Four Key Trends in Fundraising

MORGEN THOMAS LTD

FUNDRAISING CONSULTANCY & PROJECT MANAGEMENT

BRIEFING NOTES

FOUR KEY TRENDS IN FUNDRAISING

By Robin Thomas CFRE, Chief Executive, Morgen Thomas Ltd

Recently we conducted a global review of philanthropy for an international development charity. We examined legislative frameworks, philanthropic cultures and levels of giving. The review included consultations with government and charity leaders in 28 countries around the world, and most importantly: with donors.

Here's what they had to say about their giving:

"

I'm concerned about the unethical behaviours we're seeing in some charities. Thankfully the charities I support aren't among them."

"

Our trust is now rethinking its grants strategy. We make multi-year commitments to support charity programmes, then the charities simply come back to us asking for more money or the programmes will end. That means we give all our grants to the same causes. We're now considering making grants as seed capital to develop social enterprise where surpluses can help sustainability."

"

I used to give a few thousand here and there to lots of causes. Now I make far bigger donations to fewer causes. I'm donating the same overall amount as I ever did but now I feel I'm making a real difference."

"

When I was approached to make a sizeable gift to a hospital, they never made clear to me why they needed the extra money. After all I've paid my taxes. They assumed that I would give solely out of emotion and not expect a business case to be made."

These comments reveal four trends which are important because charities must see fundraising not just from the perspective of their own needs, but from that of their donors. Let's explore these trends more deeply.

❶ ETHICAL BEHAVIOUR

We have all seen the high profile stories in the media of late about safeguarding, data misuse and donor harassment in the charity sector. So have donors.

One consequence of this was the establishment of the Fundraising Regulator. Charities, especially trustees, should be conversant with its codes of conduct and should openly subscribe to them. The Regulator says this about the role of trustees:

"You must take overall responsibility for the fundraising activities of your charitable institution, including if you have delegated responsibility for certain roles to another person."

Conversely, it is encouraging to hear donors telling us that while they are concerned about this, their concern does not extend to the charities they support. I think those charities must be doing good jobs of relationship management, provision of information and transparency.

A mentor once advised me: *"Fundraising is not about raising money. It is about building relationships with people so that your vision becomes their vision. The money is simply a catalyst to realise it."*

In the current environment those words have perhaps never been more apt.

❷ PUBLIC GOOD VERSUS PUBLIC SECTOR

Over the years we have seen increasingly blurred lines between public sector and charity sector provision, through Service Level Agreements, contracts and the like. The shift to 'outsource' previously state provision to charities continues.

In some ways this has helped the financial health of many charities, with large payments for services provided. The unintended consequences are a lack of diversification of income and an impact on fundraising.

Donors are aware of this interconnection. What has government provided for and why, since I've already supported you indirectly with my taxes, should I be giving you direct support? A secondary but important consideration voiced by donors is whether, if the state provides a proportion of a charity's income, the programme or amenity for which philanthropic support is being sought should be funded by philanthropy at all, or by the state and why.

A crucial point in making the case for philanthropic support might be: Here is what the state has funded. Here is the added value – the 'margin of excellence' I like to call it – that your philanthropic support will enable.

❸ SUSTAINABILITY

On income diversification and sustainability, the Charities Aid Foundation (CAF) says:

"Running a business that supports your charity not only creates a stream of revenue that's within your control, it can also help your charity's mission. Offering products and services (rather than just asking for donations) is a great idea, as they increase awareness and fundraise. It also creates a two-way relationship that's based on more than giving money."

From trading activity such as shops to training and consulting businesses, social enterprise is on the rise and we are finding that commercial activity by charities makes donors more likely to support those charities with their outright philanthropy: a charity which is a well run business is seen as investment worthy.

Donors, especially major donors, are taking a 'boardroom perspective' in their decision-making: Is the business (the charity) I'm considering investing in credible? Is the programme I'm considering investing in credible? Will it be sustainable or will it rely on my continued giving to keep it going? What is the (social) return on investment – is this value for money?

We recently worked with a consortium of grant-makers who were pooling resources to provide seed funding to charities to undertake commercial activity. In due course, surpluses could be reinvested in their core missions. The benefit to the charities was that earned income could support essentials such as administration and overheads. The benefit to the grant-makers was that these upfront investments lessened those charities' reliance on them in the long term.

Similarly we helped a disability charity with a business plan to create an R&D and consulting arm – then raised the seed funding. Half the funds raised supported existing activity but previously funded from general revenues. This was money now straight to the bottom line. The other half of the funding was to scale up activity to roll out the new business.

Donors were compelled by the proposition: It would enable sustainability. It would generate more in surpluses than traditional fundraising ever had. The impact of the new business would create a ripple effect which benefitted disability throughout the country, not merely in the immediate work the charity.

There's an old saying: A bank is an institution which is happy to lend you money as long as you don't need it. In this case we're seeing that donors are more compelled to make outright gifts to charities who are demonstrating entrepreneurial thinking in order to lessen their reliance on donations alone.

❹ BIGGER GIFTS. FEWER CAUSES

Reviewing charitable giving for 2018, CAF reports that the total amount given to charity increased to £10.3 billion, however fewer people are giving more. Our donor feedback suggests that this is a conscious decision: creating greater impact in a smaller number of instances is more desirable than spreading the same giving across more causes.

This is an opportunity for charities to improve their fundraising performance. By taking the time to build a network of committed and, yes, affluent stakeholders, whether organisations or individuals, fundraising return on investment can substantially improve. After all, it doesn't cost any more to secure a gift of £25,000 than it might one of £2,500.

I once headed up fundraising for a healthcare organisation in Canada. A team of six was regularly generating $6 million annually. Five of them led direct marketing, events, corporate giving and grants, raising $3 million a year. Our Director of Philanthropy and Planned Giving – one individual – was securing $3 million a year. The low value, high volume activity was essential to future growth, don't get me wrong. But the high value, low volume activity meant that our annual investment of $500,000 in fundraising was generating a 12x ROI. Without it we would have been spending close to that figure but only generating a 6x ROI.

A cautionary note however: high value donor relationships take time to build. Years, even decades. Charities who expect overnight results and are not prepared to invest in long term relationships with big pay offs deferred, are better off sticking to low value activity. It's a binary choice: invest in the long term with an excellent ROI or accept less money and a poor ROI but quick cash.

Lastly attracting supporters at the highest levels requires us address all the trends we have mentioned: relationship management; trust and transparency; sustainable propositions which are value for money.

The final word I will leave to a donor:
"There's no shortage of million pound donors. Just a shortage of million pound ideas.

For more information email us at
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Illustrations courtesy of Quilter Cheviot Limited. (https://www.quiltercheviot.com/uk/charities/charities-annual-review-2019).