

Case Study



StrategicOne's Pre-churn Model Increases Lutheran Hour Ministries Active Donor Base

Organization experiences a 12.8% increase in active donors and a 76% increase in donor value

Situation

While 2007 may have been a difficult fundraising year for some non-profits, Timothy Burcham, the chairman for the Association of Fundraising Professionals, is predicting that 2008 may potentially be one of the most challenging years charities have seen in some time. It is being compared by some to the wake after 9/11. Therefore, Burcham and other professionals recommend that charities focus more than ever on donor cultivation and stewardship in order to retain valuable donors.

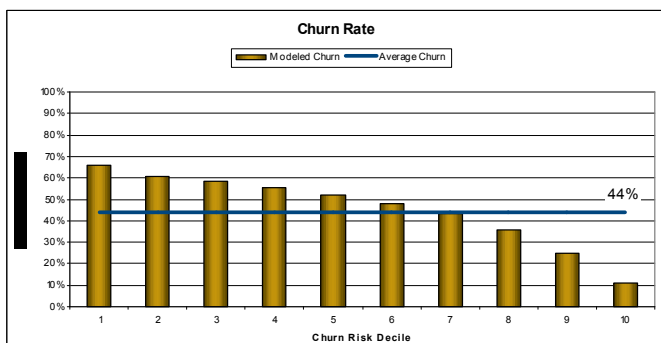
But the question remains, 'how can charities hold on to valuable donors and prevent them from lapsing or "churning" efficiently'? Lutheran Hour Ministries knew that about 65% of gross revenue could be attributed to the core active donor base, but creating and soliciting a "stop-gap" measure to all of these donors would not be economical and the budget did not allow for it. Lutheran Hour Ministries needed to be able to efficiently target the donors who would "churn" and be able to prove that the "stop-gap" measure would increase retention of these key donors. This past year, Lutheran Hour Ministries turned to StrategicOne for assistance with this challenge.

Modeling Result

StrategicOne recommended a predictive solution to determine which donors should be targeted who have a higher propensity to "churn" or not give a subsequent gift. This targeting methodology known as pre-churn modeling gives non-profits the ability to proactively approach donors *before* they become lapsed donors and keep costs low by targeting only those donors who are likely to stop giving.

StrategicOne developed the model for Lutheran Hour Ministries and assigned a score to each of the organization's current donors. These donors were then ranked by score and assigned to deciles based on churn likelihood. Donors with scores in the top 10% most likely to churn were placed in Risk Decile 1. In order to test that the model effectively predicted the "churn" event (i.e. predicting a donor would not give), a random sample group was selected from the model universe. This group received regular

communication and StrategicOne measured if the model was predicting “churn” effectively. The model predicts “churn” in a 12-month period. In the charts below, the actual resulting “churn” over a period of four months is displayed. The model was first tested in order to determine if it was accurately predicting donors with the likelihood to churn. With a 50% lift for Decile 1, a 39% lift in Decile 2 and a 32% lift in Decile 3 over the average churn rate, the model was in fact able to identify donors most likely to stop giving. StrategicOne determined that the model did accurately predict which donors would “churn” and ranked them appropriately.



| Risk Decile | Available | Renewed | Renewal Rate | Predicted 12 month Churn rate | Actual 4 month Churn Rate | Churn Variance | Churn Lift |
|--------------|---------------|---------------|--------------|-------------------------------|---------------------------|----------------|------------|
| 1 | 4,197 | 1,426 | 34.0% | 52.0% | 66.0% | 22.0% | 50.0% |
| 2 | 3,631 | 1,417 | 39.0% | 43.2% | 61.0% | 17.0% | 38.6% |
| 3 | 3,410 | 1,429 | 41.9% | 35.7% | 58.1% | 14.1% | 32.0% |
| 4 | 5,418 | 2,409 | 44.5% | 31.9% | 55.5% | 11.5% | 26.2% |
| 5 | 5,420 | 2,609 | 48.1% | 27.2% | 51.9% | 7.9% | 17.9% |
| 6 | 5,418 | 2,818 | 52.0% | 23.7% | 48.0% | 4.0% | 9.1% |
| 7 | 5,420 | 3,072 | 56.7% | 21.6% | 43.3% | -0.7% | -1.5% |
| 8 | 5,418 | 3,475 | 64.1% | 17.3% | 35.9% | -8.1% | -18.5% |
| 9 | 5,420 | 4,062 | 74.9% | 11.8% | 25.1% | -18.9% | -43.1% |
| 10 | 5,418 | 4,817 | 88.9% | 6.4% | 11.1% | -32.9% | -74.8% |
| Total | 49,170 | 27,534 | 56.0% | 27.1% | 44.0% | | |

Strategy

Lutheran Hour Ministries decided to utilize its internal resources and launch a telemarketing campaign as the first “stop-gap” measure to be tested. The callers did not ask the donors for a gift, but thanked the donor for his/her commitment to the organization and encouraged them to look for a communication in the mail within the next few days that described a challenge grant opportunity. Since Lutheran Hour Ministries had a limited marketing budget and caller resources, StrategicOne recommended that we target donors who were most likely to “churn” by using the confirmed model ranking score. Donors in deciles 1-3 were selected to receive the call.

Marketing Test Results

With the model accurately predicting donors who are likely to “churn”, a pre-churn strategy was put into place and donors with a medium to high risk of churn received the ‘no-ask’ phone call. Of donors who received a phone call versus those who did not, a 16% and 11% increase in renewal rates were observed in Decile 2 and 3, respectively. Therefore, for this small test group, Lutheran Hour Ministries increased retention 12.8% and recognized a 76% lift in donor value.

In addition, donors in Decile 2 that received a ‘no-ask’, pre-churn phone call had a 47% increase in gift size over those donors that did not receive a phone call. Donors in Decile 3 that received a phone call had a 200% lift in gift size over those that did not receive the call.

Through an acknowledgement telemarketing call, Lutheran Hour Ministries experienced a positive effect on renewal rates and long-term value of donors with a medium to high risk of churn. What can a 12.8% increase in the number of active donors and a 76% increase in donor value do for your organization?

To find out more about the pre-churn strategy, please contact please contact Mike Rogers at 913-342-9100 ext. 102.