Charitable Donor Scores & Lists

- **More Than 50 Million Homeowners**
- **Scores Forecast Donation Amounts**

A New SMR Research Service

For Direct Marketers

SMR Research Corporation_____

About SMR Research Corp.

- **Founded in 1984, SMR has spent 23 years producing market research on consumer financial subjects. We're the biggest in the business.**

- **Member of the Association Of Fundraising Professionals.**

- **In 2007, we published The Demographics Of American Charitable Donors – the largest research study of its kind.**

- **Our clients include a majority of large banks, non-bank financial firms, mortgage companies, life insurers, and retailers.**

- **In addition to market research, SMR creates predictive marketing scores using multiple regression models. Our scores predict:**

  - **Which home owners will soon obtain mortgage refinances.**

  - **Which home owners will soon obtain home equity loans.**

  - **Which home owners qualify for large life insurance policies and annuities.**

  - **Estimated household incomes.**

  - **Estimated home owner household total liquid assets.**

- **SMR applies its marketing scores to a database of more than 50 million home owners.**

- **The Charitable Donor Score is new for 2007!**

The Charitable Donor Score

- **This Score predicts which U.S. households will make the largest contributions to charitable causes. The higher the score, the larger the donation usually will be.**

Why You May Need A New Score

- Your own list of prior donors is probably good.

  BUT:

- If you only solicit prior donors, you'll eventually run out of them.

  - **Our scores deliver brand new donors.**

- Segment prior donor lists for improved results!

  - **Our scores appended to your list will identify prospects for "special handling" – the biggest potential donors.**

  - **Identify those who haven't given lately and no longer warrant further spending.**

Problems With Existing Methods

- **In 2005, SMR was hired to perform demographic analysis work on a large list of prior donors to a Top 25 U.S. charitable group.**

- **We were surprised by what we found:**

    - **Nearly 5% of records were deceased persons.**

    - **More than 40% had last donated $15 or less.**

    - **The average age of prior donors was 64 – and rising.**

    - **Many repeat donors were giving less each year.**

    - **Thousands of former donors stopped making contributions years ago.**

- **Your own prior donors list is probably better than this one!**

- **Still, we decided something new had to be done – some way to find new and more generous donation prospects in a cost-effective way.**

- **We began working with our own database of American home owner households to find a better way to target exactly the right people.**

The Breakthrough

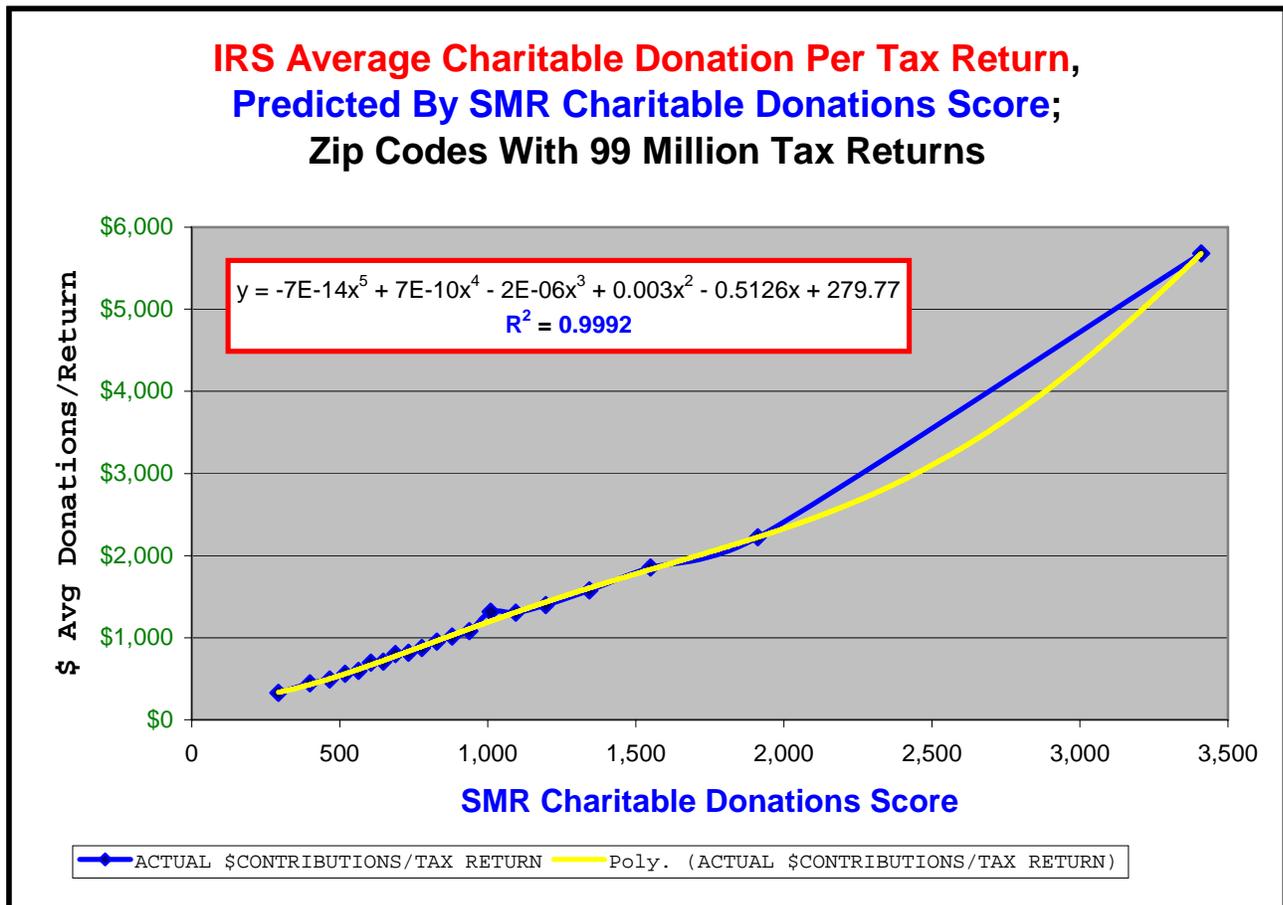- SMR owns a detailed database of information on U.S. home owner households.

  That's a good start! Home owners donate <mark>1.33</mark> times the U.S. norm; renters donate only <mark>0.31</mark> times the norm (see [The Demographics of American Charitable Donors](#), published by SMR in 2007).

- Our detailed wealth and demographic data also exist in certain government survey files, including those used to help create the Consumer Price Index. **The survey data include exact amounts donated to nonprofit groups.**

- Within the survey data, we created a multiple regression model to predict amounts donated – and then applied the model to score the home owners in our database.

- **Our predictive data are common-sense logical.** Examples:

    - Home values correlate strongly with donation amounts, especially when modified to take into account local area variations in the ratio of home value to income.

    - Family structure, size, and age make a difference.

    - Mortgage loans are typically approved based on the borrower's ability to pay. We have data on the lien amounts, and can correlate them to incomes.

- We have converted <u>many</u> variables into algorithms that produce the Charitable Donor Score. We compute the Score right now for 50 million home owner households.

Verifying The Model

- **No one knows the actual total charitable giving of each U.S. consumer by name. So, how do you verify the accuracy of a donor model?**

- **SMR acquired data on individual income tax returns, aggregated to the five-digit zip code level. These data included average annual charitable donations per tax return in each zip.**

- **We took our individual Charitable Donor Scores for 50 million households and added them up by zip code, too.**

- **In each zip, we compared our average score per household to the actual charitable donations per tax return.**

Results:

IRS Average Charitable Donation Per Tax Return,
Predicted By SMR Charitable Donations Score;
Zip Codes With 99 Million Tax Returns

$$y = -7E\text{-}14x^5 + 7E\text{-}10x^4 - 2E\text{-}06x^3 + 0.003x^2 - 0.5126x + 279.77$$
$$R^2 = 0.9992$$

Y-axis: **$ Avg Donations/Return** ($0 to $6,000)
X-axis: **SMR Charitable Donations Score** (0 to 3,500)

Legend: ACTUAL $CONTRIBUTIONS/TAX RETURN — Poly. (ACTUAL $CONTRIBUTIONS/TAX RETURN)

Page 5

Accuracy

- **The r-squared correlation statistic, at 0.9992, means near-perfect correlation between our scores and tax return results.**

- **If the zip-code averages look good, then the individual Charitable Donor Scores we used must be accurate, too.**

- **In the 5% of zips with our <u>highest</u> average Scores, total contributions per tax return were <u>$5,677.34</u>.**

- **In the 5% of zips with our <u>lowest</u> average Scores, total contributions per tax return were only <u>$330.36</u>.**

How The Scores Work

- **A Charitable Donor Score of 1,000 is the national "norm."**

- **Scores are linear and simple.**

  - **A household with a score of 2,000 should donate roughly *twice as much* as someone with a score of 1,000. Someone scored 500 would donate only about *half the normal sum*.**

Using The Scores

- <u>Strategy #1</u>: **Let us append our Scores to your <u>prospect</u> list.**

  - **You probably have a prospect list of people somehow "involved" in a cause.**

  - **Our scores will identify those most likely to make the biggest contributions.**

- <u>Strategy #2</u>: **Append SMR Scores to <u>prior donor</u> lists.**

  - **Identify prior donors who could be contributing much more. Target them with special appeals.**

Using The Scores (continued)

- **Identify former donors who haven't given for a long time. Separate remaining good prospects from those no longer worth the cost of solicitation.**

- **Strategy #3: Let us furnish entirely new high-scored names and addresses.**

    - **Easy to do, this should maximize donations from entirely new contributors.**

Getting Started

- **Test To Confirm**

    - **Prove the Scores work before you use them.**

    - **Give us a list you used in the past. Don't tell us who donated or how much. Let us tell you with our Scores!**

    - **SMR must charge fees for retro tests, because you'll be able to use the results going forward. But for reasonably small tests, we discount fees significantly.**

- **Score Pricing**

    - **Depends on volume and on score range. We charge more for ultra-high-scored donors. Contact us for more info:**

    - **Jonathan Varone, Director of Scoring: (908) 852-7677**

    OR, email to:
    Jonathan.Varone@SMRresearch.com

Frequently Asked Questions

- **Can SMR match a score to everyone on our existing lists?**

     No. SMR does not have data on renters, and we only score people in selected U.S. counties where we have valid data. But since we do score some 50 million households, chances are we can match quite a few.

- **You tested your scores against zip code-level tax returns. Does that mean you give everyone in a zip code the same score?**

     No. We score each U.S. household <u>individually</u> based on its own data. In any zip, there are good and bad prospects. We tested our individual scores by averaging them at the zip level because we could only get zip-level tax return data for comparisons.

- **Can you provide case studies of groups who used the scores?**

     Not yet. The Charitable Donor Scores are new for 2007; our first client requested anonymity. But we can show results on a retroactive test, as explained earlier. For clients who wish to be among the early users, we will discount pricing in exchange for a report of results.

- **Most homes are owned by couples, not singles. Do you have both owner names? Is there an extra charge to get both?**

     We usually do have both owner names on two-owner homes. We supply both at no extra charge.

- **Do you have phone numbers?**

     We do sometimes, covering about half the total list.

- **How many super-high-scored names do you have?**

     More than 1.3 million of our households are scored **4,000+**, the best prospects imaginable. More than 4 million additional households are scored above **2,000**. <u>We revise scores every month</u> based on new data, so call for the latest counts.