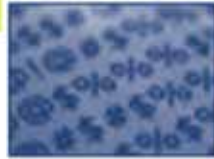




*We make information  
make sense*



# ***DMA Nonprofit Federation***

## ***Leadership Summit***

***Denver, Colorado***

***June 1, 2005***

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**General Session 3: Bending the Financial Mindset**



# Overview



## *Bending the Financial Mindset When Evaluating Fundraising Investments*

- └ Expanding Traditional Measures
- └ Strengths and Weaknesses
- └ Adopting an Investment Portfolio Management Approach.
- └ Success Stories – ROI based Acquisition to DRR.
- └ It's measurable ... today and in long term

# Traditional Measures

## *Strengths*



The benefits of traditional measures include:

### Traditional Metrics

Cost per Dollar Raise,

Response Rates

Average Gifts

LTV

- ⌘ Easy to understand – by marketers and across organizations
- ⌘ Easy to measure
- ⌘ Easy to adjust

# Traditional Measures *Challenges*



However there are challenges with this traditional view:

## Traditional Metrics

Cost per Dollar Raise,

Response Rates

Average Gifts

LTV

These performance metrics are limited in scope especially in impacting the critical issues of :

- ⌘ Strategy implementation,
- ⌘ Investment decision making
- ⌘ Fundraising optimization, and
- ⌘ Channel evaluation.

# Traditional Measures

## *More Challenges*



### Traditional Metrics

Cost per Dollar Raise,

Response Rates

Average Gifts

LTV

- ⌘ Moments in time
- ⌘ Tend to reinforce functional silos
- ⌘ Not consistent with today's multi-channel business model realities, where risks are greater
- ⌘ Sacrifice long-term thinking for rearview mirror thinking
- ⌘ Limited in understanding the right levels of investment
- ⌘ Tend to be less donor centric

Because of these limitations traditional measures of success need to be expanded for sophisticated marketers.

# Adopting an Investment Portfolio Management Approach



## *Why:*

- i* Outlines where fundraising needs to go and how to get there.
- i* Helps manage risk – marketers know where to invest and when – as the donor value propositions evolve.
- i* Becomes a philosophy and brings strategic alignment within an organization and with partners.
- i* It's measurable ... today and in long term



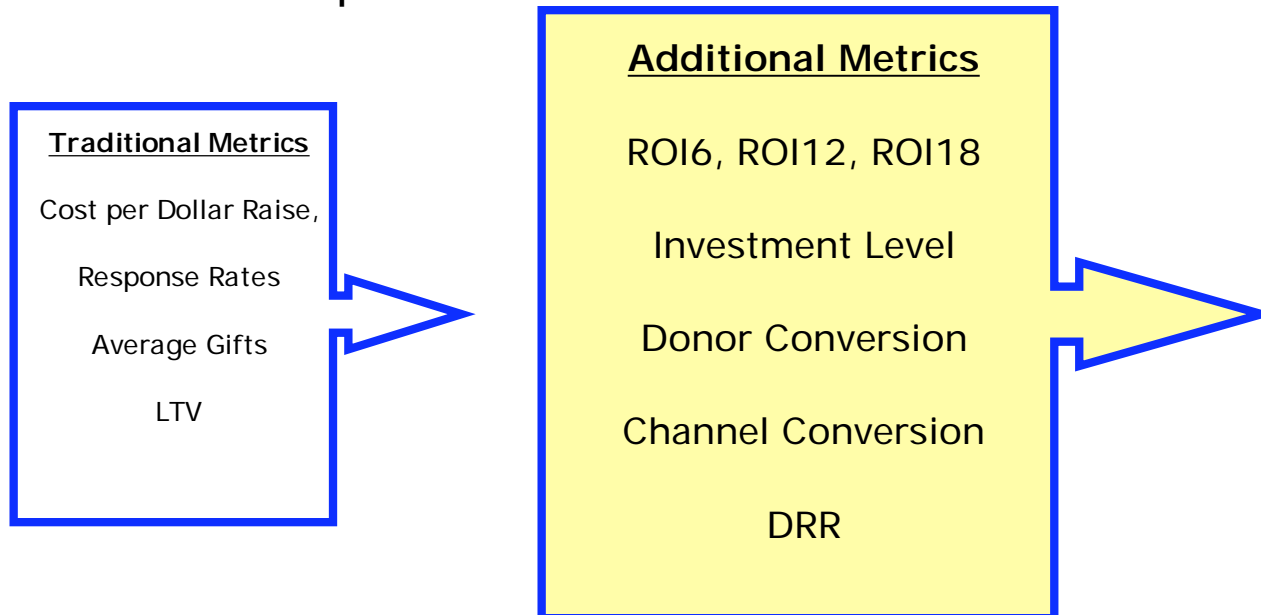
# Investment Portfolio Metrics



New metrics balance the historical measures of success and help drive future performance. These metrics assist:

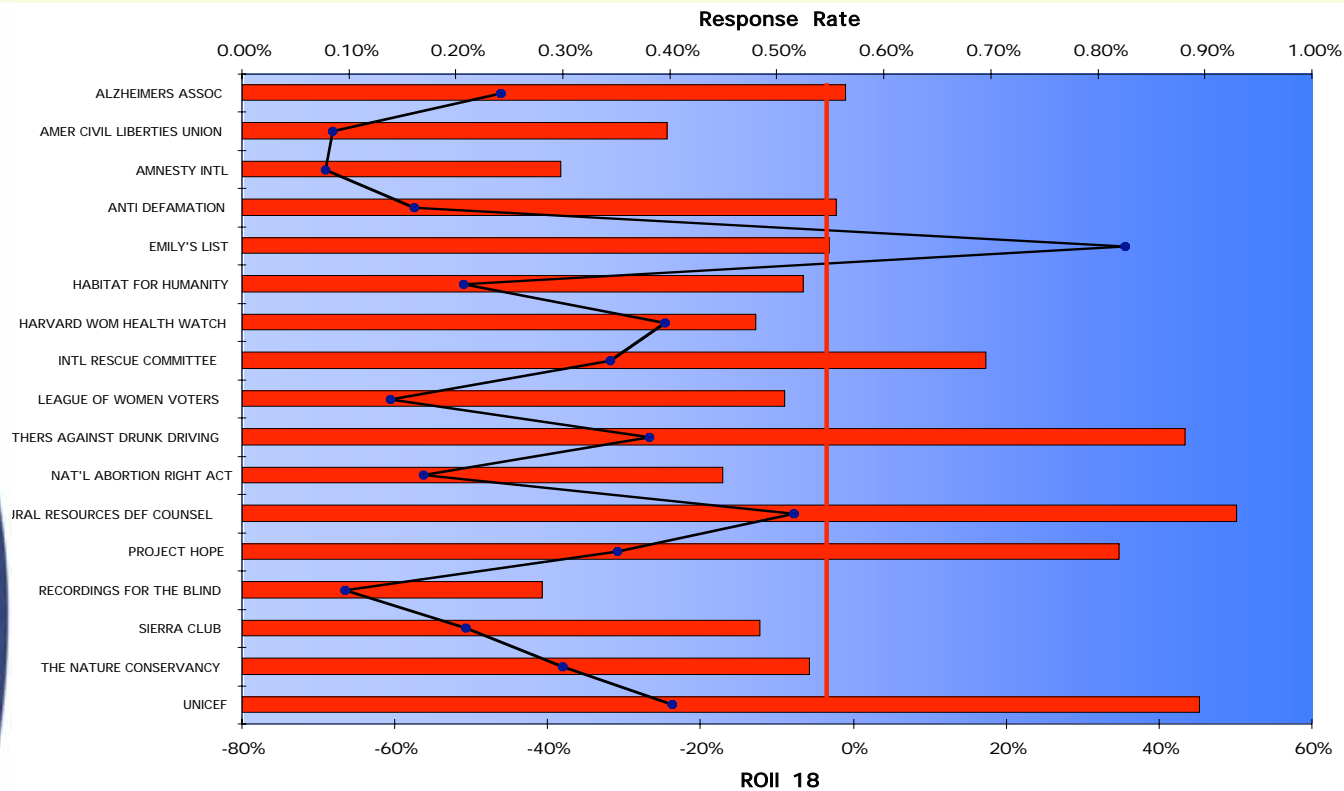
⌘ the ongoing evaluation of donor investment strategies and

⌘ provide insight into how today's strategies impact long-term donor relationships.



# ROI Based Acquisition Management

## Initial Response Rate and ROI 18

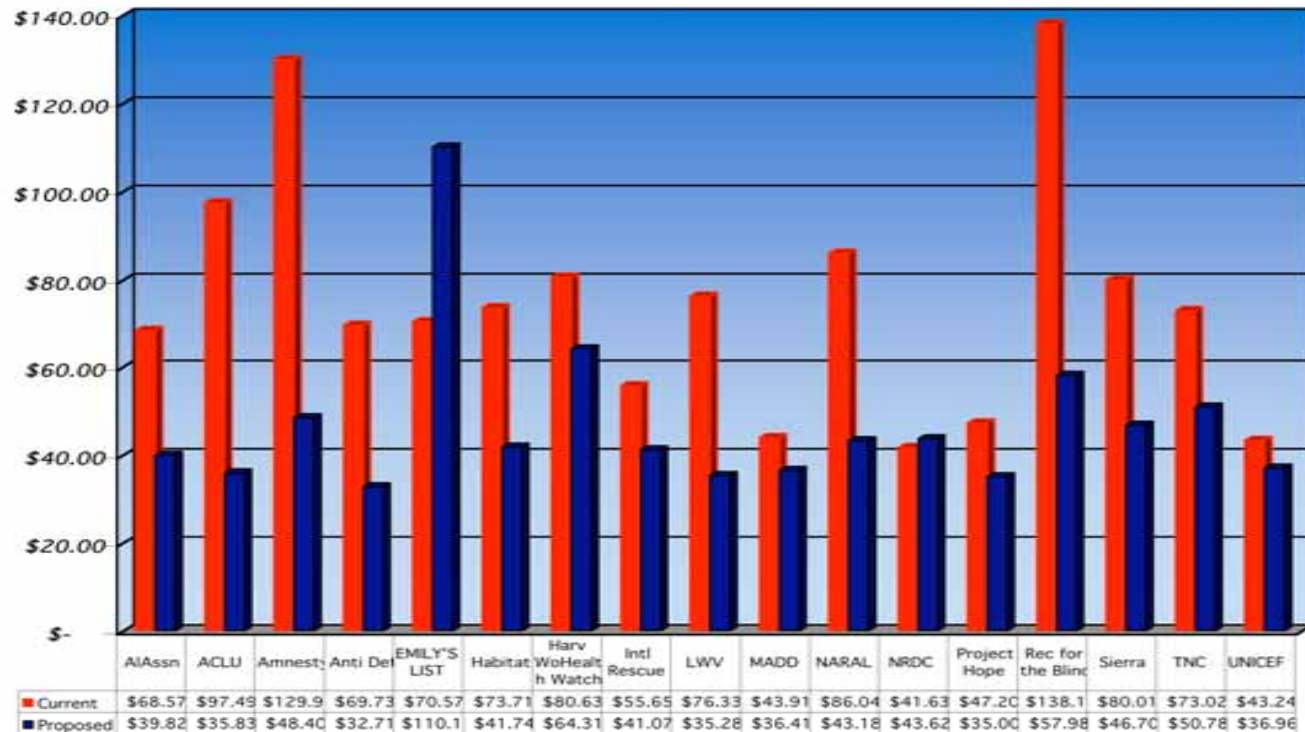


Response Rate and ROI 18

Client A was charged with building an acquisition program that generated a positive return in 18 months. There was no correlation to initial performance (red bars) and ROI 18 measures (blue line) established by the board. Investments needed to change.



# Investment Levels



The chart above highlights the current investment levels (red) to the clients top 17 lists and appropriate levels to meet directive (blue). Strategies were changed to reallocate investment dollars and develop targeted strategies to increase value in weaker performers.

Results: Volume remain constant, budgets were reallocated to post-join activities and ROI was positive within 12 months. ROI 12 is the new measure of success

# Cross-Channel Analysis

## ROI and DRR



Investment levels using ROI metrics alone do not tell the complete story on which donors deserve organizational investments.

Channel	Inv 0	DRR6	DRR18	Inv 18
Low\$ Event	\$56	16%	52%	\$86
DM Acq	\$41	19%	84%	\$76
Web	\$86	9%	19%	\$103
Hi\$ Event	\$440	13%	54%	\$678
	\$67	15%	54%	\$104

Due to budgetary restriction Client B was prepared to significantly reduce investments in their acquisition programs and events. It was believed that high-dollar events and web donors acquisition were the most productive and should remain.

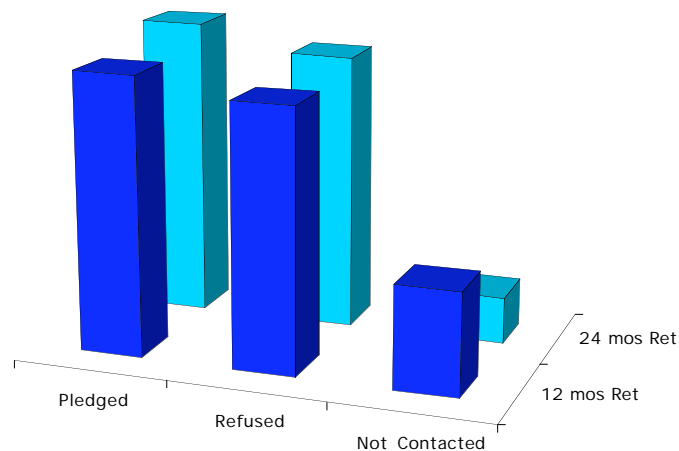
Analysis was conducted that highlighted that based solely on initial performance that hypothesis was true, however Direct Mail and Low-dollar events donor rate of return far exceeded those of web donors - with direct mail exceeded high-dollar events.

Results: Investments increased in all channels and retention program investments were increased to improve the return of web donors.



# Investment Analysis

## *Campaign Evaluation with Long-term metrics*



	Pledged	Refused	Not Contacted
■ 12 mos Ret	52.4%	49.2%	19.4%
■ 24 mos Ret	56.2%	51.9%	8.8%

Client C questioned the value of telemarketing campaigns and sought to dramatically reduce investments as short-term campaign metrics such as pledge rate and campaign net revenue per donor began to decline. A test was conducted to determine if including long term metrics would alter the recommendation to decrease the telemarketing investment.

**Results: 12 month retention is up more the 250% on the donors who pledged and those who were contacted and refused compared to the test panels that were excluded from calling. The organization approach and philosophy on telemarketing has changed .**



# New Market Evaluation



In 2004 Client D had a dramatic influx of new donors – 4 times greater than 2003 most of whom have never given a charitable gift. The client had expanded the entry point channels including telemarketing, web, direct mail, and canvassing and was unsure of the value of the new donor pool. They launched an aggressive conversion program and using donor conversion metrics and DRR, the client knows how much to invest and the timeline by donor type and channel to maximize giving.

**Results: 15 behavioral tracks have been established with short- and long-term metrics that emphasize maximizing donor value and integrating channel communications.**

Entry Channel 2004	Donors	Initial Avg Gift	Days to 2nd Gift	Inv Level	Activation 90
Canvassing	75,253	\$40.50	99	\$81	37.4%
Direct Mail	229,101	\$49.41	107	\$82	29.6%
Internet	63,499	\$78.70	90	\$131	49.8%
Telemarketing	22,248	\$49.67	113	\$76	27.4%
<b>Total</b>	<b>390,101</b>		<b>103</b>		

Entry Channel 2003	Donors	Initial Avg Gift	Days to 2nd Gift	Inv Level	Activation 90
No Canvassing		\$0.00	0	\$0	0.0%
Direct Mail	51,546	\$30.85	222	\$38	12.2%
Internet	15,867	\$50.74	205	\$66	17.4%
Telemarketing	6,184	\$28.23	188	\$35	7.4%
<b>Total</b>	<b>73,597</b>		<b>205</b>		

# Investment Portfolio Management Approach



## *Benefits:*

- i* You will be able to articulate the value proposition of donors, channels, and discrete strategies – in the short and long term.
- i* You will know where to invest and disinvest for the long-term – and when to do it.
- i* You will have a better, quantifiable understanding of risk and the health of all business models.
- i* You will lead a new philosophy and bring strategic alignment within an organization and with partners.
- i* You will measure, monitor, and manage the long-term value of your donor base and increase it's value.