

AN INDEX OF INCREASING GIVING FOR MAJOR DONORS

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With help from:

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Back in late August Klara Mueggenburg at Northwestern University posted a question on prospect-dmm on how to measure the rate of increasing giving for major donors. At least ten people responded to the post. That's a lot of folks for such a focused listserv. I wasn't one of the responders, but Klara's question intrigued me.

A few days later, I ran an idea for a blog piece on the topic by John Sammis and Kevin MacDonell. They were encouraging. They always are when they feel an idea may kindle some interest among you guys who read the blog. Anyway, we agreed I'd do some analysis on one school's data, and that I'd draft something up.

Here's an outline of what we ended up putting together:

- The index of increasing giving we chose and why we chose it
- A bunch of tables and charts that show why we think this index may have promise
- Some encouragement to try our index out on data at your own institution. Mostly to see what you think of it and to (hopefully) come up with something better than we did.

The Index

There is nothing terribly special about the index we chose. It was born of convenience and common sense. Arithmetically, it's simple:

LIFETIME HARD CREDIT GIVING OVER THE LAST FIVE FISCAL YEARS
divided by TOTAL LIFETIME HARD CREDIT

If you play around with some real data, you'll quickly see this index has to vary between 0 and 1. It's a proportion. Here we converted it to a percentage because most people are more comfortable with percentages than proportions. (We are, too.)

An index of 0% would be for donors whose entire lifetime giving occurred *before* the last five fiscal years. An index of 100% would be for donors whose entire lifetime giving occurred *during* the last five fiscal years. An index of 50% would be for donors half of whose lifetime giving occurred before the last five fiscal years, and half occurred during the last five fiscal years. You get the idea.

When I first talked to Kevin about the index, he said, "It sounds like another way of measuring RECENCY of giving." I agreed. As a donor, the higher your percentage is, the more recent is the bulk of your giving.

But the big issue both Kevin and John raised had to do with the possible *usefulness* of the index. That is, would the index help researchers uncover major donors likely to give more and more, versus less and less in the coming years?

To be useful, it would have to be a big improvement on measuring recency for major donor prospects over the simple five-point "R" factor in an RFM score. This index should let you see that two donors whose lifetime giving is the same can differ markedly in terms of the recency of their giving. That will help you decide how to go after donors who are really on a roll.

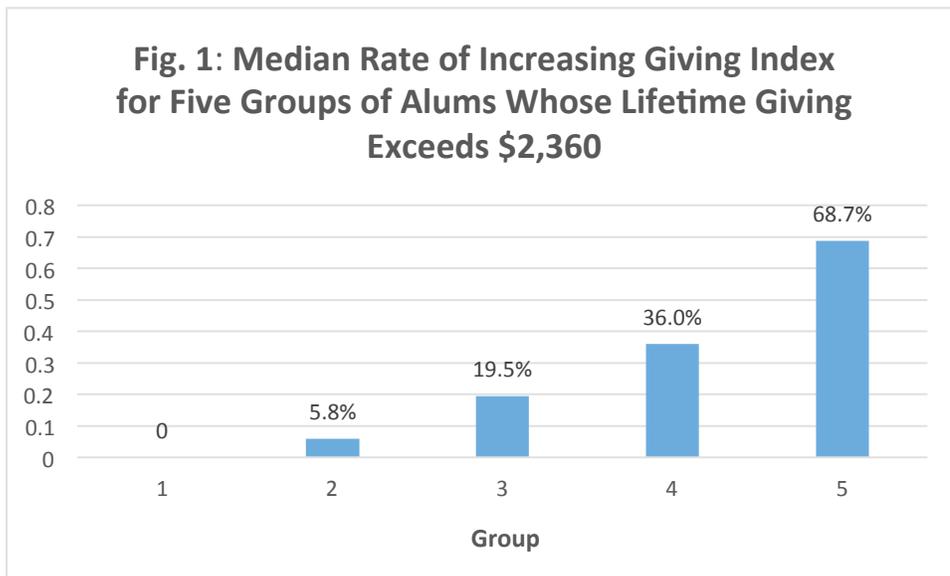
Let's look at some data.

Table 1 shows the distribution of this index for 1,043 alumni whose lifetime giving exceeded \$2,360 in the North American university we picked for this project. These people represented the top 5% of lifetime donors for this school.

Table 1: Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

Group	Count	Median	Min	Max
1	235	0	0	0
2	183	5.8%	0.1%	12.8%
3	208	19.5%	12.9%	27.1%
4	209	36.0%	27.2%	47.0%
5	208	68.7%	47.1%	100.0%

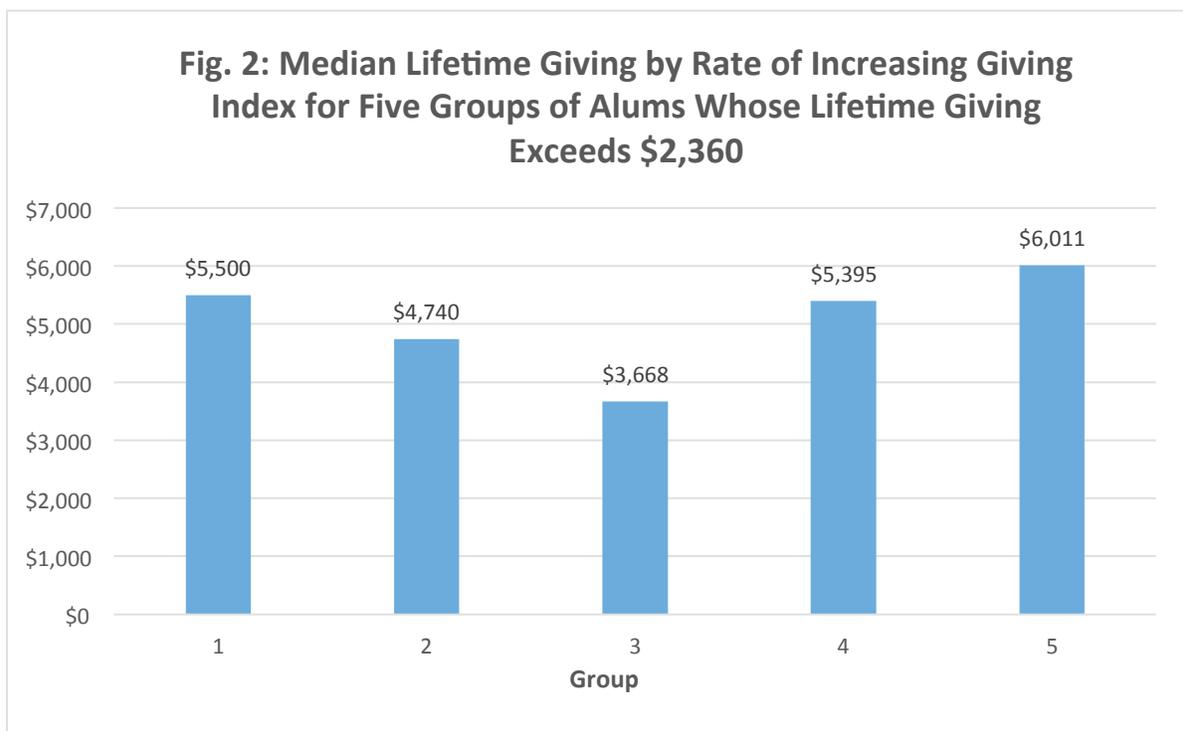
Notice that we split these folks into five roughly equal size groups. The 235 alums in Group 1 all had an index value of 0%. That is, they had given nothing at all over the last five fiscal years. In Group 5 (the top group) the index ranged from 47.1% to 100.0%. Figure 1 shows the median percentage for all five groups.



A question I had right away is this: Aren't donors who have a higher index more likely to be younger than those with a lower or zero index? And aren't they likely to have given less than the donors whose bulk of giving occurred a good while back? For the nonce, let's put aside the question of age and just compare the lifetime giving among the five groups. To do that look at Table 2 and Figure 2.

Table 2: Lifetime Giving Statistics by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

Group	Count	Sum	Mean	Median	Min	Max
1	235	\$3,466,400	\$14,751	\$5,500	\$2,375	\$568,240
2	183	\$11,840,000	\$64,700	\$4,740	\$2,364	\$5,275,750
3	208	\$4,634,480	\$22,281	\$3,668	\$2,380	\$1,346,690
4	209	\$3,149,380	\$15,069	\$5,395	\$2,361	\$259,405
5	208	\$12,489,600	\$60,046	\$6,011	\$2,380	\$6,430,670



Bottom line, we have concluded that there is little or no relationship between the Rate of Increasing Giving Index and Lifetime Giving. Now, if you look at Figure 2, you might be inclined to disagree with us. You might say, “Hmm ... looks like there might be a nonlinear relationship between the index and lifetime giving. That looks kind of ‘U’ shaped doesn’t it?”

Well, to stretch the envelope a bit, we did some analyses that those of you who are into stats might be interested in:

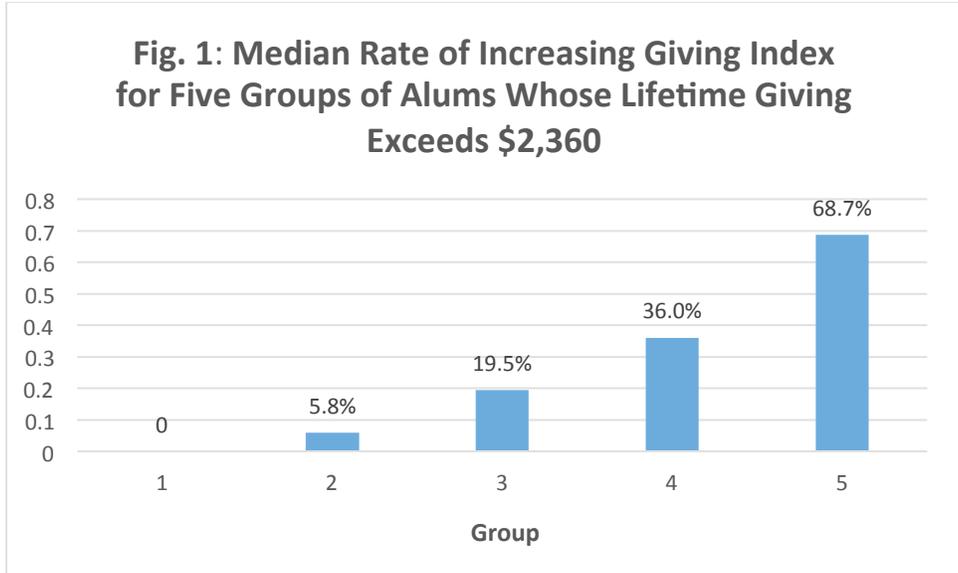
- We computed the Pearson Product Moment Correlation between lifetime giving and the index for this group of alums. That value was .035. Very, very low.
- Because correlation is applicable to *linear* relationships, we transformed the data by taking the log of lifetime giving. We computed the Pearson Product Moment Correlation again, between the log of lifetime giving and the index for this group of alums. That value was .134. Still very low.
- We computed the Pearson Product Moment Correlation between the log of lifetime giving and the *square* of the index for this group of alums. That value was .141. Very low.

If you'd like to know more about why we did these analyses, it's probably better to have you call us or email us than have us go into detail here. But the big point is this: It's clear to us that the index is not simply a proxy, a surrogate for lifetime giving. If it were, then the correlations we mentioned would be very, very high. And they simply are not; they are low.

Why the Index May Have Some Promise

Now we're going to ask you to look through a number of tables and charts: Six tables, six charts. We'll catch up with you in a few pages.

Before you get started, here's Figure 1 again so you won't have to go back and search for it. Just a reminder: The alums in Group 1 haven't given a thing in the last five fiscal years. The alums in Group 5 have given the lion's share of their money in the last five years. Groups 2-4 are somewhere in-between.



And now, the six tables and six charts ... In order to pair up each table with a corresponding chart, we will skip to the next page ...

Table 3: Hard credit Giving Statistics for Fiscal Year 2010 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

Group	Count	Sum	Mean	Median	Min	Max
1	235	\$0	\$0	\$0	\$0	\$0
2	183	\$41,525	\$227	\$50	\$0	\$10,000
3	208	\$233,456	\$1,122	\$200	\$0	\$108,000
4	209	\$208,248	\$996	\$350	\$0	\$10,250
5	208	\$317,403	\$1,526	\$500	\$0	\$50,000

Fig. 3: Median Hard Credit Giving for Fiscal Year 2010 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

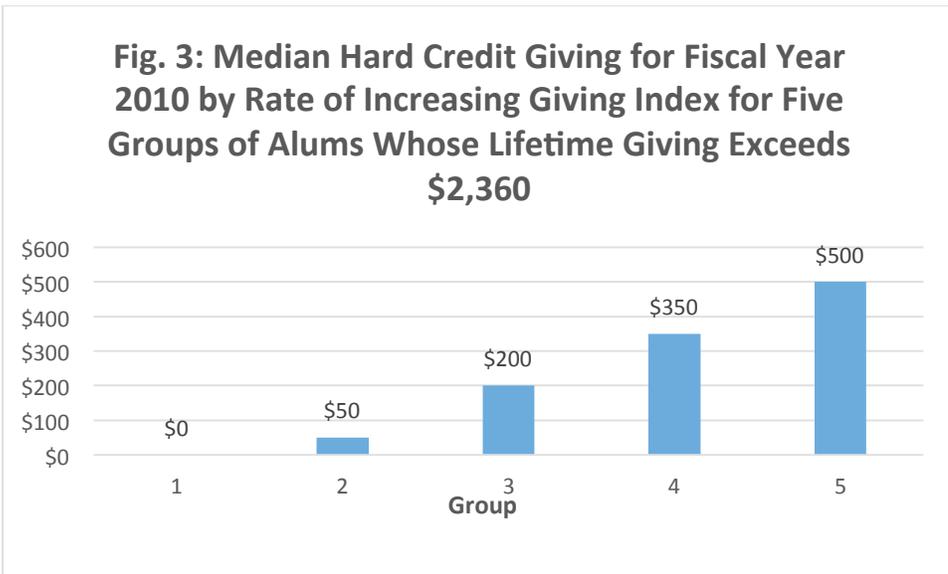


Table 4: Hard credit Giving Statistics for Fiscal Year 2011 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

Group	Count	Sum	Mean	Median	Min	Max
1	235	\$0	\$0	\$0	\$0	\$0
2	183	\$56,885	\$311	\$25	\$0	\$10,000
3	208	\$142,127	\$683	\$200	\$0	\$18,000
4	209	\$220,748	\$1,056	\$400	\$0	\$10,000
5	208	\$726,906	\$3,495	\$677	\$0	\$215,000

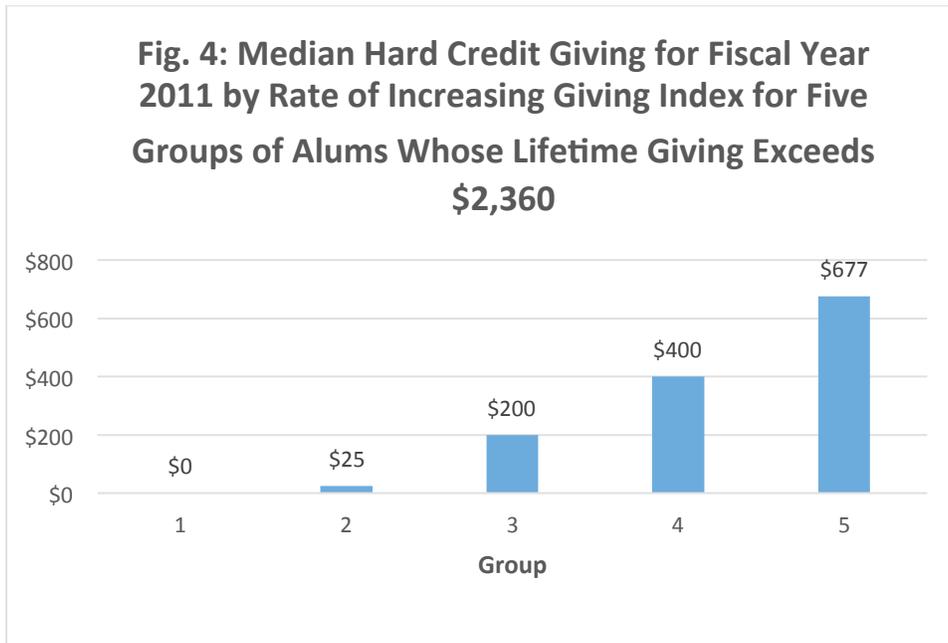


Table 5: Hard credit Giving Statistics for Fiscal Year 2012 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

Group	Count	Sum	Mean	Median	Min	Max
1	235	\$0	\$0	\$0	\$0	\$0
2	183	\$47,912	\$262	\$19	\$0	\$15,100
3	208	\$180,609	\$868	\$150	\$0	\$59,020
4	209	\$197,459	\$945	\$300	\$0	\$10,400
5	208	\$751,325	\$3,612	\$845	\$0	\$159,000

Fig. 5: Median Hard Credit Giving for Fiscal Year 2012 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

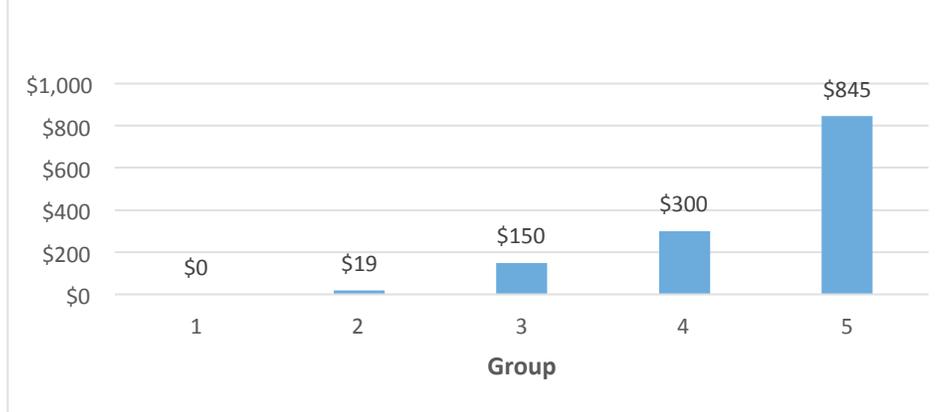


Table 6: Hard credit Giving Statistics for Fiscal Year 2013 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

Group	Count	Sum	Mean	Median	Min	Max
1	235	\$0	\$0	\$0	\$0	\$0
2	183	\$60,268	\$329	\$0	\$0	\$25,000
3	208	\$221,566	\$1,065	\$100	\$0	\$76,911
4	209	\$166,880	\$798	\$250	\$0	\$10,500
5	208	\$1,564,210	\$7,520	\$1,000	\$0	\$200,033

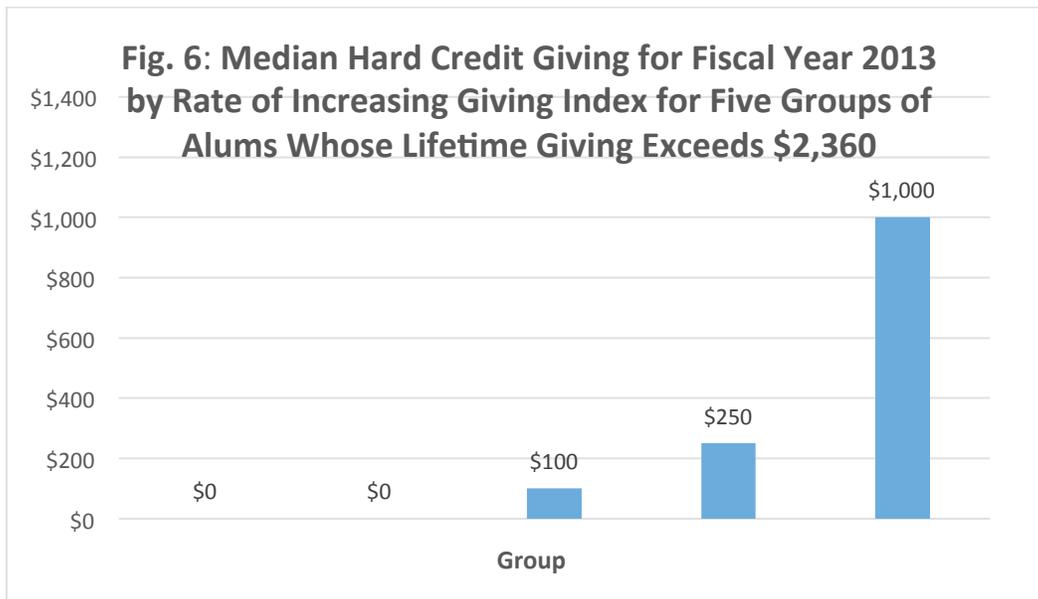
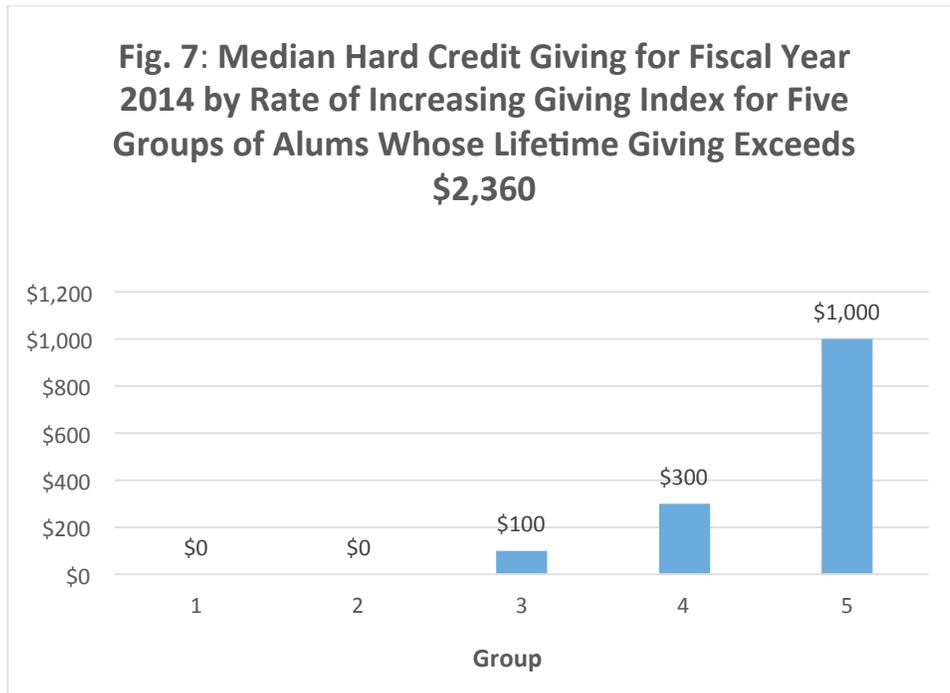


Table 7: Hard Credit Giving Statistics for Fiscal Year 2014 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

Group	Count	Sum	Mean	Median	Min	Max
1	235	\$0	\$0	\$0	\$0	\$0
2	183	\$40,789	\$223	\$0	\$0	\$10,000
3	208	\$167,944	\$807	\$100	\$0	\$68,940
4	209	\$354,120	\$1,694	\$300	\$0	\$51,000
5	208	\$6,556,140	\$31,520	\$1,000	\$0	\$5,174,010

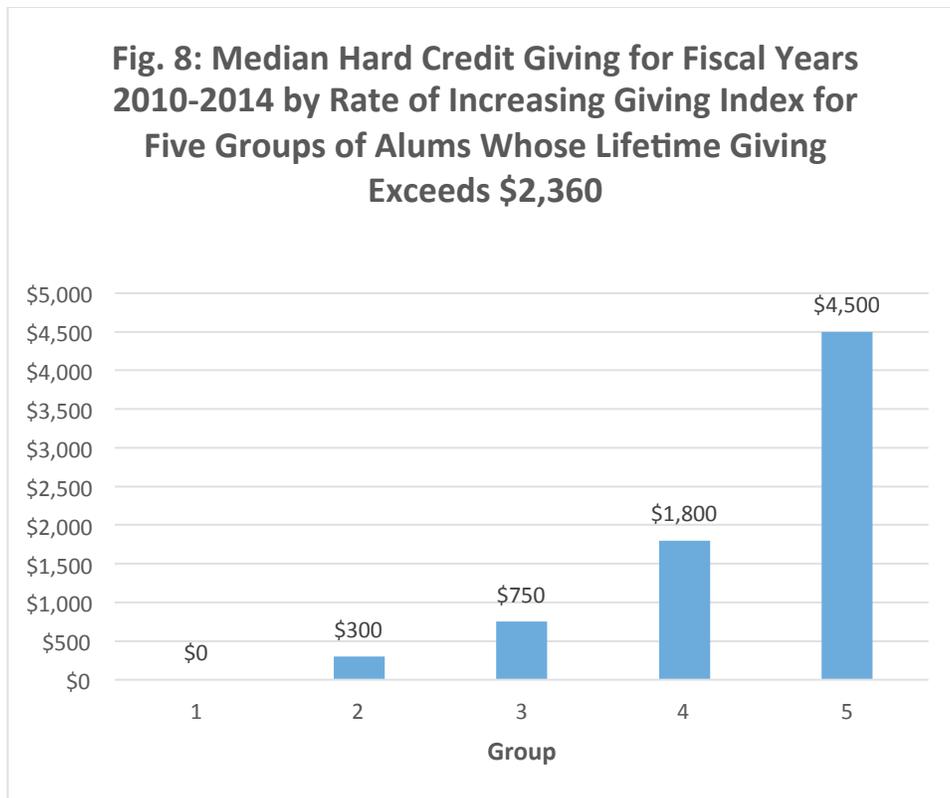
Fig. 7: Median Hard Credit Giving for Fiscal Year 2014 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360



And finally, for all years ...

Table 8: Hard credit Giving Statistics for Fiscal Years 2010-2014 by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360

Group	Count	Sum	Mean	Median	Min	Max
1	235	\$0	\$0	\$0	\$0	\$0
2	183	\$247,379	\$1,352	\$300	\$25	\$65,000
3	208	\$945,702	\$4,547	\$750	\$325	\$303,000
4	209	\$1,147,460	\$5,490	\$1,800	\$700	\$91,000
5	208	\$9,915,990	\$47,673	\$4,500	\$1,150	\$5,415,540



All right. That’s a lot of information we’ve asked you to look through. We know. We’ve looked at it in great detail ourselves. So, the question that’s been on our

minds (and may well be on yours) is: Is this index useful? And more specifically, how would you use this index?

Let's start with some observations:

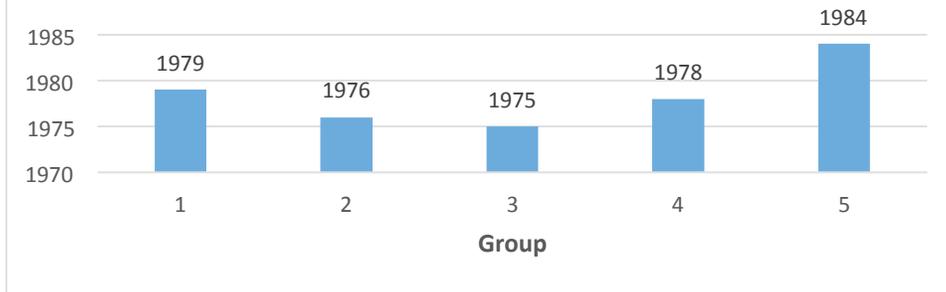
The alums in category five are clearly the folks who have given the most to the school over the last five fiscal years, in spite of the fact that their lifetime giving is not very different from the other four groups.

Figures 3 through 8 make this point in a rather conservative way. However, a more dramatic way to see this point is by comparing the sum of giving for Group 5 against the sum of giving for Group 4 as shown in Tables 3 to 8:

- Table 3. In FY 2010 Group 5 alums gave a total of **\$317,403** versus **\$208,248** for Group 4.
- Table 4. In FY 2011 Group 5 alums gave a total of **\$726,906** versus **\$220,748** for Group 4.
- Table 5. In FY 2012 Group 5 alums gave a total of **\$751,325** versus **\$197,459** for Group 4.
- Table 6. In FY 2013 Group 5 alums gave a total of **\$1,564,210** versus **\$166,880** for Group 4.
- Table 7. In FY 2014 Group 5 alums gave a total of **\$6,556,140** versus **\$354,120** for Group 4.
- Table 8. In all of the last five fiscal years combined, Group 5 alums gave a total of **\$9,915,990** versus **\$1,147,460** for Group 4.

One other observation. Figure 9 shows that the alums in Group 5 *are* younger than the alums in the other four groups. Not by a whole lot. But they are younger.

Fig. 9: Median Years of Graduation by Rate of Increasing Giving Index for Five Groups of Alums Whose Lifetime Giving Exceeds \$2,360



Some Overall Thoughts

Again, we've thrown a lot of information at you in this piece. If you have the patience, you may want to put it aside for a few days, maybe even a week or two. Then come back to it. That style of reading technical stuff seems to work pretty well for us, each of whom is in the business of trying to make analytics material as clear and understandable as possible.

We *think* this index can point you to people who have given a lot *recently* even though that "a lot" (when you look at their total giving) is no more than their peers who have NOT given a lot recently.

So, if you've got two people (flying under the radar) who have a high score for major giving propensity and have lifetime giving that is about the same, go with the one that has the higher (should be markedly higher) index. That person is on a roll; the other is not.

Here are some things to ponder:

- What we've done is data exploration; it is not predictive modeling. I won't speak for Kevin or John, but I don't think I do enough of the sort of thing

we've done here. Particularly looking at giving data. I think I'm so focused on model building (where the dependent variable is often lifetime hard-credit) that I don't take the time to examine just giving data – data that our clients are quite capable of providing if we simply ask for it. For example, looking at giving over each of the last five fiscal years (as I did here) was just plain fun, forget about thought provoking.

- See if you can replicate what we've done. We've replicated the results (more or less) of the data from the school we used here with another quite different higher education institution. We'd love it if you did the same thing with your own institution. And we'd love it if you came up with another index that outshines the one we've laid out here.
- Take a look at some folks (a) who have given above a certain level, (b) are not on your radar screen, and (c) whose index level is at least 40%. We think you may find that some of their profiles show somebody who deserves a lot more attention than they're getting from your major giving folks.

As always, let us know what you think of what we've thrown out here.