



## Fundraising in an Unpredictable Market

### INTRODUCTION

We predict unpredictability!

During a recession the one thing we can be sure of is that we will be fundraising in an unpredictable market. When economists today look at the 1990s recession they can describe a fairly neat pattern of 18 months of economic downturn and falling consumer confidence, followed by 18 months of recovery. At the time, that pattern was not discernable until we were firmly into the upward trend.

Fundraising during the last recession did not actually follow such a neat pattern. At the worst moments of decline there were sudden opportunities, such as massive reductions in the use of direct mail resulting in a temporary uplift in responsiveness as the public received fewer mailings. At the points of greatest recovery there were sudden dips in giving, such as donors who had given faithfully throughout the dark times deciding they could ease back on their support because the charity would now be all right.

In an unpredictable market it is important to monitor the market, perhaps through the press, economists and emerging research in order to understand what is happening. But don't forget that media 'hype' is often not the reality of your donors' lives. After an initial period of concern, donors generally settle down until reality bites them directly, for example in the form of less income, employment uncertainty or rising household expenditure. And the point at which the media lose interest may be the precise point when the recession is really affecting your donors badly – but the media has moved on to more interesting stories. Your priority is to see behind the media hype to understand the reality of what is happening in your supporters' lives. Practise 'donor obsession' – tune in to their values, their thoughts and their lives.

This section will look at different ways in which you can use the opportunities in a recession to build a rapid response team, focus on your core activities and the more profitable fundraising activities and emerge a fitter fundraising operation as the economy emerges from recession.

### LEARNING FROM THE PAST

During the recessions in the 1980s and 1990s, fundraisers had few reference points to enable them to look back at and learn from the past. One of our strengths today is that we have a wealth of quite recent experience to draw on. We are less than 20 years away from the previous recession. Many of our most experienced current practitioners have fundraised through one if not two previous recessions. Our fundraising programmes have developed in the past two decades, but there are still substantial similarities, and one of our great strengths in 2009 is that we can reach back quite easily and bring forward lessons that will help to guide our strategy today.

The corporate sector learns from the past, reflects actively on the present and continues to paint scenarios for the future. This is a healthy mix that we should seek to replicate in the not-for-profit sector. With our comparatively limited resources, and our relatively young profession, we should not be afraid to look at the actions taken by companies that are surviving and thriving in the current climate and ask ourselves what learning we can take from their actions. The key is to accept the situation and to drive forward in an informed way. You cannot simply close your eyes and hope 'things won't change; they will, as you can see

on any High Street in the UK today.

## LOOKING TO THE FUTURE

### **New tools**

We also have a number of new tools in our armoury this time round. Three in particular stand out.

#### ***Regular giving***

First, we have the well-established monthly direct debit based regular giving programmes that are the backbone of our individual giving programmes today. Direct debits have a dramatically positive impact on retention. In the last recession we did not have these at our disposal, we were almost entirely dependent on cash giving. So those organisations which have invested strongly in regular giving programmes are entering this recession in a much stronger position this time round.

#### ***Digital media***

Second, we have digital media. In the early 1990s the internet as we know it simply did not exist. Email was largely a tool for communicating inside your organisation. Mobile phones were the size of a modest handbag and weighed as much as a brick. This low cost, low risk, mass contact medium is far from being fully exploited, and offers us a communications channel that will be sustainable throughout the recession.

#### ***Donor journey***

Third, we have spent the last decade redefining and reinforcing the 'donor journey' - the different stages an organisation presents to a donor to embrace, increase and enhance her or his relationship with a charity. Depending on how far you have developed this area, you are likely to have a valuable and well-defined group of high value and major donors - core individuals with the capacity to invest more in your cause. Like everyone else, this group may feel uncertain about the economic environment, but they represent a core donor group who have a sufficiently strong relationship with you to continue investing, and perhaps to invest even more, during these challenging times. Even if some need to 'slow down' with their pledges, do not slow down with your cultivation and relationship building; this will ensure that their intention to give is not lost and that their gifts will be forthcoming as the market stabilises.

"Charities should consider the impact of the recession on the need and on beneficiaries. The NSPCC knows that child abuse is more prevalent when people are financially stretched, and therefore we need our donors to give more rather than less in times of recession.

Every organisation should engage its donors with its problems; tell your donors just how serious the situation is and how urgent the need for money. The NSPCC emergency appeal in early 2009 raised £1 million in cash, and has hopefully persuaded a lot of people who might have been thinking about cancelling their direct debits to keep supporting us.

Charities need to hold their nerve. Recessions are awful, but they do come to an end. Do not be afraid of running a deficit for a year or two; reserves exist for precisely this situation, to help you to survive during difficult times."

Giles Pegram, Director of Fundraising NSPCC, 1979-2009

## **Embrace change**

In an unpredictable market, your attitude and response to change will determine your organisation's success as much as, or perhaps more than, any other factor. Take the right opening stance and you can survive, even thrive, in a downturn.

At the start of a downturn, the focus is inevitably on worsening conditions, downward trends, and the need to protect the organisation from damage and loss. A defensive strategy may seem logical, and indeed by cutting back your investment you may avoid short-term losses, and minimise your risks. However, if you maintain this defensive stance in the medium and longer term it will be counter-productive, leading you to miss opportunities and be poorly-placed to take advantage of the market upswing when it eventually occurs.

When the recession hit fundraising in the 1990s it was a little like falling off a cliff. We had no real idea of how far down the bottom was, how long it would take to get there, indeed whether we would ever be able to climb back to the top. Some chose to sit still, avoid anything risky and wait until we hit bottom. Some kept on doing what they knew, and what they had always done. After the first shock had worn off, others turned themselves into a rapid response team – this meant tuning themselves into the market more fully than before, making sure they were ready to defend or take risks, to evaluate situations and make fast decisions, to act quickly or stop suddenly. It was this last group that ultimately weathered the recession best of all because they were best placed to find the crucial balance between protecting your assets and seizing sudden opportunities.

The faster you accept you are in an unpredictable market, the faster you can start 'driving towards' it as opposed to 'reversing away'. Difficult times call for confident action. You will be able to assess and respond to the market place faster than the competition who have stopped or are busy reversing. Be prepared with 'insurance tactics' to try to pre-empt negative changes in donor behaviour.

## **Be intelligent**

'Tuning in' means systematically monitoring the market to understand how events happening now are likely to impact on your fundraising. Think about the direct impacts (positive and negative) on individual donors such as their employment status; inflation; the cost of utilities, petrol, food; interest rates for mortgages and savings income. Think also about the more 'emotional' impacts around consumer confidence, and an individual's belief that it would be better to save their money or just wait and see what happens before spending or giving.

Tune in to what your competitors are doing, especially those which are in the public eye, or which your donors are likely to know. The behaviour of these kinds of charities can affect your donors as much as your own behaviour, and you need to be ready to respond. For example, once a major charity plays its 'emergency shortfall' card this sends a significant message to donors, and you need to be clear whether the most appropriate response for you is to follow suit, or to reassure your donors that you are not in that position.

Watch carefully, too, for opportunities arising from changes in other charities' behaviour. For example, the withdrawal of major charities from one form of fundraising may leave the field free for your organisation to do more, or for you to negotiate better rates with a key supplier who may need to fill capacity urgently.

Some charities have difficulties in obtaining fast, accurate performance results. If you are to be effective as a rapid response team you must be able to assess results quickly. Experience in the last recession showed that small opportunities opened up for short periods, and it was only the swift who could fully exploit them before the market changed

again. If your analysis is several months behind, the opportunity may have come and gone before you knew it was there. This is crucial for the market upswing stage. You need to have your finger on the pulse in real time; otherwise other organisations will be off and running ahead of you. The flip side of this is, of course, that if you are not closely monitoring performance you may continue to invest in a form of fundraising for many months after it has actually become unviable. An important area to watch closely is early attrition rates on those recruitment channels which are already fairly marginal for lifetime return on investment.

“It is important to not let yourself be unnerved by what you read or hear during a recession, or to become over-cautious. When the Red Cross held a major appeal for Kurdish refugees during the last recession, many people said it was too risky and that donors would not give, but in fact it was so successful that it provided the launch platform for today’s Red Cross donor programme.

If you have a good cause, and a good appeal, people will still want to give. Even if they can’t give right now, keep talking and building relationships. For those corporate and major donors who are hard hit now, don’t delay making an approach, but think about asking for a pledge for a future gift, or suggest that giving is spread across a number of years. Stay confident.”

John Gray, Director of Advocacy, Action for Children 1981-89; Director of Communications and Fundraising, British Red Cross Society 1991-2001

### **Nurture your fundraising expertise**

In a recession you will need to call as never before on your fundraising expertise. Every day your ‘rapid response’ fundraising team will need to respond, decide, and innovate. Every fundraising programme you have will need to be made to work harder. Every donor you have will need to be communicated with more intensely, more persuasively.

Your fundraising team is the driver of your fundraising, and if you reduce your investment in expertise you reduce your capacity to drive your fundraising forwards. In a recession you need to drive as hard as you can in order to just stand still. To reduce your fundraising expertise in a recession is therefore a deliberate decision to reduce your income.

Organisations which went the route of reduced investment in their fundraising teams in the 1990s learned this the hard way. Yet as early as Autumn 2008, in many cases before any impact of the recession had been felt, organisations were agreeing across the board staff reductions, and recruitment freezes. Clearly it is important to be fair and transparent in these situations, but it is equally important to recognise that expert fundraisers are an investment for the whole organisation. Retain your fundraising resource at full strength and you will have the best chance of maximising income, which in turn will mean that other staff members have the best chance of retaining their posts.

This is particularly important for programmes where income is raised very directly by fundraisers, for example major and corporate gifts, grant applications. Without this resource, the income will quite simply vanish, because it will not have been asked for in the first place. Mass cash appeals are also a key area which require proactive asks to be made.

In an unpredictable market you should consider increasing your investment in staff training, team building, and developing the right culture for success in your charity. As the media bombards people with economic messages of doom and gloom it is unsettling for people in any profession, so fundraisers need to hear, see and feel strong support from the trustees and directors of their charity. Now, more than ever, people need to grow their skills and stay

completely up to date with market developments and opportunities. Redundancies in any part of the organisation will send shock waves that will unsettle staff across the board, so building a strong team that it is supported by the organisation, and where team members support each other, is crucial to carrying key staff through difficult times.

Challenging as it may be, difficult times can be a good time to recruit, as good fundraisers are made redundant, choose to leave unsettled teams, or look around for new challenges if their own resources are being cut back drastically. The UK is suffering from a shortage of skilled fundraisers, a trend that is likely to continue well after the current market challenges begin to fade, so take any opportunity you can to bring good people on board if they become available. They are your strongest investment for future success and growth, even if that means a financial stretch in the short term.

Consider also your external fundraising expertise. Your fundraising programme is likely to be dependent on a range of consultants, designers, copywriters, data analysts, production specialists, recruitment and telephone teams, as well as freelancers who supplement your in-house resource. It is in your own interest not to act in such a way that you cut yourself off from this source of expertise, even if this seems attractive in the short term. A good fundraising team will always need external specialists; it simply does not make sense to have every skill needed in-house.

### **Stand out from the crowd**

During the recession you are likely to be competing with the same number of charities, and some of those charities may be seeking more money during the recession if their work increases during a time of greater social and economic need. At the same time, the number of donors who are active may decrease, they may give to fewer charities, and the amount of their giving may be reduced. The market is therefore likely to be even more competitive, and it will even more important for your organisation to stand out from the crowd.

Make your message easier to understand, talk to your donors in language they understand, not your internal 'mission speak'. Make your message more resonant – tap into the current concerns of your donors, show them that you understand their situation, don't make them feel guilty about not being able to give as much. Be clear, bold and persuasive about your case for support. Why should people support your cause when times are hard, or uncertain, and it would be safer to sit on their money for a while longer? Why should people keep supporting your organisation if they have to make a choice amongst several?

In this digital age, there are over two hundred channels that you can use to reach out to and communicate with your donors. Even before the current economic crisis it was becoming increasingly critical to refresh and shift your channel mix on a regular basis, but in this climate you can use your choice of channels genuinely to stand out from the crowd. You may even be able to dominate a particular communications channel at some point in the year, thus providing an automatic advantage. During March Comic Relief dominates the television and the cause related marketing channels; in May Christian Aid dominates the house to house collections channel.

During the last recession charities such as the NSPCC were able to drive hard at the market with a 'low monthly ask' proposition: £2 a month. This was clearly 'good value' in the eyes of the donor and seemed to be a good way of continuing to give in difficult economic times. This developed a very strong committed giving base of donors that became the foundation of NSPCC success and income today. Already we are seeing charities revisiting techniques such as low monthly ask propositions on the basis of continuing to recruit donors in a difficult market place. Standing out from the crowd is not always about doing new things, it can be about doing simple things well, with confidence and passion.

## MANAGING YOUR PORTFOLIO

**Focus on your core business**

Fundraisers have a well-established practice of 'jumping on the bandwagon' of new ideas. In a predictable, growing market there are many such opportunities and temptations to expand your fundraising, and to achieve a modest level of success. For more than a decade, we have been fundraising in a market that has fostered this type of expansion and many charities today have very diverse portfolios indeed.

It is important, of course, to have a degree of diversity in order to spread risk, especially in an unpredictable market. There is, however, a point at which the diversity of your portfolio becomes a risk in itself. You may be stretching your resources too thinly. You may have too many marginal activities, which could quickly become loss-making during a downturn. You may be investing too much of your fundraising expertise in new areas where you make only a small amount of net income, to the detriment of your major established income streams.

In an unpredictable market, the highest risks are related to areas of your business that are furthest away from your 'heartland'. For example, the donors for whom you are fifth choice, the donors who have been with you the shortest time, the fundraising techniques where you have the least expertise. The last recession taught us that it is our 'core' business which is most likely to weather the recession, and that this is where we should be focusing our investment. Your portfolio should be diverse, but within the context of core business.

First and foremost, your core audience is the people who already support you, and have supported you for a minimum of two years. When looking to recruit new supporters, you should focus on the people who care most about your cause and your organisation. They are most likely to support you through hard times if you are a high priority for them, if you are part of their donor 'A' list.

Evaluate your fundraising programmes. Your core programmes are those which generate the largest amounts of net income and general funds. They are the programmes you are very good at, where you can offer something special, where you can out-perform everyone else.

Now is the time to invest in stewardship at every level of your operations, in order to have the highest chance of not only continuing to hold on to your donors, but also to build their loyalty so their relationship with you is even stronger when we emerge from the current recession. Think of the potential of taking a three hundred and sixty degree view of your supporters: money, time, gifts-in-kind, voice, influence and lifestyle change to align with your mission. Too much focus is given to monetary support, and in hard times it is the other areas of support that can help retain and inspire your donor. The more ways a donor engages with your cause, the stronger is their support at all levels. Be empathetic to what they may have to cope with in their lives as a result of the unpredictable market. Difficult as it is with ever-pressing financial targets, it is better to let a donor give time or engage in campaigns rather than lose them altogether by continually pushing for donations they may simply not be able to give.

“My advice is to cut out non-essentials, for example, the more experimental areas of your fundraising which have a higher risk of losing money. Focus on the areas that work and that really earn money.

In particular, look after your existing donors, prioritise retention over recruitment. Make the most of mechanisms such as direct debit - the RSPB was ahead of the game with the introduction of direct debits to its membership, and as a result it was able to retain a higher proportion of its members than other organisations during previous recessions.

Think long-term about investing in legacy marketing, what really matters is achieving continued growth in the number of notifications. The housing market will eventually recover, and if you have increased notifications you will be well placed to see your income grow beyond its earlier peak.”

Anthony Clay, Head of Fundraising RSPB 1979-1988

### **Prune selectively but vigorously**

As every business knows, at the end of the day there are only two core strategies, make money or save money! After two decades of unprecedented growth, it is inevitable that many charities will have built up areas of resource that ‘tick along’ but frankly are not necessarily core to the fundraising activities. The process of defining your core business will identify these less viable or more marginal areas of your fundraising programme, which need to be pruned.

Pruning should always be selective, and there are different levels of pruning depending on the current and future prognosis for each fundraising area. A light pruning may be appropriate for a fundraising programme which is modestly profitable, low risk, needs little resource to maintain it, and has potential for growth when the market recovers. A moderate to strong pruning may be appropriate for a fundraising programme which is not profitable at present, but is expected to recover in more favourable conditions – you may decide to maintain this programme at a minimum level of investment.

Some fundraising programmes may need to be closed down. They may be seriously loss-making, and cannot be maintained with an acceptable minimum of investment, or have no obvious potential for recovery. Or they may be loss-making programmes which can be re-started quickly when the market recovers.

Alongside your pruning, consider also a ‘replanting’ approach, where you move resources from areas of low yield to those of high yield. It is always difficult to move people around, especially as we tend to have structures based increasingly on specialists, but if head counts are frozen or the challenge is simply to work with what you have, replanting resources to reinforce areas with the greatest potential may help you to gain the forward momentum you need. For example, you might consider moving some of your corporate fundraisers into major donor fundraising if corporate income is particularly vulnerable but major donor fundraising is still delivering.

## **Sustainable income streams**

One of the greatest lessons of the last recession was the collapse of ad hoc giving compared to committed giving. In the 1990s, direct debit giving was not widespread and most giving was cash. 'Cash committed' giving such as membership survived the recession in reasonably good shape, but giving by ad hoc donors was badly affected. Many 'uncommitted' donors simply paused their giving. For the donor this was a pause, often restarting when the market recovered, but the impact on the charity was a total loss of their income, in many cases for several years.

From this it is clear that you should be prioritising income streams that are based on commitment, because these income streams are more likely to be sustainable during the recession. These include the obvious income streams such as regular giving which have a direct debit, but there are many other forms of commitment including regular cash giving, multi-year pledges and contracts. Again, don't be afraid to ask donors for deferred giving if this is a way of maintaining their commitment – the same amount of support but phased differently.

## **General fund**

Make sure that you understand your general fund needs. It is often the case that committed giving and general fund go hand in hand, but not always. General fund is crucial for the stability of the organisation, for paying your overheads and often for enabling you to accept major grants which do not cover their overheads. General fund gives you flexibility, fuels investment, and enables you to be fleet of foot. Ultimately general fund allows you to maintain your organisation even if you have to reduce your direct expenditure for a period of time. Make sure your fundraising is generating sufficient net general funds for your survival; if necessary accept less income, for example a donor who would give you £200,000 earmarked might give you only £100,000 for general fund, but this could be more valuable for your organisation at this time.

Seek dialogues with donors to explain the importance of general funds, especially in difficult times. Where major donors are still giving they may be more sympathetic to a request for a percentage of general funds built into what would otherwise be a restricted grant. Foundations have always been tolerant of the need for a general funds percentage in their grants, but this requires transparency and an up-front ask.

Raising consciousness of the types of funding generated by different programmes is the starting point for protecting this area. Over the boom times of the last decade we have seen a dramatic increase in restricted funds programmes, as they are often high value/volume, and now is the time to review your strategic approach.

“It is the size of your net profit that matters, not the size of your gross income or supporter file. Don’t be afraid to plan to let your supporter numbers decrease if this will help you to maintain or grow long-term net income. Build and strengthen the commitment of the supporters you already have, keeping and upgrading them is much more important than recruiting new supporters.

During the 1990s recession, WWF-UK ‘strategically reduced’ our supporter numbers by 10%. We were prepared to take a one-off hit on the cost of recruitment during the recession, provided that we were investing in potential long-term committed supporters. We spent most of our time and resources on improving the quality of our fundraising and on increasing the value of giving of every supporter we had. Despite the smaller file we ended the recession with 20% more net income, and a new high in the quality of our fundraising programme - which gave us the springboard for the next five years of exceptional growth.

With your cash donors, it’s important to rethink the meaning of ‘lapsed’. Expect your cash giving to be hardest hit, but view donors who stop giving as ‘pausing’ rather than lapsing. Work hard to continue to nurture your relationship with them, to make sure that the pause will be followed by renewed giving. Locate your ‘super-donors’, the people for whom you are the number one cause, and ask them to increase their support, for a limited period, to help you through these hard times until other donors pick up their giving again. Our experience at WWF was that these super-donors found the opportunity to make a real extra difference enormously rewarding, and it increased their feeling of closeness to the organisation long-term.”

Margaret Bennett, Head of Individual Giving/Director of Fundraising, WWF-UK 1988-1997

## FUNDRAISING STRATEGY

### **Prioritise profit over growth**

Big is not always beautiful. ‘Doubling gross income in five years’ is not the only fundraising strategy. Indeed, gross income should not be the focus of your fundraising strategy at all. The investment required to drive gross income growth – especially where recruitment is initially loss-making – will usually reduce your net income in the short to medium term.

Net income is the amount that is available to the rest of the organisation to spend on the , mission and organisational overheads; maintaining net income should be the goal during a recession.

The last recession followed a period of significant growth from the late 1980s onwards, so charities with professional fundraising expertise were focused very strongly on large scale recruitment of new supporters, and growth on a major scale. The impact of the recession was most severe on the ability of charities to recruit new supporters, especially less committed supporters. Growth was abruptly halted, and in many cases reversed, as charities were unable to recruit enough new members to replace attrition.

An important lesson learned from this was that, despite the decline in gross income, some charities were able to maintain and increase net income, by refocusing on the retention and development of core supporters. So do not be afraid to plan a decrease in gross income or number of supporters, if this will lead to a sustainable increase in net income.

## **Donor development**

Put your greatest effort into keeping the supporters you already have. Develop the relationships you have with them, and aim to increase their giving. From the commercial world of marketing we know that it costs five times as much to recruit a new customer than to keep one you already have, and existing customers will spend up to ten times as much with you as new customers. This applies equally to donors.

Switch from the 'recruitment' mindset to the development mindset. Start by refocusing your investment; as rule of thumb work out how much it costs to recruit a new supporter and set that as the maximum you can spend on retention.

Focus on those areas of donor development that will keep your donor supporting you throughout the recession, bearing in mind that a key way to grow net income is to keep more of your supporters. Maximise direct debit and other committed giving schemes that will lock donors in more tightly. Review the information and reporting to your donors to be sure that they are getting what they are interested in, when they want it. Offer your supporters a choice of communication channels to meet their preferences. Consider the range of other engagement opportunities for donors that will bring them closer to the organisation and encourage them to stay. Put in place a "supporter journey" to engage supporters in the way they want to engage, and to maximise lifetime value for your organisation.

Identify options for increasing the average amount of giving per supporter. Gift aid should be top of your list as it costs the donor nothing. Continue to increase average giving, but be targeted and sensitive. Encourage your donors to consolidate their charitable giving with your organisation, by demonstrating how you will spend their money most effectively.

America entered the current recession several months before the UK and there are some useful lessons that should be explored. In particular, the re-emergence of 'member-get-member' or 'donor-get-donor'. This is a well established, and in many ways old, marketing philosophy that has not worked particularly well for many charities over recent years, but in times when people simply can't give any more it can be another way for them to help their favourite charity. Instead of trying to upgrade donors at the normal time, think about asking a donor to introduce a new donor; true 'people power'. There is a lot of emphasis in our sector on integrating with social networking sites, but while we explore this route let us not forget the traditional ways of moving into communities, groups of friends and networks generally - good old word of mouth.

## **Invest and test**

Fundraising teams need to work closely with their financial colleagues to get buy-in as to why it is dangerous and short term to cut investment in fundraising programmes. A charity needs to explore every other option before taking investment away from the one area that can help to navigate out of an unpredictable market, as well as protecting the future security and growth of a charity and its vision for those it serves.

When you have identified your core business, and you are tuned in to the market and your donors, invest strongly. Investment is essential for protecting your current programmes and donors, and to refresh and strengthen your offers so that you stand out from the crowd and compete effectively. You also need to invest to make sure you are ready to take immediate advantage of every opportunity, and manage every risk. Being tuned in to the market means continuing to invest in donor, market and competitor research, as well as time for fundraisers to network.

It also means investing in a different kind of fundraising test programme. In a normal market, the expectation from testing is that it will be viable and can subsequently be developed into a larger programme; there would be no point testing something known to be unviable. In a recession, however, a number of viable programmes or techniques may temporarily become unviable, but be expected to recover following a market upturn. In these cases it is the market that is being tested through a rolling low level programme that monitors performance, with a view to identifying the point of market upturn and the point at which the fundraising programme becomes viable once more. Once this is established, investment can be increased again.

Instead of continuing to pursue the same strategies as last year, charities need to take a completely fresh look at what the market is doing and decide on a different marketing and promotion mix as well as creative. It should be highly targeted and concentrated. Being flexible, up to the minute with information, in control and brave are the key qualities to continue to invest in recruitment of committed givers in the current market place. A charity should never stop testing or investing unless it is truly forced to do so, these are the lifeblood elements of a successful programme.

“Cards for Good Causes’ turnover went up by a considerable amount during the last recession. Our experience was that the public was even more determined that any money they were donating would go to a good cause; the ‘cards for good causes’ brand communicated this message loudly and clearly.

My advice for charities in this recession would be to review, and if necessary change, your message to ensure that it gets across the ‘good cause’ and demonstrates how you can make donors’ money go further. If you can communicate this effectively, then rather than reducing investment, now is the time to invest as much of your resources as you can, to take advantage of the opportunities that the recession will bring to raise even more money than before.”

Judith Rich, Director of Cards for Good Causes, 1976 – 2000

## **Innovate**

Focusing on your core business does not mean sticking with what you have done in the past. Indeed, innovation is crucial in a recession.

If the experience of the last recession is repeated, innovation in recruitment will be a major challenge. Where organisations are dependent on cash gifts, the need for innovation will perhaps be the greatest. Can you develop appeals and funding opportunities that capture the imagination of your donors to such an extent that they give despite their own financial anxieties?

Digital fundraising is a potential area for innovation, being low investment and with the potential to generate a high volume of recruits or contacts. Despite many years of discussing digital fundraising there is still only a small proportion of charities fully harnessing the potential of digital media and social networking. This is an area of incredibly rapid change, with new opportunities opening up every month, yet many charities are still debating banner advertising as an option when it should by now be a hygiene factor.

The quality of online recruits is very high in terms of average gift and attrition rates, the latter at least partly because of the element of ‘self-choice’. Online donors (like direct marketing donors) are making an independent, conscious decision to give, as opposed to being stopped in the street and ‘talked into it’.

And linking into the 'development, not recruitment' focus, online relationships have the double attraction of being exceptionally low cost, and, with investment in the right technology, almost infinitely customisable. Digital media is finally providing us with the ability to give every single donor a personally customised relationship with our charity. What better way to ensure the retention of your donors than to be able to treat each one as an individual, even if you have millions of donors?

#### PARTNERSHIPS WITH COMPANIES AND GRANT-MAKERS

##### **Effect of the recession on corporate partnerships**

Traditionally, the most active corporate sectors for charitable support are the financial, construction and retail sectors, so inevitably corporate fundraising is extremely difficult in an unpredictable market place on the scale of the one we are now facing. The challenge is obvious; in a market where the City is crumbling, consumer spending is uncertain and the housing market is in decline, companies have to take immediate action to compensate for the economic environment and this includes curtailing, delaying or cancelling charity links and partnerships.

Charities are reporting advanced discussions being closed down, partnerships being cut short and an overall reluctance to open up new discussions. On the surface this may all lead to the conclusion that corporate fundraising should be suspended; but this would be short term thinking, would not recognise the progress made in the last decade, and would not ensure a balanced portfolio for the future.

It is interesting to look 'over the pond' at what our American cousins are doing as they are at least six months ahead of us in terms of recession, and there are some interesting case studies of how partnerships and cause related marketing programmes are holding up. Pure charitable giving has largely dried up, unless it is through the corporate foundation, but community programmes continue to survive (although not necessarily thrive) and the general dialogue between charities and companies in trying to bring about change in corporate practice continues apace.

There is a natural synergy between the not-for-profit and the corporate sector, and we have over twenty-five years of dialogue and partnerships in place that have shaped a well-tuned and proven portfolio of techniques, partnerships and case studies. The challenge now is to reshape our thinking and approaches. Corporate marketing teams are going to be more demanding - expecting every activity to deliver on multiple fronts.

Charities with a strong corporate portfolio or a track record need to hold firm and implement a new strategy to get through the next two years successfully. They need to prepare to emerge stronger and in a new shape for the future. Charities new to this area should look much harder at their cause and brand and ask themselves whether they should revise expectations and scrutinise resource commitments in a very unpredictable market.

Most experienced corporate fundraisers realise that often the least important part of a corporate partnership is money; the focus needs to be on a corporate partner as a 'route to market'. It is the operations and outreach of a company that offers the most attractive opportunity for a charity brand, whether that is to their customers, consumers or the general supply chain that the company sits within and influences. Corporate fundraisers need to invest more in research to understand supply chains and enable them to have more informed dialogues with companies, showing how they can unlock support from a wide range of other stakeholders.

### **Deeper corporate alignment**

For years we have dramatically over-used the word 'partnership' in trying to secure links and support from companies. This has always felt comfortable for all parties, although by now, many companies experienced in this area are quite cynical about the term, knowing that charities rarely deliver a true partnership.

Charities need to move beyond identifying a link between themselves and a particular company and go much deeper into the logic of any partnership, primarily driven by the brand. Are there shared values between the company and the charity? Do you share goals/visions in the same areas, for example, around climate change, human rights, or wanting to focus on cancer care in the UK? Does your structure or regional coverage match the company's in some way - critical in retail where they may want direct links to staff or volunteers?

Now is the time for charities to think about their campaign, advocacy or education messages. How could specific companies help you to deliver these messages by reaching out to their customers, consumers and suppliers? Companies tend to welcome these types of propositions, as they enhance their brand qualities, can be a real added value to their propositions and build a link with a charity that is more genuinely anchored in shared values and objectives.

At an even deeper level, you can work with a company to bring about changes in the way they conduct their core business. This can cover a wide range of areas, from working with the HR department on HIV in the workplace through to labour rights and procurement policies. Companies welcome this form of engagement during an unpredictable market period as it can help them to 'get their house in order' during a difficult period, often enhances their reputation, and can form an important part of their 'license to operate'.

Companies themselves recognise that the most valuable things they can do to contribute to charitable causes are around changing the way they do business and recognising the power of sharing their communication channels. In many ways, corporate fundraising should be developed across the whole charity, thinking through the power and impact it can have in contributing to the vision of the charity, not simply as another income channel.

“On Monday, October 19, 1987 the world experienced the largest one-day percentage decline in stock market history. It became known as ‘Black Monday’ and it took several years for the economy to recover. Eight days later, HRH The Prince of Wales launched the Wishing Well Appeal for the Great Ormond Street Children’s Hospital.

So, did this financial disaster dash our hopes? To be honest we never contemplated failure, in spite of the economic crash that month, because this was the most emotive of causes, backed by an enormous engine of specialist volunteers, who had helped to orchestrate mass public coverage for the appeal.

A major sophisticated marketing campaign was in place, promoting a drip feed of televised and high impact key events all over the country, backed by parents who owed the hospital so much – in many cases the lives of their children. When the appeal was in full swing it was bringing in £2m a month. Altogether £84m was raised for the appeal (including £30m negotiated from government). That equates to about £150m in today’s money.

I think this proves that, even in the face of a major financial recession, if your cause is compelling and emotive, and enough people care about the outcome, you can still pull off a major fundraising campaign. But making a strong case takes great care to ensure that you can really justify your plans and that they stand up to rigorous scrutiny from the major potential donors who must be convinced.

Otherwise, during recessionary times, I believe charities should concentrate on having enough funds to maintain their existing services to their beneficiaries and use the time to build their infrastructure and cultivate new and existing relationships, ready for better times”.

Marion Allford, Director, The Wishing Well Appeal for Great Ormond Street Children’s Hospital, 1985-1989

### **Trusts and grant fundraising**

The key in this area is to plan for a ‘delayed effect’; the money being distributed in grants now was the interest trusts gained on their investments twelve to eighteen months ago. As we move further into the recession, the true impact of the market will affect the funds that grant givers have available to distribute.

In early 2009, the general view of grant givers is that they will continue to give, but they will need to limit the number of new initiatives and dialogues, and focus on those charities where they already have commitments or relationships. Consequently, it will be difficult in the next two to three years to make approaches from cold as the funds available will shrink. In the same way as we advise charities to focus on their existing donors, grant-givers will probably do likewise with their existing partners.

Increase the amount of communication you have with existing grant supporters; try to understand the challenges and circumstances they are facing; share with them how your charity is progressing. Strengthen your research to track and understand what is happening in the grant giving market, as things will change quickly, with short term opportunities potentially arising.

Don’t be complacent – you will need to deliver even more in terms of reporting and accountability, because grant givers are likely to look for greater value from every investment. They will need to demonstrate that they are maintaining their impact despite a lower level of funding, and despite their inability to take on new partners.

## CONCLUSION

Is the recession an opportunity to invest in the future of fundraising? To end on a positive note: the last recession also made fundraisers much smarter. To survive, we had to be more tuned in, respond faster, innovate more and build better, stronger relationships with our donors. We came out of the recession with stronger fundraising programmes, and it was these programmes that laid the groundwork for the quality and quantity of fundraising we have today.

If history repeats itself then in two or three years we could be looking at another big step up for the professionalism of our fundraising. We hope that this will include a major transformation in the extent to which fundraising through digital media and social networking is a mainstream programme. If we emerge from this recession with a win such as this, we will be able to look back on this recession as not just a short-term problem, but also as a time of investment in the longer term growth of our fundraising capabilities.

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