Kochs help Republicans catch up on technology

By Peter Henderson

5/17/2012

SAN FRANCISCO (Reuters) - In the 2008 presidential race, Barack Obama was famously effective in using new technologies to raise money, mobilize voters and target his message of change.

In this year's campaign, his opponents are determined to turn the tables.

Republican political operatives, some with deep financial backing from the billionaire Koch brothers and others, are unleashing about a half dozen major projects that take advantage of advanced database technologies to manage campaigns and target voters with personalized messages.

Few doubt that political parties and factions that can gain an edge in the data wars will be in a good position on election day - and could potentially build institutional advantages that will pay dividends for years to come.

IPhone apps, Web-based campaign management and micro-targeting of voters with personalized messages are a few of the services built around database technology that the left has used to find and motivate voters, most impressively in 2008.

People in the increasingly competitive political technology business say the industry is still in an early phase, with the massive data-collection potential of social media and mobile computing only beginning to be tapped.

Nevertheless the field is already creating tension between grassroots activists suspicious of big, centralized databases and political professionals who say they are essential.

"If you are talking to anybody on the ground, Tea Party activists, they are tired of centralized control," said Steven Kuivenhoven, a Michigan Tea Party organizer who is avoiding Washington-based tech groups.

The Republican and Democratic parties have passed the banner of technological leadership back and forth over the past decade. The Republican Party built a massive

database of voters for the 2004 election, then Democrats in the last presidential election pulled together an independent database called Catalist that improved cooperation among allied groups. This year outside groups are leading the charge, especially on the conservative side, a nod to the rising power of political action committees and advocacy groups.

Shoestring startups are competing with efforts funded by billionaires, which some conservatives embrace as a triumph of laissez-faire. "God bless the free market," said Constantin Querard, an Arizona political consultant who uses one of the startups, rVotes, for managing volunteers and voter data. "We are probably two two-year cycles from weeding out the software that was well done and the software that wasn't as well executed."

THE KOCH COUNTERPUNCH

In 2008, Catalist helped the left win the technology battle. The database allowed unions and the Obama campaign to manage volunteers without stepping on each other's toes. Meanwhile, analysts could look for patterns in oceans of data that had been held in small pools by separate groups.

Now, Charles and David Koch, who have quietly bankrolled libertarian organizations such as the Cato Institute and the influential Mercatus Center at George Mason University, are behind an effort that aims to do for the right what Catalist did for the left.

Called Themis, the independent group is the most ambitious of the many conservative political technology projects now in development. People with direct knowledge of the group as well as political technology industry veterans say it is backed by the Koch brothers, although their names do not appear on an annual regulatory filing and Koch Industries spokespeople did not respond to requests for comment.

The Kochs own Koch Industries, the Wichita, Kansas-based natural resources conglomerate that refines oil, produces chemicals and owns the paper products company Georgia-Pacific. Chief Executive Officer Charles Koch and his brother David are worth $25 billion each, according to Forbes.

Themis staffers in their twenties and thirties, clad in jeans and checked shirts, work out of a suite in a nondescript office building in Alexandria, Virginia. City records indicate that the company expanded recently, and a federal filing shows millions of dollars in the bank.

Themis operates like many other Koch projects - in secrecy. A reporter retrieving a federal filing from the company was not allowed inside the unmarked front door, and Themis executives declined or did not respond to requests for comment.

Themis raised $7.7 million in its first year, according to its 2010 return to the Internal Revenue Service as a tax-exempt 501 c(4) organization, which it released this year after

successfully petitioning for the maximum possible delay. As a 501 c(4), Themis can work with advocacy groups but cannot coordinate with candidates.

The federal filing does not list financial backers, but people with direct knowledge of the group say it is backed by the Kochs. Ben Pratt, the chief operating officer, describes himself on LinkedIn as a former Koch Industries executive who is now a management consultant and executive coach teaching the business theories developed by Charles Koch.

Themis's ambition to become an analytical powerhouse for the right is clear from its list of business partners, including several heavy hitters in the computer analytics world. Its top contractor in 2010, paid $1.1 million, was voter database company Intell360, which employed former Republican National Committee Network and Online Services Director Steve Ellis at the time, according to LinkedIn.

Intell360's website describes services ranging from finding email and phone numbers for voters to "data mining" for voters likely to respond to tailored messages to targeting ads "down to the zip code, census block or individual level." Neither the company nor Koch Industries responded to requests for comment. Pratt declined to speak when reached by phone.

Despite the vast resources behind it, Themis may find it difficult to reach its goal this year. One person close to the group predicts it will not catch up to the left in the current campaign cycle; the Obama campaign is engaged in complex modeling and scouring social media data for information, people in the industry say. Another conservative data industry person said there is no sign of high-end modeling by Themis.

Themis does not have to catch up to make an impact, though. It is building its database and signing up advocacy groups to use its services and contribute data. The person close to Themis said its work focuses on identifying active supporters - those with a propensity to attend rallies or engage their representatives, for instance - and discovering the "cream of the crop" - persons active in several allied groups.

AN ALTERNATIVE SOURCE

The other major database effort on the right is a for-profit group called Data Trust, which is updating the Republican Party's somewhat dusty national file of voters. Modeled on Catalist, Data Trust hopes to make a profit by selling data to advocacy groups, candidates and business groups, incorporating clients' information into its database when they agree.

The party will keep its database, but Data Trust will be able to pay for updating and expanding the data in a way that Republicans have not had the resources to do in recent years, people familiar with the project say. However, it will leave the high-end analysis of data to clients.

Themis and Data Trust will be competitors at times. But there may be room for both: Themis caters to a conservative crowd that distrusts what it sees as the politically

expedient instincts of the Republican Party. And some groups may want more than one database provider. "Never trust any one source 100 percent," said Gary Marx, executive director of the Faith and Freedom Coalition, a religious group in Duluth, Georgia, that is planning to find and contact 27 million potential conservative Christian voters in swing states this election cycle.

American Crossroads, a Washington D.C.-based conservative advocacy group led by former Republican Party officials and associated with Karl Rove, is not choosing sides, even though its chairman, former Republican National Committee Chairman Mike Duncan, helps run Data Trust.

"We plan to be a client of Data Trust. We also have a good relationship with Themis," said Crossroads spokesman Jonathan Collegio.

GROUND GAMES

Themis and Data Trust may have trouble getting some potential allies on board. Plenty of grassroots groups say they don't need the help of a big, Washington-based database outfit and say they have what Republicans need most: real-time data. They are turning to new technology systems that let campaigns and groups manage volunteers and donors.

A plethora of new tech tools with names like Gravity, rVotes and NationBuilder can help organize door-to-door campaigns, harvesting the type of information that feeds a successful database. All the companies behind them are for-profit.

"If the local county group is knocking on people's doors, and identifying pro-life or anti-immigrant or anti-health-care voters, they could be flagging that information on the database and instead of having that information be in an activists' basement somewhere, it's flagged back on this master file and available to other organizations, which are wanting to organize around those issues," said Ken Strasma, head of data analysis firm Strategic Telemetry, which works for Democrats. "That's what could make this a very powerful tool."

Many grassroots activists are wary of big databases, however, especially if they are linked with Washington. Conservatives, like liberals, are not a monolithic group. Some factions would prefer to retain control of their data.

"I wish I had the Koch brothers' money, but I don't want to be beholden to them," said Peter Wolf, an Ohio Tea Party organizer. He supports rVotes, a program marketed to the right that intends to offer a national database in which campaigns control data they add.

Smaller groups may also be immune to the lure of the big databases because they can get low-cost help from companies such as Aristotle, an unaligned commercial vendor that sells voter records for 3 cents each and offers analytics and social media as well.

Utah Republican Senator Orrin Hatch failed to win his party's endorsement at the recent state caucus after a Tea Party campaign against him. He now faces a run-off primary battle. FreedomWorks, a group that has severed Koch ties, was a major instigator of the anti-Hatch effort. It used commercial database and analytics vendors to find likely caucus delegates. "What it took Orrin Hatch a year to do in terms of preparation for the caucus, we were able to do in a month and a half," said Russ Walker, vice president of political and grassroots campaigns for FreedomWorks for America. "I really do think the commercial world is ahead of us."

Whether the Kochs or any other group make a major leap forward will depend on how many allies they find. Querard, the Arizona political consultant, sees the technology race as a question of critical mass.

"Whoever's got the most users will probably see the most improvement," he said.

(Additional reporting by Alexander Cohen in Washington, DC; Editing by Jonathan Weber and Douglas Royalty)