List Coops: the Good, the Bad and the Ugly

August 17, 2011
## Session Speakers

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<tr>
<th>Kathy Gallagher</th>
<th>Tom Murray</th>
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<td>Director of Sales</td>
<td>Vice President, Market Management</td>
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<td>Target Analytics</td>
<td>Epsilon</td>
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<tr>
<td><strong>Jaime Strom</strong></td>
<td><strong>Brent Eskew</strong></td>
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<td><strong>Vice President, Client Services</strong></td>
<td><strong>Executive Vice President</strong></td>
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<tr>
<td><strong>Paradysz</strong></td>
<td><strong>Wiland</strong></td>
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- **blackbaud**
  - your passion › our purpose

- **epsilon**
  - Targeting

- **paradysz**

- **WilandDirect**
  - Innovative solutions. Unparalleled results.
Coop Product Overviews
Target Non-Profit Cooperative Database

• Managed by Target Analytics, a Blackbaud Company
  – Located in Cambridge, MA & Charleston, SC

• Launched in 1998
  – First & largest Cooperative dedicated solely to non-profit fundraisers

• Size & Scope of Target Coop Database
  – 700+ active non-profit participants
  – 78+ million individual donors
  – 2.8+ billion gifts

• Target Coop Services
  – Acquisition Models
  – Balance Models
  – Lapsed Recapture Models
  – Post-Merge Models
  – Recurring Gift Models
  – Loyalty Insights
  – List Optimization
  – Warm Prospect Conversion Models

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Target Non-Profit Cooperative Database

• Stewardship & Data Protection
  – No participation or membership fee
  – Names matched to 3rd-party database of publicly available information
  – Suppression requests honored
    • Large gifts excluded from the Coop
  – Names deliberately rested to avoid over-usage
  – Participation is anonymous and restricted to nonprofits
  – Participants may withdraw at any time without leaving a data footprint
Serving the Nonprofit Community Since 2008

**144** ACTIVE NONPROFIT ORGANIZATIONS

- **MEDICAL RESEARCH**
  - 31 organizations

- **ENVIRONMENTAL**
  - 29 organizations

- **SOCIETAL BENEFITS**
  - 34 organizations

- **OTHER**
  - (I.E. ANIMAL WELFARE, RELIGIOUS BELIEFS)
  - 50 organizations

**2332** ACTIVE PARENT ORGANIZATIONS

**10,000+** UNIQUE OFFERS
The Wiland database holds extensive information on consumers/donors and their past transactional activity

- Transactional data on 235 million Americans
- Includes hundreds of millions of donor transactions
- Major industries include Nonprofit/Fundraising, Catalog/Retail, and Publishing
- Approx. 2,000 participating organizations

Wiland builds custom predictive models that rank donors based on transactional activity across the database

- Activity across all industries and participants is examined

Fundraisers utilize Wiland to:

- Access targeted universes of prospects whose characteristics are similar to their own donors or responders
- Reactivate lapsed donors and increase contributions from existing donors
Cooperative Database View

Fundraiser’s View

- Sally responded to a direct mail appeal from the organization (an animal welfare charity) 3 months ago, donating $50
- She sent a $50 gift 15 months ago
- Sally has given a total of $315 to the organization
- All of Sally’s gifts were sent via mail
- She is 42, with an estimated household income of $65K-$75K

Co-op View

- Sally has made 14 donations in the past 12 months, including six to animal welfare causes
- She has given $1,380 to charities in the past year
- 45% of her donations were made via the web, 40% were mailed, and 15% were made over the phone
- Sally has 35 purchase transactions from 17 multichannel retailers—including two pet supply companies—in the last year
- She spent an average of $95 per transaction in the last 12 months, an increase of 15% vs. last year
- Her spending on pet supplies has accelerated rapidly in the last six months
- Sally subscribes to two pet magazines, one news magazine, and one outdoor recreation publication
How Fundraisers Are Using Co-ops

- **New Donor Acquisition**
  - Co-op names often outperform other prospect sources due to vast data and modeling
  - Many are using co-op models to optimize their prospecting net files

- **Lapsed Donor Reactivation**
  - Co-op identifies those most likely to give again based on activity with others

- **Maximizing Donor Contributions**
  - Special models created to optimize donor file circulation and boost net contributions
  - Some use co-op to identify “potential major donors” for special treatment
  - Others want to identify optimal “ask string” for each donor on file

- **“Warm Lead” Conversion**
  - Co-op identifies non-donors (inquirers, referrals, etc.) that are most likely to contribute

- **Activist/Volunteer Recruitment**
  - Can pinpoint likely activists/volunteers based on activity with relevant causes

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Paradysz is a marketing services agency that helps clients make the most informed decisions to connect with great donors

We Provide Audience Development Services The Following Areas

- Marketing, Sales & Customer Analytics
  - Audience & Media Research
  - Media Planning and Buying
- Marketing and Media Optimization

Results: Improved donor acquisition performance, audience development, media cost management and marketing intelligence
Incorporating Coops in Your List Plan
**COOP PARTICIPATION?**
81% of Nonprofits participate in 1+ coops
Yes

**PARTICIPATION GROWTH TREND?**
Participation has increased 44% since 2008
It’s Growing

**HOW MANY COOPS?**
- 33% - One
- 26% - Two
- 28% - Three
- 13% - Four
- 2.1+ = Average

**COOP COMPOSITION?**
- Average 16% today
- Range 4% to 40%
- Increasing!
**Nonprofit Cooperative Database – Quick Facts (cont.)**

**COOP FREQUENCY OF USE?**
92% use 1+ coops in every mailing
Every drop

**COOP PERFORMANCE?**
92% generate Rev/M indices > 100
95% consistently make each plan based on a P&L
The names work!

**COOP UTILIZATION?**
26% use coops for lapsed donor reactivation
77% prioritize coops randomly within the merge
18% utilize post-merge balance models
23% use package specific models
Depends on the program

**COOP COSTS?**
Average in the mail list cost is $88/M
Range is $55/M to $155M
67% have NO net name arrangement in place
Cost competitive with list rentals
Cooperative Databases – Nonprofit Advantages

Cooperative Database

- Modeled Name Performance
- Incremental Universe Development
- Cost Competitive
- Program Applications
- Market Intel
Cooperative Databases – Nonprofit Disadvantages

- Program Implications
- Control of Names Contributed
- Black Box Visibility
- Name Interaction
- Risk Management
Special Topics
Special Topics

- Merge Prioritization
- Reactivation of Lapsed Donors
- Duplication of Sources: Coops vs. Primary Lists
- Assessing Value of Coops vs. Primary Lists
- Protection of Names from Coop Use
- Multibuyers
Success Stories
Target Non-Profit Cooperative Database Case Study: Conversion Modeling

• Modeled warm prospect file to find prospects likely to give a gift to support the organization’s mission

• Test results: 4,418 new mission donors acquired at a profit

• These newly acquired “mission” donors outperformed active donors (with identical creative) by 3 to 1 in the Spring 2011 fundraising campaign

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<tr>
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<th>Mailed</th>
<th>Response Rate</th>
<th>Average Gift</th>
<th>CP$R</th>
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<tbody>
<tr>
<td>Modeled Warm Prospects</td>
<td>214,708</td>
<td>2.06%</td>
<td>$14.69</td>
<td>$0.73</td>
</tr>
<tr>
<td>Remainder of Warm Prospects</td>
<td>1,196,199</td>
<td>1.54%</td>
<td>$10.91</td>
<td>$1.54</td>
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Abacus in Action: Licensed Score

Client Profile
National medical research organization
Client selects minimal lapsed donors using RFM variables
ET models are run incremental to clients RFM selects

Previous Process
Mail all active donors
Model lapsed donors using RFM select

Client Goal:
Mail lapsed donor more effectively and improve donation/offer

Client Results:
Using Abacus licensed score, identifies 800-1.2mm lapsed donor names monthly
Case Study: Using a Co-op to Boost Prospecting ROI

➢ Background

• *Charity XYZ* is a nonprofit organization dedicated to helping those in need improve their lives through hundreds of human services programs

• The organization participates in the Wiland Cooperative, which it uses for a number of services, including donor acquisition

➢ Challenges

• In a down economy, the effectiveness of many charities’ fundraising efforts have declined

• *Charity XYZ’s challenge*: maintain the size and strength of its active donor file in the face of higher investment costs on donor acquisition efforts

• To meet its financial objectives, the charity needed to formulate a plan to **boost ROI** from its direct mail acquisition program

➢ Co-op Solution

• Having experienced success with Wiland prospect models in the past, the organization decided to test **net file optimization** using its best Wiland model

  • **Step 1**: Score entire prospect net file from a past mailing to determine impact

  • **Step 2**: Based upon results of back-test, use model to **suppress the weakest segments** in future donor acquisition mailings

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Case Study: Using a Co-op to Boost Prospecting ROI

Test Findings

- Net loss of $28K on bottom 14% of acquisition circ.
- RR index of 36, Avg. Gift index of 24 on bottom 14%
- Net Effect of Optimization:
  - Increase in net revenue of $26K (includes optimization cost)
  - 16% boost in campaign ROI
  - 12% increase in overall response rate
  - Only 3% drop in new donors acquired

Next Steps

- Organization will optimize the net file for its next appeal, dropping the bottom three segments to boost ROI
- Option to replace dropped prospect circulation with more productive, modeled co-op names

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Questions?
Thank You!