Who Will Give Right Now?

Secrets to Major Gift Segmentation
HOW TO IMPROVE EFFICIENCY & YIELD WHEN SEGMENTING NONPROFIT PROSPECTS FOR MAJOR GIFTS

Powered by data and technology, organizations can learn more about their audiences not only to raise revenue, but to grow their volunteer base and talent pipeline, as well as to establish programs that better meet constituents’ needs and interests. This approach separates general and mid-level donors from those who can give major gifts, resulting in more precise segmentation than nonprofits have enacted in the past.

In fact, the recency, frequency, and monetary (RFM) segmentation most familiar to nonprofits can be further enhanced to yield ever-more accurate profiles of existing and prospective donors. Beyond RFM, nonprofits can learn what motivates donors’ behavior, which programs better appeal to their generosity, and more.

Without segmentation, fundraising is inefficient, may cost more, and produce less revenue. Worst of all, it can limit nonprofits’ ability to engage in genuine donor-centric fundraising.

So how can organizations expand and deepen their fundraising through segmentation? We cover that topic in a series of papers that provide organizations both large and small, established or newly formed, with an introduction to the concepts underlying segmentation. We also include short case studies of nonprofits that used segmentation to target general and mid-level donors (or what we call “mass-market segmentation,” which is better suited to large groups).

In this paper, we address segmentation for nonprofits focused on improving their outreach to major gift donors, typically individuals requiring high-touch contact, such as face-to-face meetings or invitations to galas or board memberships. Our approach here is practical and hands-on so that you can roll up your sleeves and dive right in — let’s begin.
THE CASE FOR ENHANCED SEGMENTATION

More reasons why nonprofits should implement segmentation

Some prospects just aren’t that interested in your cause. Devoting the same attention to everyone with capacity can be a waste of time and money. Given limited budgets, this approach can also mean less time and energy (or, as marketers would say, “touches”) for those most likely to consider a major gift.

The “ask” should vary by a prospect’s capacity to give. For some, receiving a donation request for $25, $50, or $100 may be appropriate; others might actually find those figures insulting. Major donors may be able to give $1,000, $2,500, $5,000 — or much, much more. Why limit your nonprofit’s revenue if there are donors willing and able to contribute higher amounts? With segmentation, you can send an elevated appeal package to a select audience and raise more in the long run.

Your message should match a prospect’s interests. Appeals that emphasize initiatives that don’t engage donors are far less effective than those that excite their passions. The gift can still be tagged general, but you can drive engagement based on donors’ interests.

Some prospects should be assigned to specific programs or portfolios. Some prospects can be validated through research. As a result, they can be moved to major gifts portfolios, identified as planned gift prospects, or transferred to a curated mid-level donor experience.
What Matters

There are a number of dimensions that matter when segmenting prospects. At a minimum, they should include:

1. Capacity
2. Attachment (a.k.a engagement)
3. Connection
4. Interest Areas

Let’s review each one.

1. CAPACITY

Capacity measures how much someone interested in your cause can actually be expected to give, but it’s not a standalone dimension. While they have resources, these prospects are unlikely to donate to your cause if they are unattached or connected to it and if it doesn’t interest them.

At Pursuant, we often calculate a “projected ask amount” through an algorithm or formula that weighs capacity, attachment, connection, and previous giving history. This works really well to get a feel for how much somebody might actually be expected to give. For example, someone with $1M capacity who’s disengaged might have a $10,000 projected ask amount, whereas another $1M capacity prospect who’s highly engaged might have a projected ask amount of $100,000 and should be in a major gift portfolio.

Where do these capacity numbers come from, and are they accurate? There are a whole host of companies that will screen your prospects, append wealth and capacity information, and return the data to you. The cadence of data updates is important, too, because the quality of donor files degrades fairly quickly. Having routinely fresh data, as a platform like GivingDNA provides with monthly updates, ensures you’re working with the best prospects every time.
But do you actually need to do this for all prospects? There are other ways to determine capacity, and for fundraisers who have a lot of velocity in their prospect base—for example, healthcare fundraisers—screening everyone who appears in their database may not make sense.

In the United States, there’s rich information in the public domain on income and property value by postal code, which is a great proxy for capacity. If you have job title data, which is another good input for capacity, parse and group it into C-level, senior level, and so forth.

**Tips for Healthcare Organizations**

The rapidly evolving technology landscape now includes lightweight data-discovery tools complete with augmented intelligence and predictive modeling that make it super easy to score all patients daily on a zero to 100 scale and then group them into, for instance, half a dozen “patient connection segments.” Doing so wasn’t possible until recently.

We’ve been able to apply public domain and other information as a proxy for capacity and then use that, along with attachment and healthcare patient connection scores, to do a rough-cut segmentation, allowing us to go deeper only with the segments that show promise. It’s a great way to reduce costs and improve efficacy by focusing on prospects who are more likely to give. In an analytics platform like Pursuant’s GivingDNA, triggers can be set to automate the process of flagging new prospects who slot into the proper segments or existing prospects whose situations have changed. Those names can then be pushed out for a more thorough screening and data append.
2. ATTACHMENT (A.K.A ENGAGEMENT OR AFFINITY)

Attachment is another variable derived from data that can be scored to reflect the interest level that your prospects have shown in your organization and cause. Again, there are a number of data discovery and analytics technologies that can mine your events, newsletter clicks, committee participations, giving data, student participation data (if your organization is a college or university), and the like to score and group people daily into attachment categories. For example, someone who’s clicked on two articles featured in your e-newsletter in the past six months, attended your neuroscience research dinner last year, and already made a $1,000 gift is clearly much more attached to your organization than somebody who may have simply made a $1,000 gift.

We recommend using a predictive modeling tool to develop an attachment score. Your models can figure out the relative weight of, say, attending a reunion versus making a gift. The model will also analyze situations, such as whether a donor who attends five events equals five times the weight of attending a single event. It’s more likely to be 1.8 or maybe twice the weight.

Then, once you’ve got the numeric scores, we recommend putting them into a set of named categories along the lines of what was shown above: owners, highly engaged, engaged, disengaged, and disconnected. We find that the named bins help major gifts officers relate far better to the prospects as people than if the bins were simply numeric scores.
3. CONNECTION

Connection is defined and measured differently in various fields and nonprofit sectors. In the healthcare world, for example, different experiences create vastly different degrees of connection to any healthcare provider. It matters a lot who the actual doctor was, where the treatment occurred, the field of medicine, how intense the interaction was (e.g., how many times they visited in the past year), how far the patient traveled for their treatments, how long ago the last visit was, and so on. In the extreme case, a patient who comes into the ER with a broken arm one time from a nearby neighborhood will have a much lower connection to the organization than somebody who flies in six times from a distant city to the pediatric oncology area over the course of a year. The good news is that all this content is stored in provider patient encounters systems, and HIPAA now allows you to use much of it for your fundraising operations. (We’ll share an example a little farther along).

Similarly, in higher education, not all alumni connection points are created equally. Graduates who lived on campus, received a four-year degree, attended post-graduate classes, played athletics, and participated in extracurricular activities are likely to feel a much stronger connection to their alma mater than a graduate who studied via distance learning or who didn’t attend all four years.

4. INTEREST AREAS

Discovering your prospects’ interests can be more challenging, but it can be inferred from a combination of variables, such as types of articles they clicked on in your newsletter, events they attend, their degree or major in college or graduate school, and, if your organization is in healthcare, which practice(s) the treatments were in, as well as other charities the donor gives to. Additionally, understanding which nonprofits and causes they give to is critical to understanding your share of a donor’s wallet. Too often, we write donors off as stingy when they’re actually quite philanthropic—we just haven’t learned which causes move them to donate.

New text-parsing and predictive modeling technologies can translate data that you already have into interest areas that can then be used to inform your communications and approaches. In addition, we’ve been able to use third-party data to better understand where individuals have given in the past, which helps identify those prospects predisposed to giving to various causes.
CLIENT EXAMPLE

The segment map in the following illustration shows how attachment and capacity scores align to help support strategy. The data is based on real-world results, so it represents what we typically see with our clients. In this case, the colored squares in each segment represent a typical distribution of prospects; note how much larger the bottom-left segments are compared to those at the top right. This makes it easy to see how an undifferentiated strategy that screens everybody and/or sends an appeal to everyone can chew up plenty of budget without gaining much revenue in return.

There are guiding principles or clear best practices related to understanding and activating around your best prospects. For example, ensure individuals in the upper-right quadrants are in major gifts portfolios while those in the lower left receive only limited investments of time and energy.

However, determining how to activate the giving opportunities within each of the other segments may vary based on a variety of factors, including additional data on prospects within each segment, current internal resources, and long-term fundraising objectives.

The map below offers an excellent example:

1. **Place into major giving portfolios:** Top-right segments A1–A2, B1–B2. These are your top prospects and should be researched further, screened, and assigned. This group deserves your primary investment.

2. **Cultivate attachment:** Third-row right segments A3–B3. This group has capacity and relatively high engagement. It’s a prime group to invite to events, steward through volunteer thank-you calls, and provide elevated impact reporting to identify untapped interest in your work. While fewer prospects are likely to become major donors than those in the upper-right quadrants, these individuals’ capacity is worth more exploration. It’s also worth remembering that donors with significant capacity but lower giving levels have built a giving muscle or reinforced determination of how they see their relationship with you. These giving behaviors are often more difficult to change than a newer donor or prospect without that long history of giving behavior.
3. **Invite to sustainer programs**: Top-left segments C1, D1, C2, and D2. These donors are deeply engaged and believe in the work you do but may have limited capacity. These prospects are excellent sustainer donor candidates and should receive special invitations to join such programs. Organizations with a high number of prospects in these top-left segments without a sustainer program should consider investing here.

4. **Build mid-level giving opportunities**: Top-center segments. Organizations with a large population in these segments but which lack a formalized, mid-level giving program likely have a significant opportunity here. Creating a strong, mid-level giving base is important for many reasons: It creates an upgrade pathway from the annual program and is one of the most effective ways to build a major gifts pipeline. It also produces the strongest planned giving prospects and has one of the strongest retention rates of any fundraising strategy.

5. **Wealth screen and research further**: Third-row left segments C3–D3. It’s possible that the capacity proxies initially used missed something here. It’s worth the cost to get more detailed wealth information and better understand who falls within this group.

6. **Explore planned giving interest**: Top row. Prospects with high attachment and connection are the ideal audience for planned gifts opportunities. Additional research should be conducted to understand demographic details of these prospects, which, in turn, will inform which planned giving vehicle is likely of most interest to the donor.

7. **Identify your pipeline**: Center segments. Besides identifying your best donor opportunities today, it’s critical to think about pipeline planning. Additional research to identify long-term wealth potential and likely interest in future key initiatives of the organization will inform where and how to invest in developing the next decade (or two) of major donors.

8. **Generally hold back**: Bottom-row segments B4–D4. This group has minimal connection to your cause based on their constituent experience. It’s possible that some within the group might step up to your cause, but their constituent experience probably has little to do with that. It may be worth screening the A4 segment because of their higher capacity and continuing to engage them in limited ways.
Nonprofit Segments Sample

Segments C1, D1, C2, D2 = Annual Giving Focus

Segments A1, B1, A2, B2 = Major Giving Focus

Highly engaged

Moderately engaged

Disengaged

Disconnected

Capacity

0-Unrated (D) 10-99k (C) 100-499k (B) 500k+ (A)

Attachment

Generally Hold Back on Row 4

Segments A3-D3 = Screen & Assess
Typical Results: More Revenue, More Efficiency, Higher Yield = High ROI

Segmenting your prospects is virtually guaranteed to pay dividends. Every time Pursuant engages in this work, we find really strong ROI — essentially a triple-hitter because (1) more money is raised, (2) it’s raised more quickly, and (3) it’s accomplished at a lower overall cost. It makes sense because not all prospects are the same. They’ll respond in different ways to the messages you send and the ask levels you suggest. Understanding this and getting the right mix and balance is your key to improving efficiency and yield. Once you have that combination and balance in place, your segmented donor data will allow you to make informed, strategic decisions that’ll boost your bottom line.

We hope you’ve enjoyed this content and that it will help you achieve your fundraising goals. If you have any questions about what you’ve read or would like to discuss how we can help you reach your goals, please contact us at info@pursuant.com. We’ll get right back with you!