Gimme, Gimme, Gimme!

A guide for organisations new to fundraising or just starting out raising money

March 2011

Joe Saxton

nfpSynergy • 2-6 Tenter Ground • Spitalfields • London E1 7NH
T 0207 426 8888 F 020 7377 2116 E insight@nfpsynergy.net W www.nfpsynergy.net

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Introduction

This document is written because as government cuts begin to bite and the fragile economic climate continues, more and more organisations are looking at fundraising as a way of helping their financial situation. They are right to do so. However, too many organisations want to raise money with no idea of what to do or how to do it. Or worse still, a few trustees think they know what to do or how to do it when they are only half right.

So the aim of this document is to try and help organisations think about their fundraising with greater realism and to improve their chances of success[1]. It is aimed at small organisations, those (however large) who are just starting to think about raising more voluntary income or anybody else who finds it useful! This document has six parts.

Part 1. sets out some rules of fundraising to help you work out the basics of raising money.

Part 2. sets out some common mistakes that organisations make when trying to fundraise

Part 3. puts parts 1 and 2 together and sets out a checklist for organisations as they think about raising more money from donations

Part 4. looks at the different ways of raising money and sets out some of the pros and cons of the different techniques

Part 5. attempts to help people think about how the different elements of donated income fit together into a broader whole

The final part and conclusion give some pointers towards what speed and scale of fundraising success an organisation might expect.

Part 1: Some basic rules of fundraising

Rule 1: Fundraising takes time to bear fruit

Raising money from donations is not a quick task. And the bigger the amount of money, the more time the preparation takes and the longer the lead time needed. So any organisation which wants to increase its level of income from donations (or indeed probably any source of income) should be planning to start seeing a return in around 18 months' time. For capital appeals or building up a base of community support this might increase to 3 or even 5 years or longer. The biggest mistake that too many organisations make is to underestimate how long it takes to start raising donated money. There are occasions in which money might be raised in 6 months – but these are very much the exception not the norm and often based on crisis or emergencies.

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[1] If you would like to know about my fundraising experience, it's at the end of the document. It is also worth pointing that everything in this document is my own personal views. I hope they will resonate with fundraisers but I can't promise that everybody will agree with what I say or my conclusions.

Rule 2: Fundraising takes an investment of energy and money

For any organisation that has been used to living on statutory, legacy or investment income it can be hard to get used to the fact that fundraising is in every sense an expensive business. An organisation used to living on statutory or legacy income might have been able to spend less than 5% of its income on raising that income. However a typical fundraising operation would do well to spend less than 25% of income on the cost of fundraising, particularly in the early years of growing income. In the final section we discuss how charities should plan for success, but without people or budget it is all but impossible in the competitive world of fundraising to imagine being able to raise more money without spending it in the first place.

Rule 3: If you want donations you have to ask for them

Trustees and CEOs are typically a squeamish bunch. They would like to raise money by broadcasting to the ether how worthy their cause is, how great their need is, and how empty their pockets are. The money would then flood in. Newspaper articles don't raise much money. Only the very best newsletters raise much money. A donation box at the back of the annual report doesn't raise much money. Asking people directly and passionately raises money. There are few shortcuts to this. And here's the rub – most of the most effective ways of raising money today are also those that tend to wind people up the most. Stopping people in the street and asking them for money is highly effective – but many people don't like it. TV and newspaper advertising is for all but a tiny number of charities (typically children and animals) a massive waste of money. So if you want to raise money you have to ask people for it. And not a 'sotto voce', under your breath, in passing, 'would you just', 'could you just' type of asking. But a proud, direct and passionate ask, whether it is in person, over the telephone, by letter or to a room full of supporters. And who should do that asking? The CEO and trustees are often the best people to do it. Donors like to meet CEOs and feel flattered if they are asked by the CEO. Trustees are even better: they give their time for free because they care so much about the cause. So we have come full circle. Not only does fundraising involve asking, but the trustees, guided, coached and helped by the fundraisers, are often the best people to do it.

Rule 4: Fundraising takes skills and experience

Fundraising takes skill and hard work. The best fundraisers are as skilled as the best athletes or the best pop stars. The best fundraisers can make a real difference to the fortunes of their organisation. So any organisation which thinks that anybody can fundraise is sorely misguided. Indeed it is as misguided to think that anybody can fundraise as it is to think that anybody can manage an organisation's finances. To be effective at fundraising can take years of experience. So an organisation faces a choice - it can appoint smart, fast-learning people and give them plenty of training and support and grow their salary as their expertise grows. Alternatively it can appoint people with the experience and pay them more from day one. Either way all the other rules still apply. One last thing: hire a fundraiser to raise money and **not** because you believe they have a magic contact book of instant donors ready to give to any cause the fundraiser asks them to. Trustees should have a good donor contact book if anybody – rarely fundraisers.

Rule 5: Fundraising is not one skill, but many

To the outside world it is easy to see how fundraising can appear homogenous and that a fundraiser should be good to do all types of fundraising. Nothing could be further from the truth. The people who are good at grant-making trusts are rarely those who are good at direct marketing or asking for big donations. The challenge is of course in small organisations that one person may need to cover all fundraising – but that doesn't mean that they will necessarily be good at it all instantly. So an organisation needs to decide which fundraising it wants to be good at and build the skills and expertise in those areas. Otherwise it runs the risk of being a jack of all fundraising trades and raising money in none of them. Before you read this and throw up your hands in horror at hiring multiple specialist fundraisers at great expense, a good focus with which to start is a fundraiser focusing on trusts and foundations.

Rule 6: There is no such thing as donor fatigue – just fundraiser fatigue

Of all the rules, this one is most about the attitudes that fundraisers need to take towards their task. It's easy to hear people talking about donor fatigue: the idea that people are fed up with giving. Fundraisers should never succumb to this idea. Fundraisers should always have the view that people have never been asked in the right way or at the right time or with the right request. The moment that fundraisers believe that nothing they can say or do will make a difference to whether people give, they should call it a day. After all, no supermarket, mobile phone company or bank talks about consumer fatigue. They know that they have to innovate, try out new things, build better products and create more powerful and compelling reasons to buy in the minds of their audiences. And fundraising should never be any different.

Why do people give?

For an organisation that is trying to raise money, understanding why people give is pretty useful. However, people's motivations are complex. Here are a few of the most important reasons why people give:

- They are personally affected by the cause (think cancer or heart disease)
- They are thankful that they aren't affected by the cause (think cancer or heart disease!)
- They want to have fun and be part of something (think Red Nose Day)
- They share the values and ideals of the organisation (think human rights)
- They empathise with the victims or beneficiaries (think Haiti earthquake)
- They can get a bargain (think charity shops)
- They want to help their community (think school fundraising)
- They trust or fancy the person asking (think street fundraising)

This doesn't cover every motivation. But perhaps the important thing to emphasise is that when you are raising money, it really helps to know which of this complex myriad of people's motivations you are appealing to. If you're not sure what is motivating people, perhaps they won't be sure why they should give.

Part 2: What holds fundraising back? Obstacles for the unwary

Part 1 looked at some rules of fundraising. This section looks at some of the ways that organisations tend to make life harder for fundraisers and fundraising. Some obstacles are easy to overcome while others require imagination and creativity.

Meddling, distant or unrealistic management: 'We must start raising money'. It's probably the cry that has been heard in a thousand boards and management teams over the last few years. Sadly, saying it does not make it so. Too many organisations start on the road to raising more money without any realistic idea of how long the process might take or how the organisation might need to change. It is a challenge for any organisation to take on new activities, but I've seen CEOs appoint a fundraiser for a capital appeal for a building that was already being built (i.e. being totally unrealistic). Equally I have seen chairs and CEOs meddle continuously in fundraising without taking the time to understand the challenges or actually raise the money (i.e. believing that ignorance is no barrier to being a fundraiser). The third obstacle is that of trying to bolt on fundraising to an organisation without realising how much an organisation can need to change to be successful. It is critical that an organisation listens to its fundraiser (or fundraisers) to find out how they can be a help to fundraising and not a hindrance. More often than not, sole fundraisers complain about being pulled in all directions by multiple, overlapping or conflicting requests.

A flabby mission and purpose: While getting the management of fundraising wrong is totally solvable, the work of an organisation is a key precursor to fundraising success. Some causes are naturally easy to raise money for (children, cancer, health, etc) and others much harder (rights of any kind, adults, prisoners, etc). Those who are fundraising for naturally appealing causes should go for it. Those who are fundraising for harder causes should think carefully how they present their cause. I am not suggesting that organisations change their mission in order to fundraise (though many organisations will understandably contort their project or cause in order to meet the criteria of a grant making trust or statutory income source).

There are a number of ways to overcome a mission which isn't naturally appealing. First- focus just on one part of the service portfolio that is easier to understand or relate to. Second- focus on people as individuals: their hopes, fears, feelings and their lives. Third -think laterally. Heroic volunteers are more appealing than walkers who go out ill-prepared if fundraising for mountain rescue. Guide Dogs is popular because of the dogs – they provide an easy way to engage with the cause. Lastly - use non-cause reasons to give; it's a local charity; you can have something named after you; come to this amazing charity event etc. It's easy to forget but people actually give to charity for all sorts of reasons other than the cause (I once signed up to a direct debit with a street fundraiser because it was his birthday!) Every cause has its emotional hook – for some it's easier to find than others – but it's there.

Being asked to fundraise for general funds: There is a nagging fear in most people's minds that their donation to charity is not being well spent. It will be wasted on 'administration' or fundraising or generally not go where it's meant to go. For this reason it's usually more effectively to raise money for a specific project than the organisation in general: people are more likely to give to the specific than the general.

The paradox is that for many organisations it is general funds that they need, not restricted ones. Grant-makers, government and the Big Lottery Fund are almost phobic about giving out funds to help an organisation in general and almost always restrict funds. So the funds that an organisation may need from fundraising are often as much to pay for general running costs as they are to increase the total size of the organisation's income (One way round this paradox is to include the costs of running the organisation in the money you ask for from trusts and statutory sources. If it costs £100k to run an organisation then a portion of that £100k should be included in any bid for funds on top of the actual cost of the service or project. This is called full cost recovery.)

So a charity needs to work out the way that it can most effectively raise funds for where they are needed most, while making sure that donors can be reassured that they are giving to a specific appealing part of the organisation's work.

Trying to do too many different fundraising activities: It is amazing the number of small charities who are carrying out 6 or 7 different types of fundraising activities and often doing all of them at a sub-optimal level. The problem with doing too many fundraising activities is that the skills and expertise needed for each are probably different. So the one or two individuals responsible for fundraising end up being pulled in all directions and become jacks of all fundraising trades and good at none of them.

It is almost always better to pick a few areas to concentrate on and make those shine. How these areas are picked is a matter to think carefully about and is discussed more in parts 5 and 6.

Under-staffing or under-investing in fundraising: It is a woefully common scene. A charity has big ambitions for raising more money but is only prepared to commit tiny budgets. Its fundraising eyes are bigger than its investment tummy. Typically the hallmarks of under-investment are often accompanied by many of the other barriers in this section as well as a tiny amount of (underpaid) staff time and budget. It may well be that the organisation has no ability to add more staff to fundraising. However in most organisations with a turnover of under £1 million it would be expected that the director would be spending a significant portion of their time (50% perhaps) on generating income and fundraising. A director's role might include writing grant applications, wooing donors, doing presentations and following up contacts. So how much should an organisation expect to invest to get what kind of return from fundraising? I'll address this more in part 6.

Part 3: Before you start: a quiz for giving fundraising great foundations

Are you clear who is responsible for your fundraising?

a) We are all responsible for fundraising
b) We have a dedicated fundraiser who is responsible for delivering our targets
c) We have a dedicated fundraiser supported by a wider team who share the fundraising load

Do they have the time for fundraising amongst their other tasks?

a) We are all so busy that fundraising just has to take its place in the queue
b) Fundraising is one of the key objectives for a couple of people
c) One staff member has had her work load reduced to do more in fundraising and three others have it written in their objectives

Are you clear what you are asking for money for?

a) We are raising money for everything and anything we can
b) We have some ideas on what we are raising for but nothing written down
c) Different types of fundraising are raising money for different types of expenditure. Legacies go into general funds; grant-making trusts are very specific and so on.

Do you have a trustee with fundraising experience or expertise?

a) We have a trustee who has run a lot of flag days
b) We have a trustee who once worked in an advertising agency
c) We have a trustee who has paid fundraising experience in a charity

Does the fundraising programme have a budget to help it deliver?

a) We aren't that organised
b) We don't have the money to spare
c) We have a budget tailored to suit our fundraising targets

Have you worked out your fundraising strengths?

a) We have a very worthy cause
b) We know the two areas we want to prioritise
c) We think we have four areas of key strengths in terms of asking for money

Are you eyes wide open about your fundraising weaknesses?

a) It's so unfair that our excellent work can't speak for itself
b) We are worried about not having a database
c) We have done a full SWOT analysis on our fundraising

Do you have the right fundraising kit and infrastructure?

a) This isn't a PE lesson you know
b) We know we need a database but we have a volunteer who says they can build one with Microsoft Excel
c) We need to choose a database, change our financial systems and create a fundraising co-ordination group

Are you creating a strong brand to help fundraising?

a) Brand? What a distasteful way to think about charities!
b) Brand? We like to think we have a strong reputation and image
c) Brand? We have a simple 'essence' statement to try and make sure we have the right image and get the right messages across

Are you using new media to help fundraising?

a) We have a fax machine? I think it works.
b) We have a great website and it's regularly updated
c) Our CEO does a blog and regularly twitters and our Facebook page is very popular

Are you using old media to help fundraising?

a) We do a press release for our AGM
b) We regularly press release our best stories
c) We have a target list of ten journalists and we use our blog to put stories into the wider media

Do you have a written fundraising plan?

a) It's so hard to have a plan where there is so much to do
b) We have a sort of plan but we didn't quite finish it or agree
c) Yes we do and although we update and refine it, it acts to keep us focused

Answers

All 'a's – need to improve your performance on fundraising

All 'b's – a good start but still more work to be done to make your organisation fundraising-friendly

All 'c's – great stuff. You hardly need to read this. But then again, why stop now?

Part 4: The pros and cons of the different fundraising opportunities

Charitable or Grant-making trusts

Grant-making trusts are the main stay of many small charities. There are a whole variety of reasons for this. Trusts tend to like small organisations and avoid organisations with substantial reserves. Trusts tend to provide substantial sums of money (thousands not hundreds) over a specific period (eg three years) or for a specific project or for organisations in a specific locality. The task for a (small) charity is to work out which of their activities fit the criteria of grant-making trusts, for trusts also very rarely give to an organisation as a whole but to specific work. Do your research before your apply!

So many small charities have a patchwork of trust grants to support different aspects of their work. The best charities are experts in parcelling up their work in a way that appeals to grant-making trusts and are experts in completing the application forms in a way that ticks all the boxes that a trust is looking for. Even in this area of fundraising it simply isn't the case that a great cause will shine through. Connections to the trustees of a grant-maker are often equal in importance, if not more so, to the application form itself. So make no mistake: there is an art to getting grants from charitable trusts.

Pros: Substantial chunks of money at relatively low cost from organisations whose job is to give away money
Cons: Trust grants are usually for specific projects or specific causes – so rarely unrestricted and reporting requirements are usually high.
Timescales: Timescales on trusts are misleading. A brilliant trust application could be submitted in a month. It would usually take 6 months for them to make a decision. But success would then require a stream of great projects and a stream of appropriate trusts. Focus more on getting better at the hoop of trust applications than how long it takes to get there.
Likely ROI: Grant applications can often be squeezed into a variety of people's roles so the costs can be spread. Not unreasonable to expect a return of 10:1 (the figure from our 2005 study) but this is very cause dependent.

Local/community fundraising

Community fundraising is where many organisations have their roots: small, grassroots fundraising events which raise a few hundred or even a few thousand pounds for the local charity. Most schools raise their PTA money this way through Christmas bazaars, raffles, quiz nights, and the like. This kind of fundraising works best at the grassroots level because the work is all done by volunteers. At the point

at which paid staff are needed to start co-ordinating community fundraising, the cost can start to increase, without the income necessarily following suit. Indeed existing groups of volunteers can resent or resist being co-ordinated or supported! However when the groups of volunteers need to be started from scratch this can be hugely time-consuming. For larger charities, community fundraising works best when the centre provides the fundraising products and local groups can then adapt. Macmillan's 'World's Biggest Coffee Morning' is an excellent example of this approach.
Pros: Unrestricted income from volunteer-driven events from dozens of different activities
Cons: Hard to grow community income without adding in staff costs and without homogenising fundraising and so removing local autonomy and freedom.
Timescales: Community fundraising typically takes a year to get started and 3 years at a minimum to reach its peak.
Likely ROI[2]: Around £2 to £1 after a few years' successful development in the current climate. Our 2005 study[3] has an ROI of just over 3:1

Event fundraising

Event fundraising is often very similar to community fundraising and the types of activities can overlap. However, good event fundraising can take a single event (sponsored walk, bike ride, marathon, 10k run, etc) and build its success up over time (witness the London Marathon). Events aren't just about sport, they can also be gala balls, or coffee mornings or benefit concerts. Many organisations successfully create these kinds of events and earn a consistent revenue stream. There are two key challenges for event fundraising. First is that the cost of many events changes very little irrespective of the number of participants. This is excellent if the numbers are high and lots of money can be raised. It's bad news if numbers go down because it's easy to make little money or even incur a substantial loss. The second challenge is whether to organise an event for a single organisation or piggy back on other people's events. It's much more preferable for a small organisation to piggy-back on other people's event if you can, but they may well not exist. The great benefit of the Brighton Marathon or the Cumbrian Rivers Ride is that any individual charity only has to find the runners or riders – somebody else organises everything else.

Pros: Events, when run well, can provide a stream of income which grows year after year. Marketing costs can be low as participants return year after year and

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[2] These ROI are how much a charity might get back for every £1 it spends including staff time. So an ROI of £2:£1 would mean spending £100,000 and raising £200,000. They are based on a mixture of nfpSynergy data, industry wisdom, and best estimates. ROI varies hugely between organisations for a whole variety of reasons. Treat them as a guide not a tablet of stone.
[3] nfpSynergy has carried out 3 benchmarking studies in 2005, 2005 and 2010. The 2007 and 2010 studies only covered fundraising from individuals. All three are available from the free reports section of our website.

participants raise their own funds.
Cons: Costs are often static when income is not. So a loss of volunteers, a change in organisation, a change in public taste or even just boredom can all lead to a reduction in income
Timescales: similar to community fundraising: a year to plan and at least 3 years to reach peak income
Likely ROI: The best events can raise many times what they cost, but this will require loyal participants, an event with a strong cache, and generous donors. New events can break even after a year or two and then grow subsequently. A ratio of 5:1 is possible for the best events but 3:1 might be a more realistic target

Cash/Cheque/Credit card appeals

Many organisations send out regular appeals to their existing donors asking for a donation of £10/£15/£50 or whatever size is most appropriate. Many who give to charity this way tend to worry that all their donations disappear in appeal costs. Still, for those charities with a large supporter base, appeals for particular topics can raise substantial amounts of money. However for direct mail and direct marketing to be successful it requires a constant stream of appeal topics about the work of the charity or a breadth of appeal types (raffles, donation, catalogue, etc) to be successful.

For any charity starting out building a database from scratch, the costs are very high. A rule of thumb might be that a donor might take two years to pay back the cost of recruiting them. And beyond that, a charity needs to be able to create compelling appeal topics; it needs a great database onto which all giving details can be stored; it needs a team who can do the banking and thanking activities and so on.

Pros: For charities with established databases, direct mail can provide a stream of un-restricted income. Starting small with donors from newsletters, visitors, event participants and all other contacts could be the beginnings of a low cost, low-maintenance, income source.
Cons: It's very hard to imagine a charity building a direct mail database from scratch without considerable investment. A new operation might begin to be profitable after 3 years – with a good deal of skill
Timescales: Nobody should bank on getting a new database of supporters recruited through paid fundraising routes to profit in less than 2 years and it may take much longer.
Likely ROI: With an existing supporter base and good appeal topics an ROI of 5:1 is possible. But building a new supporter base might see an ROI of break-even after 3-5 years. Adding in committed giving (see next section) improves the economics and the ROI. Our 2005 study has an ROI for individuals fundraising overall of 4:1. Our 2010 study has an ROI for donor recruitment including staff salaries of 0.83:1 and for existing donors of 5.9:1 (which includes committed giving income)

Direct marketing or direct mail: what are we talking about!
Direct mail (that is a letter posted to an address) is one of the most visible types of fundraising. Direct marketing (DM) includes direct mail but is any form of marketing which aims to create a direct relationship with an individual (i.e. the organisation gets their name, address, mobile phone number, email address or other contact details). Direct marketing includes the following:

- Cold mail or email (recruiting donors by buying names from a list and mailing them or emailing them)
- Donor appeals (soliciting donations or a response by sending a letter/email/text to a person who you already have a relationship with)
- Doordrops (unaddressed mail sent to all the properties in a given postcode)
- Direct response TV (TV ads designed to persuade a person to call, text or email the organisation)
- Inserts (Leaflets put in magazines and newspapers designed to solicit a response)
- Direct response press ads (Press ads designed to persuade a person to call, text or email the organisation)
- Street or door to door fundraising (People on the street or on the doorstep trying to persuade people to hand over their contact details for campaigning or direct debits)

This isn't an exhaustive list but it gives an idea of the breadth of ways that a charity can work in direct marketing. DM often attracts a high degree of criticism from people who don't like it coming through their letterboxes or in their magazines in high volume. In the context of the document DM is a method to get a type of donation. So an organisation can use DM to solicit for a direct debit or for a cash donation – which is why this box is squeezed between cash/cheque appeals and committed giving.

Committed giving (standing orders and direct debits)

Part of the story that isn't being told in the description of direct mail is the absolutely critical importance of banker's/standing orders and direct debits (collectively called committed income). The benefit of a standing order (where the donor tells the bank to give a charity the money) or a direct debit (where the donor tells the bank that a charity can ask for money) is that the money is predictable. Perhaps more important is that inertia works in the charity's favour for committed giving and against in direct mail. In other words if a donor does nothing in response to a direct mail appeal no money is raised but if a donor does nothing once a direct debit is set up the money keeps on coming.

On top of inertia the charity can claim gift aid (see the gift aid box below) very easily on top of those donations. An advantage of banker's orders over direct debits for very small charities is that a standing order only needs a form to be completed by the donors. One Oxfordshire primary school doubled its fundraising income by asking all parents to give regular time (through volunteering) or regular donations

(through a standing order)[4]. In contrast, direct debits are more complicated to set up and almost certainly need to be administrated by a third party for all but large charities.

Pros: Regular streams of low-cost income from which gift aid can easily be claimed.
Cons: People still need to be persuaded to give in the first place – lowering the barriers to signing a commitment is why charities are so keen on starting out on £2/month.
Timescales: The first donors through standing orders could be giving in less than three months or six months for direct debits. Growth may be more drip drip drip than a flood. So it may take time to build up the income to a substantial level.
Likely ROI: The ongoing costs of servicing committed income is low so even 1000 committed donors could be producing an ROI of 5 or 10:1. Building up committed income is still hard work but see the section on street/door to door fundraising for more detail.

The joys and perils of gift aid

Gift aid is a wonderful thing. Sure it could be made easier, less bureaucratic. But the reality is that there is probably no more cost-effective way of adding 25% (or 28% for donations before 5th April 2011) to whatever you have raised from individuals on the planet. All an individual needs to do is get a completed gift aid form from the donor, write down all the details of their donation and send it off to HMRC and a few weeks later a cheque arrives. Ignore the fact that you have to keep every form from every donor, ignore the fact that HMRC like to ask if a gift aid declaration is joint or single or any number of other tricky questions. See the section at the end for more information on gift aid and how to claim it, but my bold assertion is this: per hour of time spent, claiming gift aid will always be more time-effective than raising the money in the first place. As an example, processing the gift aid claim for my mother's funeral collection, despite the bureaucracy, raised £1600 for a day's work. £1600 for a day's work. Never forget gift aid and the icing on the cake it is for fundraisers.

Legacies

For those charities which have a legacy income it can be heavenly. A little old lady leaves half of her worldly goods and after a bit of waiting the un-restricted income comes rolling in. The reality is slight more complicated. Firstly, only certain types of causes seem to naturally attract income from legacies: animals, cancer and lifeboats are the classics. Secondly the little old lady may leave a large donation for a specific amount and while £500 seemed like a huge amount in 1959 when she first made her will it isn't any more. Thirdly legacy income for small charities can be very lumpy and unpredictable. And lastly, whatever a charity does today may not yield any response for years or even decades.

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[4] Email joe.saxton@nfpsynergy.net for a copy of a banker's order form that can be adapted for any charity.

The best way to respond to these challenges from a fundraising point of view is to have legacy promotion as a background noise in all fundraising activities. If people show an interest in legacies somebody can go and talk to them (that could be a trained trustee or volunteer or a fundraiser). The charity can then make sure they understand that a percentage of their income (say 5%), rather than a specific amount (say £500), protects both the charity and the donor as the actual legacy will rise (or fall) with the wealth of the individual rather than being fixed.

Pros: Large chunks of unrestricted income that can make all other sources of fundraised income pale into insignificance. Just five people leaving 10% of a £500,000 estate each year would transform the fortunes of most small charities.
Cons: Legacy income is unpredictable and can take years and years from promotion to results. Today's or even this decade's cash crisis won't be solved by legacy income.
Timescales: An organisation would be very lucky (and a legator very unlucky) to see any return in three years, five years is more likely and ten years is probably an appropriate timescale.
Likely ROI: It's very hard to spend money on legacy marketing unless you want to waste money on solicitor's directories, so a return of 50:1 is achievable, though given the timescales the actual figure is almost meaningless. Our 2005 study showed an ROI of 40:1 and our 2010 study showed an ROI of 22:1 including staff salaries.

Trading and mission-based enterprise

Lots of charities already earn income by trading and mission-based enterprise (sometimes called social enterprise) – they just may not call it that. But the single charity shop is a big money spinner for some small organisations as is the annual conference or the collection of recycling or stewarding at festivals or a host of other mechanisms for earning money. Earning money is a mixed blessing as a source of revenue. The profit margin is often low (possibly around 20%) and the set up and running costs can be high. This makes trading unusually susceptible to economic hard times or rising costs. However if the trading is fairly robust then the upside is that it may be possible to borrow money to set up a new trading or social enterprise activity just as a small business would.

Pros: Trading isn't giving and it is easy to demonstrate a business case, making it easier to borrow money and carve out a unique niche.
Cons: Costs are usually higher than traditional fundraising activities, making margins vulnerable to changes in the economic climate.
Likely ROI: An ROI of 6:5 is probably reasonable, in other words a profit margin of 20%, but it is of course very enterprise dependent. However if it is mission-based then it is both income-generating and service delivery. Our 2005 study showed an ROI of 2:1 suggesting our 6:5 in the current climate may be a little gloomy – but prove us wrong!

Corporate support

Income from companies is possible the single most over-rated source of charitable donations. Typically those outside fundraising think that companies could (or should) be giving millions to charities while the reality is very different. Very few organisations get a significant (say more than 10%) portion of their income from companies and companies typically want (understandably) publicity or volunteering opportunities or other benefits in return. Companies also tend to be fairly cautious in who they give to, so cancer and health charities are in and animal charities are out. Small charities tend not to feature in this mix because they lack the infrastructure (media teams, account managers) to ensure the benefits are delivered back.

Corporate support is also changing in two significant ways. Firstly, many companies are putting their straight corporate donations into a foundation (so fundraising from them falls into the grant-making trust section). Secondly many companies now want a different relationship from giving money. They want volunteering opportunities to motivate their staff and so on.

Pros: There are lots of companies and lots of opportunities to persuade them to give.
Cons: Companies typically give only a very small portion of their turnover to charity and want a lot in return. A corporation will also want a strong well-known brand which may be hard for a small organisation to have.
Timescales: Small donations from corporate partnerships might be possible in 6 months but becoming a charity of the year will probably take 18 months or even longer to achieve.
Likely ROI: Very hard to say but successful corporate fundraising requires people to woo and service corporate donors. Our 2005 study has an ROI of 5:1

Major donors

Major donors. Rich individuals just waiting to hand over a donation of £10,000 or £20,000. Governments love the idea that philanthropy can be encouraged and more wealthy people might be encouraged to give in this way. There is no doubt that substantial donations (let's say more than £1000) are hugely appetising to charities who would like more income and particularly un-restricted income. As the section below discusses, major donors are definitely one of the promising ways that a small charity can look to increases its income, but there are two key ingredients to success. Firstly, wealthy individuals who can be met and cultivated and secondly some projects or areas where the donation can be channelled to (few people like the idea of their donation going to general funds – but here's hoping).

Pros: Five donations of £10k or £20k could transform an organisation's financial fortunes.
Cons: Wealthy individuals need wooing and often want to meet and keep in touch with the CEO or senior staff or trustees. They even want to know exactly how their

donation is being spent. Whatever next!
Timescales: An organisation might stumble across a big donation in 6 months but building up a portfolio of first prospects, then donors will take 2-3 years. These can then be used as champions for getting more donations. A typical capital appeal might start 5 or more years before it wants the money (and losing a charming, effective major donor fundraiser could set the organisation back years – major donors often trust as much in the individual as the organisation)
Likely ROI: Costs are principally people's time so an ROI of around 6:1 (9.7 in our 2005 study and 6.5:1 in our 2010 study) is achievable but commitment of the CEO's time is often key

Street and door to door fundraising

One of the most visible forms of fundraising is street fundraising (un-popularly called chugging). There is no doubt that it is highly effective and there is no doubt that it stirs up a fair degree of passion and opposition. More recently door to door fundraising has risen in popularity to the extent where it is probably more common than street fundraising. For small charities street fundraising has the advantage that its costs can be controlled as payment is by the number of donors recruited, not by the amount of activity. However most agencies that carry out street fundraising need a campaign of a certain size to make it economically viable for them to train up their canvassers. Equally important is that most small charities would probably be wary of the size of investment needed (£50k+) and payback period (around 24 months). So this is probably a better option for the £1-£10million income charities than the very smallest. However, at some stage a number of small charities will get together offering the public in (say) Leeds or Leicester or Bournemouth a mechanism for supporting a basket of local charities.

Pros: Payment by results ,donors recruited straight onto high value direct debits.
Cons: Few boards of small charities will have either the financial resources or the stomach for this type of fundraising. Sad really. High attrition rates amongst recruited donors also a problem.
Likely ROI: 1:1 after 24 months but ROI rising over time as the direct debits will keep on coming in. Our studies haven't specifically broken down this income source.

Digital and new media fundraising

It's very easy to think online fundraising is some of kind of magic fundraising medicine. It isn't. There are some organisations which in some circumstances can make online fundraising work for them (overseas emergencies and events are the two obvious ones). But for most organisations in most situations online or digital fundraising is not a big money spinner. There is a simple reason for this. As rule 3 points out, fundraising is all about asking. And a website is a really rubbish tool for asking. It just sits there. People go to a website, a website doesn't come to you – it can't stop you in your tracks the way a street fundraiser or a telephone call can. So online, digital and social media have their place but for most (small) charities the

amount of income raised will be small.
Pros: Online fundraising is relatively low cost to set up and to run
Cons: Unless you are organising fundraising events or your cause needs to respond to disasters or emergencies it doesn't raise much money
Timescales: The mechanism for online giving could be set up in a month, but online giving still requires people to have a reason why they should come to your website and make a donation.
ROI: Our 2010 study shows an ROI of 2.3:1 but any organisation working in overseas development or having a large fundraising event portfolio will be considerably higher.

Statutory income

Money from central or local government. Delicious stuff and up till recently the financial lifeblood of many organisations. But sadly in every sense statutory income isn't what it used to be. In part there is far less of it than there used to be, and in part because where it does exist it is more likely to be linked to delivering types of activities. Indeed this paper is all about organisations moving away from statutory income. So if you can get statutory income, seize the opportunity with both hands but you may just find that it isn't what it used to be.

Pros: Low cost and available in relatively large amounts till recently.
Cons: No longer available in relatively large amounts. If you can wait five or probably ten years it may come back in vogue….
ROI: ROI is great (28:1 in our 2005 study) but the reporting is often onerous and statutory income is now like gold dust

Part 5: Creating a resilient fundraising portfolio

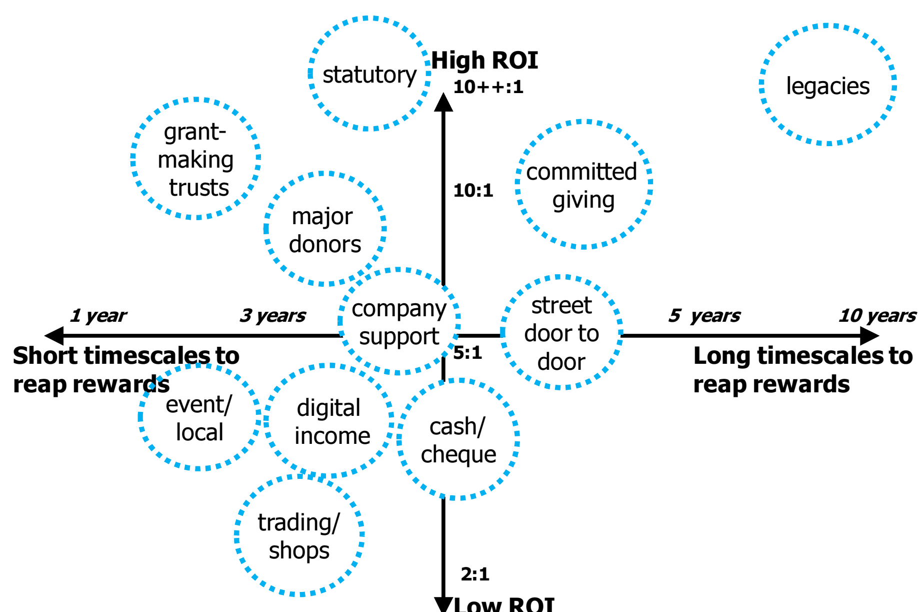
While each individual stream of (fundraising) income needs careful consideration, so does how all those income streams look when they are put together. This next section tries to look at how all those different income streams can be planned for the maximum benefit of the organisation and so that the organisation isn't particularly vulnerable to different sets of circumstances.

Priority 1: Create fundraising income that will bear fruit over differing time spans.

Any investment of time and money on generating future income needs to bear in mind the length of time that it will take for the hard work to generate the surplus that is required. At one extreme end is legacies which will probably take at least 5 years to see the results and in some cases may take decades. At the other extreme is putting out collecting tins or submitting grant applications which might (if lucky) take as little as 6 months to yield results. As a general rule most fundraising activities will take 12 months or more to see a profit, and probably any income at all.

Balanced against the length of time that a fundraising activity will take to yield results is the ROI of the fundraising technique. In general the longer the lead time for results the higher the ROI that is needed to make it worth the wait. So promoting legacies is worth it because the potential sums are so huge that it's worth the wait. Community fundraising despite its low return has a relatively short gestation period (though local government regulation doesn't always mean that is the case). Chart 1 tries to sum up this balance.

Chart 1: Timescales to raise money vs income potential for different fundraising techniques

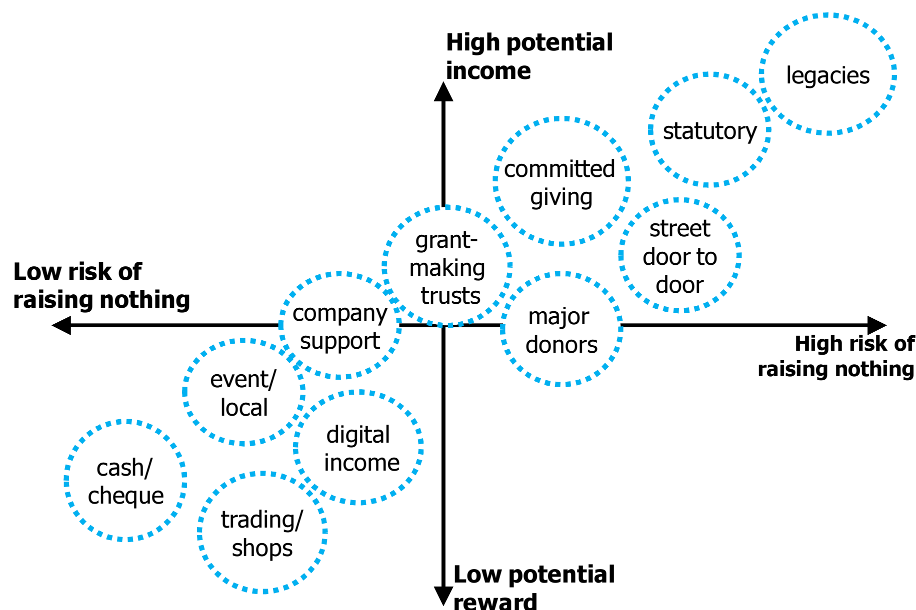


Priority 2: Create fundraising income that will balance risk (of not raising money) against the return (of how much will be raised)

Broadly speaking the best place to look for income is the top left quadrant in chart 1 – relatively quick and relatively high amounts of money and the worst is bottom right – relatively slow and relatively low levels of ROI. So when all the sources of income that your organisation is planning for are put together where do they fall on this graph?

Another way to look at the total income portfolio is to spread the load of fundraising risk. Different types of fundraising have different levels of risk associated with success. So for example if an organisation spent 100 hours organising tin-rattling, it would be very unlikely to raise nothing but if it then managed to get 50 of those hours with a person out on a street each person might raise £10 an hour and so a total of £500 might be raised (50 hours x £10 per hours). So the risk of raising nothing is very low but the chances of raising a huge amount is also low. This type of fundraising is low risk and low reward. Chart 2 shows this kind of approach and tin-rattling would go in the bottom left quadrant.
In contrast if an organisation spent 100 hours working on major donors this would be high risk and high reward or the top right quadrant. The reason for this is that 100 hours could be spent researching potential donors, making contact with them, wooing them and then asking the question. It's perfectly possible to imagine that over the course of the 100 hours no money would be raised (it might have taken 101 or 201 hours of work). However if one donor made a donation of £10,000 as a result of that work then it would yield 20 times what the tin-rattling might yield.

Chart 2: Risk vs return matrix for different fundraising techniques



If all the fundraising is high risk/ high return there may be no money but if all the fundraising is low risk/low return then there will be money – just not very much of it! So the fundraising portfolio needs to balance those risks and rewards (just as in the same way an investment portfolio needs to balance risk and return).

Priority 3: Avoid dependency on too small a set of funders or donors

As many charities are discovering, statutory income is at best staying static and in many cases being cut, often at short notice. Where statutory income is holding up it is tending to come with more strings attached. This means it is typically a contract (you are paid a unit price for delivering a service) rather than a grant (you are given a lump sum for doing good work). This change means that charities will have to bend over backwards (even more than before) to meet specific targets.

However target-driven statutory income is, it still hurts when it's taken away! Some charities have found that their finances are very vulnerable to the decision of a very few funders. So here is a simple rule of thumb for judging the vulnerability of a charity's income. What is the smallest number of donors or funders would it take to lose half an organisation's income:

- If the answer is more than 50 funders/donors that's great news.
- If the answer is 26-50 funders/donors your portfolio is pretty robust – but don't get complacent
- If the answer is 11-25 funders/donors your portfolio is looking vulnerable as one or two donors within that group probably provide a disproportionately large chunk of your income
- If the answer is 10 or less start then the process of diversifying your income – though you may already be too late to avoid taking a hit

Losing income is often only half the story with losing funders. The knock-on effects of a lack of organisational confidence and potentially becoming too small for certain grants or other benefits are also the collateral damage of the loss of funders.

Priority 4: Ensure fundraising brings in 'drop dead' income

Over the course of a financial year a fundraiser will carry out a breadth of fundraising activities and raise a certain amount of money. At the end of the financial year the fundraising cycle will start again. The question is how much money is already known to be coming in the next financial year even if a fundraiser does nothing more. How much would be raised if the fundraiser left and never came back? If the answer is nothing then change the fundraising strategy. The only (and I think I really do mean only) way that fundraising can be sustainable and grow in cost-effectiveness over the medium and long term is by having income or activities that are all but guaranteed to come in, come what may.

Perhaps an example would help. If a fundraiser has raised direct debits to an annual value of £20,000 then if they do nothing else that £20,000 will come in (this income could then be called the 'drop dead' income. So at the start of the next financial year £20,000 is guaranteed and another £30,000 of annualised direct debits is raised. Then at the start of the next financial year the £50,000 will be guaranteed. At the end of 10 years like this a guaranteed income of £250,000 might have been built up (this example ignores people cancelling their direct debits or increasing them for the sake of simplicity).

In contrast if every penny of income has to be raised starting from scratch then it is very hard to improve the ROI of fundraising and very hard to increase the total amount of money raised (except by increasing the costs/staff which isn't what's wanted). Of course looking at all the types of income discussed in part 4 there are shades of grey. A three-year grant from a Trust is brilliant for drop dead income. A fundraising event is rarely 100% drop-dead income but over a five year period it might be expected to grow in size and reputation so that raising money from it became easier and easier. So for every fundraising activity an organisation should ask itself 'How will this help us raise money next year?

Priority 5: Be realistic about the timescales for fundraising success

Perhaps the biggest question of all is how quickly should fundraising investment turn into fundraising income. What is a realistic expectation? This depends on a whole host of factors. I don't want to depress people, but neither do I want to give false optimism.

So a realistic rule of thumb might be this. What is invested in fundraising each year should be aimed to be the 'drop dead' income: ie the investment is the speed with which the income on our notional spiral staircase rises. So if an organisation spent £30,000 including costs on a fundraiser this should be the target 'drop dead' income. So after five years the organisation would be spending £30,000 and raising £150,000. This may appear slow to some people and if you can make faster progress than this, that's brilliant, but there is nothing worse than an organisation setting targets that their fundraising can't achieve and never could.

Conclusion

There are bits of this document that could certainly be described as depressing. There are lots of sources of income that are far less attractive than they may at first sight appear. Fundraising is hard work and particularly in the current climate. It is almost certainly not a silver bullet for any current financial crisis unless a lot of the hard work has been done in previous years. Fundraising is a marathon, not a sprint. However it is a marathon well worth the effort when done effectively. Fundraising with the right expectations and approaches as set out in this document can provide an organisation with the liberating effect of unrestricted income which can be spent in whatever the organisation believes best fulfils its mission.

Further reading and websites on fundraising and raising money

- The Institute of Fundraising run a range of courses and have regional groups for fundraisers www.institute-of-fundraising.org.uk
- One particular website run by the Institute is www.how2fundraise.org . It's not always completely up to date but is still full of useful stuff.
- The FSI specialise in helping small charities, including consultancy, courses, training and highlighting the issues that small charities face. www.thefsi.org
- Another site for some useful stuff on all sorts of stuff relating to charities including fundraising is www.knowhownonprofit.org

Joe Saxton's fundraising biography.

Joe started raising money aged 14 by selling sandwiches at school for Save the Whales. At university he took part in sponsored sleep-outs for the homeless. In the mid-eighties he started his first charity working on environment and development education and then joined Oxfam responsible for committed supports – those on bankers' orders. From there he joined Brann, a direct marketing agency where he specialised in fundraising and worked on over 15 national charities. He was then Director of Communications at RNID and for the last ten years he has worked at nfpSynergy which specialises in research for charities and other non-profits. He has been chair of the Institute of Fundraising for three years, on the board or chair of five other organisations and a chair of a primary school PTA for three years. On four occasions he has been voted the most influential person in UK fundraising and has been in the top ten of the poll every year that it has been run. He is currently chair of CharityComms, the professional body for charity communicators and chair of People & Planet the charity getting students to campaign on environment and development issues.

nfpSynergy is a research consultancy dedicated to the not for profit sector. Our aim is to provide ideas, insights and information that help non-profits thrive. From our origins in syndicated tracking research on public attitudes for non-profit clients, nfpSynergy has grown its portfolio of bespoke research to become one of the leaders in non-profit sector market research.

Our size and our story: nfpSynergy was created in 2002 as a division of the Future Foundation. Two years later the founder Joe Saxton led a management buy-out. In 2009 we had an annual turnover of £1.6 million and around 20 staff members including a variable number of interns. We own our own premises in Spitalfields.

Tracking research: We run tracking surveys that monitor the attitudes and opinions of key stakeholder groups relating to the not for profit sector. The research is carried out on behalf of a syndicate of participating charities who share costs and data. The aim of our tracking studies is to provide lower cost, more frequent and more detailed research than any organisation could achieve by acting on its own. Our monitors include:

- Charity Awareness Monitor (CAM) - the general public
- Charity Media Monitor – journalists
- Charity Parliamentary Monitor (CPM) - MPs and Lords
- Youth Engagement Monitor (YEM) – young people
- Brand Attributes (BA)
- Health Professionals Monitor – primary healthcare professionals

In addition, we have developed syndicated tracking studies on local authorities, the general public in Scotland and the Republic of Ireland and regional audiences across England.

Projects and consultancy: Each year we carry out around 50 projects for non-profit clients and we are on the COI list of approved qualitative and desk research agencies and on the British Council's fundraising agency roster. We carry out focus groups, depth interviews, either face-to-face or over the phone, conduct workshops as well as small and large scale desk research projects and have surveyed over 100,000 people from the general public, supporters and staff. We are constantly looking at ways to develop our research techniques to best serve our clients' particular requirements.

Our projects and consultancy work covers a vast range: from helping the British Council to develop an income-generation strategy to investigating apprenticeships in the NHS to researching the barriers and opportunities for young people in seeking help. In particular, we specialise in stakeholder audits and in supporters and client/user satisfaction studies. We also have a particularly strong record of work in the health and young people sectors.

Our clients include charities, housing associations and public bodies who use our research to inform their strategies and planning.

Social investment: Unlike many companies that approach their social investment as a side interest, our social investment programme runs as a thread through every aspect of our business. At its core is the range of research reports and briefings we produce each year that are free to download and that benefit non-profit organisations. We support CharityComms (the sector body for communications) by providing free office space and paying for their intern. We use evidence from our research to campaign on behalf of charities on key issues such as reducing the costs charged by mobile phone companies for charitable donations by SMS. We support small non-profits by providing free places at our seminars, by doing talks to groups all over the UK and through pro bono research assistance. Our approach to business shows clearly that even a small company can put social investment at the heart of a business, do a huge amount to help voluntary and community organisations and still be profitable.

Topics on which we have produced free reports include:

- understanding young people's help seeking behaviour
- branding
- fundraising
- volunteering
- how charities use the internet and new technology
- governance

By producing free reports, editorials, and presentations we help small charities (with little or no budget for research) benefit from our wealth of data and knowledge of the third sector. In the past 18 months we published 12 reports, which (in addition to another 38 free reports from previous years) were downloaded free from our website to an estimated 1000 organisations. Please see descriptions of all of our free research at ww.nfpsynergy.net/freereports

As full members of the Market Research Society, we comply with their code of conduct at all times, ensuring that research is carried out in a professional and ethical manner. We also have high standards of data protection – find out more about on our website at www.nfpsynergy.net/dataprotection

Registered office:
2-6 Tenter Ground
Spitalfields
London E1 7NH
T 020 7426 8888
F 020 7377 2116
E insight@nfpsynergy.net
W http://www.nfpsynergy.net

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