

Share and share alike

Companies in the US and Europe have enjoyed the benefits of data co-operatives for more than a decade, but the concept has only recently arrived on Australian shores. First Direct Solutions recently launched its own data co-operative. Michael Quillerat of First Direct Solutions explains the rationale behind the data co-operatives and the opportunities for direct marketers.

A data co-operative involves several organisations pooling their donor or customer transactional information within a single database to create a new source of prospects for direct marketing purposes. The result is a database containing the purchasing histories of consumers or donors across many different organisations and industry sectors.

Data co-operatives are created on the premise that actual consumer purchasing behaviour is the most effective predictor of future purchasing behaviour. A data co-operative therefore gives its members the opportunity to target consumers according to what, when, how much and how often they have transacted with multiple organisations. Members of a co-operative can include both commercial and not-for-profit organisations.

A popular misconception about data co-operatives is that they work the same as list swapping or reciprocal list exchanges. In fact, they are quite different. While swapping a database with another organisation for direct marketing involves just that, data co-operatives use transactional information and provide additional marketing applications.

Data co-operatives were originally developed in the USA in the early 1990s, and in 2005 they provided over one-third of the prospect names mailed in the USA. Co-operatives are now also well established in the UK, Germany, France and Japan.

How do they work?

When a not-for-profit organisation becomes a member of a data co-operative, it provides a copy of its donor base to the data co-operative manager. The manager does not own the database, but facilitates the activity on behalf of members.

Once the donor base is received by the manager, complete with "recency, frequency and monetary" (RFM) spend of donation, it is washed against other member databases to identify any common donors. Donors appearing on two or more member databases are flagged as "multi-buyers" and form the basis of the modelling universe available for use by the other co-operative members.

Using transactional information provided by members, the co-operative manager can build models or lists based on the donation history of supporters.

What are the benefits?

The objective of a data co-operative is to enable members to produce more responsive and profitable direct marketing campaigns. Tapping into the combined transactional information of the co-op enables members to target people who are more likely to support their organisation.

Donor information can be segmented according to criteria such as:

- when they last donated or purchased elsewhere
- how many times they have donated or purchased elsewhere
- how many organisations they donate to or buy from
- the amount they spend or donate
- committed givers versus one-off donors.

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There are various applications in which data from co-operatives can be used. These include acquisition, reactivation of lapsed donors and donor optimisation.

Acquisition

Data co-operatives can help not-for-profit companies to understand how their donors transact with other organisations. They can then identify and target those people who have purchasing habits similar to those of their own donors.

Reactivation of lapsed donors

If a not-for-profit organisation can identify that, say, 20 per cent of its lapsed donors have made donations more recently elsewhere, this allows them to target these “active elsewhere” donors rather than contacting all their lapsed donors. The companies can therefore mail deeper into their lapsed donors while reducing the amount of wasted mail.

Donor optimisation

Data co-operatives enable not-for-profit organisations to identify donors who have given larger donations elsewhere as well as those who are regular givers to other companies.

The challenges

Privacy is the biggest issue here. Not-for-profit organisations need to ensure they have an opt out on their communications and privacy policies to donors relating to the sharing of information. For many not-for-profit organisations, this means that an additional opt out needs to be included on communication pieces.

The concern of sharing donors is the other major hurdle for fundraisers to get their head around. Not-for-profit organisation members of a data co-operative are not actually sharing their donors, just the transaction histories of their donors. It is only when a donor exists on two or more member databases that their information is shared as part of the co-operative database.

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First Direct Solutions’ data co-operative

Already with more than 35 member databases, First Direct Solutions doesn’t charge a fee to join its database. The only costs are those charged for renting names from the pooled data. Any not-for-profit organisation, no matter what size its database, can join a co-operative – the only restriction is that member databases must comply with all relevant privacy legislation and industry codes.

For more information on the data co-operative visit www.fdsolutions.com.au or phone 1300 363 242.