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Harnessing the power of a volatile media world

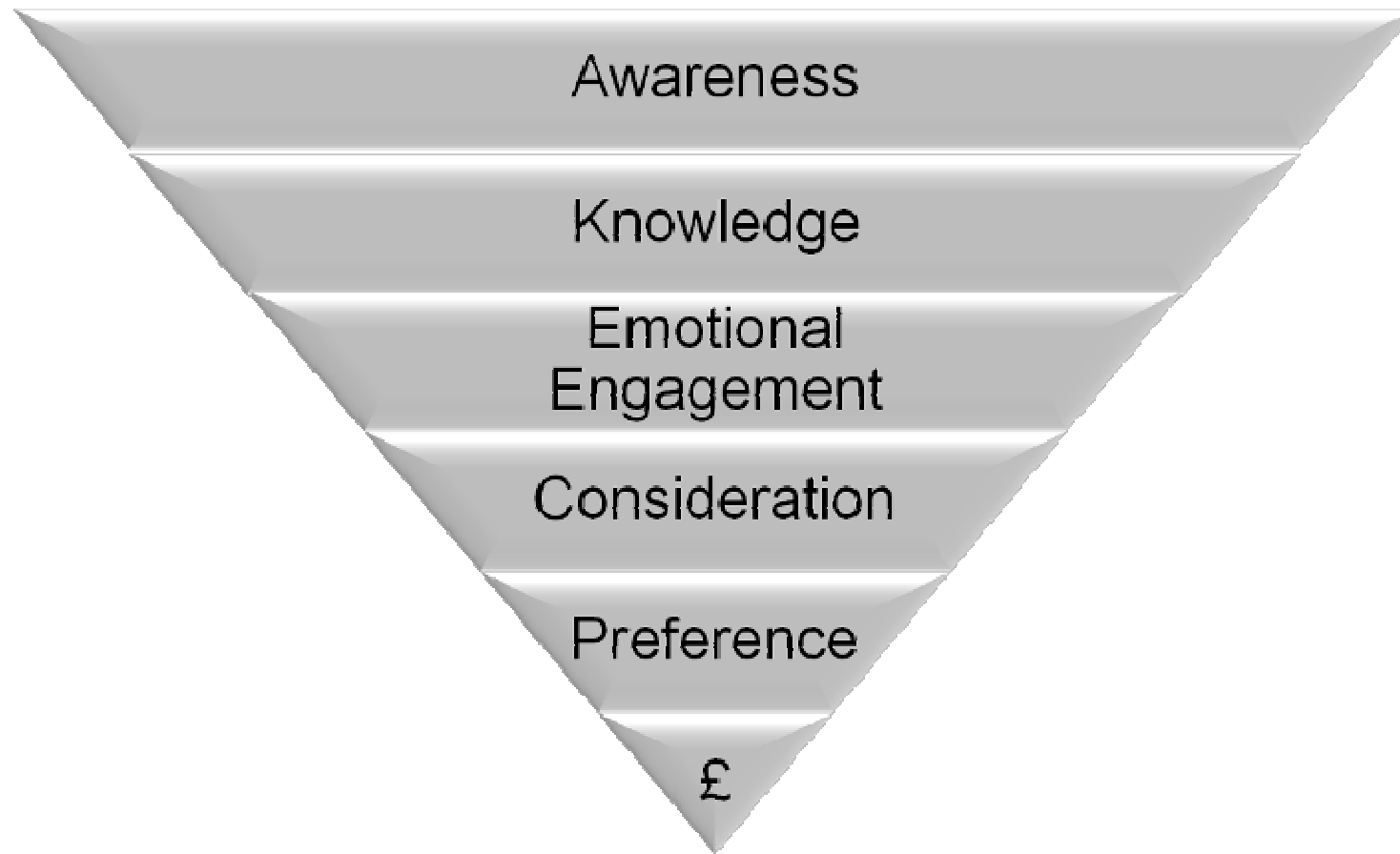
Huw Davis

November 2009



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Old Model of Donor Engagement





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Typical Way Marketing View the Giving Decision Process

Justification & Choice

Framing the Giving

Information Processing

Anchoring & Adjusting

Value Focus Thinking



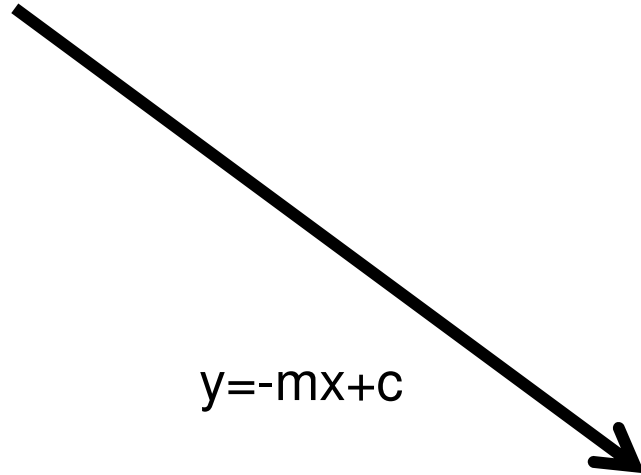
Incorporating these Factors into a Data Strategy

- What factors of value-focused thinking can be encapsulated - hard vs. soft data
- Identifying the moments of truth that allow you to influence and reinforce the decision
- What points in the donor contact cycle can these decision attributes and factors be collected and monitored



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Typically We See Consumers Progress Through Life as Linear in Nature



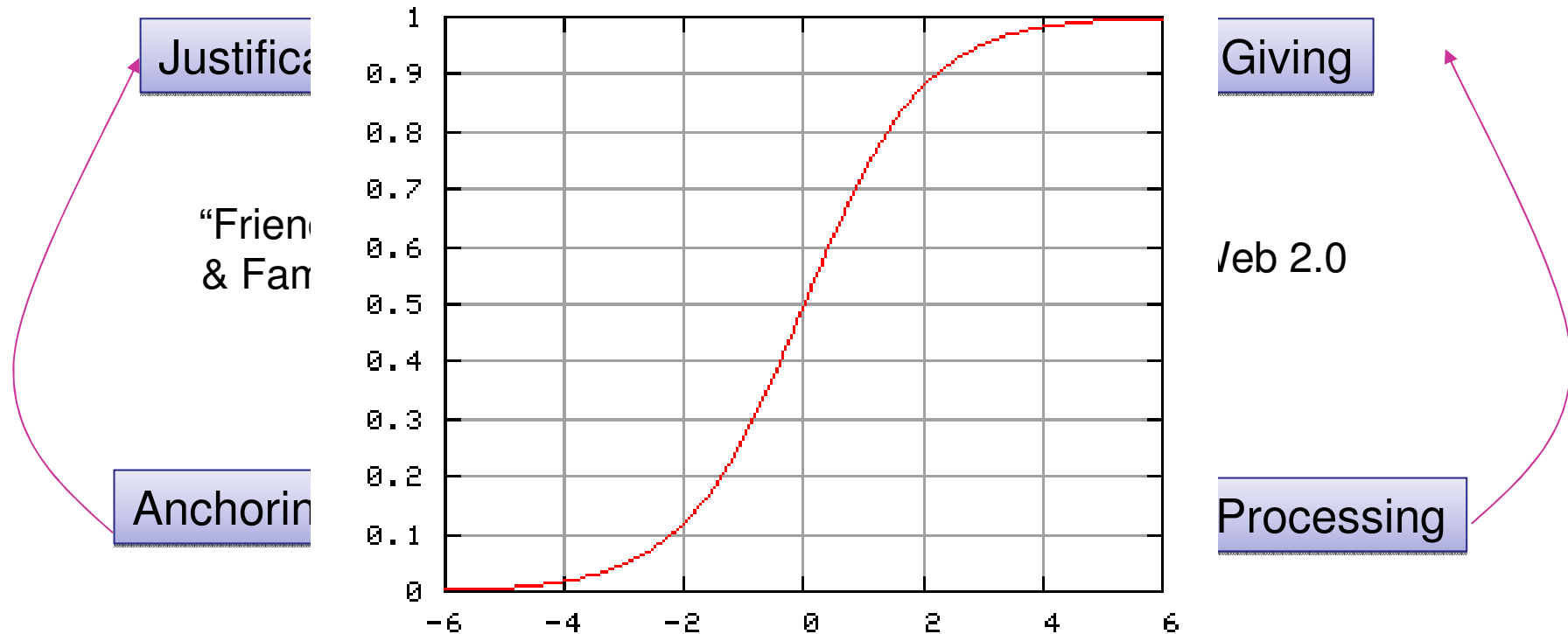


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Now there is Disruption



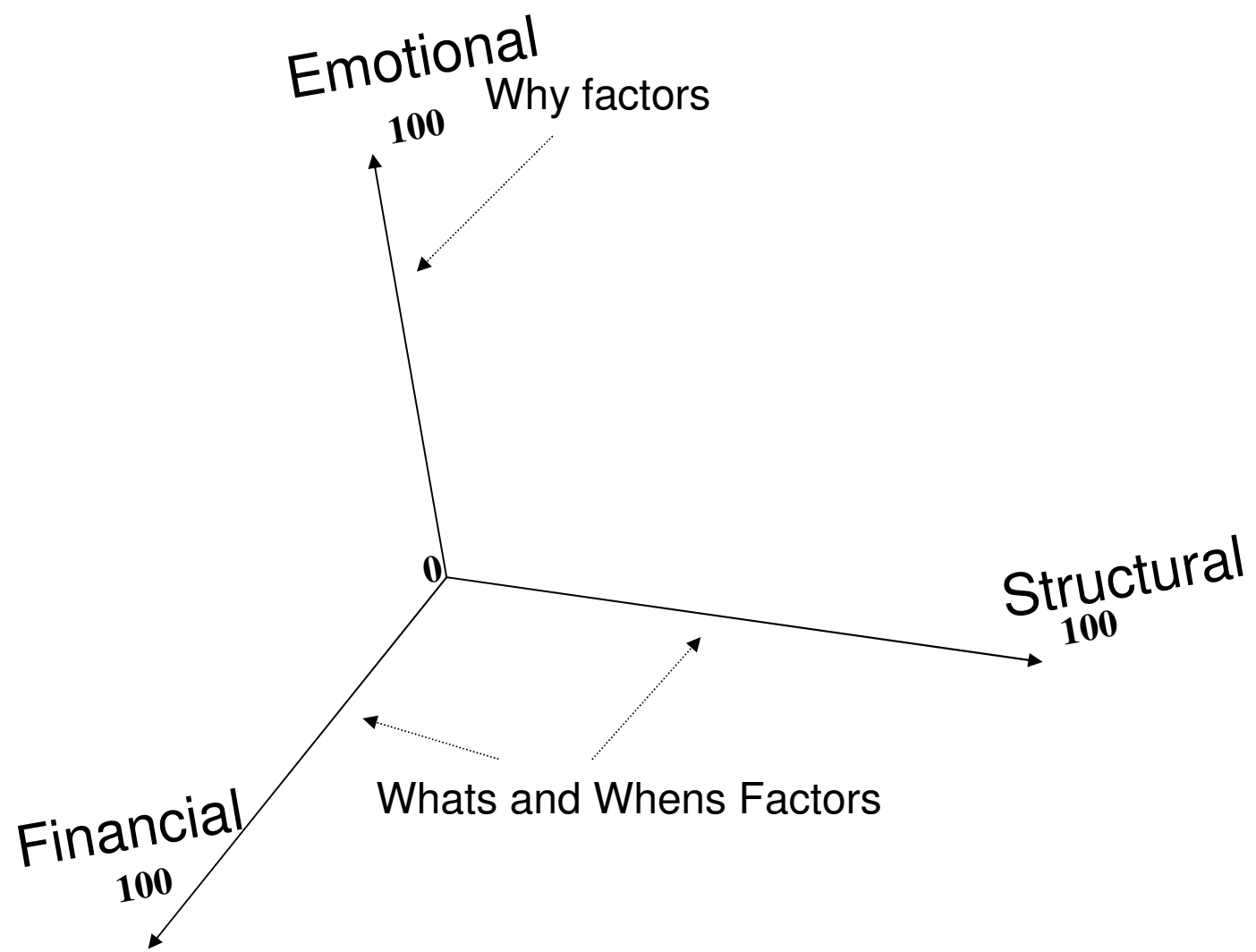
The Giving Decision Making is now Non-Linear



$$Z(\theta) = \frac{e^{\theta}}{1 + e^{\theta}}$$



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Davis' First Principles of Segmentation



- Segmentation must not be an academic exercise conducted in isolation.
- Segmentation must be designed to increase the efficiency of business strategy
- Before starting the segmentation process we must define the direction we are heading in and for what purpose
- We must understand the detail in the data before any complex modelling
- We must make sure the segmentation solution is dynamic, flexible, trackable and, most important, actionable

Davis' Second Principles of Segmentation

- Think **communities** not segments



- Develop across on and offline engagement



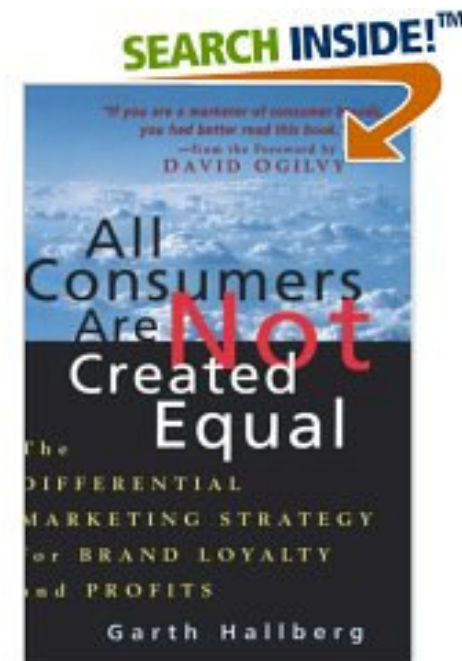
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Creating Dynamic Segmentation



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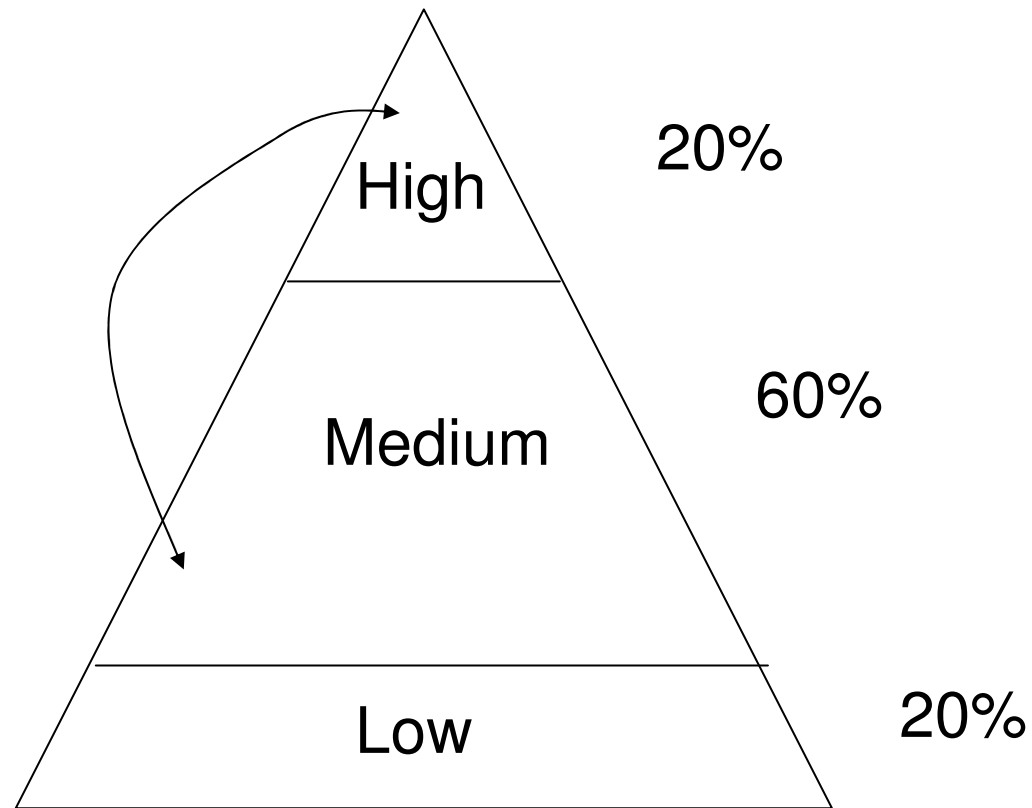
“All consumers are not created equal” – Garth Hallberg





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80 / 20 Rule - So What?



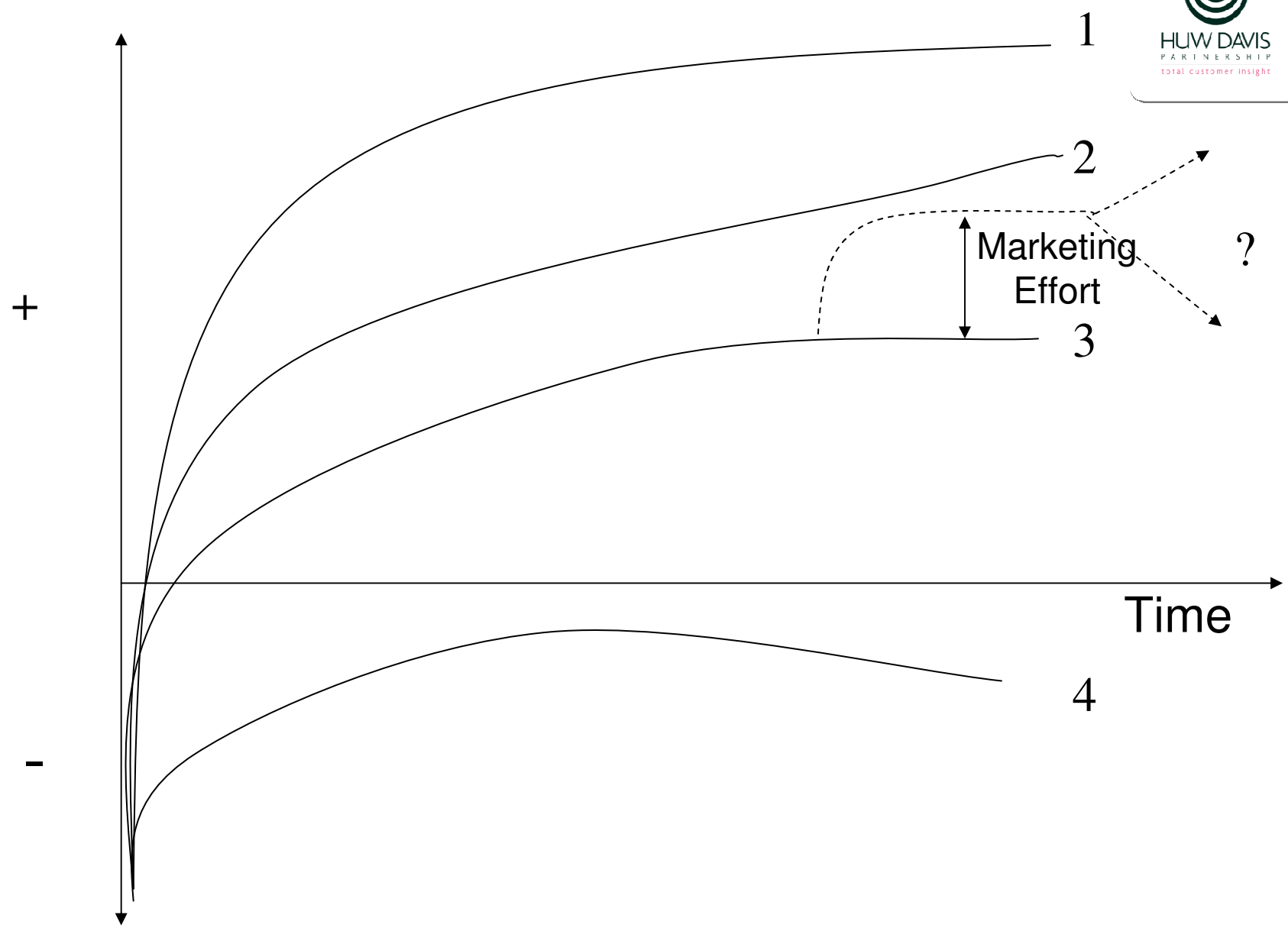
Need to monitor & manage this movement and then target



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“One is not born a woman one becomes one”







The Choice of Variables

- What to use?
 - Forced
 - Unforced
- Sometimes you want to remove extreme groups before undertaking the segmentation
 - Major Donors



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Example of Dynamic Segmentation



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The Charity's Situation

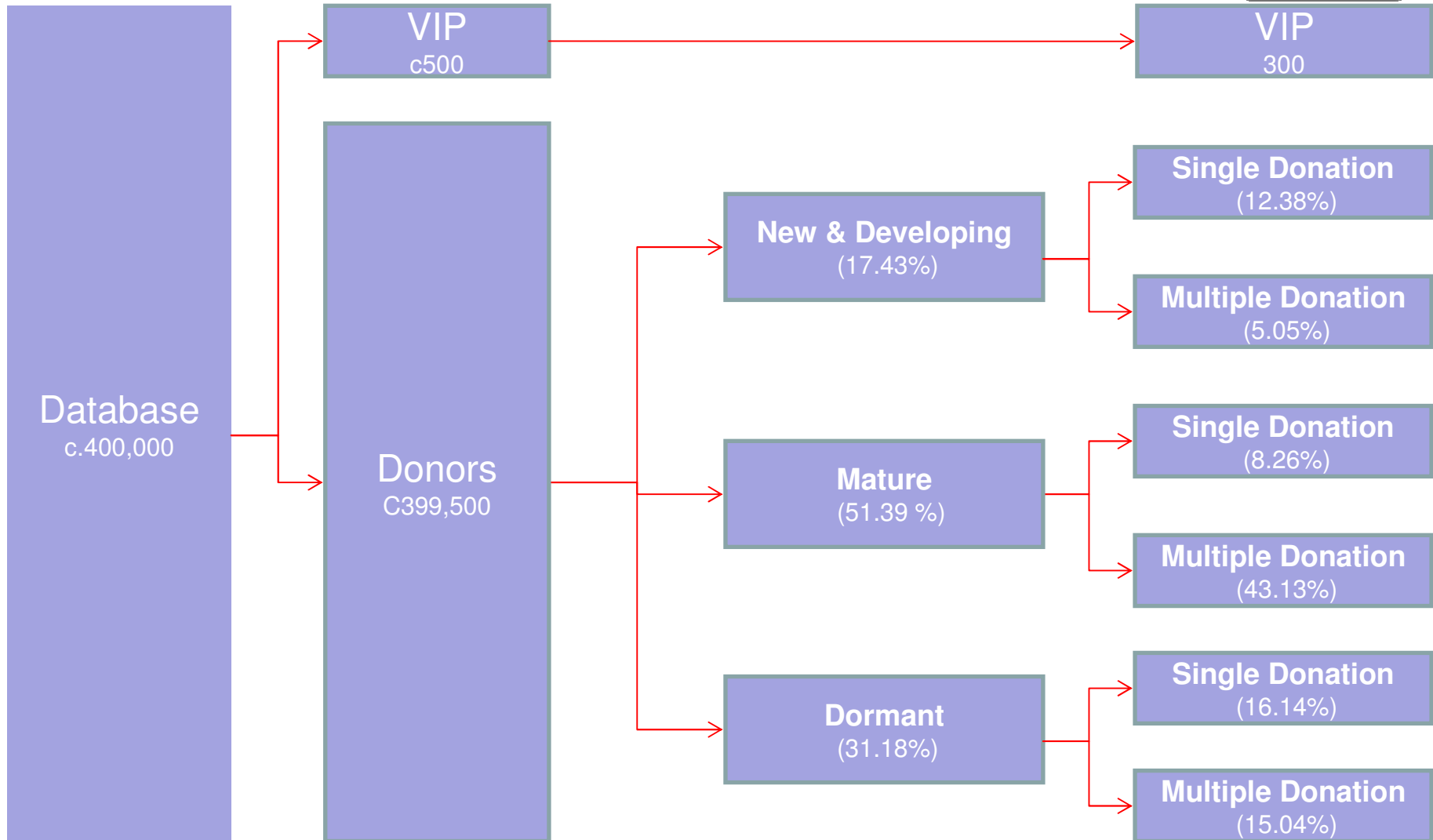
- Knowing which donors are presently high value donors is key to any charity, but knowing which ones could potentially be higher value is probably more important as they create future value
- The Charity needed to know over time who was worth contacting more often and who was not worth contacting at all
- Which givers were shifting their engagement to new media channel consumption



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Our Approach

- We took all donors, their donations and pledges and all marketing activity and split them into four distinct donor groups
 - VIP – top donors who skew results and trends and are clearly important to the charity
 - Mature Donors, has donated at least once and between 3 to 25 years old
 - New and Emerging – have started donating in the last two years
 - Dormants, who have not given in the last five years





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Our Approach

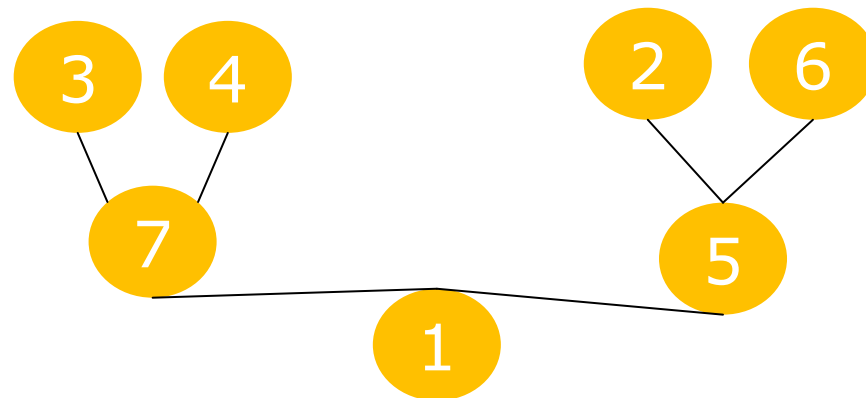
- The “New and Emerging” and Dormants were analysed as a separate exercise to the Mature Donors
- The Mature Donors were segmented based on their donation engagement and then overlaid with their demographics



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Mature Donor Clusters

7 segment solution, using 14 key variables



SEGMENT	Percentage
1	29.65%
2	10.91%
3	3.76%
4	9.51%
5	12.72%
6	0.89%
7	32.56%



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Cluster Codes and Their Mean Scores for Each Variable

Cluster Number	1	2	3	4	5	6	7	Overall
First Donation Date	6.1	17.75	17.64	3.99	14.01	16.38	3.89	7.98
Total Number of Mailings	24.73	20.54	16.04	3.16	39.49	52.7	15.28	22.03
Total lifetime One-off Value	£100.79	£680.23	£180.36	£66.85	£200.75	£597.87	£66.06	£390.92
Total lifetime One-off Donations	6.06	14.13	7.98	2.01	16.7	26.33	2.77	7.08
Xmas Season One-off Donations	3.54	6.02	3.79	1.37	7.49	9.41	1.87	3.62
Rest of the Year One-off Donations	2.1	6.75	3.46	0.43	7.6	12.69	0.74	2.85
Total Lifetime Commit Value	£32.52	£307.42	£163.53	£30.04	£36.88	£107.59	£48.00	£60.46
Total Lifetime Commit Donations	3.49	23.49	11.89	2.71	2.57	7.44	4.82	6.27
Last Donation Date	1.26	1.1	1.28	2.63	1.11	0.87	1.82	1.54
Given a Pledge	0.08	0.5	0.28	0.11	0.06	0.16	0.14	0.15
Only Gives by One-offs	0.93	0.49	0.7	0.89	0.91	0.8	0.86	0.84
Regularly (3+) All Year Around	0.24	0.61	0.3	0.01	0.66	0.82	0.06	0.26
Channel engagement ratios	1.65	2.85	5.82	1.53	1.57	1.56	1.47	1.93
Three Trend of Donation Value (up or down)	0	0.05	-0.3	0.03	-0.01	0	-0.01	-0.01
Gift Aid, not in model but of financial interest	0.65	0.78	0.59	0.42	0.67	0.71	0.58	0.62

 Above the Overall Mean Score

 Below the Overall Mean Score

Please Note: Green does not always mean a positive factor, it depends on the variable!





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Business Outcomes

- The Charity now has a segmentation solution, which identifies donation value and response engagement, which will aid Xmas 2009 mailings with respect to marketing effort and tone of mailings
- The Mature Donor segments have been mapped through original source and initial donation value against the New and Emerging donor group and they are being tested in 2009 dependent on which possible segment N&E look likely to fall into



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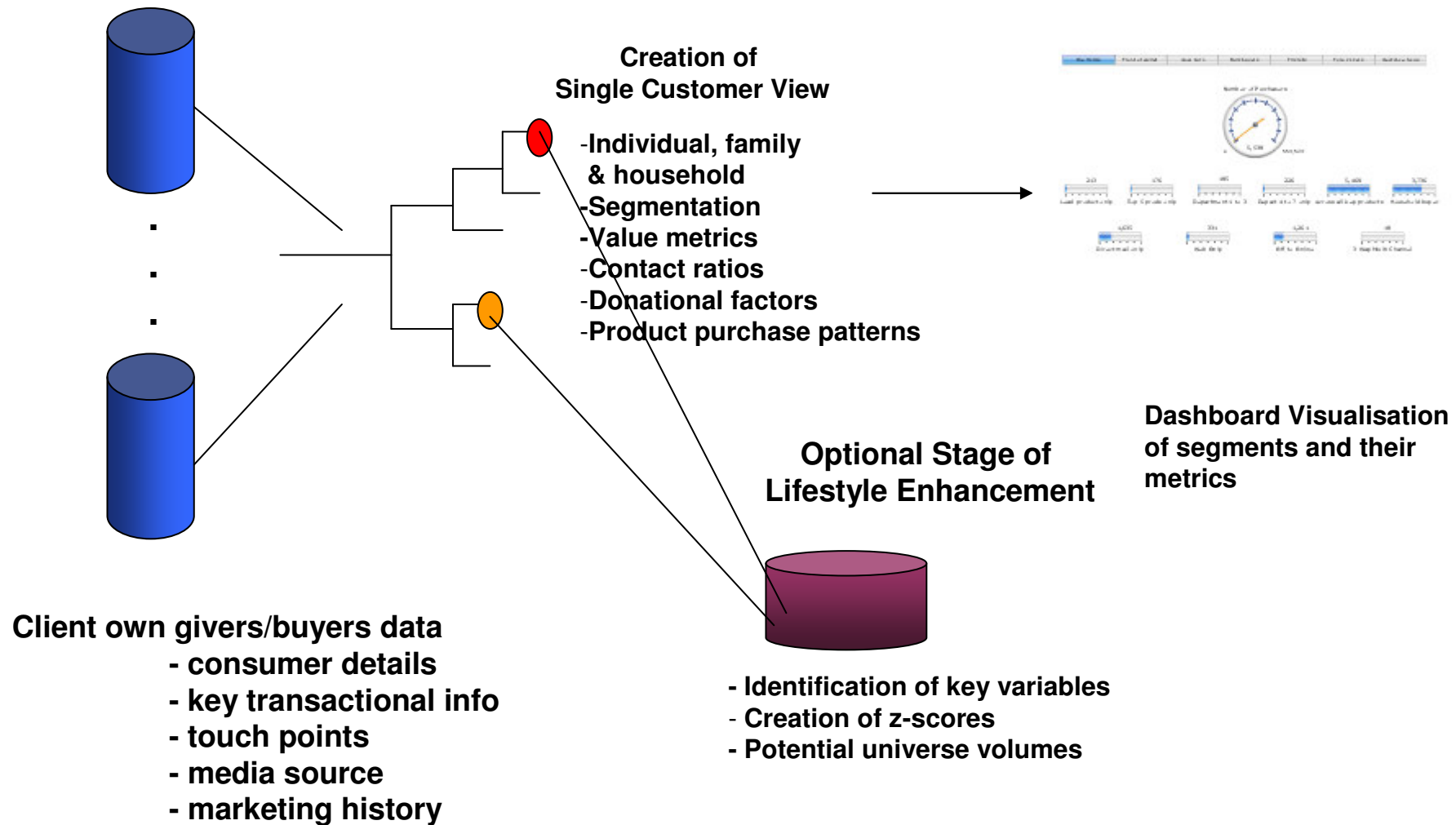
Strategic Usage of Segmentation

Case Study – Defining what the
product range should be
in the Charity's mail order

US Based Charity Trade Catalog

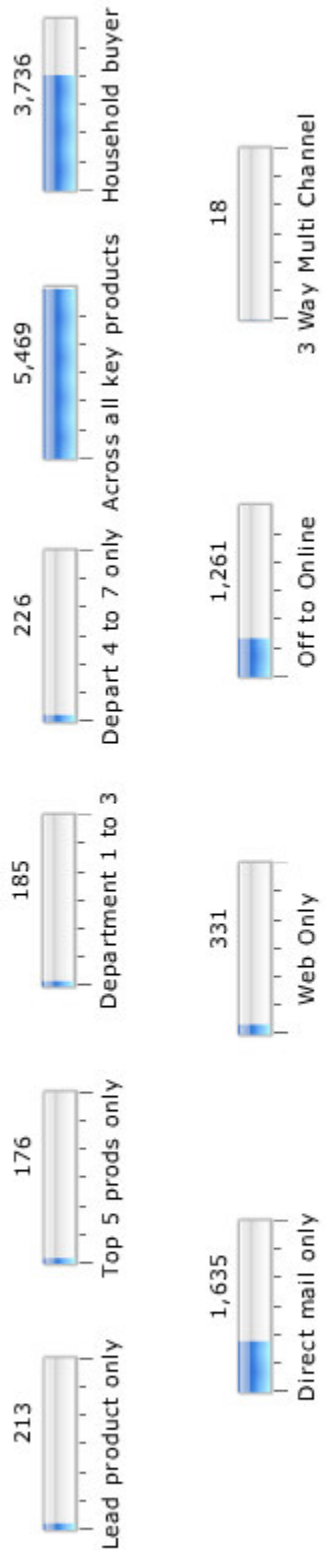
- c 550k purchasers and enquirers
- Several million transactions over the last five years
- 25+ million contact history
- Segmentation required to;
 - support both behavioural identification
 - product range strategy
 - changes of channel preference for information and direct purchase

Single Customer View & Clusters



Die Hards	Front of wallet	Slow burn	Bulk buyers	Trialists	Tyre kickers	Clearance focus
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Number of Purchasers





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Conclusion

- All charities have giver, volunteer, raffles ...data within their organisation – embrace it all
- Use it to identify communities
- Appreciate that you need to monitor and evaluate the segmentation solution as market conditions change, in particular online engagement
- Use to support strategic decisions not only tactical communications



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