



Modeling and Profiling:

Two Tools to Win Higher Response



Unlock vital data about potential donors with these tactics.

By Amy Houke

Identifying your best donors and then finding more like them — it's a goal that will save valuable resources and increase donations.

And it can be done. Direct marketing can unlock the power of information about your donors and markets. Modeling and profiling are two techniques that start with a base of knowledge about current members or donors and use that information to do the following:

- **Find more individuals** who are likely to mirror your current members or donors.
- **Guide creative focus** (speak to who your members are, not to who you *think* they are).
- **Increase your chances of success** in your direct response efforts by tailoring your audience to just the look-alikes (those who look like customers or members you've already captured).

Definitions

Modeling is a predictive technique. It uses two cells of subjects — one containing people who have shown a desired behavior (responded, donated, converted, renewed, etc.) and one containing people from the entire pool which was solicited (the mail file).

With modeling, your aim is to compare the behavior of those who responded to those who didn't. You build algorithms which look at several variables, seeking those that are significantly represented among the group with the desired

Responsive individuals often aren't being captured.

behavior when compared to the other audience. You then assign "weights" or "scores" to each variable. The heavier the weight, the more significant (meaningful) that variable is in predicting the desired behavior (response, conversion, etc.)

The output of a model is a scoring formula which you can use to segment a file into deciles (10 equal parts) and select those segments most likely to exhibit the behavior you desire. Modeling is often that "next step" as a program matures and some mailing and giving history is available for analysis.

Profiling is a descriptive technique. It uses a single audience and provides a description (a picture) of what the audience looks like.

While a profile is relatively one-dimensional in nature, it can also contain a comparative analysis which, somewhat like a model, uses two cells of subjects — one containing donors or members and one containing a representative sample of the entire relevant base population. Like a model, it looks for characteristics which are much more heavily represented in the current donor base than in the general population. It then indexes each variable. Those variables assigned an index significantly higher than

100 are the most meaningful demographics present in the customer base.

Typically, profiling is done as a first step, when a responder and mail file aren't available or a program is just getting started. Profiles can help to guide creative thinking and offer campaign strategies as well.

Case Studies

So how might these techniques work to solve the real-world challenge of shrinking donor or membership bases? With our partners ARG1 (Automated Resources Group, Inc.) and MarketTouch, we at DMW (a direct marketing agency) conducted two tests to find out.

Case Study #1 used a profiling technique to help several public broadcasting stations find new prospects. The Profile and Comparative Analysis (PCA) technique looked at each station's membership base and compared it to the relevant populations in its area. Each station's member file was overlaid with over 80 data variables.

Once all stations were reviewed, about 30 variables appeared to be key factors in determining the demographics of station members. Each station's output was a unique list of 8 to 10 key factors that were identified as being meaningful (over-represented) in the station's member base. These included some combination of the following: gender, presence of a mortgage, ethnicity, presence of children, income, computer owners, mail

CREATIVE FUNDRAISING IDEAS

Put Your Own Twist on Waiter Event

A number of nonprofits have had great success with a celebrity waiter event, where celebrities donate their time to serve dinner to guests. These celebrities are often local, regional, or even national TV or radio personalities, athletes, comedians, politicians, or business executives. Consider how your organization can put its own unique twist on this idea. You could, for example, use board members as waiters and call the event "Break Bread with the Board." A religious organization could have "Pasta with the Pastor," a healthcare facility could hold "Dining with the Docs," and so on.

Join Forces with Restaurants

Americans spend about 47% of their food money in restaurants, according to the National Restaurant Association. Direct some of those dollars toward your cause by collaborating with restaurants in your town. Ask several of them to donate a part of one day's sales to your organization. In return, provide them with plenty of newspaper, TV, and radio publicity. For more creative special-event ideas, see "Special Events Galore!," published by Stevenson, Inc., www.stevensoninc.com.

A Day in the Life of Someone Else

Here's a great way to spice up an auction. The Catholic University of America in Washington, D.C. (www.cua.edu) organized an auction in which the items for bid were opportunities to hold someone's job for a day. The organization asked local newscasters, celebrities, CEOs, and unique professionals to offer their jobs for one day. The auction was a big success, raising money and awareness for the organization while providing an unforgettable experience and a lot of fun.

order buyers, donor history, net worth, household size, and revolving bankcard holders. The PCA mimicked a model in that its output was a formula that identified for each station a unique set of criteria (demographics) that were indicative of membership or were significantly over-represented in their membership base.

The output was a gains chart which divided the prospect population into 10 deciles, each containing an equal number of individuals with some level of likelihood to respond (decile 9 being the most likely to respond, 0 being least likely). This profile (unlike a model) didn't predict response, because the two cells analyzed weren't responders and non-responders but instead were members and non-members.

Case Study #2 used a responder model built for a public radio station. Using a complete mail file as the control, and responders from that mailing as the target group, we sought to find out what characteristics uniquely defined the responders from the rest of those who received the mailing.

The mail file consisted of people who had been identified as quality prospects given their demographic makeup, lifestyle, and behavior (catalog buyers, magazine subscribers, donors to nonprofit organizations). The target group consisted of people whose behavior we wanted to predict in other prospects.

We started with a mail file of 227,798 individuals and 1,069 responders. The source files were matched to a consumer database and overlaid with over 600 demographic variables. With match rates at about 70%, the resulting files consisted of 160,359 mailed individuals and 727 responders upon which to build the model.

What was it about the responders that set them apart from those who didn't respond? What characteristics are the most meaningful (predictive of response)? What characteristics are less meaningful? Of the more than 600 data variables analyzed, 13 were meaningful, including: social position, ethnicity, gardeners, and automotive buffs. The general profile of the responder is an upscale educated professional who lives in an ethnically diverse area.

The top three deciles were tested, and small samples were selected

from deciles 4 to 10 to validate the accuracy and integrity of the model.

List Selection and Beyond

Profiling and modeling techniques can be very effective with relatively low risk. The only investment involved is the cost of renting a list of names. Because of this low cost, even small organizations can use these sophisticated techniques to acquire and retain donors.

Responsive individuals often aren't being captured because they don't order from catalogs or donate to other organizations. In a mature program with high donor penetration, these people can represent a valuable resource.

Using the formula resulting from a profile or model, you can obtain the names of people who mirror the responders you want to reproduce. Beyond list selection, you can use the findings from a model or profile to include meaningful information and relevant offers in your mailings. The result is a successful direct marketing program based on knowledge and insight. ■

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