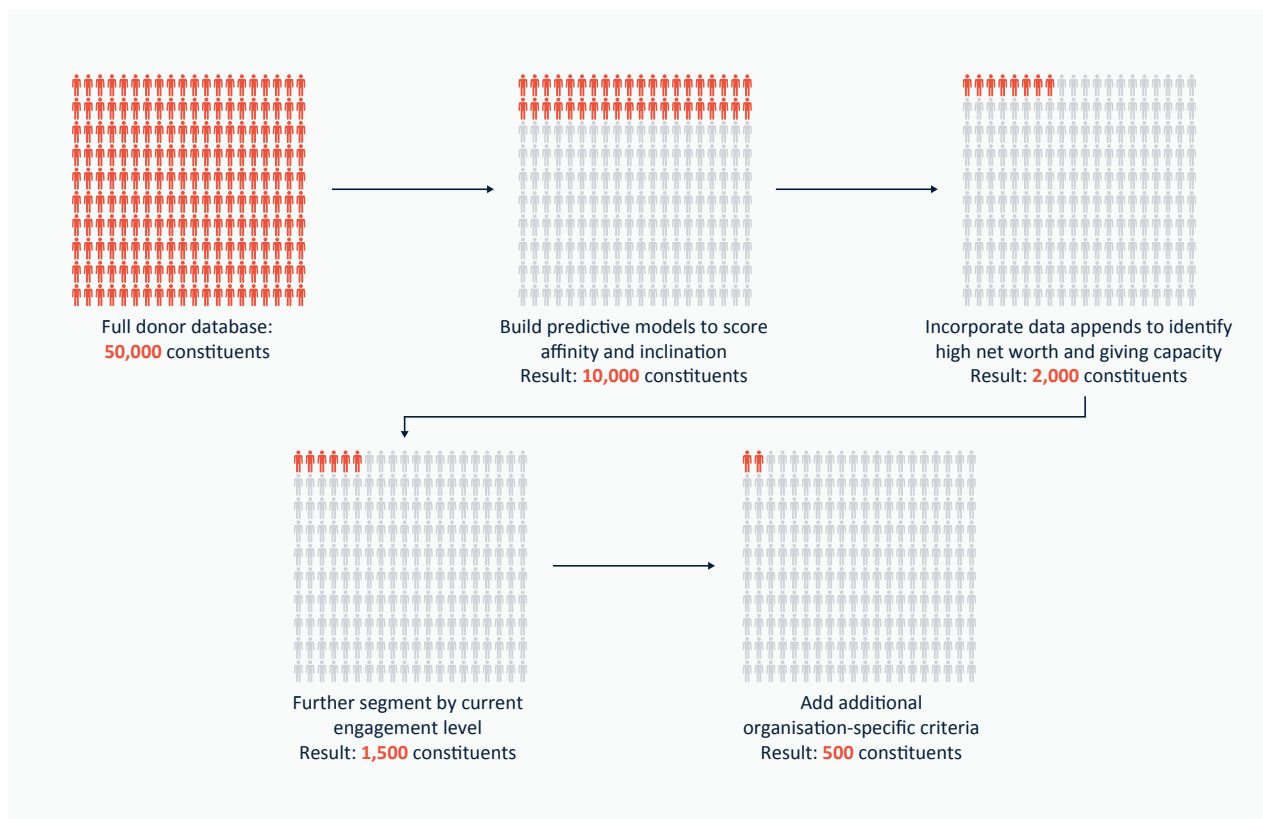


Fig.1 A Predictive Modelling Journey

BUILD PREDICTIVE MODELS TO SCORE AFFINITY AND INCLINATION

Fundraisers and research teams have often looked through one lens when identifying new major gift prospects, focusing on wealth and net worth. Unfortunately, the outcome of this approach leaves non-profits allocating valuable resources, staff time, and budgets to individuals financially able to make significant donations but who have no affinity or inclination to the organisation or its mission. Instead, by using predictive models, the work starts by identifying individuals who are the likeliest to engage in giving to your charity, which ensures valuable resources are being allocated most effectively.

To guide this effort, leading organisations begin their process by building a suite of predictive models. These models seek to predict future donor behaviour based on past tendencies, interests, and demographics. In essence, a predictive model describes a charity's best donors in statistical terms. Using this information, the model finds individuals who most resemble the strongest donors but are not contributing at major gift levels yet. This statistical characterisation manifests as a formula used to score everyone in the database and rate the quality of the prospect through the lens of inclination and affinity.

The factors that go into this formula vary widely from organisation to organisation. These attributes may include contact information, demographical data, giving history, event data, volunteer history, and other data fields that are unique to each organisation. The unique data creates unique models, meaning each organisation building a model from their own data is creating a tailored and customised tool ensuring a narrowed focus on the prospects most likely to support their mission.

"We have seen a significant change in our clients' perception of analytics and predictive modelling. A decade ago, most organizations didn't see the value that predictive modelling could bring to their fundraising efforts. Today, most clients require that we include an analytics component in our scope of work. More importantly, these clients, even those that are newer with less mature databases, are motivated and prepared to activate the results of our modelling efforts." **John Sammis, Senior Vice President, Data Analytics, CCS Fundraising**

IDENTIFY GIVING CAPACITY BY INCORPORATING WEALTH INDICATORS FOR TOP MODEL SCORERS

The predictive model scores tell us which donors and prospective donors have an **affinity** for an organisation and its mission. Individuals that scored well are interested in and likely to donate to your organisation. This data alone can serve as a powerful tool to drive participation and retention efforts, but it will not provide a line of sight into an individual's financial **ability** to make a large donation.



Fig.2 Identifying Top Prospects Using Affinity and Ability

For this reason, the next step involves layering in additional data to incorporate wealth indicators for each constituent who scored well in modelling. By searching publicly available records and by partnering with data vendors, we can gain insight into net worth and the potential philanthropic ability an individual could contribute to a charity. From there, we can integrate the wealth scores and modelling scores to isolate prospects who have both the inclination and the capacity to give and generate a valuable and focused prospect segment to guide staffing resources and efforts.

FURTHER SEGMENT BY CURRENT ENGAGEMENT LEVEL AND ACTIVATE

Naturally, wealth indicators and predictive modelling will identify donors and prospects already well-known to the organisation. Given the goal of this process is to identify new major gift prospects, segmenting out individuals who have already been assigned to a fundraiser's portfolio will place focus on new growth opportunities. Additionally, using filters such as age and other key demographic data can help ensure an optimal segment of prospects to cultivate for a major gift.

While larger prospect segments are needed to support direct marketing efforts, major gift work thrives on targeted and deep outreach. Providing teams and fundraisers with small, actionable lists of compelling new prospects will create momentum and clear paths forward. Staff with mature portfolios can benefit with as few as 50 new quality prospects to engage, while fundraisers with newer and less defined portfolios can absorb up to 100. Evaluating the size of an organisation's fundraising team and the maturity of its major donor portfolios will provide guidance on the optimal number of new prospects to activate.

Conclusion

Now more than ever, many fundraising teams and development offices are asked to do more with the same level of, or even fewer, resources. To unlock the power of data and analytics for your philanthropy efforts, invest in systems and operations by:

1. Creating a culture where data is valued
2. Prioritising data and analytics through formal processes like strategic planning and budgeting
3. Otherwise embedding an organisational commitment to valuing and leveraging data
4. Hiring data and technology specialists to help you fast-track your investment in data and analytics
5. Cataloguing every fundraising program and communications platform used to engage your constituents
6. Mapping available data from CRMs and other platforms to ensure assets are captured and can be effectively leveraged
7. Exploring strategic partnerships with corporates and/or specialist consultants who already use predictive analytics, to help your organisation build a foundation of analytical tools, resources and talent
8. Utilising demographic, giving, and engagement data fields in support of data analytics to build predictive models and prospect profiles
9. Integrating additional data to complement internal data, assess net worth, and/or build more accurate contact data fields
10. Integrating findings from analytics work in prospect segmentation and to guide fundraising program strategy and activities.

The most productive philanthropy teams and major gift programs are guided by effective utilisation of an organisation's (often limited) resources. Your organisation's data is a critical asset, and analytics are an invaluable tool in unleashing that asset to support efficient and high-impact resource allocation.

In addition to major gift fundraising efforts, predictive analytics is an adaptable technique that can be used to guide a wide variety of philanthropic behaviours. It can support strategies and programs such as:

- Retaining donors who gave in response to crises, such as COVID-19, over the long-term
- Building a pipeline of young alumni most likely to be future major donors
- Strategising engagement and outreach for planned giving prospects
- Prioritising grateful patient outreach
- Developing acquisition, retention, and segmentation strategies for annual giving
- Optimising fundraiser portfolios not only by adding new prospects, but also by identifying prospects to remove from portfolios

SO WHAT NEXT?

Whether by engaging with a strategic partner or building their own analytics effort, fundraising teams across the globe have seen tremendous return on investment from investing in data and undertaking predictive modelling. In Australia, this approach is in its infancy, so we can learn and leverage from the experiences internationally. Relatively moderate investments can be realised ten-fold through just one new leadership gift, let alone the sustained growth of entire programs. Unlocking the benefits of data and analytics requires an organisational commitment to valuing the capture and maintenance of donor and constituent data. These investments in time and resources will create unprecedented new opportunities for growth and your organisation's mission fulfillment.

It may take your organisation time to build its analytic capability, but a decision to invest in data and analytics can be made today. This is an important priority for boards and for executive teams working for charities whose future success depends heavily on cultivating donor relationships.



ABOUT CCS

CCS Fundraising is a strategic consulting firm that has partnered with non-profits for 75 years. We provide transformational change through a wide range of services that support and strengthen non-profit fundraising programs. CCS operates in more than a dozen offices in countries around the world. The firm's experts—skilled in campaign and development strategy—work closely with organisations of all sizes across non-profit sectors.

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ABOUT KODA

Koda Capital is an independent investment adviser serving private clients, charitable and non-profit organisations and philanthropic foundations. We go beyond the provision of portfolio management, to provide expert advice on best practice investment governance, fundraising and professional development for non-profit leaders.

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Published August 2022

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