PHILANTHROPIC TRENDS QUARTERLY

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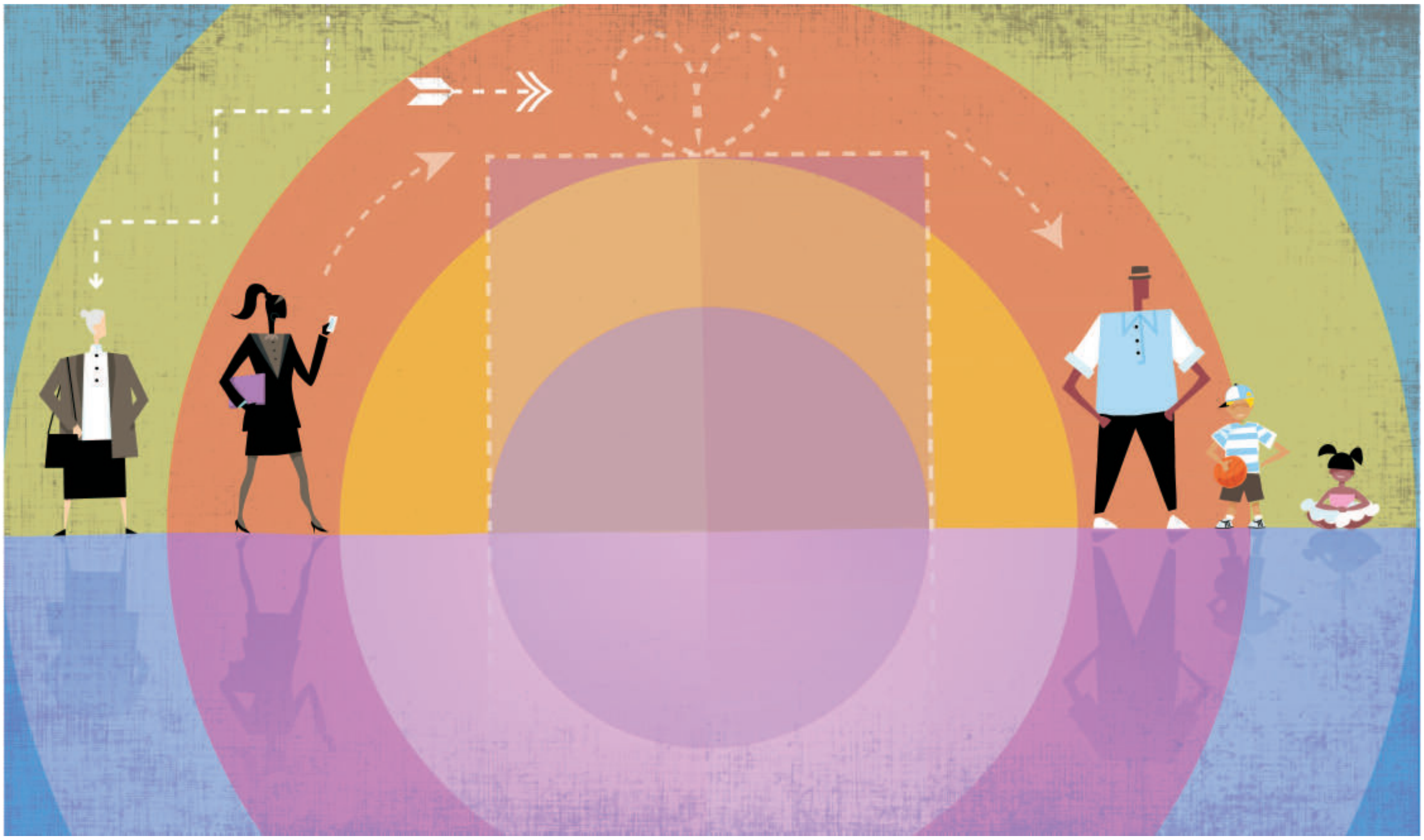

The Target Marketing Issue

For myriad reasons, not the least of which is limited budget, charities have tended to take a mass marketing approach to their broad base donors, tending to differentiate little, if at all, among donors who give through programs like events, direct mail and online. However, we have discovered in our research that it is time to challenge this mass marketing mindset…we need to push ourselves to explore how fundraising can and should be evolving to better segment and develop targeted strategies that create more personalized relationships with donors across the spectrum of giving levels.

The bottom line is this: we are now living in a world where choice abounds and the ability to personalize and customize is everywhere, from our cars to our coffee… think "non-fat, soy milk, no foam latte". And by adopting approaches rooted in target marketing principles, organizations are refining and customizing their strategies in an effort to build more robust donor loyalty.

Whether you're just starting out and therefore looking for some simple ideas or at a place where you want to become sophisticated target marketers, we hope that you will find some helpful food for thought in the pages of this edition.

Happy reading and enjoy these last days of fall!

Marnie Spears
President and CEO

KCI

FORWARD THINKING

What do an 86 year old grandmother, a 44 year old father of two and a young professional in her 20's have in common?

Give up?

Not surprising, as the best answer is likely "not much".

For many charities though, the simple fact that these different types of people make gifts to their organizations is often reason enough to lump them together and treat them in the same way.

Mass marketing, which is the attempt to appeal to an entire market with one marketing strategy, has long been the standard outside of major gifts programs. Also called undifferentiated marketing, it is no longer sufficient to build loyalty and retain donors in today's world of increasing competition for the charitable dollar. And generation and gender are only two of myriad differentiating characteristics of donors, that can include geographic location, ethnicity and, perhaps of utmost importance when it comes to charities, motivation for giving.

Canadian society is becoming increasingly diverse, not only in terms of ethnicity and religious affiliation, but also in terms of lifestyle. Consider the following evidence from our neighbours south of the border. When including factors like age, wealth, ethnicity, urbanization, housing styles and even family structures, the market research company Claritas (now Nielsen) determined in the 1970's that the U.S. population could be sufficiently defined by 40 lifestyle segments. Today, that number has grown to 66 - a 65% increase.

Layer in the fact that personalized and customized experiences are now a part of everyday life and the insufficiency of mass marketing becomes even more apparent. "Smart organizations in other sectors deeply study the needs and motivations that drive their audiences and customers and create products that speak to their specific expectations", notes Paula Roberts, Executive Vice President, Marketing and Development at Plan Canada. "As a result, we now live in a world where almost anything can be customized to our unique needs and desires, from our smartphones to our cars. And I believe that this expectation for some degree of personalization spills over into what Canadians want from the charities they support."

All donors, regardless of gift size, do want some of the same things – things like organizational transparency, trustworthiness and maximizing the impact of their gift. But Roberts classifies these as table stakes. "There is undoubtedly a segment of the donor population for whom this is enough. But I believe that in addition to this critical baseline, most mass market donors also look to charities to meet needs and expectations that are specifically relevant to them".

Donors are people first

While mass market donors should not be thought of as one homogeneous grouping, neither can they be given the level of individualized attention that we provide our major gift donors. As a result, this is not about creating ***segments of one***, but rather about ***clustering donors*** into groups based on certain dimensions of common uniqueness.

Segmentation is already being used in our high volume fundraising programs, but the tendency has been to segment donors based on internal programmatic dimensions – gift size, solicitation channel (e.g. events, direct mail), renewing donor, lapsed donor etc. Not many people, if anyone, would identify or define themselves in this way, so why does it feel like an appropriate way to think about our donors?

"Donors are people first, something that is far too easy to forget. And I believe that treating them as people first is critical to retaining their support," says Richard Shapiro, Founder and President of The Center For Client Retention, an organization that provides research, training and consulting services to Fortune 500 companies on how to improve the customer experience and increase loyalty. Shapiro

Overcoming inertia - what's holding us back?

Marketing dollars are limited for all charities, which means only so much can be done to create targeted experiences for different segments of donors. However, our interviewees also identified numerous other factors that may be holding organizations back from undertaking segmentation and personalization within their broad base of donors. Review this list to see which ones apply to you, thinking about what needs to be done within your organizations to minimize or remove them.

1. Data and Technology – Creating appropriate segments and understanding how to best interact with them requires knowledge and insight. Something that in turn requires good data. So, organizations must make data acquisition and management a priority. It also requires appropriate technology platforms that have some donor relationship management capacity. Our interviewees noted that this doesn't necessarily mean having to go out and purchase a new database. Many of our current technology platforms have advanced significantly and now have the ability to do what is needed, but in many instances they are not being used to their full capacity.

2. Expertise – To build a more sophisticated and effective segmentation model requires having the right expertise in areas like marketing and market research. Many organizations do not currently have people who are formally trained in marketing and understand how consumers interact within the philanthropic space. Some solutions could include recruiting that expertise, undertaking some training and development of existing staff, tapping into volunteer expertise or bringing in outside consultants to support this work or pieces of it.

3. Cost – The costs associated with this work cannot be ignored. Don't assume that it will cost you less, as in the short term, it will probably cost more. Costs include undertaking market research, building your segmentation platform, differentiating your messaging and case for support as well as the need for more frequent touch points. While it is an investment, it comes with the belief that you will get more people engaged in ways that they want to be engaged, build and lead people through the pipeline and ultimately raise more money. It does, however, require leadership, both staff and volunteer, who understand the need for the investment and who have the patience to wait for it to pay off.

4. Structure – Our historically siloed approach to broad based giving is another barrier. While we know how important it is to be donor-centred, we tend to be focused much more inwardly than outwardly in our mass market fundraising efforts, structuring them programmatically (e.g. direct mail program, events program). This highly siloed approach needs to be rethought, as it does not reflect how donors see their relationships with our organizations. One thought for consideration is to think of mass market fundraising in terms of an overall acquisition strategy (Director of Donor Acquisition) and a retention strategy (Director of Donor Retention), shifting the focus from each unique channel in isolation to a much more multi-channel approach that doesn't segment based on how donors enter the organization.

5. Mindset – Related to how we structure our mass market fundraising programs is our current mindset with respect to how we engage/solicit our broad base of donors. Creating customized and personalized experiences for subsets of donors doesn't fit well within our current paradigm of fundraising. Successful adoption of a segmentation approach requires challenging the conventional mindset of how we do business in annual fund programs.

says that he was fortunate to learn this retention best practice at a young age by observing how his dad related to his customers. "My dad owned a retail men's store and I watched how he would interact with people when they entered the store – key word being people. My dad saw all customers as people first, customers second."

Shapiro, who is also author of ***The Welcomer Edge, Unlocking the Secrets to Repeat Business*** remembers that when customers would enter the store, Shapiro's father would never open with the question "how can I help you", but rather look to engage in a conversation that either created or furthered his relationship with them. "He was always more concerned about their state of mind than he was about their method of payment."

"Charities need to understand that donor satisfaction is not the same thing as donor retention," Shapiro goes on to observe. "Donors can be completely satisfied with your organization and their interactions with it, but that doesn't mean they will give again. I believe the gap between satisfying a donor and being able to retain them is filled through the creation of a more authentically personalized relationship with them."

So how does a charity create more authentically personalized relationships with thousands, or in some cases tens of thousands, of donors?

The place to start is by grouping these donors into what Dean Hughes, Head of Alumni Relations and Development at Sheffield Hallam University in Sheffield, England calls ***intelligent segments***. "We create intelligent segments by paying attention to what donors give to, how often they give, how they respond to you", says Hughes, "all things that provide critical information about what is important to them – if only we are prepared to listen". Hughes, who has led numerous sophisticated annual fund programs in both Canada and the UK says that listening is critical - both to what your data tells you about donors' giving habits as well as what you can learn by reaching out and speaking to them directly. "What a donor is giving to is a great clue about what to ask them for in the future. Or if someone is giving to you once a year online and you are mailing to them five times a year, it makes sense to touch base and ask them how and when they would like to be solicited."

SickKids Foundation in Toronto is in the midst of creating a more segmented approach to its mass market donor group. And Foundation President and CEO, Ted Garrard, notes that to create segments that are truly meaningful and donor-centred, it is critical to break down the silo of the channel. "Creating a meaningful and appropriate value proposition for donors within a particular segment requires looking not only from the basis of the revenue channel through which the donors enter the organization, but where they cut across different channels as well. And so, while our segmentation work is led by the direct marketing group, we put together a cross functional team to ensure that our thinking was not restricted by the silo of the giving channels."

Insight Driven

According to Paula Roberts, segmentation should be insight-driven and undertaking some form of market research is critical to generating those insights. Recognizing that research can be expensive, she notes that there are a variety of options open to charities, from simply getting a few questions out into the marketplace all the way to a sophisticated market research program that can involve surveys, focus groups and interviews. "Regardless of the approach you take, the key is to get out into the marketplace to hear what people think – and not simply base decisions on what you think they think," says Roberts.

As a result of their market research, Plan Canada generated a number of important insights, including the realization that their core program, child sponsorship, was most appealing to a specific segment of Canadians. "We observed that this program appeals to those who are emotionally led to connect directly with a single child but that there is another segment of potential donors who fall outside that group," Roberts notes. "For instance, this

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other group of donors often see themselves as "globally-minded" and this segment can be driven much more by the intellectual argument that by helping people in another part of the world, they make the world better for all of us. We have different conversations with this group than we do with someone interested in having an ambassador child as the center of their relationship with Plan. If we hadn't thought about segmentation, we would just deliver a single version of sponsorship and missing a good portion of our prospective donor markets."

Plan Canada has now custom curated a suite of products to meet the needs and interests of different segments. In addition to its Child Sponsorship Program, Plan now has two other versions of sponsorship. The first is Project Sponsorship, a thematic view on recurring monthly giving that targets the globally-minded donor who is passionate about one of the thematic areas Plan focuses on (e.g. water, education, girls). The second is Community Sponsorship, which gives the opportunity

Personalizing the giving experience – The ALS Ice Bucket Challenge

Personalizing relationships with donors is most often thought about in the context of what a donor gives to or how to communicate with them once they have made their gift. But the act of giving is another place where personalization can be a very important and powerful tool. And we need to look no further for proof than the phenomenal success of the recent ALS Ice Bucket Challenge.

The Ice Bucket Challenge originated in Boston, and was started by Peter Frates, a 29 year old man who has been living with ALS for the past two years. Frates had been a highly talented college baseball player prior to his diagnosis and used his many connections with major league baseball to kickstart the campaign. Tammy Moore, Interim CEO at ALS Canada believes the fact that it was started by someone who was directly impacted by the disease was critical. "The Ice Bucket Challenge came from a grassroots place," says Moore, "and I believe that having it originate from someone who was able to relate to it on a personal level was critical. I don't believe we would have seen the same results had it been something that had been contrived by an organization."

Moore also believes that another element to the campaign's success was that it enabled donors to customize their experience. The donor was able to show some of themselves in their act of donation by creating a video, by having the opportunity to share their own personal stories and motivations and by being able to pick others to be involved.

Allowing those who wanted to participate in the event to create and control it was also key to its success. "We had people calling us to ask what the rules were," says Moore. "Our response was basically 'there aren't any'. We wanted people to feel free to make it their own. There was an organic aspect to it that allowed donors and people involved to have their own interpretation and I think a great deal of its power and momentum came from that. While we created the platforms for people to make their donations, we basically stayed out of the way. If we had tried to control or dictate the experience too much, I don't believe that we would have seen the success that we did."

And did they see success! The Ice Bucket Challenge hit Canada through hockey player Sydney Crosby on August 8. After that first weekend, $200,000 was raised from 200 new donors. By the time it was over approximately 6 weeks later, a total of $15 million had been raised for ALS research and 270,000 new names were added to their donor database.

"Although we didn't take ownership, we did a lot to position ALS Canada as the beneficiary of the viral sensation. We undertook significant public relations to raise the profile of the organization through the media. And, by using social media vehicles, we were able to engage with donors and the public and have them feel connected to us by having them share their stories," says Moore.

So when thinking about how to create personalized relationships, it is important not to forget about the giving experience itself, leaving space and opportunity for donors to put a personal and customized touch on that part of their experience with the charity.

to have an impact on a particular geography. The donor segment interested in this program includes people who have travelled to particular parts of the world and are passionate about those regions. "We also find that groups and teams – including individuals who work together for example, like the idea of supporting another group," says Roberts.

In fact, the insights generated through Plan's research were the genesis of their highly successful **Because I Am a Girl** campaign, a global effort to end gender inequality and recognize girls' rights as human rights. This initiative has focused on the sub-segment of professional women and teen girls with much success. The campaign, which was started in 2009 and is currently ongoing, has raised more than $46 million to date.

Personalization = Loyalty

Adopting a more segmented and targeted approach is about creating an effective and efficient means to encourage donor loyalty and retention by getting to know them better, personalizing the relationship and meeting their needs. "By better understanding things like what they like to support, their motivations for getting involved, how and when they would like to be contacted, we are rooting our relationship with them on the powerful basis of what is meaningful to them," says Ted Garrard. "Ultimately, we are trying to incent people to grow and deepen their relationship with us by meeting their needs and interests and allowing them to engage in the way that they want to, which we believe will translate into more loyal donors."

Garrard notes that their ultimate goal is to create an online ***My SickKids*** portal through which all donors can have a more uniquely personal experience with the organization. By creating content that is relevant to particular donors based on what they have declared are their preferences, the portal will establish a mecha-

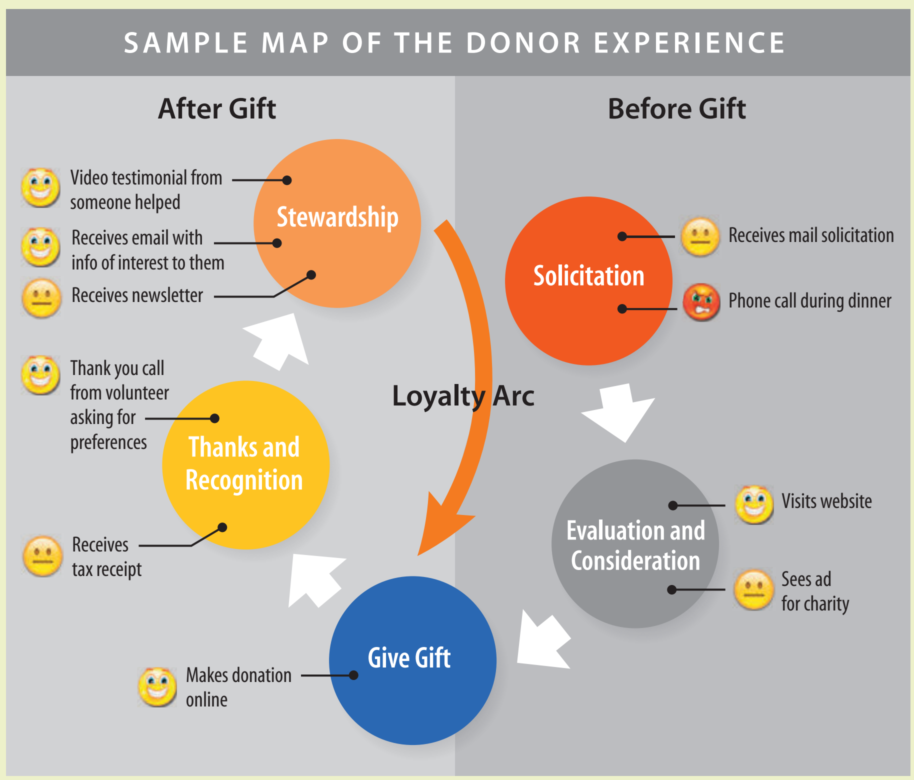
Donor journey mapping

One approach that some organizations are undertaking in order to better understand their donor segments is journey mapping.

Popular in the for-profit sector, journey mapping involves thinking about all the ways that a customer (or a donor in the case of charities), interacts with and experiences the organization and identifying the emotional responses provoked by those experiences. By taking a closer look at the component parts of the relationship, whether that be when they receive a solicitation, when they actually make their gift, or when they receive stewardship materials, we can get a better sense of their needs and be sure that our activities are meeting both our objectives as well as their expectations.

In a nutshell, the process incudes identifying the personas/profiles of your different donors, characterizing what their specific needs/desire are and determining various touch-points of their relationship journey with you. With the different moments of interaction you have available to connect and engage donors, are you meeting their needs and expectations? These touch-points can include direct interactions like in-person and on the phone or indirect like email and mail.

Think of the touch-points that may be more critical than others (often called "moments of truth"), with the goal being to map these out and then design them so as to optimize the results.



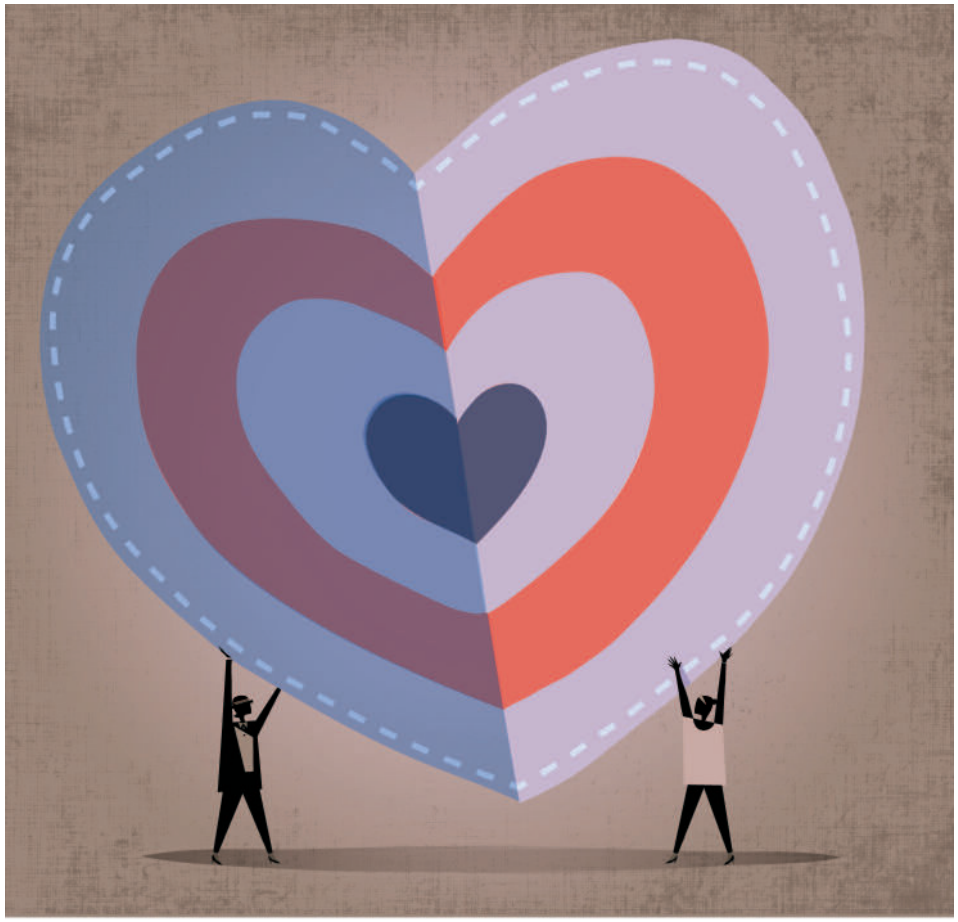
nism through which donors can create a highly personalized, two-way relationship with SickKids.

If the experience of Winnipeg's Siloam Mission is any indication, engaging with donors in a more personalized way and meeting their needs is indeed very effective at improving loyalty and retention.

A Christian humanitarian organization that alleviates hardship and provides opportunity for change for those affected by homelessness, Siloam Mission realized several years ago that they had a donor retention problem. "We had seen significant growth in our database over the years, increasing the number of donors who had given to us from the low 20,000's to more than 40,000 donors," says Judy Richichi, Director of Major Gifts and Corporate Relations. "But when we took a closer look, we saw that we were losing donors as quickly as we were bringing them in. At the same time we realized that we had 40,000 people in our database whom we didn't really know. So we decided to reduce our focus on acquisition for a period of time and instead invest in donor retention efforts by creating a Donor Care position."

The organization, supported by its team of volunteers, began calling donors to thank them for their gifts and engage in conversations that helped get to know them better. One piece of feedback they heard regularly from donors related to receiving too much mail. And so, Siloam Mission began to ask donors how often they would like to hear from the organization and customized their touch points to reflect the donor's wishes. They even took the bold and courageous step of asking donors which solicitation mailing they wanted to receive (e.g. Christmas, Easter, Thanksgiving etc.).

Since undertaking this strategy, Siloam Mission has seen a tremendous increase in its donor retention rates as well as much improved response rates to their mailings - in some instances three times as high as previous rates. "All of our response rates are now well over 10% and as high as 24% and the amounts we are raising are far greater than past achievements," says Richichi. "As an example, the goal for our ***October Placement Campaign*** was $179,000, a figure based on what we had raised historically. But we're delighted that the campaign far exceeded that target, raising more than $374,000."



"Giving the donor some control and showing a genuine interest in meeting their needs is not only a strong signal of respect, it also demonstrates that the charity cares."

Authenticity is key

Why did the simple act of asking donors which mailing they would like to receive prove to be so powerful?

Healthy, long standing relationships are ones in which both parties have mutual interest in meeting each others needs and are, by definition, two-way not one-way. Richichi and others agree that by giving the donor some control and showing a genuine interest in meeting their needs is not only a strong signal of respect, it also demonstrates that the charity cares.

Perhaps somewhat unwittingly, it also taps into the powerful principle of reciprocity, which in social psychology refers to responding to a positive action with another positive action. As a social construct, reciprocity means that in response to friendly actions, people are much more likely to respond in a positive and cooperative way than they might have otherwise.

And finally, by saying to the charity "send me the Easter mailing" the donor is far more likely to respond positively when they receive that mailing, not only because they appreciate having had the opportunity to choose, but also because they have already made a verbal commitment to support that mailing.

Dean Hughes brings up an important point about not getting too carried away when it comes to trying to create personalized relationships with donors. "I'm wary of the kind of automated personalization that we see in other parts of our lives. For instance, analytics tools that follow what we search for online and then present ads to us based on that search. I feel like it's important for us in the charitable sector to not get lost in that and be sure to stay true to what we do as charities, which is make the world a better place, tell incredible stories and have an impact when people give to us."

It's critical that any effort to build a closer relationship be authentic on the part of the charity…and feel that way to the donor. Even things like thank you calls, which many charities consider important in building relationships, can have a transactional feel to them – like ticking something off a checklist. As a result, the mindset surrounding these types of activities must be authentically rooted in an intention to build deeper relationships.

Ultimately, giving is voluntary and loyalty is a choice. And so we must do all that we can to create authentic, two-way relationships that meet donors' needs as well as our own.

Donor behaviour when given choice

While giving donors a greater degree of control may be critical to creating a more personalized experience and improving retention, the concept of increasing the degree of choice given to donors may be a scary thought. What if donors choose too many different priorities, creating challenges to the allocation of their giving? What if they choose particular priorities and we can't meet our most pressing needs? What if all donors choose one communication channel over another and we can't accommodate?

Happily, it turns out that in the experience of a number of our interviewees, the act of providing donors with the opportunity to choose may be more important than the choices themselves. In the case of Plan Canada, donors are always given the opportunity to select their sponsored child based on a variety of criteria (age, gender, home country etc.) or to choose the child with highest need including those who have been waiting the longest to be sponsored. "We consistently see donors opt to let Plan choose which child they sponsor," notes Paula Roberts, Executive Vice President, Marketing and Development at Plan Canada. "By giving donors a choice, donors feel respected and are more comfortable leaving the final decision with us. While the outcome may be the same the donor experience is very different than if we directly paired them with a child as their only option."

The experience at Siloam Mission in Winnipeg is similar. "In giving donors choice about when they want to make their gift, we knew that if everyone chose the Christmas mailing, we would be in trouble," says Judy Richichi, Director of Major Gifts and Corporate Relations. "So in our conversations, we coach the donors, explaining to them that the June mailing helps us to get through the summer before the Thanksgiving appeal goes out." They discovered that once donors understood the need, many were willing to help out at that time of year, too.

Keeping in mind that the act of providing choice is probably the most powerful part of the equation, charities shouldn't feel the need to create too many categories of choice. Identify the areas in which donors would like choice, most basic being; "What do you want to give to?" "How/when do you want us to communicate with you?" And perhaps like Siloam Mission "When do you want to give?" And a caution as well that among and within categories, be guided by the adage that less is more, to be sure not to burden donors with too much choice, something that can be paralyzing to the decision making process.

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