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Growing Philanthropy in the United Kingdom

A Report on the July 2011
Growing Philanthropy Summit

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INTRODUCTION

In the UK, charitable giving is estimated to be around one per cent of gross domestic product and while there are annual variations, this figure has proved remarkably static over time. Despite the best efforts of governments, philanthropists and a generation of fundraisers, the needle hasn't moved much on giving since data were first recorded.

While giving has remained static, demands on the sector have not. The number of natural disasters has tripled since the 1960s and the number of armed conflicts almost doubled. The level of human need met by the sector continues to grow and, in the United Kingdom, the sector has also found itself with increasing responsibility for social welfare provision as governments have progressively withdrawn from this domain. The need to develop philanthropy to help society cope with this and a multitude of other challenges has never been greater.

However, the question remains how best to achieve this goal in the face of the stubbornly static pattern of giving we allude to above. Forty years of increasingly sophisticated fundraising practice, the development of regular (monthly) giving, the appearance of the Internet and the rise of new digital channels have seemingly done little to increase our generosity. In this paper we address this issue, drawing on the discussions that took place at the UK's first Growing Philanthropy Summit, held at the Hilton Metropole Hotel in London on July 6th 2011. Thirty high level participants from across the sector were assembled to look at how giving might be developed by the nonprofit sector itself. While there are many ways in which governments, businesses or individual philanthropists may seek to grow philanthropy, the focus of the summit was largely on what the sector might do itself to develop its income from individual donors.

In the report that follows we structure our discussion of the conclusions of this event into five broad categories, namely:

- 1) Enhancing the quality of donor relationships
- 2) Developing public trust and confidence in the sector
- 3) Identifying audiences, channels and forms of giving, with a strong potential for growth.
- 4) Developing new audiences, channels and forms of giving.
- 5) Fundraising, lobbying/advocacy.

Organisations represented at the summit included:

Association of Fundraising Professionals	King's College London.	Scope
British Red Cross	London South Bank University	Solar Aid
Cancer Research UK	Macmillan Cancer Support	Solid Management and Consultancy Ltd
Cass Business School, City University	Maggie's Centres	The Management Centre
Department for Culture, Media and Sport	National Deaf Children's Society	The National Trust
Hartsook Companies Inc	New Philanthropy Capital	The Resource Alliance
Hospital of St John and St Elizabeth	nfpSynergy	Think Consulting
Iain More Associates	Public Fundraising Regulatory Association	UNICEF UK
Indiana University	RNLI	University of Kent
Institute of Fundraising	RSPB	WWF UK
Kew Quorum Ltd	Save The Children	

The views expressed in this report are those of the authors and do not necessarily reflect the views of all summit participants.

ENHANCING THE QUALITY OF DONOR RELATIONSHIPS

Develop an understanding of the relationship between fundraising and philanthropy

The summit felt there was insufficient understanding of the relationship between fundraising and philanthropy on the part of both government and the fundraising sector itself. When we talk in this document of growing philanthropy we are referring to enhancing our society's capacity to love, as expressed through the practical benevolence of donating resources to causes that enrich our lives. As Hank Rosso and others have noted, fundraising is merely the servant of that process and is not an end in itself. When it becomes so, both the organisation and philanthropy are diminished. Indeed fundraising is only justified when it is employed in a manner that allows donors to articulate their sense of self and bring real meaning to their lives. As Rosso noted: "fundraising is the gentle art of teaching people the joy of giving." The fulfilment of a charity's specific mission must always be secondary to that purpose.

The fundraising sector should emphasise the nature of this distinction in its educational programmes, while government should respect the fact that while growing philanthropy may be their goal, it will only be achieved through the support and development of the primary profession that serves it. Fundraising professionals must therefore have a role in shaping public policy. Equally, fundraisers need to develop a greater sensitivity of the needs of government, so that they are better placed to offer advice and respond as needed to calls for change. If philanthropy is to grow a meaningful partnership must be developed.

Redefine relationships from donor relationships to individual relationships

As a sector we've become increasingly sophisticated at using technique to manage what we refer to as 'donor' relationships. The key problem with this approach is that donors don't want to be seen as a piggybank, they want to be seen as partners in a cause and they are increasingly looking for more meaningful ways of expressing their support than merely offering money. Organisations therefore need to develop a more holistic perspective on the relationships they have with their supporters, creating multiple and meaningful opportunities for engagement. We must also be more respectful of the needs of our supporters. Rather than seeking to maximise the gift to a particular organisation the goal of the fundraiser should be to develop the philanthropy of their supporters including where necessary recognising that the individual may find the support of other organisations more personally fulfilling. Charities need to accept the value of philanthropy for philanthropy's sake, as an end itself, not just a means to achieve their mission.

Re-orient towards longer term measures of fundraising performance

The continued use of performance measures such as response rates, immediate ROI and the total amounts raised by a given campaign is crippling the long term performance of the sector's fundraising programmes. These simplistic metrics need to be replaced by measures indicative of longer term value. This could be captured directly by 'lifetime ROI' or 'supporter lifetime value', or indirectly by measuring those aspects of donor behaviour that drive these figures, such as supporter satisfaction,

commitment and trust. Fundraisers should be focused on building longer term value and must be motivated and remunerated accordingly.

Enhance focus on retention and building supporter loyalty

The sector continues to lose donors at an astonishing rate. In ‘cash’ giving we lose half of our supporters between their first and second donation, while in monthly (regular) giving annual attrition rates of over 25 per cent are common. In our view the sector remains too focused on wasteful acquisition, to the detriment of building meaningful relationships with supporters over time. A ten per cent improvement in loyalty can yield as much as a 200 per cent improvement in the lifetime value of a fundraising database, so the opportunity to grow giving is substantive. Retention not acquisition must be the focus going forward and this requires a concentrated effort to enhance the value we create for our supporters. It also requires a commitment on the part of Trustees and CEOs to make identifying and delivering that value a priority.

Break down organisational silos and encourage greater collaboration between teams

In most medium and larger sized nonprofits, separate teams are employed to manage fundraising, campaigning, volunteering, lobbying and service provision activities. While at an organisational level it can make good sense for this to be the case, such silos make no sense from the perspective of a supporter. While an individual may be a donor, they may also have the potential to volunteer, to campaign, or even to use some aspect of the nonprofit’s service provision. Breaking down these traditional silos and encouraging teams to collaborate could therefore add substantive value, building giving as a consequence.

BUILD PUBLIC TRUST AND CONFIDENCE IN THE SECTOR

Promote better public understanding of fundraising

There needs to be a concerted effort on the part of the sector to deal with common misconceptions about fundraising and its associated costs. The public, for example, greatly over-estimate the cost of raising a pound and their ‘ideal’ performance is actually very close to the sector norm. Trust in the sector would therefore be greatly bolstered by communicating an understanding of the *actual* costs of fundraising.

While greater transparency in this regard would be helpful, we must also educate the public about the behaviour of these costs and as a consequence why the fundraising performance of a charity may not be used as the basis for comparison with another. Instead we need to educate the public about more meaningful comparators and the questions that they should pose of a charity before offering a donation – notably ‘what do we aim to achieve, how do we expect to get there and what will it take for this to happen?’.

A variety of media may be employed for this process. The most obvious is the overhaul and renewal of the www.charityfacts.info website. It was designed in 2004 to educate the public on these issues and includes a ‘who can speak on what’

feature for journalists. To be effective, however, the site must be widely promoted by the sector and linking to it must be compulsory for all Institute members.

Equally, the ImpACT Coalition initiative, which exists to convey related educational messages should be merged with charityfacts and properly resourced. The sector is ill-served by the continued fragmentation of effort.

Focus on the development of new performance metrics

Categories and sub-categories of nonprofit must create their own range of effectiveness oriented performance metrics. Rather than continuing to bemoan a focus on meaningless efficiency measures the sector must take ownership of the issue and develop a response. Many commercial organisations now create dashboards illustrating a rounded set of performance measures and in our view the charity sector should do likewise, providing a genuine window on what it is achieving through its operations. However, better measures will not in themselves build the public's trust. We must not only focus the public's attention on effectiveness, we concurrently need to tell them what effective looks like.

Make participation in the self-regulation of fundraising scheme compulsory

In our view there must be a radical overhaul of the self-regulation of fundraising scheme. It should be funded in a similar manner to the Advertising Standards Authority, with a small percentage of Giftaid (of the order of 0.05 per cent) being diverted to properly fund the scheme. In this way, all charities who seek to raise funds from the public would be included and additional resources would be created to raise levels of public awareness of their right to complain and to whom such complaints should be addressed. The FRSB must also be given comparable powers to those of the ASA to refer continual breaches of the Codes of Fundraising Practice to the Secretary of State who may seek an injunction to enforce compliance. This would require only minor amendments to the Control of Misleading Advertisements Regulations.

The Institute of Fundraising must also be prepared to take tougher sanctions against those found to be in breach of the Codes of Fundraising Practice, expelling members found in regular breach of the codes or our individual code of ethics.

Toughen the Code of Fundraising Practice for accountability and transparency in fundraising

In our view the current code of fundraising practice for accountability and transparency is exemplary in respect of the recommendations it outlines. These deal well with the issues of greatest concern to the public and the solutions reflect the lessons from the available research. To be effective however, the language must be toughened, compelling members of the Institute to undertake a larger percentage of the behaviours listed. A responsibility for stewarding the public trust must no longer be optional.

Develop a 'Right to Ask' campaign

Summit participants also felt that the Institute and other sector partners should consider running a 'Right to Ask Campaign' that explained the work undertaken by the sector and the necessity of securing public funding to support it. Such a campaign might also emphasise a corollary 'Right to Say No,' explicitly tackling the feeling of guilt that many members of the public still say they experience when asked for their support. The harsh reality is that if we fail to ask, millions of people around the globe will continue to suffer, cures for intractable diseases will be delayed and the future of our children will fail to be assured. We must have the right to ask for support in tackling these issues, but we should equally make it clear that we respect the fact that not all our causes will be of equal interest to everyone and that personal circumstances may simply not permit many members of our society to give. It is therefore perfectly acceptable to say no, and no-one should experience guilt for having declined. Indeed, the profession is currently tackling the issue of 'guilt appeals' through its Codes of Practice and promoting this would greatly enhance the public trust.

DEVELOPING NEW AUDIENCES, CHANNELS AND FORMS OF GIVING

Introduce lifetime legacies

The wealthy in UK society are proportionately less generous than the wealthy in many other societies, notably the United States. In part this may be due to cultural factors, but we believe it is also due to a general lack of giving products appropriate for this audience. The idea of introducing Lifetime Legacies was put on hold by the last Labour government and we believe that the time has now come for their introduction. In the United States where vehicles such as charitable gift annuities have been available for many years, they have proved popular with high net worth donors. Such annuities do offer tax concessions to the donor, but more substantively (as with all 'planned giving' products) they allow an opportunity for fundraisers to work with families to maximise their giving potential and their long term societal impact. Planned giving products thus 'enable' the giving of a larger proportion of an individual's wealth, only around seven per cent of which is typically held in cash.

Review payroll giving

The future of payroll giving was one of the most contentious issues discussed at the summit. Some participants felt strongly that it should continue to be supported, with additional money being made available by the Treasury for incentives, promotion and awards. Other participants felt that participation in payroll giving was miniscule and that attempts by successive governments had largely failed to have an impact. This group felt that payroll giving should be axed and replaced by the workplace solicitation of direct debits. While this might result in the loss of employer matched gifts, there would no longer be a need to pay a commission to the payroll agency charities. Charities would get their money much faster, employees could continue giving when they changed employers and since charities would then be in direct control of their supporter relationships, donor retention and lifetime value would be greatly enhanced. The combined effect of these variables would more than offset the loss any matched gifts, even assuming that a mechanism couldn't be found to

ensure their continuance. Payroll giving was developed in a pre direct debit era and may no longer be fit for purpose.

Improve the sector's engagement with young people

The summit recommended that the sector continue its drive to connect with our younger generations. The focus here should be squarely on engagement, not donations *per se*, recognising that while many young people are not in a position to give cash, this is in no way a reflection of their interest in our causes. Nonprofits need to engage through social and other digital media, raising awareness, generating excitement and building engagement until the time is eventually right to ask for financial support. A range of other practical recommendations were offered including the adoption of a 'First Gift' scheme where major and/or corporate donors could give all school aged children the opportunity to offer a 'planned gift' to a charity of their choice.

Develop expertise in broadening participation in giving

It would be facile to issue yet another call to broaden participation in giving. The sector has long been aware that it needs to do more. Instead our discussion focused on the tangible steps that might be taken to make a genuine difference in this domain, allowing all in our society to explore and express a personal philanthropic identity. Notable here was strengthening the sector's ability to learn from its own experiences. Many nonprofits can and do fundraise successfully from under-represented groups, respecting the very different reasons there might be for engagement and also the very different ways in which these individuals might choose to participate. The sector thus has the capacity to teach itself how to do better and this understanding must be leveraged for the benefit of all.

Promote and incentivise new channels

New channels for giving will always continue to emerge. As they do so we believe that the Institute of Fundraising should collate evidence of best practice and actively disseminate it to the professional community. The most obvious arena where this may be necessary is in the realm of digital communication and at the time of writing, with SMS, mobile apps, virtual media, social media and gaming. Equally, new forms of giving currently popular in other countries, (for example, giving circles) may transfer well to the U.K and best practice here too should be collated and disseminated.

It was also felt that the government might seek to incentivise new forms of giving through the tax structure. Previous governments have focused their efforts on payroll giving, yet there may be more utility in focusing on other forms of giving which lower charity costs and/or have the highest potential for growth.

Continue to develop new giving products

The sector should continue to push for the integration of giving with financial service products, such as mortgages, endowments, life insurance and ISAs. There have been a number of initiatives by individual charities in the past, but a more co-

ordinated effort to push the financial service sector into substantive new product development would be likely to bring new monies into our sector.

Improve the quality of legacy fundraising practice

Unless things change the passing of the baby boom generation will presently only be marked by a *massive* drop in annual giving. While over 80 per cent of us will support the nonprofit sector during our lifetimes, only around eight per cent of us will do so on our death. We call for every category of supporter to be encouraged to consider a 'gift in their will.' This simple signal of support is one that every individual could make, yet few are currently prompted to consider. The overall standard of legacy fundraising remains poor and particularly in smaller/medium sized organisations. Making a charitable legacy a societal norm will require all charities to promote the option to their supporters and to do so in a manner and through media, that is appropriate for the audience. Greater effort should be expended on developing case studies of best practice and disseminating them across the sector. Such is the nature of legacy giving that even small improvements in participation would have a substantive impact on giving.

Invest in major gift fundraising

Comparatively few nonprofits have presently developed expertise in major gift philanthropy and the direct marketing model continues to dominate our approach to fundraising. Summit participants talked at length about the need to match the way that fundraisers raise money with how wealth is held – i.e. a disproportionately small number of people hold the vast majority of all wealth. Personal, relationship-based prospect identification, cultivation and solicitation is the key to securing optimal gifts from such donors. Boards, CEOs and fundraising management must to be educated about the benefits that this form of fundraising can deliver and briefed on its economics, particularly in the short to medium term, when many fundraisers are still faced with completely unrealistic targets and goals.

Celebrate the experience of philanthropy

As a society we regularly celebrate the work of our charities, yet we expend proportionately less effort in celebrating the achievements of our donors. In attempting to promote a culture of giving we should find new ways of highlighting and promoting the achievements of individual donors, exploring their philanthropy, the joy they've experienced through their giving and the practical difference their gifts have made. We should facilitate the media to explore the philanthropy of individuals with the power to influence others, but we should also empower individuals to celebrate their own philanthropy through their social and other networks online.

Support volunteer fundraisers

There have been a plethora of sector and government initiatives to support volunteering over the past 20 years. Despite the fact that fundraising is by far the most common form of volunteering, however, little to no effort has been expended on supporting this group. We call on the Institute of Fundraising in partnership with other sector bodies to create online resources that would encourage and support these

individuals. A way should also be found to offer individuals who volunteer regularly free membership of the Institute and thus access to the wider support and professional development it is able to provide. Such an approach would be respectful of the effort of these individuals, but it would also drive up standards and in doing so greatly enhance the public trust. We would in effect create many thousands of powerful advocates for the activity and profession of fundraising *and* our right to ask.

DEVELOP THE QUALITY OF PROFESSIONAL FUNDRAISING PRACTICE.

Invest in the development of fundraising research

While trusts and foundations routinely invest in research in the study of related topics such as philanthropy or generosity, no-one has as yet invested a substantive sum in fundraising research. We call on foundations to consider investing in research specifically focused on how we might grow giving. Investing in nonprofit programmes buys an investment in those programmes, but investing in fundraising research would benefit the whole sector, multiplying the impact of that support and impacting on a multitude of programmes. The time has now come to create the field of donor behaviour and to grow giving by enhancing the quality of the donor experience.

Create a fundraising research institute

The ideal vehicle for such an investment in research was felt to be a dedicated research centre that would specialise in this field. It might conduct its own research, but it would also commission the work of specialists. A new Institute should also act as a hub or clearing house for all fundraising research, whether it was created by academics, agencies or by nonprofits themselves. It would provide a focal point where all might go for information and guidance on a given topic. Finally, the new body could become a think-tank for new ideas – in effect an R&D dept for the sector.

Develop the fundraising academy

Effective fundraising is a function of effective asking. Fundraisers need to develop a greater awareness and understanding of the body of knowledge that underpins our profession. There is therefore a critical need to develop our educational framework. We must better integrate the best of professional practice with the available lessons from published research, both work conducted by academics and that conducted by sector bodies and agencies. In particular, knowledge of donor behaviour must be seen as central to a career in fundraising, just as knowledge of consumer behaviour is central to a career in marketing. The Institute of Fundraising should continue to develop its educational framework, creating a new Advanced Diploma in Fundraising to accompany its recently launched Diploma and Certificate. An equal emphasis must be placed on continuous professional development and thus short course programmes, conferences and one-day events.

Appoint a 'sales force' for the body of knowledge

We believe that every fundraiser should have exposure to our profession's body of knowledge, including at least two models of donor behaviour, the role of emotion in appeals, the learning from philanthropic psychology, the three key factors that drive

donor loyalty, the relationship between branding and fundraising and so forth. This knowledge should be informing professional practice, yet there is little awareness even among fundraisers of what is currently available to them. As a profession we must ensure that organisations are familiar with the benefits that professional development and qualification programmes can offer and come to value the body of knowledge that supports professional fundraising practice. Since many CEOs and Directors of Fundraising will have succeeded in their careers without exposure to this knowledge they will frequently not be aware of it, nor the difference it could be making in their organizations. We therefore recommend the creation of a 'sales force' of sector figures who would become advocates for the body of knowledge and encourage nonprofits to take advantage of it.

Encourage the development of academic qualifications in fundraising

Undergraduate degrees in marketing are plentiful, yet a degree to prepare an individual for a career in fundraising is notable only by its absence. To our knowledge there is only one undergraduate fundraising module on fundraising currently available in the whole of the United Kingdom and not a single degree. We recommend that the Institute of Fundraising reach out to at least one university with a view to supporting the development of a fundraising (or perhaps more realistically, a nonprofit communications) degree. Bright young people, passionate about the sector might then be equipped with the skills and knowledge they would need to succeed in our profession, taking with them abilities that would make a tangible difference to any subsequent employer. We also recommend that provision at the Masters level be significantly expanded and that all Masters programmes in the field of Nonprofit Management should include a compulsory module on fundraising. Such programmes could be accredited by the Institute and act as a conduit to membership.

Educate trustees about fundraising

A critical barrier to developing philanthropy in the UK is the endemic lack of understanding of how to fundraise on the part of nonprofit boards. Boards lack both an understanding of the process of fundraising and their own role within it. As a consequence poor investment decisions are taken, supporter relationships are neglected and the high level of turnover within the fundraising profession continues. Tackling this problem requires a concerted effort to push those sector bodies who serve the needs of boards to include a greater focus on fundraising in their activities. Teaching and learning resources must be developed and made available to facilitate both new board member induction and ongoing board development. We also believe that pressure should be brought to bear on those responsible for the latest National Occupational Standards for Board Members. This highly influential document, which maps out the skills required of competent board members, currently makes no reference to fundraising.

FUNDRAISING LOBBYING/ADVOCACY

Create an ambassador programme

The summit also recommended the creation of fundraising 'ambassadors'. These individuals would volunteer to champion topics such as major gift, payroll giving, public trust and the like. They would identify the challenges to growing philanthropy in each domain, consult on recommendations for change, and take forward specific actions. Ambassadors would be senior charity officers, passionate about specific topics, themes, channels or audiences, who would head up mini campaign boards. They could be appointed by the Institute of Fundraising, or elected to these roles. It was recognised that with the limited resources at its disposal the Institute would not be able to lead on every initiative of importance to the fundraising community and that these individuals could reduce that burden while increasing the profession's impact on its environment.

Lobby for the simplification of Giftaid

The current system of Giftaid should be reformed. Under the current system, most higher rate tax payers believe they can reclaim the difference between the basic and higher rates of tax for themselves, but in practice the Government retains 40 per cent of this sum. The tax break may only be claimed by the minority of donors who complete a self-assessment form and hence very few individuals claim back higher rate tax relief on anything but the largest donations. Allowing the charity to reclaim the full amount of tax paid by the donor is a straightforward way to allow a gift to be given fully tax-effectively and has the potential to inspire more people to give and so substantially increase the amount of money charities receive through the Gift Aid mechanism.

The principal difficulty in securing higher rate Giftaid would be the need to acquire higher rate Giftaid declarations. Many individuals will doubtless be unwilling to identify themselves as higher rate tax payers, others will be unclear about whether they will reach the threshold and still others may vacillate in and out of the tax band with every passing tax year. In our view it would be better for the Treasury to examine a sample of charity databases and to establish norms for each category of cause. These norms would specify the percentage of tax-payers on a typical database and the percentage of higher rate tax-payers. It would then be possible for charities (in each cause) to submit a Giftaid claim by simply notifying the tax authorities of their voluntary income. Those charities who feel that they have been unfairly disadvantaged by the 'norms' for their cause would still be free to document and pursue a claim in the normal way. Such a change would dramatically cut sector bureaucracy and there is already precedent for such an approach. Small businesses may either pay their VAT by keeping detailed records and submitting the actual amount owed, or they may opt to pay only a fixed percentage of their turnover. This percentage varies by the nature of the business. We propose a similar approach to Giftaid.

The summit also felt that the existing exempted Giftaid income threshold should also be raised from its current level of £5,000.

Enhance our professional focus on growing philanthropy

The summit recommended that alongside the development of standards for the application of the tools and techniques employed by the profession, the Institute should develop a parallel focus on the development of philanthropy. Such an emphasis would involve education, research and lobbying initiatives with the *explicit* purpose of growing giving. The Growing Philanthropy Summit on which this report is based might itself become an annual or biennial event.

We also believe that in an environment where the UK government is seeking to grow philanthropy there should be a substantive opportunity for a greater say for fundraisers in the creation of public policy. Philanthropy is only rarely spontaneous; it is almost always the function of a fundraising solicitation. If the government is genuinely serious about its desire to grow giving it cannot afford to neglect the views of those responsible for those solicitations; the profession of fundraising.

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The authors gratefully acknowledge the Institute of Fundraising and Amanda Shepard in particular, for sponsoring, organising and administering the Summit.

Our Growing Philanthropy Summits are part of a worldwide initiative to stimulate giving. A similar summit was held in Washington D.C. in June 2011 and an additional event is planned for Australia in August 2012.

Further information on this ongoing project can be obtained from adrian.sargeant@uwe.ac.uk or jenshang@indiana.edu