THINK

RECESSION
Watching Is Not An Option

A Thought Piece By Tony Elischer

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The last few weeks have seen unprecedented discussion in the sector around the global recession and its potential effects on fundraising. Minor scares in past years have gone pretty much unnoticed and people have tended to keep their heads down in the belief that things will change or go away. The current climate is very different, as is the reaction. Any switched on marketer or fundraiser knows that the current climate WILL impact on their fundraising and their portfolio of techniques.

So how do we find our way through the morass of opinion and advice? It's a confusing time and so I hope the following will suggest some practical actions you can take…

And it is time to act, but the actions we take must take account of the pressures on our own unique portfolio of funders, the maturity and fundraising activity of our organisations and our appetite to face up to the impact of the global crisis in our market whether it lasts one year or three. Most of all we will need to change our behaviours and those of our organisations to stand the best chance of surviving and perhaps even thriving during this recession.

The challenge during this period is that the impact of recession will inevitably come in a series of waves hitting different programmes at different times, in different and varying ways – even different countries in different ways. No charity can simply look at its numbers today or trust the previous macro trends and say that it is holding up against the recession. Actions we take today will take time to implement and must still be relevant by the time they impact our fundraising. So what could some of those waves look like?

- **How a major recession will educate donors to act:** recessions educate consumers to shop and seek services differently as consumer spending falls. Customers learn to spend differently and, as a result, their values change with higher expectations of experience, service and value. They start to want/seek new and different things. Their tolerance for non-delivery of their expectations falls away, often completely. Customer-driven companies tend to do better in a recession; for example we are already seeing some service companies replace their automated in bound telephone line with a real person. Conversely companies that just "push" their products tend to fare worse. The impact on donors is likely to be similar and we expect to see donors being choosier and more demanding of the service their chosen charities give them. When money is hard to find the donor offer has to be compelling – we'll see more "try-donors" who are looking for the organisation that gives them giving solutions that feel "tailor made for me" or offer "a genuine experience" and they will shop around to choose the ones "meeting my life choices/values".

- **Corporate fundraising**: possibly the first area to show signs of moving to a static position and then decline. Already we have seen deals falling through that have taken many months of planning and negotiations. Although some companies are doing well such as oil, mineral resources, IT, pharmaceutical and some food retail (e.g. Lidl, Aldi), many other corporate doors may close to us as they focus all their energies on survival and profitability – think about the impact of less consumer spending on retail, media, leisure and travel companies as well as the banks, financial and service industries. Their priority will be on reaching and retaining customers/clients by offering better differentiated products, services and experiences than their competitors. So where your brand can help them to meet those priorities you'll have an offer they could be interested in, conversely where your approach impacts their bottom line or just asks for money you are unlikely to be successful. In markets where corporate sponsorship is the main company/charity interaction the charities will face greater expectations to deliver audiences, PR/brand impact and column inches to the company. If you don't have a corporate engagement programme then this may not be the best time to launch one. Put simply, stop focussing on money and focus on how companies can be a route to market.

- **Foundations**: no immediate effect in this area as grants are distributed based on the financial performance of their portfolios twelve to twenty four months ago, but the impact may be significant in the future depending on where and how the foundation's assets are invested and managed. Charities need to review future expectations in this area: simply budgeting for business as normal or a steady level of growth may be unrealistic. Foundations will focus on their existing commitments and partners and become much more hardened towards new approaches. Going forward commitments to new grants will become rarer, with greater demands on exact fits with giving criteria and a need for greater impact to be demonstrated. Moreover, grants are likely to be given over shorter periods, thus making forward planning harder.

- **Individuals**: this is going to be a slow burn as the impact of the recession hits the different aspects of people's lives. Already visible in markets such as the USA, UK, Netherlands, Ireland is the effect on the key area of recruitment of new donors. This has been getting harder year on year over the last three years or more and the recession will really put further pressure on this area. Quite simply people are going to be more reluctant to commit from cold, especially if they are rebalancing their lifestyle in response to the recession. Charities cannot give up on recruitment but we are going to have to work much harder and be much smarter in this area; my money would be on the next significant surge in digital recruitment for the charities that continue to invest in this area and effectively to integrate it with the rest of their marketing. In relation to existing donors, charities are going to have to be more flexible, avoid become too pushy and will truly need to focus on serving these donors better. Never has my favourite mantra being more useful: 'focus on donor share not market share'.

So, beyond the key income sources what will be the impact on the main techniques and campaigns?

- **Events**: in the hardest hit markets we have already seen the early signs of how high net worth individuals (HNWIs) are going to respond to 'glitzy' charity events, they are simply not willing to pay the premium price required for such occasions. This could be in relation to their resources, but it could also be due to the fact that they do not want to be seen to be 'showing off' when people in their professional or social circles are struggling. Well established events should hold up as they give some sense of release to people, provide value for their charitable contributions and are a part of people's lives. But against this background, sponsorship levels are likely to decline, or at best remain static, and attracting new participants will be difficult. Again if a charity has an established portfolio all well and good; but if a charity is in the process of entering this arena it should think long and hard about its ideas and how strong it is in relation to carving out a share of what will be a hardened market place.

Major Giving: this has certainly been the growth area of the last few years so there is considerable resource and expectation riding on this technique and source. Early signs are of a considerable slow down in HNWI's willing to make commitments, pledges or close gifts and a big impact on the numbers of HNWIs still feeling (or even being) wealthy enough to give major sums. This is a key time to make sure your major giving team understand where your donor's wealth comes from, its potential liquidity, and the downturn's impact so that they act accordingly – otherwise you risk offending and driving donors away. It is difficult to generalise as so much relies on the charity and the basis of its relationships, but I believe that those donors that can still give major sums will slow things down and want longer cultivation periods and greater stewardship before giving and when they do commit they may move from multi-year pledges to single year or single gift. Charities need to think long and hard about the cash flow on any campaign and, where possible, to extend the time period to allow at least an extra eighteen months for pledges to be secured. You also need to redo your prospect research and depending on your market do it more frequently. In campaign planning terms, fundraisers will need to increase the ratio of suspects to prospects and prospects to donors - put simply you will have to feed more donors into a campaign to achieve the desired result. Programmes and campaigns in action will need to hold strong, be brave and significantly improve communications with donors and within their organisations. Charities that are in the early stages of these activities without donor leadership in place need to brace themselves for a significantly slower start to any activities.

- **Direct Marketing**: beyond the comments above in relation to recruitment, the challenge I believe is to focus more on the different channels used in a programme, how diverse are they? Have you got enough? Can you be flexible and move around in real time? Avoid committing to a single channel and test more? Look for new opportunities? Think digital, digital, digital!
  Charities will need to review their strategy more closely to ensure they have the most effective 'donor journey' in place to maximise existing donor support and to ensure that they take sufficient action to feed the 'donor pipeline'. The key to survival in this programme area is realistic forecasting, even if that means forecasting a short-term decline. Being over optimistic in this complex area of fundraising will inevitably set a charity up for a fall. Even against static or declining income, charities will need to continue to invest at their normal levels to ensure that they emerge from this recession with a strong programme ready to embrace a potentially new market place.
- **Legacies:** UK charities are already seeing reductions of up to thirty percent in the value of estates, so reforecasting may be necessary. While notifications

are holding up well, this is in relation to the past and it is now important to project forward perhaps several years and think about reductions in notifications or significant declines in the value of pecuniary grants. Perhaps this is not a priority in the short term, but certainly a critical area to monitor for many charities in to the future and as we emerge from recession.

- **Community**: the loyalty and the connection in this area should form a strong basis of support to help a charity through the next eighteen months, but again realistic expectations around financial support will be required. We could see more time being invested to offset what people can't give financially. This could also be the key time to make a closer link between community fundraising and direct marketing using loyal volunteers to introduce donors or to perhaps take the step of becoming formal financial donors themselves. Charities with **shop operations** should also develop more activities to encourage donations of stock to shops enabling people to give in that way, which should hopefully be matched with more customers trying out charity shops in hard times. Charities with traditional appeal/focus weeks/telethons may have to work harder, but should see income holding up around collections if they work hard enough to keep appeals fresh and relevant; people will still want the 'feel good' of spontaneous giving. Although the more integrated and complex appeals such as Children In Need in the UK and the big Scandinavian and Latin American Telethons may suffer, especially as they have enjoyed considerable growth over the last few years. Now is the time to consider repackaging core fundraising needs as a specific campaign to develop a clear case for support and provide a platform for giving. It's not a time for donors to be unsure about what you do!

In this climate the best thing any fundraiser can do is plan for different scenarios. Here are 3 recession scenario possibilities the economic forecasters are looking at that you should have in mind for your market:

1. **V shaped recovery** – the economy takes a sharp fall followed by an equally sharp recovery. So you will need to maintain your fundraising profile in a short crisis and be ready to step up your investment in fundraising as the market rebounds.
2. **U shaped recovery** – the economy falls, stabilises but the bottom is prolonged before a recovery. So you will need to nurture the will in your organisation to maintain fundraising investment during the prolonged bottoming out of the market so you are fit and ready to take advantage of the upswing.
3. **L shaped recovery** - in this case the recession stays around for years as happened in Japan from the 1990s. This is the worst case scenario that no one wants to face but if it comes to this then you need to plan for survival and that could mean more mergers and acquisitions!

To aid your scenario planning here are a few points that fundraisers should explore with their colleagues or at least reflect upon in relation to their own actions:

- **Hold strong**: now is not a time to panic or be swept away by the depressing media hype. Accept that recession is a reality, understand its impact in your country and take action to protect your programmes and charity income. Most active charity supporters will continue to give, but we have to accept that their pattern of giving may change. The temptation is to over react to the short-term, but scenario planning will be the key attribute of successful organisations.

- **Consult**: surviving recession is a team game so recognise you are part of several teams, all of which can help you: your department, your charity, your profession and the sector. Carve out appropriate energy to engage with all these teams so that you are as well informed as possible and connected to the best thinking on ways forward.
- **Learn**: look around you like never before and make your own assessments of what is happening. Learn from the commercial sector and from other charities; now is not the time to withdraw so commit to conferences, training and networking. Researching what happened to your organisation in past recessions and seek counsel from colleagues in the sector and in other sectors.
- **Communicate**: increase the communication with donors, its relevance, frequency, methods and effectiveness to share the charity's thinking and to take them along with you. This doesn't mean an emergency appeal, unless you really have to. Make sure you are listening to what your donors are telling you and make it easy for them to do so. Increase the communication within your organisation, managing expectations and fighting, yes fighting, for realism in budgeting and planning. You need to reach out to your CEO, Finance Director and Board to ensure they understand the current climate you live in.
- **Reforecast/remodel**: in this climate you really can't afford to set an annual budget and simply get on with things, at the very least quarterly reviews will be more important than ever before with the ability to re-cut figures and plans. Fundraisers may have to stand firm with the inevitable pressure and traditional views from finance teams by being armed with the facts and communicating them regularly so there's no nasty surprises and the whole office is pulling together as one team.
- **Empathise**: balance thinking about the needs of your organisation with thinking about the needs and life style of your donors. The more empathy you can show with what they are going through the stronger their connection with you will be. People will back away from charities that become too pushy or simply ignore the financial challenges they may be having. Think about how you will 'frame' upgrading programmes next year? What will be the new phone script, letter or email? Certainly not the one you used this year.
- **Keep asking**: against all these points we have to remember the central role of a fundraiser is to ask for support and I would argue that we should think about where we can increase the ask and where we should hold it steady against last year, but either way KEEP ASKING!
- **Be realistic**: even if you have invested twelve months planning a new programme do not plough on as if nothing is happening, revisit and re-cut your thinking.
- **Embrace**: the new climate and world because the world we knew yesterday will never return, the smart fundraiser lives and moves with today not yesterday.

And finally here's the practical advice some organisations will really struggle to face up to – recession is the perfect time to ensure that your staff, your board, and your organisational structure is right to meet your future needs and bring success. Whilst you may have to fight cuts in the donor recruitment budget and other vital fundraising areas, you can use the recession to tackle any unproductive staff and structures, ideas and programmes that didn't work. Your donors won't tolerate anything else, so think of it as starting a healthy diet to give your organisation the energy and resources to face the future.

Some of us have been through this before, perhaps not when it was quite so severe, and we know that the sector will be stronger as a result of this recession. Why? Because we must all work harder and smarter and it is the forward thinking fundraisers who will ensure their charities come out the other end in a strong state ready to continue the necessary growth of support and profile for their charity and cause.

Recession can be the worst of times but also the best - it will be your hard work, dedication and adaptability channelled into decisive planning that will ensure your charity emerges from the recession with the strength ready to continue the supporter growth your cause demands.

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