THE VALUE OF PREDICTIVE ANALYTICS

BEYOND TRADITIONAL RESEARCH

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SUMMARY AGENDA

- Introduction: Predictive Analytics As I See It

  - Much more than wealth ratings and likelihood scores

- Capabilities Beyond Traditional Research

  - Use insights in order to support management and staffing decisions

- A Diagnostic Toolset

  - Examine the health of your development program and assess campaign readiness

- Know What You're Getting

  - Tell the difference between a true Predictive Analytics and watered-down, push-button solutions

- Timing & Budget

  - Decide when the time is right, as well as how to budget accordingly

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INTRODUCTION: PREDICTIVE ANALYTICS AS I SEE IT

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PREDICTIVE ANALYTICS AS I SEE IT

- In my many conversations with clients, prospective clients, and other fundraising professionals, it seems the "Predictive Analytics" or "Predictive Modeling" have become a catchall terms in development for solutions that deliver little more than likelihood to give ratings and scores

- I believe this has devalued the true nature and benefits of Predictive Analytics in many cases

- A true Predictive Analytics engagement should be a real statistical endeavor

- I hope to reinforce the value of Predictive Analytics, and position it as it was originally conceived – a process and service that delivers far more than just likelihood to give ratings and scores

- Predictive Analytics can, in fact, deliver candid insights that extend far beyond traditional research

PREDICTIVE ANALYTICS AS I SEE IT (CONT.)

- The engagement can and should enable you and your development colleagues to do the following:

  - Enhance prospect identification, research, and management/development by measuring who has financial capacity *and* affinity (we knew that already)

  - Serve as a diagnostic toolset that enables development leadership and support staff to assess campaign readiness and progress

  - Gauge the potential for philanthropic support among your constituency using more than wealth and capacity estimates

  - Inform portfolio, pipeline, and moves management

  - Increase operational efficiencies by analyzing historical giving patterns and prioritizing segments within the prospect pool

  - Identify and realize opportunities for growth in certain programmatic areas

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PREDICTIVE ANALYTICS AS I SEE IT (CONT. II)

- Identify programmatic weaknesses and inefficiencies, and work toward solutions

- Benchmark institutional performance

- Cleanse and enrich the data within your database

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CAPABILITIES BEYOND TRADITIONAL RESEARCH

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CAPABILITIES BEYOND TRADITIONAL RESEARCH

- Predictive Analytics has a number of applications that may not be immediately obvious:

  – Supporting the case for creating, bolstering, or reinvigorating components of a development program

  – Driving programmatic and management decisions around staffing and the reallocation of resources

  – Planning for a capital campaign and measuring the feasibility of a preliminary campaign goal

  – Deciding where to focus time, energy, and resources once the campaign is public and has been underway for some time

  – Examining the health of the development program

  – Understanding the prospect pipeline and what that means for the development program

  – Evaluating prospects under active management in portfolios (are you really managing your best prospects?)

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CAPABILITIES BEYOND TRADITIONAL RESEARCH (CONT.)

– Moving those prospects into the appropriate stages and through the donor life cycle

– Improving upon weaknesses and operational or administrative inefficiencies as a natural byproduct of the process

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A DIAGNOSTIC TOOLSET

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A DIAGNOSTIC TOOLSET

- Predictive Analytics can do a lot in terms of examining the current health of your development program and projecting future performance :

  - Identify patterns in historical giving behavior

  - Determine where the majority of philanthropic support comes from and what that means for your program moving forward

  - Compare your institution to other, similar institutions using factors like lifetime cumulative total giving and age

  - Evaluate the sustainability of your Major Gifts pipeline and identify strong leadership-level Annual Giving prospects in the process

  - Use a simple formula that weighs capacity and affinity in order to determine the value of prospects in portfolios

  - Get a clear picture of prospects in active stages and, in some cases, the need for additional staff and/or more effective moves management

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HISTORICAL GIVING ANALYSIS

- 98,850 **donor** households have over $145 million in total lifetime giving. Of those donor households, 7 have lifetime giving over $1 million and account for over 12% of all dollars raised.
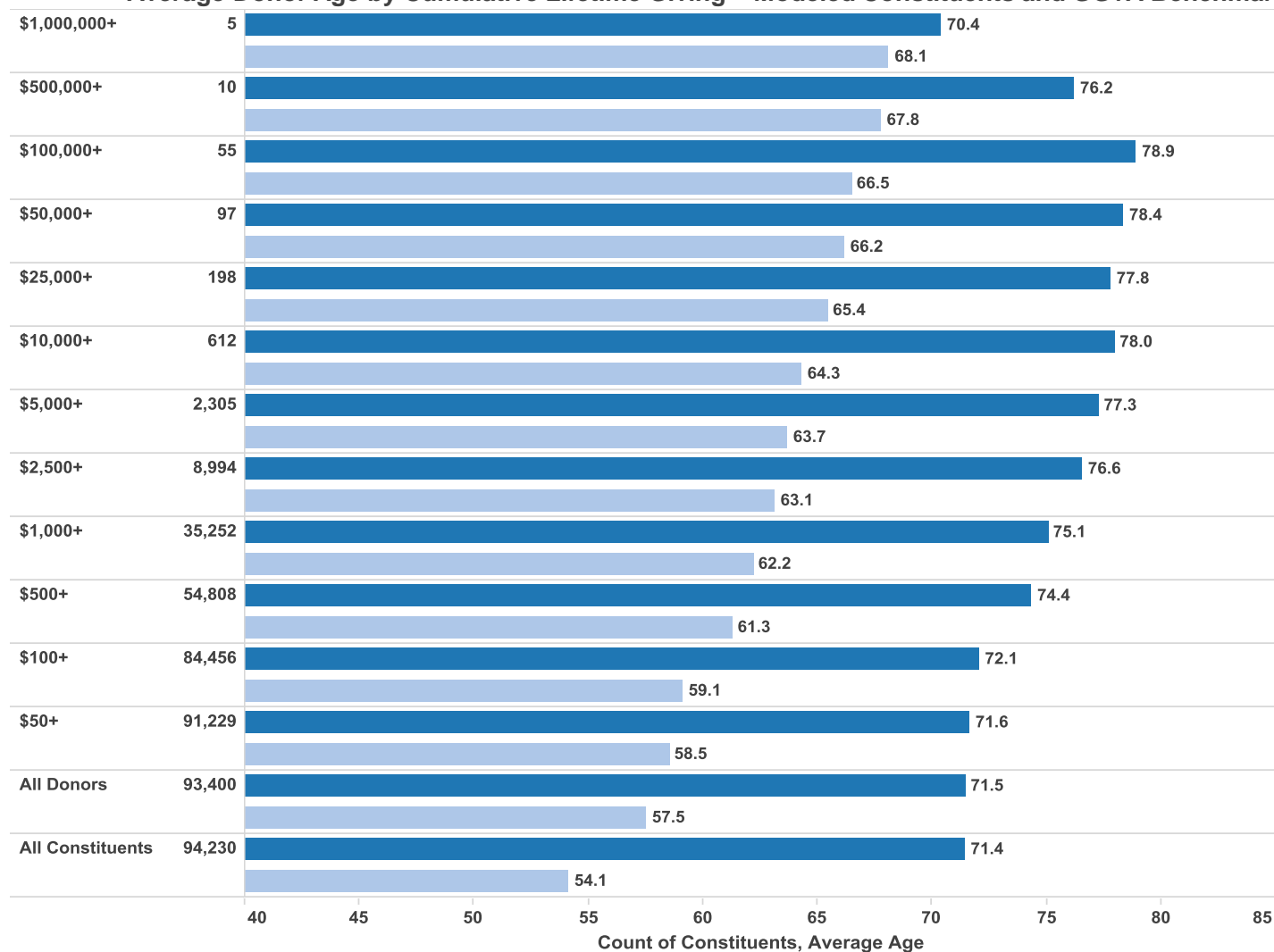
Lifetime Cumulative Giving Analysis – All Modeled Donor Households

Gift Range	Number	Amount	Cumulative Number	Cumulative Dollars	% Donors	% Dollars	Cumulative % Donors	Cumulative % Dollars	GG+A Benchmark
$1 million+	7	$17,646,347	7	$17,646,347	0.01%	12.12%	0.01%	12.12%	57.30%
$500,000-999,999	7	$4,963,805	14	$22,610,152	0.01%	3.41%	0.01%	15.53%	65.10%
$250,000-499,999	9	$2,879,101	23	$25,489,253	0.01%	1.98%	0.02%	17.50%	72.40%
$100,000-249,999	42	$6,369,005	65	$31,858,258	0.04%	4.37%	0.07%	21.88%	78.60%
$50,000-99,999	48	$3,082,963	113	$34,941,221	0.05%	2.12%	0.11%	23.99%	82.90%
$25,000-49,999	113	$3,988,716	226	$38,929,937	0.11%	2.74%	0.23%	26.73%	87.20%
$10,000-24,999	439	$6,296,913	665	$45,226,850	0.44%	4.32%	0.67%	31.06%	91.20%
$5,000-9,999	1,765	$11,685,270	2,430	$56,912,120	1.79%	8.02%	2.46%	39.08%	93.60%
$2,500-4,999	6,933	$23,204,826	9,363	$80,116,946	7.01%	15.93%	9.47%	55.01%	95.70%
$1,000-2,499	27,145	$41,905,634	36,508	$122,022,580	27.46%	28.77%	36.93%	83.79%	97.70%
$500-999	20,358	$14,879,420	56,866	$136,902,000	20.59%	10.22%	57.53%	94.01%	98.70%
$250-499	14,459	$5,215,064	71,325	$142,117,064	14.63%	3.58%	72.15%	97.59%	99.30%
$100-249	17,515	$2,876,971	88,840	$144,994,035	17.72%	1.98%	89.87%	99.56%	99.80%
$0.01-99	10,010	$638,564	98,850	$145,632,599	10.13%	0.44%	100.00%	100.00%	100.00%
Grand Total	**98,850**	**$145,632,599**	**98,850**	**$145,632,599**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

65 households have given 22% of the total raised

9,298 households have given between $2,500 and $100,000

91% of households have given 45% of the total raised

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DEMOGRAPHICS: AGE

Average Donor Age by Cumulative Lifetime Giving – Modeled Constituents and GG+A Benchmark

Cumulative Lifetime Giving	Count	Average Age	GG+A Benchmark
$1,000,000+	5	70.4	68.1
$500,000+	10	76.2	67.8
$100,000+	55	78.9	66.5
$50,000+	97	78.4	66.2
$25,000+	198	77.8	65.4
$10,000+	612	78.0	64.3
$5,000+	2,305	77.3	63.7
$2,500+	8,994	76.6	63.1
$1,000+	35,252	75.1	62.2
$500+	54,808	74.4	61.3
$100+	84,456	72.1	59.1
$50+	91,229	71.6	58.5
All Donors	93,400	71.5	57.5
All Constituents	94,230	71.4	54.1

Count of Constituents, Average Age

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MAJOR GIFTS

- Of the 4,999 top-rated Major Gift prospects, 4,278 are 65 years or older (86%).

- The 131 prospects rated A–C under the age of 55 represent an opportunity your organization to continue developing its Major Gift pipeline.

- A, B, and C rated prospects with significant capacity should be under active management to the extent that resources allow. Individuals from among this group who are not under active management (primarily those under 55 years old) should likely be targeted for leadership annual gifts.

Major Gift Ratings: All Constituents by Age Range

Major Gift Code	Number of Constituents by Age								Avg. Age
	Under 35	35-44	45-54	55-64	65-74	75+	Unknown	Total	
A			5	27	144	323	1	**500**	79.5
B	5	5	30	142	380	882	56	**1,500**	77.7
C	2	17	67	291	793	1,756	73	**2,999**	77.2
D	13	32	228	963	2,939	5,670	152	**9,997**	76.9
E	755	2,162	7,299	16,268	22,689	30,343	5,456	**84,972**	70.4
Grand Total	**775**	**2,216**	**7,629**	**17,691**	**26,945**	**38,974**	**5,738**	**99,968**	**71.4**

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MAJOR GIFT PROSPECT POOL

Likelihood to Make a Major Gift

Assignment Status	Philanthropic Capacity	A	B	C	D	E	Grand Total
Assigned to a Major Gift Officer Portfolio	$10 Million or more (1)	15	1	1	1	8	**26**
	$1,000,000 to $9,999,999 (2)	187	8	5	3	19	**222**
	$250,000 to $999,999 (3)	444	47	19	23	50	**583**
	$100,000 to $249,999 (4)	638	178	65	41	83	**1,005**
	$25,000 to $99,999 (5)	646	642	234	156	200	**1,878**
	$10,000 to $24,999 (6)	60	228	120	102	82	**592**
	$2,500 to $9,999 (7)		135	44	24	31	**234**
	Less than $2,500 (8)		15	99	100	164	**378**
	Insufficient Public Wealth Data (9)				7	92	**99**
	Total	**1,990**	**1,254**	**587**	**457**	**729**	**5,017**
Unassigned	$10 Million or more (1)	1	1	1	2	15	**20**
	$1,000,000 to $9,999,999 (2)	12	9	11	13	84	**129**
	$250,000 to $999,999 (3)	82	111	150	195	640	**1,178**
	$100,000 to $249,999 (4)	318	562	693	1,161	3,079	**5,813**
	$25,000 to $99,999 (5)	756	4,140	6,342	16,625	47,400	**75,263**
	$10,000 to $24,999 (6)	108	2,061	5,470	20,886	95,732	**124,257**
	$2,500 to $9,999 (7)	3	1,465	2,088	5,759	75,980	**85,295**
	Less than $2,500 (8)		250	4,480	20,183	146,675	**171,588**
	Insufficient Public Wealth Data (9)				326	188,276	**188,602**
	Total	**1,280**	**8,599**	**19,235**	**65,150**	**557,881**	**652,145**
Grand Total		**3,270**	**9,853**	**19,822**	**65,607**	**558,610**	**657,162**

958 Low Value Prospects

1,951 High Value Prospects

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PROSPECT STAGES: ALL ASSIGNED HOUSEHOLDS

ONLY ACTIVE STAGES INCLUDED

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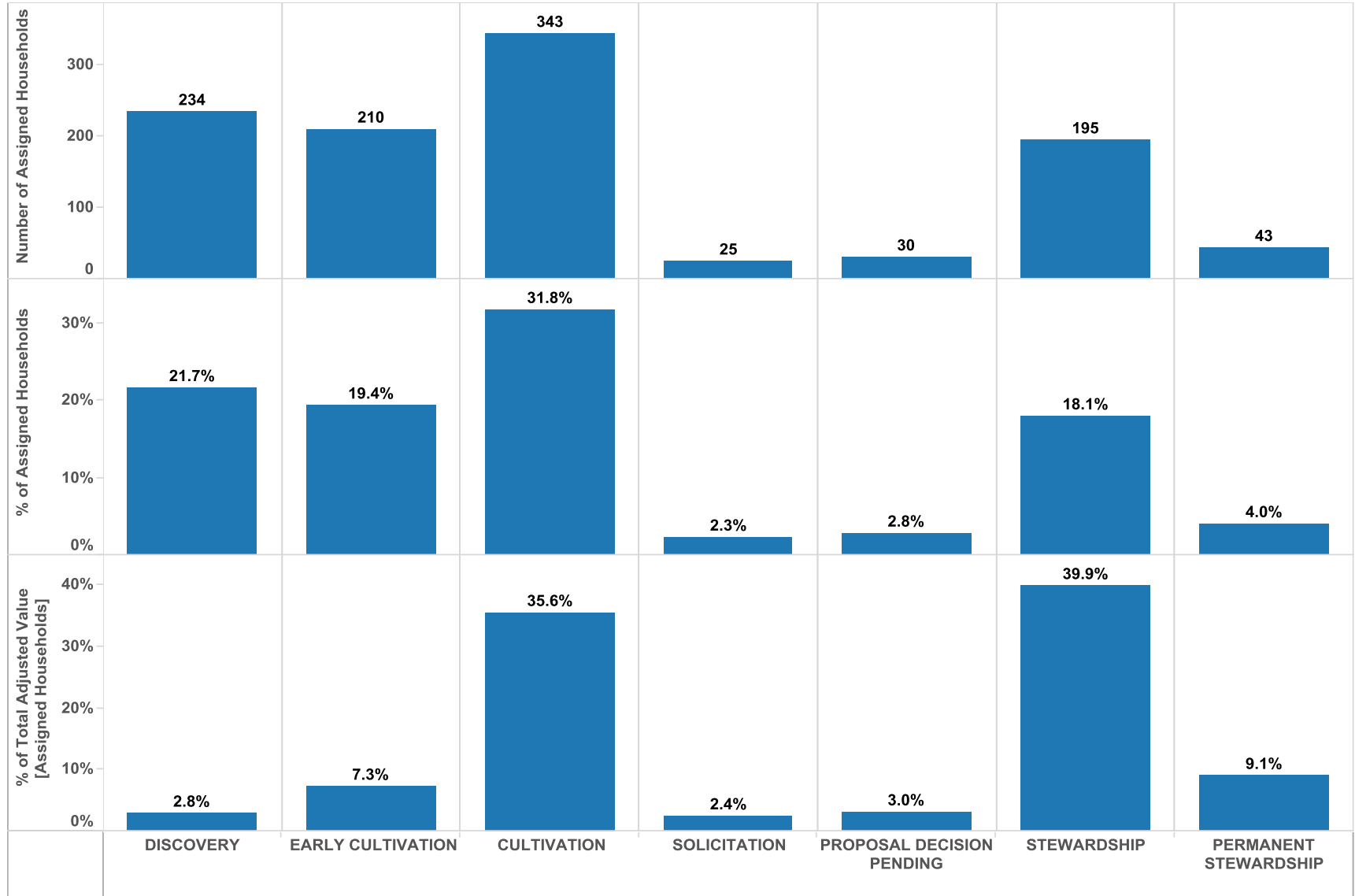
KNOW WHAT YOU'RE GETTING

- Beware of push-button, off-the-shelf solutions that cut corners and merely pose as "predictive"

- Findings derived from such solutions, including likelihood to give scores, are often imprecise beyond a reasonably degree of statistical certainty

- Therefore, they are incapable of accurately forecasting the potential for future philanthropic support specific to your organization

- A proper predictive analysis takes time

- Analysis should be based on custom-built statistical models that take into account internal and external factors, and an in-depth look at constituent behavior, including the following:

  - Comprehensive past giving data (internal)

  - Historical giving patterns (internal)

  - Indicators of relationship and engagement (internal)

  - Demographic data elements (external)

  - Socioeconomic data elements (external)

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TIMING & BUDGET

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TIMING & BUDGET

- Large-scale Predictive Analytics tend to be fairly expensive – nice things usually are

- Fees for a thorough, well done Predictive Analytics project generally amount to somewhere between $20,000 and $50,000, depending on the number of records in the model

- This underscores the need to think carefully about project timing and year-to-year budgets

- As always, timing is key, so ask yourself these basic questions:

  - How well do I know the constituency? And how well do the frontline fundraisers know the constituency?

  - Is the senior leadership or AVP/CDO in place relatively new?

  - How long has it been since we last engaged in an all-inclusive screening and/or predictive modeling project?

  - Are there discussions about the feasibility of a capital campaign to be launched within the next two or three years?

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TIMING & BUDGET

- – Are we in the middle of a campaign or nearing close?

- – Does it feel like we're really struggling to keep the prospect pipeline strong?

- – Are about half or more of our managed prospects currently "stuck" in cultivation?

- It is important to be prepared to engage in a Predictive Analytics project when the time is right, which means you must have available room in the budget:

  - – Remember, reliable modeling scores that are based on a truly thorough, in-depth analysis of your prospect pool will be static – they are not dynamic; therefore, they will become "stale" and will require "upgrades" in future years

  - – High-performing development programs (I'm thinking of higher ed institutions, in particular) typically engage in a Predictive Analytics project every three to five years – especially when in campaign

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GG+A PHILANTHROPIC ANALYTICS

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- GG+A is a full-service philanthropic management consulting firm, founded in 1961, with principal offices in Chicago and London

- The firm serves many hundreds educational, medical, arts & cultural, and other non-profit clients with almost $60 billion in client program and campaign goals currently under management

- GG+A Philanthropic Analytics pioneered wealth screening and prospect analysis in 1986, and launched DonorScape® (the first completely online, web-based product of its kind) in 2004

- Since the late 1980s, GG+A has analyzed over 350 hundred million records from more than 2,000 non-profit organizations from across the United States, Canada, and Europe

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THANK YOU FOR YOUR TIME & PARTICIPATION!

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