Issues

Fundraising in a recession

Who could have predicted the geopolitical, economic, and social shocks of the last few months?

A savage war in Europe has resurrected threats that we thought were consigned to the 20th Century.

The era of cheap money has gone. We are facing a recession, remembering how to live with double-digit inflation and seeing the biggest hikes in interest rates for a generation.

Communities are facing very real issues around the affordability of housing, fuel, and food.

The most vulnerable in our society are bearing the brunt of growing economic pressures and the associated increase in anxiety and poor mental health.

And, overshadowing it all, the once "inconvenient truth" of climate change has become even more existential.

Many of the UK's 170,000 charities had hardly recovered from the impact of the Pandemic before finding themselves in the middle of this perfect storm.

The cost of delivering services has risen at a time of greatly increased demand for charitable support in our communities and the most challenging fundraising environment in living memory.

What can be done to stabilise, diversify and sustain fundraising in these difficult conditions?

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No time for novices

No one has experienced a crisis of precisely this kind before. However, we can draw upon Compton's seven decades of experience of navigating recessions, banking crises, market crashes and political instability. We can call upon fundraising principles, methods and tools that have seen us, and our clients, through the organisational challenges of the recessionary cycle we are in.

A 5-point plan for fundraising resilience

We have recently led and participated in several Trustee and executive strategy days and been at the heart of scenario planning sessions for 2023/24 and beyond. This, plus our previous experience, our own workshops, and our day-to-day work as fundraising practitioners, has informed the development of the following 5-point plan for building recession resilience:

1. **Organisational leadership: have a united purpose and agreed financial plans**
2. **Focus on market-appropriate strategic and operational plans**
3. **Develop and promote an urgent and compelling fundraising case for support for must-have projects**
4. **Look after your supporters and donors with a multi-channel communication and supporter engagement plan**
5. **Have an ambitious but realistic fundraising plan that asks for money through high return programmes (including person-to-person, volunteer-led activity)**

Reviewing these key points through a practical checklist:

1/

Organisational leadership: have a united purpose with an agreed, underpinning financial plan. Know where you are starting from

It is time for your organisational leaders, Trustees, leadership team and influential volunteer champions to step up.

Our advice is to know where you are starting from:

- What is your charity's current financial position?
- Where will your current financial year finish?
- What insights do you have into 2023/24 when the recession will probably be having its worst impact?
- How strong is your balance sheet and how healthy are your reserves?
- Do you have free reserves that can be deployed to help your organisation through the next 24-30 months if needed?
- Do you need to be more flexible with your reserves policy?
- Have you scenario planned income and expenditure and, crucially, cash flow, for at least 2023/24?
- What is really core operational activity and what could be reduced if necessary?
- What are your organisation's trigger points for initiating cuts/savings?
- Do you have a worst-case fall-back plan to ensure the survival of key services (e.g. merger or partnership)?
- Is your Board and Management Team united and focused?

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2/ Focus on market-appropriate strategic and operational plans: sharp minds as well as sharp pencils

Recession planning needs sharp minds as well as sharp pencils.

How is your organisation going to maintain its core purpose and relevance to meet the growing and unmet needs of the communities and beneficiaries it serves in strained financial and operational settings?

If needed, can you re-gear strategy and re-tool financial and operational plans to deliver more with less?

Can technology play a role in this? For example, practical digital transformation in the form of virtual service delivery, advice, consultation, relationship development and fundraising?

How are you going to retain and support your key people, prevent burn out and attract new talent in a tight labour market?

Are you investing in (not cutting) relationship management and fundraising?

It's time to get granular with responses to the key questions of who, what, why, where, when, and how? This will help you to sleep better at night and help you persuade potential donors and partners that they should make your charity a priority.

3/ An urgent and compelling fundraising case for support for "must-have" projects

A compelling fundraising proposition is important at the best of times. In a recessionary fundraising market, it is critical.

A successful fundraising case for support for the times we are in:

- Must talk about your response to the growing, unmet need in our communities
- Needs to be delivered by passionate executive leaders, Trustees, and influential volunteer leaders with high levels of energy and enthusiasm
- Should highlight adaptive planning and innovation (including the idea that your organisation has a model that could potentially be emulated in other communities to achieve even greater impact)
- Should be honest and clear about your charity's financial position, but not press panic or blame buttons.

Despite the tough conditions, your organisation needs to be presented as a forward looking, donor-ready charity that will have an impact on those who need you most in our community.

These are the key elements that will retain donors and attract new supporters to your cause.

4/ Know and look after your donors: a multi-channel communication and supporter engagement plan

In times like these organisations need to know their donors and look after relationships with them. Your data management, donation processing and integrated digital platforms need to be at the heart of this. They need to be working well, with the capacity for the audience segmentation that comes with investment in enabling technology.

Are you using *legitimate interest* for fundraising to maximise your charity's reach and income generation? If not, take another look at your position on GDPR. The Information Commissioner is not in the business of putting charities out of business.

Do you frequently test your messaging with supporters and learn from the feedback and insight gained from them to improve your communications and fundraising response?

Are you sending the right message, to the right segment of your supporter base, at the right time through the best channel to reach them?

Do you see your cause and propositions through the eyes of your donors and what motivates *them* to give?

Are you clearly and directly presenting your charity as having a solution to a particular problem and how donor support will make a difference, through powerful beneficiary stories, case studies, testimonials, and endorsements?

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An ambitious but realistic fundraising plan using high return programmes (including person-to-person, volunteer-led activity)

Funders will support charities that can demonstrate a pathway to financial sustainability – driven by an ambitious but grounded fundraising plan. It is essential to take stock and review your fundraising principles, methods, execution and return on investment (ROI) by income stream.

What is the current return on your investment in fundraising?

Could ROI be improved? If so, where, and how?

Who are you approaching? For what? For how much? How often?

Are you asking for money? Are those asks clear and compelling?

Are you investing enough in fundraising – particularly in high return income areas such as individual giving campaigns, major gifts, trusts and foundations, In Memory and, crucially over the next 5 years, structured and proactive legacy promotion?

Are you claiming back Gift Aid on all qualifying donations? Over £500 million a year in Gift Aid remains unclaimed by charities.

Are you investing in, testing, and rolling out digital fundraising?

Where should your resources be deployed over the next 12-24 months? Do you have the right people, with the right attitude, skills, and right tools for the job?

What support do you give to your fundraising team? For example, are your Trustees and executive leaders playing their important, proportionate roles in fundraising?

Does your income budget and reporting reflect the timing of fundraising activity, rather than flat-phased monthly income projections with little relation to the timing of events, fundraising campaigns, and other income generation plans?

Are you using the power of peer-to-peer, volunteer leverage to enhance your fundraising performance?

This too shall pass

The UK has been through a draining few years. We are now in a recessionary cycle that will make fundraising for not-for-profits even more difficult.

However, over the past seven decades we have seen and survived cycles of this kind before and have the fundraising principles, methods, tools, and temperament to help you see it through.

It is not too late to develop a recession resilient fundraising plan for your charity.

The future of your organisation will depend on you doing so.

Want to talk it through?

For an informal discussion about how to put these thoughts into action, please contact Paul Molloy on **pmolloy@comptonfundraising.co.uk**

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