

# Balancing the art and science of fundraising

*How analytics can help predict individual donor behavior to  
drive engagement and support*



individual relationships, write letters, make phone calls and sometimes stage benefits. Talent and intuition were just about all that was needed. But today's fundraisers need more. They need science, too.

The strategic challenges facing nonprofit organizations today—including colleges and universities—are complex. There's more competition than ever. And with all of today's media opportunities (and limitations), messaging has to be tailored to work in multiple channels. Then there's all the data everyone's been collecting. Now fundraisers need to add "data science" to their list of skills.

Predictive analytics can help strike a balance between the art and science of fundraising. It offers the insights necessary to help predict individual donor behavior. And it can help identify what drives engagement and support, making it easier to forecast both performance and potential. In other words, it's the science that helps the art pay off.

### The details are in the data

Just as business and government agency decision makers have discovered in recent years, fundraisers have also found that the massive quantities of data their organizations collect can offer unique insights into just about every aspect of everything they do. The questions they ask no longer focus on how to collect important data. Instead, they now look for technologies to help interpret that data and put it to use.

Predictive analytics offers organizations—both public and private—an opportunity to not only learn more about their constituents, customers and donors, but also to combine that new knowledge with what they already know and use it to predict what will happen next. With those kinds of insights, they can develop proactive strategies designed to help ensure positive outcomes.

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### How predictive analytics works

While many standard reporting and analytics applications—including spreadsheets—can be useful for some tasks, most are designed to focus on the past, describing what has happened and delivering a retrospective analysis. They're helpful for identifying historical trends, but won't, by themselves, help predict which donors are most likely to provide the most support or which programs will deliver the greatest good.

Predictive analytics, however, uncovers patterns, trends and relationships hidden within all types of data—including unstructured text—and then uses that input to predict future outcomes and help you make smarter decisions. Advanced algorithms analyze relevant events, terms and phrases (including acronyms, emoticons and slang) in the right context, process historical data and create models that can show you how your decisions are likely to impact current or future cases.

Although predictive analytics is rooted in statistical techniques and mathematical equations, it doesn't end there. The process combines data-driven insights with human experience, intuition and situational understanding. In other words, predictive analytics goes beyond computational science by applying human insights to the data, putting it all into an organizational context. This allows decision makers to develop a plan of action that's based not only on knowing what's happened in the past, but also on understanding what's likely to happen in the future. It's a "closed loop" solution that continually incorporates valuable feedback into the decision-making process, using the outcome of today's decisions to guide tomorrow's.

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## Deciding what you need to decide

Predictive analytics solutions typically comprise two basic elements. The first part involves identifying and articulating a specific type of decision that could yield stronger results if the decision-making process were driven by data. In other words, “If we could make better decisions about [a specific task], we could deliver greater value by [taking specific action].” For example:

- If we could reliably predict which of our high net worth donors were likely to decrease the size of their gift in the coming year, we could intervene and remind them of the valuable impact their gifts have made in past years.
- If we knew how likely it was that any given donor would respond to a particular type of campaign, we could reduce the size and cost of that campaign by targeting only those donors most likely to respond, while avoiding “over soliciting” the donors who would be least likely to respond.
- If we could accurately pinpoint those donors who are in a position to “recruit” additional donors, we could create an incentive to encourage them to do so.

The second element in developing predictive analytics solutions involves the analytical process that produces the desired results. The analytic process usually includes three basic steps:

- **Align** your data to create a holistic view of each donor, taking into account descriptive data, behavioral data, interaction data and attitudinal data.
- **Anticipate** outcomes in current or future situations by using advanced algorithms to analyze the data and create predictive models.
- **Act** on the results of the analysis, by determining which possible actions are the right ones to take and then integrating those actions into existing plans and systems.

It’s a process that starts with data and then employs advanced analysis to help achieve improved results. In fact, the process is actually a cycle designed to produce continuous improvement. New data captured during donor interactions, for example, enhances the insights offered by the analysis. And that allows for more accurate predictions, which can drive better decisions. As the cycle continues, organizations are likely to see a greater proportion of positive outcomes and, ultimately, higher returns.

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## Michigan State fundraisers score 55 percent return on investment

Realizing that successful fundraising depended largely upon how efficiently they could make use of their data, Michigan State University turned to IBM for help transforming its data into predictive, actionable insight to increase donations and enhance loyalty. And the results have been impressive, delivering a 55 percent annual return on investment over a payback period of two years.

IBM business analytics solutions made it possible for Michigan State to gain insight into what potential benefactors think about the university, what their interests are, and what kind of projects they fund at other institutions. IBM® SPSS® Modeler allowed the university to take advantage of text analytics to do their own analysis and make decisions quickly.

As a result, Michigan State has been able to engage nearly one million alumni and friends of the university in a trusted and sustainable way, improving the fundraising process by:

- Increasing staff productivity
  - Gaining insight from social media and online text mining
  - Developing more effective direct marketing tactics.
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## Four keys to unlocking success with predictive analytics

How can you take advantage of predictive analytics to improve your fundraising efforts? There are four elements that form the foundation for fundraising success with predictive analytics.

**Compile stakeholder data**—including existing information on current donors—from sources and systems across the organization. Be sure to include such demographics as age, income, occupation, family status, business and personal relationships—along with contact history, responses, donations, donor engagement methods, event attendance, donor feedback to surveys, email responses and comments in social media. And don't forget any other structured or unstructured data you may have on hand regarding donor activity.

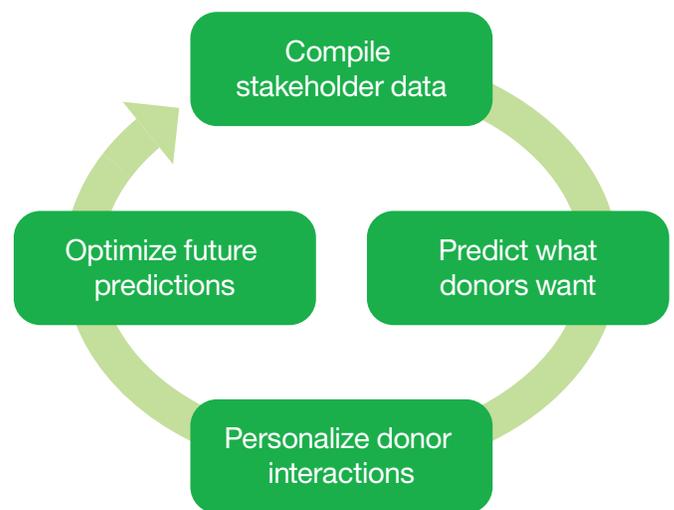
**Predict what donors want** by taking advantage of predictive analytics software to analyze consolidated information—to help anticipate what donors want and what they're likely to do next. For example, predictive analytics can determine how likely it is for an individual donor to respond to a specific marketing campaign. Analytics can also predict what type of actions you can take build long-term, profitable relationships with specific donor types. You can also deploy decision optimization programs to help determine how to most effectively use the insights offered by analytics. For example, you can use these applications to help identify the best types of campaign messaging or the optimal size of a suggested donation.

**Personalize donor interactions** by integrating analytical insights into operational processes and systems. For example, a university undertaking a fundraising campaign may be trying to decide among three core messages: a historical, experiential message; a message urging donors to invest in the future of the university; or a matching-gift value message. Analytics can help determine which message is most likely to resonate with which donors and optimize both response rates and donation levels.

**Optimize future predictions** by building on the information you gather and the insights you gain by analyzing the results of each new campaign. Each donor contact offers you a new opportunity to enhance your understanding of donor responses by incorporating more data sources into the analytic process and refining existing sources. And that means you can isolate key performance predictors to help guide future fundraising efforts—by understanding why certain tactics worked and others didn't. So you can lower campaign costs while improving efficiency and results.

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## Four keys to fundraising success with predictive analytics



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*Figure 1.* A cycle of four key steps allows you to build on the insights you gain from the predictive analytics process to continuously strengthen your fundraising success.

The successful implementation of predictive analytics for fundraising is really an iterative process. And incremental improvements in that process occur with the completion of each fundraising campaign, as you collect more data—and more kinds of data—you continually deepen your understanding of your donors and better predict campaign outcomes.

### Why IBM?

IBM offers a comprehensive suite of predictive analytics software to support fundraising efforts. This software supports organizations, helping them anticipate, understand and accommodate donor attitudes, needs and behaviors.

IBM SPSS Modeler software is one example. This predictive analytics platform employs an easy-to-use interface to help bring predictive intelligence to organizational decisions. IBM SPSS Modeler software provides a range of advanced algorithms and techniques, including text analytics, entity analytics and decision management and optimization analytics, to help organizations select actions that may result in better fundraising outcomes.

IBM SPSS Modeler software and other IBM predictive analytics solutions can help streamline the analytical process, automatically refreshing predictions to sharpen their accuracy, boost response rate, and manage donor relationships and strategies. These solutions also allow organizations to use text analytics to uncover insights from such sources as open-ended survey responses. Most important, organizations can incorporate predictive analytics into their everyday business processes, typically without the need for outside analytics help.

IBM predictive analytics applications can help nonprofit organizations to:

- Gather donor data sources, structured and unstructured, from wherever they are stored in the institutional system in preparation for predictive analysis, with a system that integrates easily with existing donor processes
- Analyze information to gauge donor sentiment
- Quickly build and deploy predictive models that increase the success of fundraising efforts
- Deliver predictive intelligence to decision makers, front-line systems and stakeholders across the organization
- Integrate predictive insights with business intelligence for a forward-looking view of the organization's fundraising strategy

In the competitive fundraising arena, nonprofit organizations—including colleges and universities—need more efficient, effective fundraising capabilities. Predictive analytics can help, providing a means by which organizations can understand, anticipate and accommodate donor needs in order to increase the success of their fundraising efforts. Using IBM predictive analysis software for fundraising, institutions of higher education can build stronger donor relationships, increase donor contributions and reduce fundraising costs.

## For more information

To learn more about how IBM predictive analytics solutions can help your college, university or nonprofit organization address its fundraising goals, please contact your IBM representative or IBM Business Partner, or visit the following websites:

For higher education organizations  
[ibm.biz/SPSSHigherEd](http://ibm.biz/SPSSHigherEd)

For nonprofit organizations  
[ibm.biz/SPSS-Nonprofit](http://ibm.biz/SPSS-Nonprofit)



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January 2016  
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