Constituent Relationship Management (CRM):

New Technology That Solves an Old Problem for Nonprofits

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In the quest to solve the frequent data "disconnects" that hinder effective campaign management for nonprofit development departments, it's time to take another look at CRM technology. First, however, let's stop thinking of customer relationship management in terms of its well-documented disappointments in the corporate realm, and start thinking of what it can do for the nonprofit world if we make some significant -- but attainable -- adjustments.

In fact, let us rename it. Let's call it Constituent Relationship Management. Done right, this new adaptation may well represent the next significant advancement in donor and campaign management technology.

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THE NEW CRM

The benefits of the new Constituent Relationship Management (CRM) can be explained most easily by examining the challenges most organizations continue to face. Too often, campaigns lack:

1. Integration. Tired of thumbing through multiple campaign reports and just scratching the surface of your data? Wouldn't it be nice to handle everything from one application whereby you can exercise robust data-mining techniques and segment homogenous groups of profitable donors? From reporting, to performance measurement, to modeling, to selecting the list, to launching, this is something a robust Constituent Relationship Management application can handle with ease.
2. Predictive Modeling. Want the ability to run "what if" scenarios to predict the outcome of different campaign strategies and lists? This kind of predictive modeling not only exists, but market results have shown it to be very accurate.
3. Real-time reporting. By providing enhanced performance measurement and monitoring, Constituent Relationship Management can and does provide deeper information and more insight into donors' attitudes.
4. True automation. Today's new CRM technology automatically sends the right messages to the right donors at the right time. CRM can automatically redirect a donor to a new communication plan, if the model predicts that the individual is at risk of lapsing.

REMOVING THE ROAD BLOCKS

In many cases, medium- and large-sized nonprofits continue to think mostly in terms of capturing and managing data. Yes, they are able to do some reporting, and they can segment out by different RFM metrics. But the problem is that they are unable to integrate the various chapters, branches, and departments all loosely operating under their digital roof. They need an overall solution for their entire organization. Additionally, most of today's campaign management tools can't drill down far enough to find and leverage the intelligence buried in their data.

What these unfulfilled technologies need is a desire for a greater understanding about donor giving and donor attitudes, and the ability to determine how to best approach donors. The frustrating part is that many organizations have a lot of information about donors but aren't able to interpret or use it. They don't have a system for turning information into intelligence – something that helps them take their campaigns to far greater results.

A NEW ANALYTICAL TECHNOLOGY PLATFORM

That's where Constituent Relationship Management helps. Think of it as a subset of traditional CRM -- a technology platform that allows your organization to take data analysis and use it at the appropriate touch point to reach out to donors in real time through the most appropriate and effective channels.

And it all circles around performance measurement: after you have made the touch, how did the donor respond? Are the business rules surrounding the touch set up correctly? After you learn what the donor wants, the next touch is automation - a critically important piece of the CRM "pie."

EASE OF USE

Analytical CRM, as employed in the new Constituent Relationship Management process, enables you to look at multiple campaigns simultaneously through easy-to-read pivot tables that can be navigated with a mouse – no need to even hit the keyboard. Say you want to review the results of a 2005 campaign. Just click on it, and you can view the number of the pieces mailed, the number of responses, net income, ROI, and more. Right click on the year 2003 and drill into the campaigns from that year, and repeat the process.

Now let's say one of those campaigns really bombed. Right click on it and view any segment of that particular campaign you want. Now, select segments that performed well, then click on current donors who meet that criteria, click once more, and you can model revenue and response curves. Look good? A few more clicks to select the right group, and the solution creates the segmentation for your next campaign. You're measuring performance on the fly and predicting what the performance is going to be. And no more tabbing between spreadsheets and applications.

WHAT TO LOOK FOR IN A CONSTITUENT RELATIONSHIP MANAGEMENT SOLUTION

- Highly specialized querying capabilities supported by expanded business rules.
- Assurance that data mining best practices can be seamlessly integrated into the campaign selection process.
- An ability to employ natural query language, so fundraisers will be as comfortable interacting with the technology as their counterparts in

the IT group. This also enables faster access to data across a broader spectrum of needs. Ultimately, of course, this produces better decision making with respect to outreach strategy.

- A data-neutral solution. This allows the technology to sit on top of any data schema, which will leverage your current database.
- A marketing automation module. You'll want a program that takes completed copy and creative executions and automatically synchronizes donor communications across multiple media channels. For example, many donors like to give via direct mail, but prefer to receive informational updates from the nonprofit via e-mail. A robust automation tool allows for these interactions to be automated according to category type (eg, informational, fundraising, donor appreciation).
- Scalability of the application. Users should be able to access and rapidly manipulate large data sets that may range in size from 750,000 up to millions of records.

THE BOTTOM LINE

Ultimately, the goal is to analyze -- and touch -- donors through multiple channels, based upon their behaviors and preferences. This is where Constituent Relationship Management shines. If your goal is to develop a better understanding of donor needs, motivations, and preferences, and be able to act on that information in the most integrated and automated way possible, then the new style of CRM is a logical choice.

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How Modeling Can Accurately Identify the Right Donors at the Right Time

Not long ago, the international relief agency Food For The Poor wanted to accomplish two very important fundraising objectives:

1. Identify donors with the greatest potential to become major donors over the next 12 months.
2. Evaluate the performance of this major donor identification model.

The nonprofit parsed its donor universe on its upgrade probability, assigning the top 10% an upgrade rate of 0.45% -- a 497% lift over the 0.075% upgrade rate of a random 10% of its donor universe.

Dramatic Results

- Within the first modeled decile of the first validation set, in 2004, 1.009% became major donors – a 635.52% lift over the evaluation set's overall 0.1377% major donor upgrade rate.
- Within the first modeled decile of the second validation set in early 2005, 0.38% became major donors – a 627.26% lift over the evaluation set's overall 0.05% major donor upgrade rate.
- Within the first modeled decile of the third validation set in mid-2005, 0.07% became major donors – a 641.92% lift over the evaluation set's overall 0.01% major donor upgrade rate.

Additionally, the evaluation shows that the model successfully identified donors who did not upgrade. But most important, the nonprofit's modeling allowed it to accurately identify donors most likely to upgrade, producing dramatic results by communicating properly with these donors.

–Mike Rogers