Case Study
December 2013 and March 2014

British Heart Foundation
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Analysis and Decision – Case Study

Important guidance notes for candidates regarding the pre-prepared analysis

The examination is designed to assess knowledge and understanding of the Analysis and Decision syllabus, in the context of the relevant case study. The examiners will be marking candidates’ scripts on the basis of the tasks set. Candidates are advised to pay particular attention to the mark allocation on the examination paper and plan their time accordingly.

The role is outlined in the Candidate’s Brief and candidates will be required to recommend clear courses of action. Candidates should acquaint themselves thoroughly with the case study and be prepared to follow closely the instructions given to them on the examination day. Candidates are advised not to waste valuable time collecting unnecessary data. The cases are based upon real-life situations and all the information about the chosen organisation is contained within the case study. No useful purpose will therefore be served by contacting companies in the industry and candidates are strictly instructed not to do so as it may cause unnecessary confusion.

As in real life, anomalies may be found in the information provided within this case study. Please state any assumptions, where necessary, when answering tasks. The Chartered Institute of Marketing is not in a position to answer queries on case data. Candidates are tested on their overall understanding of the case and its key issues, not on minor details.

In preparation for the examination, candidates need to carry out a detailed strategic marketing audit of the case study. The audit allows candidates to demonstrate their ability to:

- apply the appropriate models and techniques to analyse information on an organisation/sector facing particular circumstances
- interpret the results of this audit to provide insights into the current situation and the conclusions they are able to draw
- utilise their own ideas and create their own models for interpreting the data.

When compiling their audit, candidates should only use the information found within the case, supported by their knowledge and understanding of the syllabus. Candidates are expected to bring individuality to their audit and submit their own work. In doing so, they must not attach essay-style descriptive work that could be considered as an attempt to gain unfair advantage whilst responding to the examination tasks.

The copying of pre-prepared ‘group’ answers, including those written by consultants/tutors, or by any third party, is strictly forbidden and will be penalised by failure. The tasks will demand analysis in the examination itself and individually composed answers are required to pass.

Candidates will then need to condense their strategic marketing audit into a SIX side summary (a maximum of six sides of A4, no smaller than font size 11. The content of tables, models or diagrams must be in a minimum of font size 8). The six sides must contain a summary of the audit only. It should not contain decisions, objectives or plans. The audit should be numbered for ease of reference when answering the examination tasks.

Although no marks are awarded for the audit itself, candidates will be awarded marks for how the audit is used and referred to in answering the tasks set.
Candidates are advised not to repeat or copy the audit summary when answering the exam tasks. It is important that candidates refer the examiner to the audit summary, where and when appropriate, when answering the tasks.

Candidates must hole-punch and staple their summary audit in the top left hand corner. They should have written their CIM membership number and examination centre name on the top of the right hand corner of each page of the audit. It should then be attached to the answer book on completion of their examination, using the treasury tag provided.

Candidates must take their original copy of the case study (not a photocopy) and summary audit into the examination room. The case study may be annotated with ideas for possible decisions or courses of action.

Candidates may not attach any other additional information in any format to their answer book. Any attempt to introduce such additional material will result in the candidate’s paper being declared null and void.

**The Chartered Institute of Marketing reserves the right not to mark any submission that does not comply with these guidelines.**

### Changes to Analysis and Decision Exam from December 2013

As of December 2013, candidates are advised that the ‘additional information’ material containing up-to-date information that relates to the case study content will no longer be part of the Analysis and Decision examination paper. This will allow candidates to focus solely on answering the set tasks, based on the case study material alone.

### Important Notice

The following data has been based on real-life organisations, but details have been changed for assessment purposes and do not necessarily reflect current management practices of the industries or the views and opinions of The Chartered Institute of Marketing.

Candidates are strictly instructed **NOT** to contact individuals or organisations mentioned in the case study or any other organisations in the industry. Copies of the case study may be obtained from:

The Chartered Institute of Marketing, Moor Hall, Cookham, Berkshire SL6 9QH, UK or may be downloaded from the CIM student website [www.cimlearningzone.co.uk](http://www.cimlearningzone.co.uk).

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Candidate’s brief

Scenario

You are a Marketing Consultant working in the charity sector. You have been asked by the British Heart Foundation (BHF) to undertake a strategic marketing audit to analyse both internal and external factors that are impacting on the future of BHF.

In particular, you have been asked to evaluate BHF’s current strategic position, assess the potential for strategic uncertainty, prioritise strategic marketing options and analyse financial implications demonstrating financial benefits to BHF while taking into account organisational constraints and risks, strengths and weaknesses, core competencies and the key issues facing the charity sector.

You have also been asked to assess the relevance and application of customer relationship management as a means for improving efficiency and reducing risks within the context of working in the charity sector.
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UK Charity Sector

British Heart Foundation (BHF)

Introduction

Despite Margaret Thatcher’s assertion, when she was the United Kingdom’s Prime Minister, that ‘there is no such thing as society’, it is an innate human characteristic to come together and help those less fortunate than ourselves. From the almshouses of medieval times to global events such as Live 8 and the ‘Make Poverty History’ campaign, people have always come together to help the poor, the sick and the disadvantaged.

Although economic conditions in the UK remain tough, the UK is one of the most generous countries in the world, ranked 8th overall in the World Giving Index 2012.

The charity sector in the UK is large and relatively well funded, though it faces considerable challenges in funding its activities in the coming years if economic growth remains weak. It is an increasingly competitive sector, where it is getting harder and harder to get a charity’s message across and be heard.

The BHF stands as one of the success stories in the sector. One of the largest UK charities, it has achieved a high profile through memorable marketing campaigns and a significant high street presence. However, with continuing troubles in the economy, it will be increasingly difficult to maintain its success and fulfil its mission of leading the fight against heart disease.
British Heart Foundation (BHF)

The BHF is the UK's largest heart health charity and aims to tackle the serious problem the UK has with cardiovascular disease.

Cardiovascular disease in the UK
The term ‘cardiovascular disease’ is used to cover diseases of the heart and circulation, such as stroke, heart failure and congenital heart disease.

It is a major problem in the UK, responsible for more than a quarter of all deaths – some 159,000 deaths each year. Besides the often devastating personal loss of a loved one, the cost to the UK of premature death, lost productivity, hospital treatment and prescriptions is estimated to be around £19 billion a year.

Coronary heart disease
One in six men and one in nine women in the UK will die from coronary heart disease, making it the most common cause of death. The disease kills almost 74,000 people each year – an average of 200 a day – and 2.3 million people in the UK live with heart disease. This costs the UK nearly £2 billion for healthcare treatment each year.

Heart attack
Most deaths from heart disease are a result of a heart attack. There are around 103,000 heart attacks a year in the UK, with one in three people who have a heart attack dying before they reach hospital. Every seven minutes someone dies of a heart attack in the UK.

There are around 900,000 men and 400,000 women who have had a heart attack in the past.

Stroke
There are around 152,000 strokes in the UK each year, resulting in 42,000 deaths each year. The incidence of strokes is around 25% higher in men than in women in England and Scotland. It is estimated that there are nearly 1.2 million people in the UK who have had a stroke.

Risk factors
Smoking increases the risk of heart disease and a study found that smokers had around a 60% greater chance of dying from heart disease than non-smokers. Around one in five people in England smoke, and around one in four in Northern Ireland, Scotland and Wales.

Being overweight or obese is also a risk factor, and more than a quarter of adults in England are obese. It is predicted that more and more of the UK population will become obese in the future, and with around 30% of boys and girls, aged 2 to 15, in England and Scotland being overweight or obese, it is a prediction that looks likely to come true.

High blood pressure is also a risk factor and around one in three adults in England and Scotland have this condition, with nearly half of these not receiving any treatment for it.

History of the BHF
Whilst the statistics on cardiovascular disease make grim reading, they are a marked improvement on the situation in 1961, when the BHF was founded by a group of concerned doctors.

Back then, nearly half of all deaths in the UK were a result of cardiovascular disease, with more than a quarter of all deaths being due to coronary heart disease. With much higher
smoking levels, perhaps as much as four times the amount of tobacco smoked today, and a
diet heavy in saturated fat such as butter, whole milk and red meat, it is not hard to see why
this was the case.

Clearly much progress has been made in the fight against heart disease. The fight continues
and the last decade has seen the number of deaths from heart attacks fall by a remarkable
50%, thanks in the main to healthier lifestyles, fewer people smoking, and the more
widespread use of cholesterol-lowering medication called statins.

In the early 1960s, heart disease was poorly understood and the chances of survival from a
heart attack were slim. By 1963, the BHF had raised enough money to award its first
research grants into understanding heart disease better.

In 1971, the BHF’s now well-recognised logo was created from a doodle by one of the BHF’s
volunteers, Sheila Harrison, who was putting together a poster to promote a sponsored
swim. At the time, the volunteer network had to produce their own promotional materials as
none were supplied by head office.

In 1976, the BHF ran its first national advertising campaign, ‘It won’t happen to me’, with the
hard-hitting image of a happy family with the man crossed out. The advertisement was
included as an insert in national daily newspapers, and the campaign was an outstanding
success. The London Press Exchange (a press agency which concentrated on advertising
for the government) supported the advertising by making a low charge for its work.

With so many people surviving heart attacks, in 1985 the BHF began funding its first Heart
Support Groups, where heart attack survivors learnt how to look after themselves in their
daily lives, share experiences and enjoy heart-healthy activities together. The groups are run
by patients, for patients. There are now more than 300 such groups throughout the UK, and
they have made a tremendous contribution to heart care and the prevention of further heart
attacks.

The following year, the BHF trialled BHF shops in Leicester and Newcastle, before opening
ten pilot shops in Kent, Sussex and Surrey. These proved very successful, and in 1989 the
BHF’s shops division was created. Today the BHF has more than 725 shops across the UK,
making it the UK’s largest charity shop retailer.

In 1998, the BHF launched its website – www.bhf.org.uk – offering heart health information
and news. The website is now a main point of contact between the charity and many heart
patients, carers and professionals.

In 1999, political power in the UK was devolved in several areas, including health policy, to
the new Welsh and Northern Irish Assemblies and the Scottish Parliament. The BHF
recognised the need to work with these new bodies and based public affairs staff in the
capitals of the three countries, Cardiff, Belfast and Edinburgh, to campaign on policy issues
and influence policy decisions.

Having become a successful charity shop retailer, the BHF wanted to explore the possibility
of expanding its retail success into new areas. In 2001, the BHF trialled its first furniture and
electrical shop in Sittingbourne, Kent. It proved highly successful and the format was rolled
out across the UK. The BHF now has 153 such shops and is the UK’s largest second-hand
furniture and electrical retailer.

In 2002, Legal & General, the investment and insurance provider, became a fundraising
partner of the BHF. Since then the company has supported many heart health initiatives,
including sponsoring the important ‘Health at Work’ programme, which aims to improve the
heart health of employees and encourage them to lead healthier lives during the working
day. Legal & General has also donated over £300,000 to the BHF in the last eight years.

The BHF now has 30 corporate partnerships with a wide range of companies, such as
EMAP, the Football Association, HSBC, Lloydspharmacy, Radley, Scottish and Southern
Electric and Villeroy & Boch.

In 2008, the BHF launched Heart Matters, a free service for people with heart conditions and
those interested in looking after their heart. Members of Heart Matters receive regular issues
of the Heart Matters magazine and online access to a dedicated members’ area with online
tools to help them improve their diet and lifestyle. By 2011, the service had 300,000
members, and by 2013 this had risen to 360,000.

Also in 2008, the BHF established four Centres of Research Excellence; academic hubs for
the very best in heart research. The centres are to help develop innovative research projects
on heart health, and to help train the very best young doctors and scientists to become heart
researchers.

The centres were established at Imperial and King’s Colleges in London, the University of
Edinburgh and the University of Oxford. Each was given £1.5 million a year for six years.

Profile of the BHF
According to the Charity Commission, the BHF is ranked 13th in the UK by income as of
June 2013, with income of £250 million.

The charity with the highest income – £738 million – is The British Council, although the charity receives a third of its income in the form of grants from the UK government. The highest placed fundraising charity is Cancer Research UK, with income of £493 million a year, at number four, with Oxfam and Save the Children at eight and nine, with annual income of £385 million and £333 million respectively.

As of 31 March 2012, the BHF had total cash, deposits and investments of £251 million, down slightly on the 2011 figure of £253 million.

The BHF had income of £128.5 million in 2011/2012, up slightly on the figure of £125.2 million for 2010/2011 – a strong performance given the fall in donations seen more generally across the charity sector.

Legacy income plays a vital role in the BHF’s finances, accounting for 42% of the BHF’s income in 2011/2012. The BHF received £53 million in legacies, down £1.9 million (3%) on 2010/2011. In the current economic turbulence, where legacy income is particularly volatile, this still represents a good performance.

Fundraising accounted for 31% of the BHF’s income in 2011/12, at £38.4 million, up very slightly from the £38.2 million generated in 2010/2011. Of this, £5 million was raised through the BHF’s ‘Mending Broken Hearts’ campaign, which raised money through individual and corporate donations, events and the sale of merchandise.

Retail income accounted for 22% of the BHF’s income in 2011/2012, at £28.7 million, up 15% on the previous year – a tremendous achievement given the challenges of the retail environment at the moment. The BHF is now the largest charity retailer in the UK after opening 45 shops in the period 2011/2012, 30 of which were furniture and electrical shops.

The BHF’s investment income accounts for 5% of income in 2011/2012, at £6.6 million, up 10% on the previous year. The market value of the BHF’s investments now stands at a
healthy £207 million, though again the performance of investments in the last few years has been volatile.

Excluding the retail figures, the cost of generating funds stood at 21% of income – the same as in 2010/2011.

The BHF’s expenditure for 2011/2012 stood at £124.2 million; of this, 71%, or £88.4 million, was spent on research activities and 29%, or £35.5 million, on prevention and care activities.

The BHF is ranked sixth in the 2012 Charity Brand Index, up one place on its position in 2011. Once again, the top charity in the brand index is Cancer Research UK, with Macmillan Cancer Support moving up three places to second place in the index. The Royal British Legion Poppy Appeal remains in third place, with the BBC’s Children in Need and Red Nose Day in fourth and fifth places respectively.

There are no other heart health charities in the top 125 charity brands.

The BHF’s strong brand helps the charity in several ways.

As a leading charity brand, it is well recognised by the public, who are therefore more likely to trust it and so donate money to it than to less well-known charities, where people may feel less sure of what the charity is trying to achieve or how their donation will be spent.

However, the very fact that the BHF is a large charity can put some potential donors off. Some people feel that the large charities are already well supported and would rather give their money to a lesser-known national charity or one based in their local community.

The BHF’s strong brand also attracts donations, sponsorship and partnerships from companies, who know that the charity is popular, trusted and well-known across the UK, and therefore attractive to a significant proportion of their customer base.

The strong brand can also help in attracting high-calibre staff to the organisation.

The charity is governed by a Board of Trustees, which has 14 members, half of whom are medical and half lay members. The Board of Trustees oversees the Directors, who are responsible for managing the staff who work for the charity and its day-to-day running.

The Board is advised by the BHF Council, which has up to 30 members. The Council is made up of the Board of Trustees and the Chairs of various BHF committees, such as the Programme Grants Committee and the Retail Committee.

The BHF has 2,700 employees, across six divisions and 2,300 of these work in the Retail Division.

**Fundraising**

The Fundraising Division’s aim is unsurprisingly to increase income each year and grow long-term legacy income to help fund the BHF’s work.

The division comprises seven teams: Corporate Partnerships, Fundraising Operations, Fundraising Promotions, Major Gifts, National Events, Supporter Development and Volunteer Fundraising.
Retail
The BHF’s Retail Division is the largest and most successful charity retail chain in the UK. With 725 shops across the UK and a growth rate of 5% a year, it makes a significant contribution to the BHF’s finances.

With a presence on the high streets of many of the UK’s towns and cities, the BHF’s charity shops also act as a powerful reminder of the charity at a local level throughout the UK. The Retail Division comprises BHF Shops, Field Management and Support Functions.

Medical
The Medical Division comprises Research Funds and Prevention & Care. It helps develop pioneering research into heart disease and ensures high-quality care and support for people living with heart disease.

Policy and Communications
The BHF’s award-winning Policy and Communications Division incorporates Policy and Public Affairs, Multimedia, and Social Marketing and Brand. The division aims to set and move forward the BHF’s policy objectives and promote the valuable work that the BHF does. It has won many awards for its hard-hitting campaigns and press coverage.

Finance and Business Management
The Finance and Business Management Division aims to maximise the effectiveness and value of the BHF’s activities. It comprises seven departments: Business Change Management, Group Finance, Internal Audit, Knowledge and Evaluation Team, Procurement, Programme Management Office and Retail Finance.

Directorate
The Directorate Division helps support staff, technology systems and the premises of the BHF so they are efficient and of high quality, and demonstrate good practice. The Division incorporates Facilities, IT, Legacies, Legal and Human Resources (which includes Internal Communications, Payroll, Recruitment, and Training and Development).

In addition to its staff, the BHF also has 24,000 volunteers working for it as of June 2013, making it the tenth most popular charity to volunteer for in the UK, behind organisations such as the Scouts (98,000), Cancer Research UK (40,000), and the Pony Club (30,000).

BHF objectives
The BHF has a clear and simple vision of what it wants to achieve – ‘a world in which people do not die prematurely of heart disease’.

Its mission is to play a leading role in the fight against diseases of the heart and circulation, so that they are no longer a major cause of disability and early death. It is the UK’s leading charity tackling heart disease in the UK population.

To fulfil its mission it has set itself some clear objectives:

- to pioneer research into the causes of heart disease and improved methods of prevention, diagnosis and treatment
- to provide vital information to help people reduce their heart health risk
- to press for government policies that minimise the risk of heart and circulatory disease
- to help attain the highest possible standards of care and support for heart patients
- to reduce the inequalities in levels of heart disease across the UK.

It is working towards these objectives through a wide range of charitable activities and government lobbying.
Charitable activities and lobbying
The BHF’s charitable activities are focused on two main areas – research into fighting heart disease and improving treatments, and helping and supporting those that have developed the disease.

In 2011/2012, the BHF spent £88 million on funding world-leading research into the causes of, and treatments for, diseases of the heart and circulation. Grants were made for 149 research projects and research programmes.

The BHF continued to award ‘Mending Broken Hearts Appeal’ grants to research facilities. This appeal aims to raise money to fund a major programme of research into the exciting potential of cardiovascular regenerative medicine. By programming stem cells, scientists hope to one day be able to repair damaged heart tissue in humans after a heart attack, so that the heart heals itself. One of the laboratories that the BHF has helped to fund has already demonstrated that this can be done in mice.

The BHF continues to support its four Centres of Research Excellence, and has awarded 93 personal research fellowships to help develop the leading researchers of the future.

The BHF is also committed to helping those who have heart problems to be better informed and to be more confident in managing their condition. The Heart Matters magazine, now available on the BHF website, plays a vital role in communicating with this audience. It has an estimated readership of one million, while the Heart Matters service now has 360,000 members.

To help promote a healthier lifestyle that reduces the risks of developing heart disease, the BHF has distributed 3.6 million resources, such as booklets on heart conditions, DVDs and heart health lifestyle booklets. It has also expanded its Health at Work programme, which provides practical advice to people in the workplace on improving their heart health, to more than 3,000 corporate members.

The BHF also provides practical help and now supports nearly 800 health care professionals, who collectively looked after 150,000 patients in 2011.

Another important element of the BHF’s activities is lobbying the UK government to ensure that heart disease and its treatment are taken into consideration whenever appropriate. As the government Department of Health develops a new cardiovascular outcomes strategy for the UK, the BHF has been successful in ensuring that it has strong representation in several of the working groups.

One of the many initiatives and campaigns the BHF is working on across the UK is a campaign to get emergency life support skills, including cardiopulmonary resuscitation (CPR), on the national curriculum across the UK, creating a new generation of lifesavers. The BHF collected over 100,000 signatures in a petition to the Prime Minister, in a campaign that was supported by the UK’s most popular daily newspaper, The Sun.

Campaigns and fundraising activities
The BHF’s biggest campaign success in 2012 came courtesy of the footballer and sometime actor Vinnie Jones.

The one time ‘hard man’ of football fronted a campaign encouraging ‘hands-only CPR’, which avoids mouth-to-mouth resuscitation, which some people find off-putting. To the soundtrack of the Bee Gees’ song Stayin’ Alive, Vinnie showed viewers how to perform hands-only CPR in a memorable way with the message of ‘hard and fast’.
The ‘digital first’ campaign, which was launched online before being shown on television, was promoted heavily on Twitter during a 24-hour period, with Facebook posts timed to appear at peak traffic times to maximise audience exposure. The video went viral, being shared more than 100,000 times in the first ten days, and the BHF became the first UK charity to be featured as a case study on Twitter’s Best Practices business website.

The video also succeeded in attracting widespread media coverage and millions of people also watched the advert on television. The TV advert has now had 2.9 million views on YouTube.

Anecdotally, the campaign has already helped save lives – over 20 people contacted the BHF to say that they had remembered the advert when confronted with someone who had collapsed and stopped breathing, and performed hands-only CPR.

One of the most high-profile fundraising events the BHF runs is the London to Brighton Bike Ride. Since it began 37 years ago, nearly three quarters of a million riders have taken part, collectively cycling 40 million miles and raising over £50 million for the charity. Each year in June, around 27,000 cyclists take part, raising around £4 million. The BHF secured sponsorship of the event from the bank Santander for 2012-2014. The ride evolved in 2012 with two new variations – night and off-road rides.

In addition to the London to Brighton Bike Ride, people can take part in 37 other cycle rides and various marathons around the UK and abroad, to raise money for the BHF.

February is National Heart Month and provides an anchor point in the year for lots of fundraising activities for the charity, such as ‘Rock up in Red’, where people wear something red at work on a set day, and donate money to the BHF for the pleasure. Over £800,000 was raised during February 2013.

**Corporate partnerships**

The BHF now has 30 corporate partnerships, spanning a wide range of industries. Many of its partnerships are long-term, such as its relationship with Legal & General, which has been running for 11 years.

Corporate partners can help the charity in a number of ways – whether through donations or fundraising initiatives or help with particular projects.

The BHF has worked with the prestigious bag manufacturer Radley for the last five years, raising more than £76,000 for the charity in that time. In 2013, Radley sold exclusively designed red leather ‘Pocket’ bags (£99) and a heart print canvas tote bag (£10), with 15% of the profits from sales of the bags going to the BHF.

Following on from the sudden cardiac arrest of Fabrice Muamba whilst playing in a UK Premier League football match in March 2012, the BHF teamed up with the Football Association (FA) to help provide football clubs across the UK with 900 defibrillators to help save lives. The FA is donating £400,000 towards the purchase of the defibrillators, which the BHF is matching, leaving the final £400,000 to be raised by those eligible clubs that want them.

The BHF worked with Villeroy & Boch, the luxury ceramics manufacturing company, to produce an exclusive range of limited edition mugs using original works of art by contemporary British artists, to raise money for the BHF’s ‘Mending Broken Hearts’ appeal. The company will donate £5 for every mug sold, and hopes to raise £20,000 for the charity.
Leading fundraising charities in the UK
The BHF’s competitors are hard to define, as although competition in the charity sector is fierce, it is of a very different nature to the commercial world.

In its broadest sense, competition encompasses everything else that the UK government or public choose to spend their money on instead – they do not have to give money to charity. They could just as easily spend the money on meals out, pubs and clubs, or holidays for example.

There is no end of good causes in the world and charities devoted to them, so the public have an endless choice of charities they can choose to give to. Competition in the sector focuses on persuading people of the primary importance of a charity’s cause and that the money devoted will be spent most effectively through that charity: it would be highly unusual for a major charity to attack another major charity and cast it in a negative light.

The most successful fundraising charities tend to be ones that are devoted to issues that affect a large proportion of the population, either directly or through someone they know. Many people have favourite charities that they like to donate to, occasionally or regularly – though such preferences would rarely preclude them giving to other charities.

As we have seen, heart disease affects a very large number of people in the UK, either directly or indirectly, and as the only major UK charity devoted to tackling heart disease, the BHF is in a very strong position to harness the donations of those who care passionately about tackling heart disease.

However, there are many other charitable causes that also have widespread public appeal, and the charities that exist to tackle these causes are, in essence, the BHF’s main competitors for donations from the public. Competition for those donations is only going to intensify in the coming years as people have less disposable income and every penny spent is increasingly scrutinised.

Cancer Research UK
The UK’s leading fundraising charity is Cancer Research UK, with income of £493 million, the fourth largest charity by income as of June 2013.

For the last two years Cancer Research UK has topped the UK Charity Brand Index, and spends more on advertising than any other UK charity: £8.1 million in 2011, more than double the amount spent by the BHF that year (£3.8 million).

Cancer Research UK was formed in 2002 from the merger of the Imperial Cancer Research Fund (founded in 1902) and The Cancer Research Campaign (founded in the 1920s).

Every two minutes someone in the UK is diagnosed with cancer (around 325,000 people each year) and more than one in three people will develop some form of cancer at some point in their lives. Cancer Research UK’s long-term vision is for a world where all cancers are cured, and the charity works hard to save lives by preventing, controlling and ultimately curing all cancers.

Like the BHF, it devotes considerable expenditure to medical research (£332 million in 2011/12). Cancer Research UK funds more than half of the UK’s cancer research, including the life-saving work of over 4,000 scientists, doctors and nurses fighting cancer, and is the world’s leading charity devoted to saving lives through research.
The charity pioneered the use of radiotherapy to treat cancer and was instrumental in bringing in the smoking ban in public places in England in 2007 – a move that is predicted to have helped prevent 40,000 deaths by 2018.

Besides its medical research, Cancer Research UK helps millions of people in the UK get the information they need to understand more about cancer, raising awareness of cancer risks and symptoms, and influencing health policies.

In 2012, the charity generated £432 million of its £493 million income through fundraising – almost identical to the figure for 2011 (£433 million). A significant proportion of this came from legacies, which were the largest source of income, at £137 million. This was followed by direct giving, which contributed £101 million, whilst fundraising events such as its highly successful ‘Race for Life’ brought in £69 million, and its 500+ shops generated income of £66 million for the charity.

The charity relies almost exclusively on donations from the public and nine out of ten donations to the charity were of £10 or less.

For every £1 donated, 80 pence goes on the charity’s work to beat cancer. The remaining 20 pence is spent on raising funds: for every £1 spent on fundraising activities, the charity generates over £4.

It has invested heavily in marketing in the last few years, combining four databases into one to provide a more holistic view of its donors and rebranding the charity in 2012 across all its communications platforms, with a gradual roll-out across its retail shops. The refresh aims to give the charity a less clinical and scientific image, moving to one that is ‘smart, brave, engaging and optimistic’.

Oxfam

The Oxford Committee for Famine Relief, or Oxfam as it became known, was set up in 1942 to relieve the suffering of civilians in Belgium and Greece in the Second World War, and is now one of the UK’s best-known charities.

The work to overcome poverty and suffering around the world continues to this day, and Oxfam works with various partners at community, national and global levels to achieve its aims. The charity combines humanitarian assistance, long-term development, and campaigning and advice/counselling/support to tackle the root causes of poverty.

With annual income of £385 million in 2011/12, it is the eighth largest UK charity in terms of income. It came 16th in 2012 in the Charity Brand Index, a fall of five places from its position of 11th in 2011.

In contrast to the BHF and Cancer Research UK, the largest income source for Oxfam at 41% was the government and other public bodies, which provided £159.8 million.

The next largest contributor to Oxfam’s income was donations and legacies from the public, which made up 27% of income at £102.6 million.

Oxfam was the first to open a charity shop in 1948 and its 700 retail shops continue to play a significant role in generating funds for the charity. Sales of donated goods contributed 21% of Oxfam’s income in 2011/12 at £79.6 million, with a further 3% (£10.3 million) generated from the sale of purchased goods and other trading income. The costs involved in generating this combined £89.9 million were £67.6 million, giving a net income of £22.3 million to the charity. In contrast, the £282.8 million income generated through fundraising had a cost of £23 million, giving a net income of £259.8 million to the charity.
Whilst many charities are suffering from UK government cutbacks, its commitment to international aid remains strong, and has in fact risen since 2010, so income from the government is likely to be less vulnerable than for many other charities.

Oxfam’s retail operation has moved with the times and the charity offers an extensive online shopping experience, with over 100,000 donated and other items available to purchase online, including a popular vintage range.

In 2011/12, 425,000 people in the UK donated regularly to the charity, showing how widespread and committed its support is amongst a significant number of people in the UK.

Oxfam works on campaigns with many other charities, such as Barnardo’s, Friends of the Earth and the Salvation Army, and also works closely with, and receives funding from, the European Union and the United Nations, amongst others.

Oxfam also has corporate partnerships with large companies such as Accenture, British Airways, Marks & Spencer (M&S), Nokia and Unilever, offering help with employee engagement and CSR through initiatives such as ‘Work for Oxfam day’.

**Save the Children**

Save the Children is a charity that works in 120 countries around the world to save children’s lives and fight for their rights, reaching more than 10 million children in 2012. That same year, it also helped 2.7 million children through its nutrition programmes, 1.8 million children through its education programme, and it gave life-saving treatment to 1.6 million children with malaria, pneumonia and diarrhoea.

Save the Children, with annual income of £333 million in 2011, was the 9th largest UK charity in terms of income.

In the 2012 Charity Brand Index, Save the Children came 19th, a rise of five places on the 24th position it held in the 2011 Index. This may in part be due to its heavy advertising spend in 2011 – it spent £6.3 million that year, the second highest after Cancer Research UK. They were the only charities to spend more than £5 million on advertising in that year.

The advertising was part of Save the Children’s largest ever fundraising campaign on child poverty in the UK, ‘Child Poverty: it shouldn’t happen here’, which sparked a national debate on the subject.

Due to accounting changes and the fact that there were fewer large-scale emergencies, income for Save the Children was considerably less than that for 2011, at £284 million in 2012.

As with Oxfam, money from government or international bodies accounted for £150.7 million, 53% of the charity’s income. In this instance institutional grants from the UK government’s Department for International Development and the European Union, amongst others.

Donations from individuals rose slightly, from £38.5 million in 2011 to £41.6 million in 2012, whilst legacy income remained stable at £13.1 million.

Income from companies, major donors and trusts, at £28.8 million, was down slightly on the previous year’s £30.7 million, though Save the Children’s focus on building strong corporate partnerships reaped rewards with a rise of £1.6 million in corporate fundraising. The charity has 25 corporate partnerships, with companies and organisations such as Arsenal FC, Bulgari, GlaxoSmithKline, IKEA, Morgan Stanley, Mothercare, Reckitt Benkiser and Unilever, working on a range of initiatives to raise money and tackle child poverty.
The charity’s retail shops generated income of £8.5 million, some 3% of total income. As with other charities, however, there were significant costs attached; in this instance £6.8 million, reducing the net income contribution considerably.

In 2012, Save the Children spent £18.3 million on campaigning and raising awareness of its ‘No Child Born to Die’ campaign.

The cost of generating funds for the charity rose slightly from £26.8 million in 2011 to £28.4 million in 2012 as it continued to invest in raising more income from individuals, recruiting new supporters, and expanding its partnerships with major corporates.

The charity has 9,000 volunteers who give up their time to run its charity shops, fundraise, organise events and provide specialist expertise.

**Macmillan Cancer Support**

Macmillan Cancer Support is a charity that helps improve the lives of people with cancer and their families and carers, and its ambition is to reach and improve the lives of everyone in the UK living with cancer.

Macmillan offers practical support, such as lifts to hospital or respite care; emotional support through its cancer support specialists and trained professionals; and financial support through grants for heating bills or travel costs, and advice on claiming relevant benefits.

The charity had an income of £144.5 million in 2011, with nearly 98% of this amount coming from donations and fundraising.

Income from legacies accounted for just over a third of the charity’s income, at £53.3 million, with responses to direct marketing accounting for the next biggest income stream, at £26 million. Fundraising events contributed £19.4 million, whilst trust and corporate income accounted for £18.5 million. Macmillan also received £800,000 in donated services and facilities.

Unlike many other leading charities, Macmillan does not operate retail shops; instead, it has affiliate deals with its corporate partners, which give Macmillan a percentage on any of their goods sold through the Macmillan website.

The charity has 23 corporate partners, which work with it in a variety of ways – from putting on events and employee fundraising, to sponsorship, payroll giving and running joint promotions. Corporate partners include Barclays, Boots, M&S, New Look, npower, Silver Spoon and Toni & Guy.

M&S cafés have supported Macmillan Cancer Support’s annual flagship fundraising event, The World’s Biggest Coffee Morning, since 2009 (it began in 1990), helping thousands of people to host a coffee morning to raise money for the charity. The partnership has raised £1.6 million since it began.

Macmillan spent just over 10% of its income, £14.5 million, in 2011 on campaigning and raising awareness, including £4.8 million on advertising, making it the third largest UK charity spender on advertising.

The advertising has certainly helped the charity raise its profile – it has now risen from fifth place in the Charity Brand Index in 2011, to second in the 2012 Index.
Overview of UK charity sector

Key characteristics of the sector

Sector size
Without a doubt, the UK has a large and well-developed charity sector.

It is impossible to calculate the total number of charities in the UK, but as of December 2012, the figure included 162,915 charities in England and Wales, which generate £5,000 or more in income each year – the point at which a charity must be registered with the Charity Commission.

The number of charities in England and Wales has grown substantially since the early 1960s, when around 20,000 were registered. Despite strong growth in the sector in the last few decades, there are broadly the same number of registered charities today as there were in 1999. Although the number of registered charities kept on growing until 2007 (when it reached an all-time high of 169,297), the financial crisis which started that year led to a decline in the number of registered charities, back to around 163,000. In the tough economic climate, some charities are turning to mergers with other charities to survive. The Charity Commission started a Register of Mergers in 2007 and as of January 2012, had registered 900 mergers.

The vast majority of charities operate on a relatively small scale at a local level, with three quarters of registered charities having an annual income of £100,000 or less – just under 70,000 charities (42.6% of the total) have an annual income of less than £10,000, whilst a further 53,000 (32.6%) have an annual income of less than £100,000.

There are 20,000 charities in England and Wales with an annual income of between £100,001 and £500,000 (12.3% of the total), and 8,115 with an income of between £500,001 and £5 million (5% of the total).

Just 1% of registered charities generate an income of over £5 million a year, some 1,831 organisations.

Together, registered charities in England and Wales generated £58 billion in annual income in 2012. As recently as 1999, the figure stood at less than £24 billion, indicating that the charitable sector has become much better at raising funds for its activities.

Although the largest charities (those with an annual income of over £5 million) represent just 1% of all the registered charities in England and Wales, they accounted for 67.9% of the sector’s income, some £40 billion. In contrast, the 70,000 charities with an income of less than £10,000 accounted for just 0.4% of registered charities’ income, some £230 million. Those with income of between £500,001 and £5 million accounted for 21% of all income generated, just over £12 billion.

The charity sector is increasingly dominated by larger charity organisations. In 1999, there were 307 registered charities in England and Wales with an annual income of £10 million or more, accounting for 43% of registered charities’ income. By 2012, there were 958 charities with an annual income of £10 million or more, representing some 57% of the income of all registered charities.

Employees
As of the end of 2012, the sector employed 2.7% of the total UK workforce – some 793,000 paid employees.
Recent years have seen the figures fluctuate wildly. There was massive growth in employee numbers between 2001 and 2010, when the UK voluntary sector workforce increased by 219,000 to 765,000 – a 40% increase in staff numbers. By 2010, charity organisations were spending £14 billion on staff wages. However, in the first three quarters of 2011, charities shed the equivalent of eight employees every hour, every day – leading to a dramatic 9% fall in staff numbers. Since then, employment numbers have been rising sharply again – up 69,000 in 2012.

Given all the uncertainty, it is perhaps not surprising that permanent employees (as opposed to temporary employees) represent 87.6% of the charity sector workforce, lower than the private sector (94.3%) or public sector (92%). Labour flexibility is also evident in the large proportion of the charity sector workforce who work on a part-time basis: 37.4% – higher than in the private or public sectors.

Employees in the sector are heavily concentrated amongst the larger charities. Only 22% of voluntary organisations employ staff – the rest rely on volunteers. Whilst 88% of large and major charities employ staff, just 27% of small charities do, and only 4% of micro organisations.

One outcome of the heavy reliance on volunteers is that pay in the charity sector is considerably lower than in the private or public sectors, with gross weekly pay of £374 on average, compared to £458 and £478 respectively in the private and public sectors.

**Charity income**

If charities are to carry out their charitable activities, they need to raise money. The more money they raise, the more they are able to carry out their activities and meet their objectives.

Funding for the charitable sector in the UK comes from five main sources:

- the general public
- government
- voluntary sector
- private sector
- investments.

According to the National Council for Voluntary Organisations (NCVO), which takes a narrower view of the charity sector than does the Charity Commission (it excludes registered charities that are controlled by the UK government, independent schools, housing associations, trade associations and religious charities whose sole purpose is to promote their religion), the UK charity sector generated income of £38.3 billion in 2010/11.

Income from the public and UK government accounts for 80% of UK charity income, with the result that although the sector has tried to diversify its income streams in recent years, it remains heavily dependent on the goodwill and generosity of the public and the ability of the UK government to continue financing charitable works on its behalf.

**The general public**

Donations by the public, combined with sales to the public through charity shops, accounted for 43% of total UK charity income, some £16.5 billion. They are a crucial source of income for the charity sector as a whole, and most charity organisations are heavily reliant on the generosity of the public to fund their activities.

Donations from the UK public have fallen recently, down from £11 billion in 2011 to
£9.3 billion in 2012. When adjusted for inflation, the fall is even sharper, at £2.3 billion – a 20% fall. The size of the average donation per donor in a typical month also fell, from £11 in 2010/11 to £10 in 2011/2012 – the same level as in 2004/05.

Some types of charities are more reliant on the public than others. Whereas employment and training charities rely to a very large degree on statutory income (72.5% in 2010/11) to fund their activities, and health charities’ income is split almost evenly between public donations and statutory sources (around 45% each), cultural, environmental and religious charities rely heavily on raising money from the public (55.6%, 64.7% and 66.1% respectively).

Charities raise money from the public through a vast array of activities. There are appeals for money through TV, radio or internet advertising, SMS, direct mail, and at a personal level through door-to-door or street collections. In addition, many members of the public take part in fundraising activities, where they are sponsored by family, friends or colleagues to complete an activity – be it a marathon, a fun run, a bicycle ride, a walk, cake baking or a parachute jump.

The UK public are amongst the most generous in the world – coming fourth out of 146 countries in the World Giving Index (2012) in terms of giving money. Some 72% of UK adults gave money to charity in 2012 – only Ireland (79%), Australia (76%) and the Netherlands (73%) had a larger proportion of the population giving money to charities. In 2011, the UK was ranked second, with 79% of UK adults giving money to charity in the previous 12 months.

Charities will usually generate more money if they can get people to commit to giving to charity regularly, rather than occasional donations. UK women are more likely to donate throughout the year than men (52% versus 43%), whilst those living in the North of England and Scotland are the most likely to donate throughout the year (55%), with those in London and the South East of England the least likely to do so (43% and 45% respectively). Over half (52%) of the wealthiest households (those with a household income of £50,000 or more) give to charity regularly, falling to 42% of those with a household income of £9,499 or less. Older people are more likely to give money to charity throughout the year, with over half of over-45s doing so (52%), and 68% of those aged 65 or more. In contrast, just 36% of 16-24 year olds and 42% of 25-34 year olds donate money throughout the year.

Another way in which charities raise money is through the sale of donated goods such as clothes, books, furniture, etc, through charity shops. With talk of the UK high street being in crisis, as the national shop vacancy rate hits 11.4% (and up to 30% in some towns), charities, which can claim 80% relief on business rates, have taken advantage of the situation to open more shops – between 2008 and 2011 there was an 8% increase in the number of charity shops in the UK to more than 9,000 shops. Together, they generated income of almost £1 billion in 2011/12 – up 34% on the previous year.

Although there are numerous different charity shops, some of the UK’s leading charities dominate the sector – the BHF alone has more than 700 shops, as does Oxfam, whilst Cancer Research UK has 553.

Over two thirds of adults claim to have shopped in a charity shop in the last year (69%), with 27% shopping regularly, and 42% occasionally. Women are much more likely to shop regularly in a charity shop (34% of women compared to 20% of men), and charity shops are particularly popular amongst mothers with young children looking for second-hand children’s clothes and toys. Nearly a quarter of men (23%) say they would never buy from a charity shop – only 10% of women say the same.
Charities also derive income from legacies, where someone chooses to leave money in their will to a charity. Such income can be highly volatile, as it usually relies heavily on the ups and downs of house prices and stock markets. Having hit a peak in 2007/08 of £2.3 billion, legacy income for the charity sector in 2011 was £1.8 billion. The average legacy in 2011 was worth £290,000. Cancer Research UK was the biggest beneficiary that year, receiving £148.9 million, followed by the RNLI (Royal National Lifeboat Institution) with £97.7 million, and the BHF with £54.9 million. Legacy income has continued to recover slowly since then, as the value of property has stabilised and shares have risen strongly – the FTSE 100 Index rose 5.8% during 2012.

Government
Statutory sources, that is, money from the UK government (either directly or through local councils) and international governments, brought in 37% of total UK charity sector income, some £14.2 billion. This is down slightly from the previous year, when the figure stood at £14.3 billion.

Income from the UK government rose 56% in real terms between 2000/01 and 2010/11, from £9 billion to £14.2 billion. However, this growth has slowed abruptly in recent years, rising by just £117 million in real terms between 2007/08 and 2010/11.

Money from local government accounts for 50% of statutory income, with 45% from central government, and 5% from European and international governments.

It is this revenue stream that has changed most significantly in the last decade. In 2001, statutory sources accounted for 32% of charity income, but much of this money was given by the UK government in the form of grants, whereas now it is overwhelmingly ‘earned income’ – the charity performs a service for the government under contract and is paid for that service. Statutory contracts, that is, paid-for services, were worth £4.5 billion in 2000/01, but have since more than doubled to £11.2 billion of the £14.2 billion statutory income total in 2010/11.

Voluntary sector
The voluntary sector provided £3.2 billion in income in 2010/11. Trusts and grant-making foundations provided services to the sector worth £1.2 billion, whilst such organisations made grants to other charity organisations of £2 billion.

Private sector
The charity sector also receives money from private sector businesses, which gave a total of £1.67 billion in 2010/11. Corporate grants and gifts accounted for just over half this amount (£842 million), whilst corporate sponsorship, research or consultancy contributed a further £836 million.

Investments
Some charitable organisations also generate revenue from their assets – from investing in shares, earning interest from banks, or rental income from investment properties. The sector had net assets of £101 billion in 2010/11, reflecting the need to hold funds for future use. The top ten charities in the UK together hold more than £26 billion in long-term investments – the largest being The Wellcome Trust, with investments of £14.6 billion. Investments by charity organisations generated £2.3 billion in 2010/11, some 6% of sector income. However, this figure is considerably smaller than the £3.2 billion generated as recently as 2007/08.
Charity expenditure
According to the narrower view of the charity sector held by the National Council for Voluntary Organisations (NCVO), the charity sector spent £36.8 billion of its £38.3 billion income in 2010/11.

£27.2 billion was spent on charitable activities (74% of total expenditure), £4.5 billion on generating funds (12%), £4.3 billion on charitable grants (12%), and £736 million (2%) on governance.

Combining the money spent on charitable activities and charitable grants means that charities commit on average 86% of their expenditure to fulfilling their charitable objectives.

Medium-sized charities dedicated 88% of their expenditure to their charitable activities (made up of 79% spent on charitable activities and 8% on charitable grants), whilst the major charities spent 86% of their expenditure on their charitable activities (72% on charitable activities and 14% on charitable grants).

Unsurprisingly, it is the major and large charities that spent the most on generating funds, at 14% and 13% respectively, whilst medium and small charities spent 8 and 9% respectively. Expenditure on governance was smallest for major charities, at 1%, rising to 8% for small charities.

Total expenditure was up slightly on the previous year, when it stood at £36.3 billion. It has been rising steadily over the last decade; in 2000/01, total expenditure in the charity sector stood at £27.1 billion.

Types of charities
The 163,000 charities in the UK cover an extensive range of interests and activities.

Those classified as 'social services' – helping the elderly, those with disabilities or mental health issues, and war veterans, amongst others – make up the largest category (19%), with over 30,000 charity organisations working in this area.

The next largest category is ‘culture and recreation’, with nearly 23,000 charities, followed by 13,400 religious charities. There are 12,700 Parent Teacher Associations working in schools, 7,700 education charities and 7,500 charitable playgroups and nurseries. There are 11,300 development charities and 6,500 health charities.

Public support for charities varies from sector to sector. Those causes where people have an emotional connection of some sort, tend to get greater support from the public.

According to the Charities Aid Foundation, education and training charities raised £7.9 billion in 2011, followed by charities dedicated to the advancement of health or saving lives, which raised £5.46 billion in voluntary contributions, and charities for the prevention or relief of poverty, at £4.14 billion.

Regulation
Over the years some charity owners and staff have abused the trust shown in them and used charity income for their own personal gain. Charities enjoy certain privileges from the UK government, such as reduced taxes, which has sometimes led the unscrupulous to disguise their profitable activities as charitable ones, in order to evade or reduce the tax they owe. As a result, the sector has long been subject to regulation.
Regulation of the sector began as long ago as 1601, when the Statute of Charitable Uses set out the first definition in English law of what a charity is: charities could only be established for the ‘relief of poverty’ – a definition that remained until 2006.

After a series of scandals in the mid 19th century, attention turned from what charities existed to do, to the way they went about doing it. The Charitable Trusts Act (1853) established a Board of Charity Commissioners to oversee the work of charities, enabling them for the first time to make inquiries into the management of charitable trusts (with the notable exceptions of university and church charitable trusts). The Charitable Trusts Amendment Act (1855) also required charitable trusts, for the first time, to submit annual accounts of how they spent their money, and The Charitable Trusts Act (1860) gave the Charity Commissioners some powers over the appointment and removal of trustees from charitable trusts.

The Pemsel court case in 1891 broadened the role of charities to four charitable purposes: the advancement of education, the advancement of religion, and other purposes beneficial to the community, as well as the long established purpose of poverty relief.

The Charities Act of 1960 was a significant milestone in the regulation of the charity sector, introducing a register of charities for the first time (which is held by the Charity Commission in England and Wales), widening the Commission’s remit to cover charities that were not trusts (and education charities in 1972), and giving it the power to investigate charities.

More recently, The Charities Act 2006 has had a major impact on the running and governance of UK charities.

The Charities Commission was granted greater powers so it could perform its duties as a modern and effective regulator of the charity sector.

The definition of ‘charitable purposes’ was updated to ensure it reflects the breadth of charitable organisations now and in the future. Charities are now required to prove that their activities are for the benefit of the public.

Previously, all charities with income of £1,000 per annum or above had to register. This threshold was raised to £5,000, freeing thousands of the very smallest charities from the need to register. In contrast, around 13,000 large charities that had previously been exempt have been required to register, to help improve the transparency and accountability of the sector.

The bureaucracy on trustees of charities has been reduced in areas, such as changing a charity’s objects (its purpose), mergers, the transfer of assets, and winding up charities.

Amendments in the following years created a Register of Mergers, also held by the Charity Commission (2007), making it easier for charities to spend permanent endowments, and ensuring professional fundraisers, commercial partners, staff and paid officials make people aware of certain information when fundraising – for example, letting people know if one is a professional fundraiser, paid to collect money for charity (2008).

With so many Acts and Amendments, the UK government introduced The Charities Act 2011 to replace previous Acts and bring them under one piece of legislation.

**Key issues in the sector**

**Increased demand on charities**
For many charities, demand for their services is increasing year on year.
There are several factors driving this increase – primarily; political, economic, social and demographic ones – some of which are immediate, whilst others are long-term trends.

**Political**

The ‘Big Society’ was one of the key policies in the Conservative 2010 election manifesto, and although the party did not win a majority in the 2010 election, they came into power with a coalition agreement with the Liberal Democrat party. The ‘Big Society’ is a central plank of the coalition government, and the UK Prime Minister, David Cameron, is personally committed to it.

The Big Society has three key components: empowering communities, opening up public services and promoting social action. The idea is that people will take more responsibility for their communities and, by volunteering and getting involved with charities, take over some of the activities currently performed by central or local government.

To support this change, the UK government has set up a ‘Big Society Bank’ to help fund Social Investment Finance Intermediaries, who provide finance and support to charities, co-operatives and social enterprises. It also aims to create 5,000 community organisers to help co-ordinate local volunteer activities, and a ‘National Citizen Service' which will offer 7-8 weeks of training to 16-17 year old from a variety of backgrounds, to help them with volunteering and being proactive in their communities through character-forming community work. There are 19 contracts for delivering the National Citizen Service scheme across England, which are in the process of being awarded.

As such, the Big Society offers a tremendous opportunity for charities to get people involved in voluntary work and to expand their activities, particularly in areas that were previously looked after by local government.

However, the Big Society idea has drawn heavy criticism from many charities, and indeed the former Archbishop of Canterbury, Dr Rowan Williams, who said that it was ‘designed to conceal a deeply damaging withdrawal of the state from its responsibilities to the most vulnerable’.

At the heart of the criticism is the concern that in an effort to save money, the coalition government is reducing government support to those in need and attempting to get the charity sector and volunteers to pick up the pieces and fill the void. With substantial reductions in funding for charities by the coalition government, many charities feel there is a gulf between the rhetoric of supporting and encouraging charities and voluntary groups, and the reality of significant cuts in funding, causing some charities to close down and many others to reduce their activities.

**Economy**

The UK economy continues to perform poorly and this has led to a rise in demand for charities working with the homeless, unemployed, disabled and elderly, who have all been affected in some way.

The UK’s GDP remains some 2.6% below its peak in quarter one 2008, some five years after the global financial crisis began. Since then, economic growth has ‘bumped along the bottom’, causing a significant headache for the UK government, which had hoped that by now economic growth would have started to help increase revenues and bring down the budget deficit. Instead, with growth stalled, the deficit remains stubbornly high at £119.5 billion in 2012/13 (excluding one-off payments such as the Royal Mail Pension Plan), and total UK government debt has risen from £890 billion in 2010, to £1.2 trillion in 2013.
The result has been a substantial squeeze on government department budgets outside the largely protected areas of health, education and international aid – though the National Health Service (NHS) has to find efficiency savings of £20 billion by 2015.

One area in which the UK government is particularly keen to reduce spending is the £159 billion welfare budget (2010/11), which is spent on pensions, housing benefit, income support, unemployment benefit, maternity benefit and benefits for the disabled, amongst other things. Some 20 million families (64% of all families in the UK) receive some kind of benefit payment from the government, and for 9.6 million of these families the benefits provide more than half of their income. Over half of these (5.3 million) are pensioner families. With pensioners’ benefits protected until the next election – the Conservative party pledged not to cut pensions or pensioners’ entitlements during this term of office – the cuts have so far fallen heavily on the remaining 48% of the welfare budget.

Charities working with the disabled, unemployed, young people and those who rely heavily on government benefits have all seen significant increases in the number of people coming to them for help. Charity food banks, for instance, provide a limited number of food parcels for those in desperate need of food. There has been a near tenfold increase in the use of food banks in the UK since 2009 to feed over half a million people who are now going hungry each year.

One of the most significant economic factors behind the increase in demand for help from charities is stagflation: stagnant economic growth combined with high inflation. The result is a fall in real wages, as the wages workers take home fail to increase at the same pace as the cost of living. This leads to households becoming poorer and having less disposable income to spend, as more of their money is taken up with paying essential household bills.

Between 2009 and 2012, real wages fell by 8.5% in the UK. In quarter one 2013, total pay rose by 0.4% on a year earlier, way behind inflation at 2.8% as measured by CPI (the Consumer Price Index), or 3.3%, using the traditional inflation measure of RPI (Retail Price Index). With real incomes now falling at an annual rate of 2.9% (based on the RPI figures), many families in the UK are struggling to make ends meet and are facing financial hardship. Indeed, 55% of low-to-middle income households now have no savings to fall back on, and 30% of low-to-middle income households with debts are spending more than a quarter of their pre-tax income on debt repayments.

Many would argue that the figures above understate the full extent of the fall in real wages, as the official inflation measures do not reflect the real rate of inflation experienced by most people – rises in food, fuel or rent affect everyone, whereas the price of a holiday flight or an iPad is not an everyday or essential expense. The price of food rose 37% in the 2000s, whilst the cost of fuel rose 110% over the same period. Between 1999 and 2009, the average price of a house in the UK rose 121%. Yet, with a baseline of 100 for 2005, the official CPI figures showed a rise from 92.3 in 1999 to 110.8 in 2009, or a rise of just 18.5% over the period.

This continued squeeze on household income has meant more people are turning to charities for help as they struggle to keep a roof over their head or feed their families. There are some who argue that there is little relief in sight as the UK is in the middle of an economic depression, rather than recovering from a recession, and the forecasts of strong growth just around the corner will fail to materialise until 2015 at the earliest. Until there is a recovery, many of the most vulnerable people in society will continue to rely on charities to help them through these tough times.
Social and demographic

There are several long-term trends that will have a significant impact on the demand for some charities’ services.

Perhaps the most significant trend is an ageing population. Despite the influx of over a million Eastern European workers in the last decade, the UK population profile continues to age. Between 1985 and 2010, the number of people aged 65 and over in the UK rose 20% to reach 10.3 million – 17% of the total population. Medical advances are prolonging life for many who would previously have died, and life expectancy for children born in the UK now stands at 78 for males and 82 for females. Between 2010 and 2030, the number of over-65s is predicted to increase by 51% to 16 million, and the number of those aged 85 and over predicted to double to 2.8 million.

Whilst long life is a cause for celebration for the individual concerned, for society as a whole it puts tremendous strain on public services, and in particular, the public health service. Many elderly people require at least a degree of support from others, whilst those with long-term health problems can need a great deal of support. Already, nearly 2.5 million over-65s have care needs. It is forecast that the five most common chronic conditions among the over-65s (arthritis, heart disease, stroke, diabetes and dementia) will increase by 25% by 2020, and by more than 50% by 2030.

Another significant development in the UK is the rise of obesity to epidemic levels: in England, 61.3% of adults and 30% of children aged between 2 and 15 are overweight or obese. Being overweight increases the likelihood of heart disease, type 2 diabetes, and certain type of cancers, which can result in death or long-term ill health, requiring on-going support and assistance.

The demands on charities that help the elderly, the sick or the disabled will rise sharply in the coming years and for a long time to come, unless there are major medical advances or significant changes to people’s eating habits.

Funding

With 80% of charity income coming from the public and the government, the financial well-being of households and the state has a significant bearing on the income charities can generate.

Government

With the UK national debt climbing steeply, the UK government is cutting back on spending, and these cutbacks are having an adverse impact on those UK charities that rely heavily on government contracts or grants.

Funding from the UK government is forecast to fall by £2.1 billion, some 15%, by 2017/18, with charities that are reliant on local government money particularly hard hit. By 2015, most local authorities will have seen their budgets cut by a third, with a direct knock-on effect on the amount that local government can spend on charity and community projects.

Recent research by the Charities Aid Foundation (CAF) found that one in six charities believe they may face closure in 2013 due to public spending cuts and falling donations. Already, nearly half of the charities it surveyed were dipping into their reserves to maintain their work, whilst nearly one in three said they were being forced to cut services or jobs.

However, the political situation may soon change. A general election must take place no later than May 2015, with the possibility of a new government, which may slow down or halt the spending cuts. That said, it is very likely that whichever party is in government after the next general election will still need to make cuts to the funding available to charities.
In parallel with the cuts in government spending, there is also a drive for greater efficiencies and ensuring the taxpayer is getting value for money. One consequence is a rise in ‘payment by results’ in government contracts: if the charity delivers what it says it will, it is rewarded, and success increases the chances that it will be awarded more contracts in the future.

One example is St Mungo’s, a charity that helps homeless people in London, which has a three-year £2.4 million contract with the Greater London Authority (GLA) to find accommodation for 400 rough sleepers in London: the GLA will only pay if the charity is successful in its efforts. Social investors, who have put up the majority of the funding for the project, will be rewarded with a return of 6.5% on their investment if the charity delivers on its promise.

Six government departments have so far taken up payment by results to a greater or lesser extent, giving contracts to private companies or charities, with the Ministry of Justice the most keen to adopt the practice. However, despite initial enthusiasm, there are indications that many government departments recognise some of the complex issues around payment by results, and are now taking a more cautious approach.

With issues such as helping someone to find a job, it can be difficult to be precise about what success looks like and what is realistically achievable by the charity or private company. Does a job mean a full-time job or a part-time job? A permanent job, temporary job, or internship? For a week, a month, six months, a year, two years? At what point is payment made? A job a person is qualified for, or just any job, even if it is under-utilising their skills and experience? Rewards for those who are relatively easy to find work for, or just the most difficult cases where the individual has few or no skills and has been out of work for a long time? What proportion of the contract should be payment by results? All of it? 50%? 20%?

For some charities, such as St Mungo’s, payment by results may represent a tremendous opportunity to demonstrate the effectiveness of their work and expand their operations. However, there has been criticism that payment by results favours larger, more resource-rich charities, which are able to commit to such contracts, whereas smaller charities can struggle to attract social investors and may experience problems with cash flow until payment is received. Such contracts can mean taking on a significant risk to their very existence if they fail to deliver, or have been over-ambitious in what they have promised to deliver.

**Public donations**

The other key source of funding for charities is the public, but with household finances being squeezed, donations by the public to charities are now falling. This is not surprising, given significant rises in food, fuel and rent bills over the last few years – once adjusted for inflation, average disposable household income in 2012 was £15,000 for the year, lower than in 2007.

In 2012, 28% of UK adults did not give to charity. Not being able to afford to give was the most commonly cited reason by 36% of UK adults who never donate to charity. Women were more likely than men to cite this reason, as were those with a household income of under £25,000, and those aged 45 and over.

Traditionally, older people have tended to donate more, and regularly, to charity. A higher percentage of those aged 55 and over donate regularly to charity than any other age group (59% in 2012, down from 61% in 2010).

This is not so surprising, given that 80% of the UK’s financial wealth is held by the over-50s, who have on average higher disposable income than the under-50s. The 55-64 age group is the wealthiest in the UK by some distance, with considerably more wealth than the 16-24,
25-34 and indeed 35-44 age groups, at a median of £431,000 per household, compared to £322,000 for 45-54 aged households, and £187,000 for 35-44 aged households. The second wealthiest age group is those aged 65-74, with median household wealth of £347,000. Of the 2.5 million ‘millionaire households’ in the UK (those with household wealth of over £1 million), the over-55s make up the vast majority. For many of these people, a significant proportion of their wealth is tied up in their homes and pension funds.

However, wealth among the over-55s is not uniform, and a significant number of older people are struggling financially. There are already 1.8 million pensioners in the UK living in poverty, and 2.2 million with no savings to fall back on. With longer life expectancy, even those who have saved money for their retirement are finding that their money has to stretch further. With the Bank of England’s interest rate at a record low (0.5%), the interest earned on savings is virtually non-existent, at an average of 0.8% interest on a no-notice savings account, significantly below the rate of inflation (2.7% in May 2013, based on CPI). Combined with substantial rises in the cost of living (household energy bills rose by nearly 30% between 2009 and 2012), far outstripping the official inflation-linked rises in the state pension, many older people are struggling to make ends meet, and are finding it harder to find the money to give regularly to charity.

Although young people (those aged 16-24) are the least likely amongst all age groups to donate regularly to charity, the proportion donating on a regular basis has risen fastest amongst this group, rising 7% between June 2010 and March 2012 to reach 36%. More than any other age group, young people are influenced by how giving makes them feel, with 63% saying it makes them feel good about themselves – in contrast, only three out of ten over-55s feel the same.

Whilst having money to donate to charity is obviously important, it is not everything: some of the poorest in society give generously out of what little they have, whilst some of the richest give nothing at all. Amongst those who never give to charity, 28% said that they preferred to spend the money on themselves and their family, and 15% said that they already pay taxes, so saw no reason why they should give to charity.

Across all ages and income groups, having a personal connection to a cause, charity or fundraiser is key to donations being made.

When asked, 77% of donors said that they give to charity if they truly care about the cause – rising to eight out of ten 16-24 year olds and over eight out of ten over-45s. This is reflected in the high percentage of donors who support causes that affect someone they know (54%), and who donate if asked to by family or friends (53%). Amongst 16-24 year olds, 70% will donate if asked to by family or friends, reflecting the strong peer influence in that age group. For children’s charities, families play an important role, with six in ten parents with children at home giving to children’s charities if asked to by family or friends, compared to under half of adults without children.

The personal connection is also reflected in the types of charity people donate to. The most popular are cancer research charities. Almost six out of ten UK adults donated to cancer research charities in the last year; one in three people in the UK will develop some form of cancer at some point in their lives. The next most popular cause was the Poppy Day Appeal, supporting the Armed Forces (55% of UK adults donated to the charity in the last year); children’s charities (35%); hospitals and hospices (25%); animal welfare (24%); heart disease research (17%); wildlife/conservation (13%); followed by a range of other charities, such as those supporting the elderly, or religious groups. Only 3% of UK adults gave money to human rights charities and just 2% to AIDS research.
However, a significant stumbling block to donations is a lack of trust in how well the money given will be spent. Although charities typically spend around 80% of their income on their charitable activities, the public perception is that charities only spend 50-60% of their income on achieving their objectives. Such doubts are widespread even amongst those who give to charities – more than half of donors surveyed (56%) said that not enough of the money donated actually gets to the cause. Transparency in how the money donated is spent, and how effectively the money is being used, will be increasingly important, especially amongst those who are struggling financially.

Another stumbling block to donations can be a lack of clarity – 33% of donors said they felt reluctant to give money to some charities because they did not understand their purpose.

**Retail**

One of the ways in which some charities have sought to diversify their income streams is by opening more charity shops. This has proved very successful for many charities, with strong growth to more than 9,000 charity shops across the UK, and increased revenues.

One of the key drivers behind the rapid expansion has been the decline of many high street shops, with chains such as Woolworths, Jessops and HMV closing. More than 7,300 high street shops closed in 2012 alone, leaving many high streets with large vacancy rates.

Charity shops have expanded so rapidly because they have several advantages over other high street businesses. They have low costs – goods are freely donated by the public and the workforce has a high level of volunteers who give their time freely – and they enjoy a generous business rate relief of 80%. In 2008, the law was changed so that landlords now have to pay business rates on empty business premises, so it makes sense for them to let empty shops to whoever is willing to take them on. With their low costs and need to diversify revenue streams, many charities have enthusiastically set up shops in towns and cities across the UK.

However, the rapid expansion is beginning to meet resistance in some areas. Whilst in the current economic climate, buying second-hand goods from charity shops is increasingly popular with hard-pressed shoppers, some high streets are reaching saturation point: Rochdale, for instance, has twice the national average of charity shops, with eight in the 100-metre-long Yorkshire Street. This has led some to complain that too many charity shops can make a town feel down-market, with its population reduced to living on the margins of society.

There have been various calls to restrict the number of charity shops in high streets or to reduce or cut altogether the 80% business rate relief enjoyed by charities. The Welsh Government Business Minister, Edwina Hart, has proposed reducing the business rate relief for charity shops in Wales to 50% by 2022. It remains to be seen if the UK government or other areas of the UK will follow suit.

With some areas reaching saturation point, charity retailers are becoming more commercially minded and seeking fresh ways to increase revenues.

More than half of all charity shops are now selling goods online, with 94% using eBay and 31% selling through their own websites. Online sales account for around 5% of sales for charities, compared with 10% for mainstream retailers, so there is still considerable scope for expansion. eBay is particularly useful for charities, as it widens the number of people who will see an item and improves the chances of finding someone who will be willing to pay a higher price for it, than a visitor to the shop itself. Online charity auctions are proving popular, with people bidding for items donated by celebrities.
One area ripe for experimentation is involving designers in the creation of designer wear from donated clothes, which would help boost revenues and raise awareness or the profile of designers, particularly those just starting out.

Men are significantly less likely to visit charity shops, so broadening the range of goods being stocked to include those that appeal more to men, is another potential area for expansion for charity shops.

**Corporate giving**

Businesses have long donated money to good causes. The chosen charity would often be determined by the personal choices of the business owner or senior managers, who would donate to a charity that appealed to them or they had some connection to.

However, the last decade or so has seen a move by many companies beyond charitable donations to adopt a more sustainable or ethical approach to how they operate. Often this has taken the form of a CSR strategy or policy, which recognises that businesses have a responsibility to the society in which they operate and to the wider environment, and this then informs the business’s decision making.

One element of this can be charity partnerships and cause-related marketing. For businesses, such partnerships can help their brand stand out in an often crowded marketplace, giving it a ‘higher purpose’, whilst charities gain increased awareness and revenue.

The most effective charity partnerships are developed over time, with a long-term commitment by both parties, and a shared sense of values. Having a real synergy between the brands, where the partnership seems relevant and logical to the public, can also really help.

The retailer M&S has had a partnership with the charity Oxfam since 2008. Under their ‘Clothes Exchange’ programme, anyone who donates unwanted M&S clothes to Oxfam will receive a £5 voucher, to be used when spending £35 or more on clothing, homeware or beauty products in M&S stores. The programme has already raised more than £3 million for Oxfam.

The UK’s largest retailer, Tesco, has had a partnership with Cancer Research UK’s ‘Race for Life’ since 2001. Race for Life is the UK’s largest women-only fundraising event, and since it began in 1994, six million women have raced in the events, raising £493 million for Cancer Research UK. In 2013, 20,000 Tesco staff ran in the 230 races across the UK, raising £1 million for the charity.

In 2012/13, Tesco made Cancer Research UK its charity of the year, and staff and customers together raised £11.85 million for the charity, beating their target of £10 million. Tesco staff took part in various fundraising activities, such as a static ‘Cycle to Lapland’ ride on exercise bikes in Tesco stores over a weekend, and even a trek to Mount Everest base camp in Nepal. Tesco’s own charitable trust, The Tesco Charity Trust, also topped up the money raised by Tesco staff by an additional 20% (up to a limit of £500,000). Besides raising money and awareness of the charity through Tesco’s activities, Cancer Research UK was also able to alert shoppers to the early signs and symptoms of cancer through eight million information leaflets that were available at Tesco’s checkouts.

Despite such notable successes, the recession and subdued economic environment have led many companies to cut back on their donations or at least rethink how they work with charities.
Companies are increasingly taking a more strategic, long-term approach to their charitable activities, rather than one-off donations, which whilst useful in cash terms for the charity, do not make the most of the relationship. Greater involvement by companies can result in more meaningful and mutually beneficial relationships that help both business and charity to meet their objectives.

Instead of donating money, some companies have taken to ‘donating in kind’, where instead of a financial gift a company gives the time of its staff to help out at the charity, perhaps with project management, data analysis, advertising campaigns, PR or IT support. When done well, this can be extremely beneficial for both the company and the charity. It can help charities gain access to resources and expertise that they may never be able to afford, whilst staff at the company can develop their skills and knowledge in a different and often challenging environment. Company staff can also feel a greater sense of pride in their work, in that they feel they are making a positive contribution to society and helping others.

However, a significant proportion of charities (around a quarter) remain less convinced of the benefits – they would much rather have the money. The services offered by a business may not be particularly useful to the charity, or the volunteers may be more of a nuisance than an asset, being unfamiliar with the processes and systems and needing constant supervision and guidance.

Interestingly for charities, whereas in general it is the over-55s who respond best to charity marketing, when it comes to charity-linked promotions, it is the 18-44 age group who respond best – 40% of this group have changed their shopping behaviour because of a promotion, compared to 31% of 55-64 year olds, and 25% of those aged 65 and over.

Legacies and philanthropy
As we have seen, the income from legacies is struggling to hit its peak of £2.3 billion in 2007/08, and although revenue is rising steadily again, the income stream is heavily dependent on the fortunes of house prices and shares, which make up a very large proportion of legacy gifts. Given ongoing concerns about the Eurozone, the fate of the euro currency, the fragility of many of Europe’s banks, and the assessment by the OECD (Organisation for Economic Co-operation and Development) that UK house prices are overvalued by 31%, legacy income is likely to remain volatile and unpredictable for some time yet.

However, there are initiatives to try and encourage more people to leave legacies to charities.

In 2008, Richard Thaler and Cass Sunstein’s book Nudge set out the idea that little changes to processes, or even just the wording on a form, can result in big changes in behaviour. The UK government is keen on the idea of ‘nudging’ and has set up the Behavioural Insights Team in the Cabinet Office, otherwise known as the ‘Nudge Unit’, to apply insights from academic research in behavioural economics and psychology to public policy and services.

One of the ideas that has been trialled is for solicitors or will-writers to ask additional questions when people are drafting their wills. Studies showed that by asking people if they wanted to include a gift to charity in their will, three times the number of people agreed to do so – 5% wanted to leave a gift to charity without being prompted by a solicitor or will-writer, but this rose to 11% when prompted, and 15% when told ‘Many of our customers choose to leave money to charity in their wills – are there any causes you are passionate about?’

If solicitors and will-writers consistently asked these questions, it could generate an additional £4 billion a year in legacy income for charities, a significant increase when other funding streams are struggling.
Looking further ahead, the outlook for legacies remains uncertain. On the one hand, the massive increase in the number of elderly people in the UK as the ‘baby boomers’ retire means that there will be a far larger pool of potential donors. These are already the most likely age group to give to charity, so potentially legacy income for charities could see a significant boost over the next couple of decades.

However, as we have seen, there are large numbers of impoverished pensioners who will have few if any sizeable assets to give to charity, and even amongst those who do, there will be many whose money will be largely swallowed up by care bills in their old age, or who wish to help out their children and grandchildren – particularly given the difficulties of buying a house or saving for their pensions.

Of course, people do not have to wait until they die before making a large donation to charity.

Philanthropy, the generous donation of substantial sums of money to charity, has always played a significant role in US business – from John Rockefeller and Andrew Carnegie through to Bill Gates and Warren Buffett today. ‘The Giving Pledge’, launched in June 2010 by Bill Gates and Warren Buffett, aims to get billionaires to pledge to give away at least half of their wealth. So far, 114, mostly US, billionaires have signed up, including the founder of Facebook, Mark Zuckerberg.

However, outside the US, philanthropy is less a part of the culture and high net worth individuals are more reluctant to donate large sums of money to charitable causes.

Figures for 2010/11 show that the number of individuals donating more than £1 million to charity in the UK in the year rose to a record 232 individuals. However, the value of those donations actually fell 5% to £1.24 billion.

**Mergers**

Charities merge for a variety of reasons. For some, it is a matter of necessity – unless they merge with another charity they will shut down. For others, it is a deliberate choice, a decision to join together to share resources, expertise, and perhaps gain greater influence.

Recent mergers have included Age Concern and Help the Aged to form Age UK in 2010, to form the UK’s foremost charity for the elderly, and the BHF and No Smoking Day in 2011, when the anti-smoking charity found out that its funding of £250,000 from the Department of Health, 50% of its income, was to be axed.

In 2011, there were 265 charities with a turnover of more than £500,000 which either closed down or merged with another charity.

With one in six charities facing closure in 2013, an increasing number of charities are turning to mergers with other charities to survive and this trend looks set to continue over the coming years.

Some shake-out of weaker charities may actually be good for the sector – there are 733 UK charities that help with sight loss, for instance. Do there need to be so many? Is their influence with government diluted by there being so many? Is the public confused by so much choice?

The economic downturn seems to have led to the most efficient charities becoming even more so, whilst the least efficient seem to be getting worse and are struggling more – only 6% of staff in charities believed to be inefficient, reported an improvement in their efficiency, whereas 45% of staff in charities believed to be efficient reported further gains in efficiency.
Staff morale
Morale in the charity sector is at an all-time low. A survey in 2012 of those working in the sector showed only 29% felt morale in their charity was high, down from 43% in 2011.

A major cause of morale plummeting is redundancies: 62% of respondents in 2012 said there had been redundancies at their charity in the past year (the same level as in 2011 and 2010). Whereas initial cuts cleared out the less productive members of staff, as the cuts have continued, workers in the sector are now seeing good colleagues go.

Workers in the sector appear to be increasingly disillusioned with their employers, and in many cases feel that their leadership teams are ineffective and out of touch.

In 2011, 70% of those surveyed would recommend their charity as an employer, but by 2012 this had fallen to a new low of 56%. A significant 30% of respondents said that their senior management team was not effective – with similar percentages irrespective of the size of the charity. The figure was up 11% on 2011. The number of respondents who said that their leaders were out of touch was also up 8% between 2011 and 2012, rising to 38%.

Fewer workers are feeling appreciated at work, with 55% feeling appreciated in 2012, down from 64% the previous year. Those working in small charities feel the most appreciated (62%), compared to just 46% of those working in medium-sized charities (between 50 and 200 employees). The best charity organisations make sure that they support their middle managers so they in turn can support their teams.

Another significant factor affecting morale in the charity sector is the frustration of feeling misunderstood: 86% feel that the public does not understand how charities work.

Pay is of course much lower than in the private and public sectors. Although this has always been the case, in a tough economic climate when many people are struggling financially, it can become more of an issue and lead them to leave the sector. As mentioned above, the gross weekly wage for someone in the charity sector in 2011 was £374, compared with £458 in the private sector, and £478 in the public sector.

Marketing
In many ways, good communications are central to the success or failure of a charitable organisation.

Charity marketers usually have two overriding communication aims: to raise awareness of their cause or work, and to raise funds for their charitable work. Failure to communicate these effectively can result in severe financial difficulties, or even closure. As the financial pressures on charities have grown in recent years, so the importance of marketers, and their ability to communicate effectively across a range of stakeholders, has risen.

Charities have a wide range of stakeholders that they need to communicate with: those the charity is helping, donors, corporations, volunteers, staff, trustees, the public, the media, local or national government, other public bodies, and often other charities as well.

Direct marketing
One of the main tools marketers use to raise money from the public is direct mail – printed direct mail accounts for a staggering 70% of marketing spend in the charity sector, and one fifth of all UK direct mail spend in 2010 came from charities.

Historically, charity marketers have been slow to respond to developments in direct marketing and sending targeted and personalised mailings. Whilst many commercial companies quickly adopted better data management and customer relationship
management systems to deliver sophisticated and well-targeted mailings, charities often lagged far behind. In fact, the free charity pen with a mailing became a cliché around the millennium as charity marketers showered the UK public with unsolicited, mass mailshots.

As customer expectations have changed, the importance of well-targeted mailings by charities has never been greater – 15% of consumers say that they would stop donations to charities that used inaccurate personal details, 30% would stop supporting a charity that sent them badly targeted mail (such as sending a woman a mailing on prostate cancer), and 47% would stop supporting a charity that they feel is wasting money on marketing communications.

However, the last five or six years have seen many of the largest charities embrace better database management and targeted mail campaigns in an effort to reduce waste and to get to know their donors better.

In 2008, Cancer Research UK recognised the problems of holding four different databases and the danger that potential donors could be contacted by more than one team at the same time, with no-one in the marketing department knowing that they had received multiple communications from the charity. By centralising the four databases into one, the marketers at the charity now have a much clearer picture of their donors. It also enables them to manage the donor experience better and maximise any cross-sell opportunities. The move has also given the charity several other important benefits: not only is one database much cheaper to maintain, it has led to a change in culture within the charity to being product-neutral and doing the right thing for the donor rather than the individual teams.

Establishing a ‘single customer view’ across the organisation enables charities to identify the most profitable donors – regular donors are more profitable than those who donate infrequently – and identify potential donors who can be persuaded to give more regularly or a larger amount of money. It can also help the charity assess the most effective communication channels, and the most persuasive, engaging or powerful campaigns.

The many benefits of a single customer view are clear, and other leading charities, such as Oxfam and Shelter, have followed suit, with Shelter establishing a data insight team in 2010. This is enabling the predominantly larger charities to gain real insights into donor behaviour and run very sophisticated multichannel activities that lead to greater engagement and increased revenues.

However, there are still considerable challenges. For many charities, even the largest ones, it is hard to manage the data from their charity shops, with many customers paying cash, making it impossible to track them. In addition, the explosion of social media in recent years, and the large range of marketing channels now available to marketers, have made it more difficult to record the various interactions with a donor – and of course there are many interactions with the charity’s brand that cannot be recorded (word-of-mouth from family, friends or colleagues for instance). Integrating the data from all these different channels, both online and offline, remains a considerable challenge.

Many of the smaller charities increasingly recognise the need to improve their database management and gain a greater insight into their donors so that they can more effectively tailor their communications to them, but are held back by a lack of expertise and funds to do so. Although costs for databases have fallen in recent years, many charities seem reluctant to make the, often substantial, investment when revenues are increasingly tight or indeed falling.

As well as helping to identify profitable and high-value donors who should be prioritised, good data management can also help identify unprofitable donors. Whilst many commercial
organisations have no qualms about discouraging and losing unprofitable customers, the issue is complex and controversial amongst charities. Although unprofitable donors are unquestionably a financial drain on a charity’s often scarce resources, there is a reluctance among many in the sector to jettison supporters.

Unprofitable donors are those donors whose donations do not cover the cost of servicing them – more often than not these are non-regular donors who are very resistant to committing to monthly giving, young people, and parents of young children. They can also be donors who have a low level of psychological involvement with the charity, perhaps where the charity is a second or third choice of good cause to support.

There are various tactics that can be used to deter donors. One in eight charities in a research study on the subject systematically deselect unprofitable donors, whilst less than half of the charities in the study reduce the volume of materials they send to unprofitable donors, and around a quarter use other policies, such as sending lower quality materials to those donors who are costing it money, communicating only by email, or explaining to donors that they are currently unprofitable and asking them to commit to a certain level of donation each month.

However, such approaches are fraught with difficulties.

Often, by limiting or downgrading the communications sent, the charity makes it even more likely that the donor will remain unprofitable or leave – but without the opportunity to become profitable. One way to overcome this is to invite the donor to increase their commitment. However, this runs the risk of angering or upsetting the donor, who might feel offended and complain loudly and bitterly to their social network.

Historic data is not always a reliable indicator of future behaviour: donors’ personal circumstances will change over time. For instance, the poor student may eventually end up as a wealthy senior executive. In addition, just because someone has not given much money up until that point, it does not mean that they never intend to. In the US, a one-time US$25 donor ignored all further communications from a charity over the next decade, but when they died, they left a multi-million dollar legacy to the charity.

By deselecting unprofitable donors, the remaining donors bear a heavier proportion of overhead costs, dragging more people into the unprofitable category, which keeps rising as a consequence.

The cost of identifying the unprofitable donors, particularly if they are a small number, may be prohibitive – it simply is not worth investing the money to upgrade IT systems to find out who they are.

Finally, it may simply be that such activity flies in the face of the ethos of the charity, which might regard all donors as important to the organisation and its cause, rather than a financial resource that needs to be maximised. Even if a charity did feel that it was acceptable to deselect unprofitable donors, such actions could become a public relations disaster were they to become public, with significant damage to the charity’s reputation. The perception that the charity is only interested if people donate at a certain level or above, would most likely upset a large proportion of the UK public.

As the cost of the technology needed to gain a single customer view falls, and the pressure to become more efficient rises as finances continue to be squeezed, more charities will face a dilemma over how to manage their unprofitable donors.
Branding
Branding is becoming ever more important to all charities, right across the sector. There can be a large degree of uncertainty around giving to charity, and a strong brand that communicates clearly the purpose of a charity and what it stands for can be a tremendous asset.

Many of the UK’s largest charities have carefully managed brands that are well known and trusted by the UK public.

In the year ending March 2011, 23 UK charities spent more than £1 million on advertising – up from 17 charities in the year ending March 2009. Two charities spent more than £5 million in 2011: Cancer Research UK spent £8.1 million and Save the Children spent £6.3 million. Other big spenders that year were Macmillan Cancer, which spent £4.8 million, and the BHF, which spent £3.8 million.

One of the most significant trends over the last decade at least has been the rise and dominance of larger charities at the expense of smaller, less well-known ones. As the larger charities take an ever greater proportion of charity income – the 1,831 UK charities with income over £5 million now account for 67.9% of the sector’s income – it is getting harder for smaller charities to attract interest and donations. One way in which they can is through better branding.

Branding can have a dramatic impact on a charity’s fortunes. The Parkinson’s Disease Society rebranded itself as Parkinson’s UK in 2011, with dramatic results. Its voluntary income rose by 15% (an increase of more than £1 million a year) and its supporter base grew by over 27,000.

As competition for donations intensifies, it is those charities with a strong, clear brand, and that can build or develop deeper emotional connections with their brand, that will be best placed to weather the on-going economic storms.

Value for money
It is vital that charities are able to demonstrate that the money given to them is spent wisely.

With many people’s personal finances getting tighter, and a focus on cutting waste by the UK government, charity spending is increasingly being scrutinised.

There is considerable public disquiet that the money they give is wasted on administration and marketing costs and does not reach those who it is intended for, and this can prove a significant barrier to giving to charity for some people. The public believe only 50-60% of the money donated is spent on charitable activities, when in fact it is around 80%.

One particularly tricky area is charity marketing. For some members of the public, this is a waste of good money that should be spent directly on charitable activities, not on ‘brand awareness’ or ‘PR gimmicks’. The use of high-quality materials can be heavily criticised in some quarters as an unnecessary extravagance, again taking money away from those that need it most.

However, the charity sector is in general highly cost-effective in generating income. It is estimated that the charity sector spent £4.1 billion to raise £17.4 billion in 2009/10. £3.2 billion of this went on fundraising and publicity, with the remainder spent on managing investments and trading subsidiaries, such as charity shop costs. Every £1 spent on generating income raised £5.45 for charities.
Demonstrating that money donated will go towards charitable activities and will make a real difference to people’s lives will be increasingly important for charities in the coming years.

**Social media**

Social media is transforming the marketing landscape for all organisations, including those in the charity sector. It is already such an integral part of many people’s daily lives that it is hard to believe that social media did not really exist a decade ago.

When ‘The Facebook’ was launched at Harvard University in the United States in 2004, it attracted 1,200 users within 24 hours. Such phenomenal growth has continued unabated for Facebook, which as of June 2013 had almost 1 billion users worldwide.

Twitter was created in 2006 and already has 500 million user accounts worldwide, around 200 million of whom use it regularly.

The UK population is an avid user of social networks, indeed the most avid amongst all the large western European countries, with 32.1 million people in the UK using social media regularly. This is forecast to rise to 36.7 million regular users by 2017. Facebook accounts for nine out of ten social media accounts in the UK, with 30 million people having a Facebook account – a penetration rate of 48.2% of the UK population, as of June 2013. Nearly half of these users (48.6%) are aged between 18 and 34, though the age group seeing the fastest growth in joiners is now the over-55s.

However, Facebook’s penetration rate appears to be flattening out and the frequency of visits by some users is declining – monthly visitor numbers in April 2013 were down by two million in the UK on six months earlier, and by nine million in the US. With more alternatives such as Instagram and Path on the scene, the next few years may well see a greater degree of fragmentation in social media sites, making social media activity a more complicated affair to manage and monitor.

Although charities often lag behind commercial companies in the adoption of IT systems, many charities are adept at using social media and are in many ways more advanced than their commercial counterparts.

At the heart of social media is engagement, and this is something charities have always been concerned with.

Charities are very effective at harnessing the support of others, such as volunteers, to help their cause, and social media provides a perfect environment to maintain regular contact with supporters, spread key messages, understand feedback, respond quickly to events and encourage donations.

By making it easy for volunteers and fundraisers to share a charity’s messages, promote their fundraising activities, or make their social network aware of their donations, social media can help charities spread their messages and influence to a much wider audience – one that may be more receptive to the message because of their personal connection with the sender.

Simple processes, to make life easier for people, can make a significant difference in social media. Research shows that people will give 44% more if they can make a donation without having to leave Facebook, so JustGiving, a business that helps charities with online fundraising, has created a giving widget that charities can add to their Facebook page for free, to enable people to do just that.
Charity marketers are increasingly using online videos to tell the stories of the people that they are helping. This can be a powerful way to emotionally engage people in a charity’s cause and spark interest in the subject, raise awareness of the issues and or the charity, and it may even act as a trigger for donations.

Social media also has the not insignificant benefit of being cheap in comparison to other communications channels.

**Ways to donate becoming easier**

The easier charities can make it for people to donate, the more likely they are to secure a donation.

As a large proportion of the UK population increasingly live life on the move and would be lost without their mobile phone – according to one survey 41% of respondents carried two mobile phones or more so they could always be contacted – it makes sense for charities to tap into this and make giving via text message available and easy to do.

Charities have responded and are increasingly making donation via text messaging an option, with campaigns on trains and advertising billboards encouraging people to donate around £5 by text message.

Whereas only one in a hundred people in the UK donated by text message in 2010, by 2012 this had risen to 10% of the population as a whole, and 25% of all 18-34 year olds. In contrast, just 8% of those aged 35 or older donated via text message in 2012.

In 2011, £32 million was donated to charities via text message, but this doubled in 2012 to reach more than £66 million. It is forecast that by 2015, donations via text message will reach £150 million.

For 18-34 year olds, donations via their mobile phone were the primary method of giving to charity, and many of the donors were often new to the charity.

Facilitating this dramatic rise in donations via text message is the decision by mobile phone operators to waive any network charges on charity texts, so that all of the money reaches the charity.

Another way in which people can now donate to charities is through some bank cash machines (ATMs), although take-up so far has been slow.

HSBC Bank has allowed its customers to donate money to charity when withdrawing money from its cash machines since 2006, and has raised £1.3 million for selected charities in that time.

A major breakthrough was achieved in 2012, when Link, which operates most of the UK’s 66,000 cash machines, put in place a system where people could donate money via cash machines. However, only the Royal Bank of Scotland (RBS), which operates about a quarter of the UK’s cash machines, and the independent Bank Machine company that runs 4,000 cash machines, primarily at garages and shops, have made use of the system. All the other banks have so far refused to join the scheme, although the UK government is encouraging them to do so.

Of the 495 million transactions on RBS cash machines in the six months prior to April 2013, there were only 8,051 donations, or 44 a day, at an average of £5 each – £347,000 was raised in total, with an average of £43 per donation, but it turns out that as much as
£300,000 of this may have been donated in error. RBS has honoured the donation to charity but refunded the customer in such instances.

One problem at present is that customers are often confused about who is donating – is it them or the bank? Besides unfamiliarity, another issue is the lack of an emotional appeal and the mindset of completing the transaction quickly – especially if there is a queue of people waiting behind the customer.

Yet the potential remains significant. If just 1% of transactions through cash machines attracted a donation of £5, it could raise £150 million a year for charities.

The charity box or collection tin at the shop checkout has been a feature of shopping in the UK for a very long time, and many shoppers continue to donate their small change when presented with the opportunity. However, with a large number of shop, or indeed online, purchases now taking place using credit or debit cards, income from such sources is in decline.

The Pennies Foundation, a not-for-profit organisation, believes that the principle of donating small amounts of money is still popular with people – it needs to be updated to reflect modern payment methods and made easy for people to do.

People are sometimes embarrassed by the small amount of money that they can afford to give in traditional charity appeals, so may end up giving nothing at all and then feel guilty about not donating. The Pennies Foundation has created an electronic charity box that removes the awkwardness of such charity/donor encounters, and enables people to donate a little money if they so choose. It works by giving shoppers an option when paying by credit or debit card, either in shop, online or on their mobile, to round up their bill to the next pound or make a one-off donation of 25p – with most of the money going to the charity or charities chosen by the retailer, and the rest to ten other UK charities covering a range of causes. Whether someone chooses to donate or not is entirely up to them.

The first retailer to sign up in November 2010 was Domino’s Pizza, which was followed by the hotel chain Travelodge, restaurant chain Zizzi’s, and more recently the furniture retailer DFS and Barclaycard. By June 2013, Domino’s Pizza had raised £300,000 for charity, and one in four customers at Zizzi’s were making donations.

As of June 2013, Pennies had raised £1.3 million for UK charities, with over 5.4 million donations. The potential to generate significant income for charities is strong – with 43 million card holders in the UK and one million credit or debit card transactions an hour, if each card holder donated just 30p a month it would generate £150 million a year for charities.

A similar situation exists with Gift Aid, which enables charities to reclaim the basic rate tax (currently 20%) on donations from UK taxpayers. As an example, a £10 donation from a UK taxpayer through Gift Aid is worth £12.50 to the charity.

To make a Gift Aid donation requires some basic information to be completed by the taxpayer, which can be difficult to administer in a workable way for digital donations (either online or via text message).

Gift Aid raises around £1 billion a year and is currently claimed on around half of all donations, but on relatively few digital donations – around the low teens for text message donations is not untypical. Digital donations now account for around 6 to 7% of all donations, but are forecast to rise sharply in the next few years. With digital donations becoming far more common, the issue is becoming increasingly urgent to address.
In his March 2013 budget, the Chancellor of the Exchequer announced that the UK government would consult on a range of options to encourage and improve the take-up of Gift Aid through digital channels. One such option is to enable donors to complete a single Gift Aid declaration to cover all their donations through a specific channel. The UK government hopes to introduce the changes as part of the 2014 Finance Bill.

By making it easier for people to Gift Aid digital donations, an additional £735 million in charity income could be generated – a figure that would make a significant difference to charities in this tough economic climate.
APPENDIX ONE

British Heart Foundation
BHF’s 30 No Smoking Days Later campaign

Third Sector Online, 15 March 2013 By Daniel Lombard

The health charity’s latest online campaign emphasised the money smokers could save by quitting the habit, using the image-recognition tool Blippar to make the information accessible by iPhone and Android app

What is it?
The British Heart Foundation launched an online campaign to coincide with No Smoking Day on 13 March. The campaign uses an iPhone and Android app that allows smokers to scan cigarette packets using their phones and see what they could purchase with the money they saved by quitting.

The app uses the image-recognition tool Blippar, which is activated when a cigarette packet is held in front of the phone’s video viewfinder and the health warning is scanned. The image of the packet then goes up in smoke and colourful images pop up to illustrate what smokers could buy with the savings if they quit – for example, tickets to a show after 12 weeks, a wide-screen television after 30 weeks and a dream holiday after a year.

How did the BHF come up with the idea?
Maura Gillespie, head of policy and advocacy at the British Heart Foundation, says: "Research for our report 30 No Smoking Days Later found that traditional warnings of health risks are often less effective at motivating smokers to quit, so we chose to focus on saving money." The report says that more than half of smokers hate being told about the health risks of smoking because they are already aware of them.

Gillespie adds: "By embracing innovative technologies, we hope to reach new audiences and engage smokers from an ‘app savvy’ generation."

How would you describe the response so far?
Gillespie says: "We’ve had a fantastic response, with cigarette packs being ‘blipped’ at least 4,500 times on No Smoking Day itself. The campaign trended on Twitter and our website had more than 12,000 visits, a 240 per cent increase on last year."

How is it being promoted?
The promotion strategy used a combination of conventional and digital media. National health and technology journalists working in broadcast, print and online were approached. The campaign was also promoted on Facebook, Twitter and Google.

Which other agencies were involved
The BHF worked with Blippar, a US company, to develop the ‘blipp’. UK-based agency Wonky Films produced a YouTube video to publicise the campaign and Wee Creative designed the report.

Third Sector’s verdict
It’s an innovative campaign that aims to tackle a long-running public health issue by appealing to smokers’ desire to save money rather than improve their health. The image-recognition tool is cutting-edge and the design of the items appearing on screen is visually striking. Having watched the video, however, it’s not clear to us exactly how much money would be saved within different time-frames.

Source: http://www.thirdsector.co.uk/news/1174740/British-Heart-Foundation/?DCMP=ILC-SEARCH
**APPENDIX TWO**

British Heart Foundation Group statement of financial activities for the year ended 31 March 2013.

<table>
<thead>
<tr>
<th></th>
<th>2013 Total funds £000</th>
<th>2012 Total funds £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Incoming resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incoming resources from generated funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary income</td>
<td>93,385</td>
<td>92,613</td>
</tr>
<tr>
<td>Activities for generating funds</td>
<td>161,340</td>
<td>150,168</td>
</tr>
<tr>
<td>Investment Income</td>
<td>6,708</td>
<td>6,652</td>
</tr>
<tr>
<td>Incoming resources from charitable activities</td>
<td>174</td>
<td>460</td>
</tr>
<tr>
<td><strong>Total incoming resources</strong></td>
<td><strong>263,607</strong></td>
<td><strong>249,893</strong></td>
</tr>
<tr>
<td><strong>Resources expended</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of generating funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of generating voluntary income</td>
<td>26,168</td>
<td>26,018</td>
</tr>
<tr>
<td>Fundraising trading: cost of goods sold and other costs</td>
<td>130,278</td>
<td>121,432</td>
</tr>
<tr>
<td>Investment of management costs</td>
<td>835</td>
<td>754</td>
</tr>
<tr>
<td><strong>Total cost of generating funds</strong></td>
<td><strong>157,281</strong></td>
<td><strong>148,204</strong></td>
</tr>
<tr>
<td><strong>Net incoming resources available for charitable application</strong></td>
<td>106,326</td>
<td>101,689</td>
</tr>
<tr>
<td><strong>Costs of charitable activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>90,734</td>
<td>88,411</td>
</tr>
<tr>
<td>Prevention and Care</td>
<td>29,115</td>
<td>35,548</td>
</tr>
<tr>
<td>No Smoking Day</td>
<td>382</td>
<td>261</td>
</tr>
<tr>
<td><strong>Expenditure in the furtherance of charitable objectives</strong></td>
<td><strong>120,231</strong></td>
<td><strong>124,220</strong></td>
</tr>
<tr>
<td>Governance costs</td>
<td>850</td>
<td>750</td>
</tr>
<tr>
<td><strong>Total resources expended</strong></td>
<td><strong>278,362</strong></td>
<td><strong>273,174</strong></td>
</tr>
<tr>
<td><strong>Net outgoing resources before transfers</strong></td>
<td><strong>(14,755)</strong></td>
<td><strong>(23,281)</strong></td>
</tr>
<tr>
<td><strong>Transfer between funds</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net outgoing resources after transfers</strong></td>
<td><strong>(14,755)</strong></td>
<td><strong>(23,281)</strong></td>
</tr>
<tr>
<td><strong>Other recognised gains and losses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised investment gain</td>
<td>43,142</td>
<td>9,458</td>
</tr>
<tr>
<td><strong>Net income/(expenditure) for the year</strong></td>
<td><strong>28,387</strong></td>
<td><strong>(13,823)</strong></td>
</tr>
<tr>
<td>Unrealised investment loss</td>
<td>(19,610)</td>
<td>(8,032)</td>
</tr>
<tr>
<td>Actuarial (loss) on defined pension benefit scheme</td>
<td>(765)</td>
<td>(3,660)</td>
</tr>
<tr>
<td><strong>Net movement in funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>8,012</strong></td>
<td><strong>(25,515)</strong></td>
</tr>
<tr>
<td><strong>Total funds brought forward at 1 April</strong></td>
<td><strong>(15,479)</strong></td>
<td><strong>10,036</strong></td>
</tr>
<tr>
<td><strong>Balance of funds at 31 March</strong></td>
<td><strong>(7,467)</strong></td>
<td><strong>(15,479)</strong></td>
</tr>
</tbody>
</table>

*Source: Adapted from British Heart Foundation Annual Report and Accounts 2013.*
# APPENDIX THREE

British Heart Foundation Group Balance Sheet at year end March 2013

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>25,147</td>
<td>25,139</td>
</tr>
<tr>
<td>Intangible fixed asset</td>
<td>1,150</td>
<td>1,150</td>
</tr>
<tr>
<td>Investments</td>
<td>169,485</td>
<td>207,539</td>
</tr>
<tr>
<td>Programme – related investment</td>
<td>*</td>
<td>1,850</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>195,782</td>
<td>235,678</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks and work in progress</td>
<td>3,669</td>
<td>3,450</td>
</tr>
<tr>
<td>Debtors</td>
<td>20,426</td>
<td>15,470</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>37,182</td>
<td>18,893</td>
</tr>
<tr>
<td>Cash in hand at bank</td>
<td>58,644</td>
<td>24,792</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>119,921</td>
<td>62,605</td>
</tr>
<tr>
<td><strong>Creditors:</strong> amounts falling due within one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and other awards</td>
<td>(172,776)</td>
<td>(160,404)</td>
</tr>
<tr>
<td>Other creditors</td>
<td>(19,257)</td>
<td>(19,184)</td>
</tr>
<tr>
<td><strong>Total creditors: amounts falling due within one year</strong></td>
<td>(192,033)</td>
<td>(179,588)</td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td>(72,112)</td>
<td>(116,983)</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td>123,670</td>
<td>118,695</td>
</tr>
<tr>
<td><strong>Creditors:</strong> amounts falling due after more than one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and other awards</td>
<td>(124,092)</td>
<td>(126,868)</td>
</tr>
<tr>
<td>Net (liabilities) excluding pension deficit</td>
<td>(422)</td>
<td>(8,173)</td>
</tr>
<tr>
<td>Defined benefit pension deficit</td>
<td>(7,045)</td>
<td>(7,306)</td>
</tr>
<tr>
<td><strong>Net (liabilities) including pension deficit</strong></td>
<td>(7,467)</td>
<td>(15,479)</td>
</tr>
<tr>
<td>Represented by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment funds</td>
<td>7,463</td>
<td>7,463</td>
</tr>
<tr>
<td>Restricted income funds</td>
<td>1,550</td>
<td>4,796</td>
</tr>
<tr>
<td>Unrestricted income funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General reserve (includes revaluation of £22 million (2012: £42 million)</td>
<td>(9,435)</td>
<td>(20,432)</td>
</tr>
<tr>
<td>Pension reserve</td>
<td>(7,045)</td>
<td>(7,306)</td>
</tr>
<tr>
<td><strong>Total unrestricted income funds</strong></td>
<td>(16,480)</td>
<td>(27,738)</td>
</tr>
<tr>
<td><strong>Total Group funds</strong></td>
<td>(7,467)</td>
<td>(15,479)</td>
</tr>
</tbody>
</table>

*Data not available

Source: Adapted from British Heart Foundation Annual Report and Accounts 2013.
### APPENDIX FOUR

**Total Amounts Donated by Individuals to Charities (£bn), 2007/2008-2011/2012**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations from individuals (£bn)</td>
<td>10.6</td>
<td>9.8</td>
<td>10.6</td>
<td>11.0</td>
<td>9.3</td>
</tr>
<tr>
<td>% change *year-on-year</td>
<td>-</td>
<td>-7.5</td>
<td>8.2</td>
<td>3.8</td>
<td>-15.5</td>
</tr>
</tbody>
</table>

*Note: figures are not adjusted for inflation.*


*Source: UK Giving, Key Note 2012.*
### APPENDIX FIVE

**Table 3.8: Proportion of Adults Donating to Charity by Payment Method Used in the Last 12 Months (% of adults), 2012**

<table>
<thead>
<tr>
<th></th>
<th>£250 or More</th>
<th>£200-£249</th>
<th>£150-£199</th>
<th>£101-£149</th>
<th>£76-£100</th>
<th>£51-£75</th>
<th>£26-£50</th>
<th>£10-£25</th>
<th>£5-£9</th>
<th>Less than £5</th>
</tr>
</thead>
<tbody>
<tr>
<td>All adults</td>
<td>2.4</td>
<td>1.0</td>
<td>1.3</td>
<td>4.0</td>
<td>5.2</td>
<td>5.1</td>
<td>10.1</td>
<td>16.0</td>
<td>8.3</td>
<td>7.2</td>
</tr>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>2.4</td>
<td>0.9</td>
<td>1.1</td>
<td>3.6</td>
<td>5.0</td>
<td>4.9</td>
<td>9.9</td>
<td>14.9</td>
<td>6.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Women</td>
<td>2.4</td>
<td>1.1</td>
<td>1.4</td>
<td>4.4</td>
<td>5.3</td>
<td>5.4</td>
<td>10.2</td>
<td>17.1</td>
<td>9.6</td>
<td>8.2</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-19</td>
<td>0.2</td>
<td>1.0</td>
<td>0.4</td>
<td>0.7</td>
<td>2.9</td>
<td>2.0</td>
<td>5.6</td>
<td>11.4</td>
<td>9.0</td>
<td>11.9</td>
</tr>
<tr>
<td>20-24</td>
<td>0.3</td>
<td>0.2</td>
<td>0.3</td>
<td>1.9</td>
<td>2.0</td>
<td>3.0</td>
<td>4.2</td>
<td>12.8</td>
<td>9.4</td>
<td>8.5</td>
</tr>
<tr>
<td>25-34</td>
<td>1.5</td>
<td>0.5</td>
<td>0.6</td>
<td>1.5</td>
<td>3.8</td>
<td>3.6</td>
<td>8.9</td>
<td>15.4</td>
<td>8.0</td>
<td>7.2</td>
</tr>
<tr>
<td>35-44</td>
<td>2.3</td>
<td>0.6</td>
<td>0.9</td>
<td>3.7</td>
<td>5.5</td>
<td>5.2</td>
<td>10.5</td>
<td>17.1</td>
<td>7.0</td>
<td>6.9</td>
</tr>
<tr>
<td>45-54</td>
<td>2.3</td>
<td>0.9</td>
<td>1.5</td>
<td>4.8</td>
<td>6.3</td>
<td>5.9</td>
<td>10.1</td>
<td>16.5</td>
<td>8.7</td>
<td>7.0</td>
</tr>
<tr>
<td>55-64</td>
<td>2.9</td>
<td>1.3</td>
<td>1.9</td>
<td>6.7</td>
<td>6.1</td>
<td>6.7</td>
<td>11.5</td>
<td>16.2</td>
<td>8.1</td>
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*Source: Charity Funding, Keynote 2012 UK.*
APPENDIX SIX

Counting the Cuts: Plan for the Worst, Hope for the Best

National Council for Voluntary Organisations (NCVO), 14 May 2013 by NCVO Policy Team.

Today NCVO publishes an update to our 2011 Counting the Cuts report, looking at the scale of cuts so far and those still to come.

With the Chancellor pencilling in further cuts between 2015 and 2018, NCVO have extended our previous forecast by three years. We can now estimate that charities’ income from government will be £1.7bn (12%) lower in 2017/18 than it was in 2010/11, if cuts are made proportionately. But there is evidence already that cuts aren’t being made proportionately. And even where they are, whether in Newcastle or London, the statistics belie the real impacts on people.

However, the deepest cuts are now forecast to fall the other side of the general election. This gives rise to an obvious question: will they actually go ahead?

An incoming government – of whichever party or parties – will set out new spending plans. Even if they decide to continue with austerity, it may be difficult to find further savings of the magnitude implied by the OBR’s current forecasts. Different options may be considered: spreading the cuts out over a longer period of time or taking an invest-to-save approach.

There may also be new opportunities that emerge between now and the election. An improvement in commissioning practice could make a big difference. To do this, the Government needs to put much more oomph behind key initiatives. The Commissioning Academy needs to be a high-quality training experience that reaches not only commissioners, but their procurement and legal colleagues too. The Social Value Act – which gives commissioners the green light to consider added social, economic and environmental benefits – needs to be implemented with vigour. There are positive signs that the Government has learnt lessons from the Work Programme, and is now considering a more nuanced approach to payment-by-results and future welfare-to-work spending. As ever, ensuring that voluntary organisations are engaged in policy design will pay dividends when it comes to delivery.

Given these variables, Counting the Cuts should be seen as an ongoing project. We are concerned about the cuts so far, particularly early indications that the sector has been hit hard by disproportionate cuts. And we are concerned about the trajectory for further cuts that is implied by current economic policy. It would be naïve to imagine that government spending will ‘bounce back’; and we would advise charities to prepare for the long-haul.

But we are not about to give up. Charities are adapting, diversifying, innovating, partnering, investing, challenging, fundraising and doing what they’ve always done, putting people first. Add a more favourable economic and commissioning environment, and things could look rather differently in a year or two from now.

Source: http://www.ncvo-vol.org.uk/networking-discussions/blogs/18452/13/05/14/counting-cuts-plan-worst-hope-best
APPENDIX SEVEN

Austerity policies leave small voluntary groups on the brink

The Guardian, 14 May, 2013, by Mary O’Hara

Spending cuts are forcing community organisations that offer vital services to vulnerable people to close their doors

APPENDIX EIGHT

Payment by results – can it work for charities?

Third Sector Online, 30 October 2012

_The government is bullish about paying for services by results. Andy Hillier hears contrasting views about it from sector leaders and offers two case studies and ten do’s and don’ts_

The first publicly funded payment-by-results scheme is believed to have begun in 1863, when government funding of Victorian schools was determined partly by the strength of their exam results. It was abandoned after 30 years for being excessively bureaucratic.

This has not dampened the present government's enthusiasm for PBR, which is now used in contracts by six Whitehall departments. Last week the Prime Minister, David Cameron, said he wanted PBR to feature strongly in a big increase in work with offenders by the private and voluntary sectors.

In the past few months, however, more charities and not-for-profit organisations have raised concerns about PBR contracts. A National Council for Voluntary Organisations survey, for example, found that seven out of 10 charity subcontractors feared that their PBR contracts to deliver the government's Work Programme were at risk of failure, citing problems ranging from lack of referrals to non-payment.

Doubts about PBR were also examined in a recent discussion paper from the Charities Aid Foundation, _Funding Good Outcomes: Using Social Investment to Support Payment by Results_. It suggested improvements in financial support for charities delivering PBR contracts, including more up-front payments and allowing potential investors more time to scrutinise contracts.

Steve Kerr, policy officer at London Voluntary Service Council, a representative body for community groups in the capital, believes that too many PBR contracts place unrealistic demands on voluntary sector providers. In the summer, two LVSC members closed down partly because of PBR contracts - Red Kite Learning, an education and employment charity, and Eco-Actif Services, an employment-based community interest company (see case study below). Kerr says both struggled to raise the working capital to fund their work for a year or more until they received full payment.

"Organisations understand the policy driver behind PBR and the need to get value for money," he says. "But in simple terms, you're only getting the money back months, if not years, after you've delivered the programme. Under the Work Programme, subcontractors receive their first payments after six months, and it can take up to two years for charities to recover all their fees. Most charities don't have the level of reserves to run that sort of contract."

The sheer complexity of PBR contracts also deters many small and medium-sized organisations from bidding. The contracts come in many forms: in some, results determine less than 25 per cent of the value of a contract; in others it is nearly all the value. The way success is determined can also vary widely: some contracts have a set of clearly defined targets; others have an array of complex indicators, over which the provider might have little control. "Boards of trustees are understandably wary of taking on such contracts because they don't fully understand the level of risk involved," Kerr says.
Simon Antrobus, chief executive of Addaction, a national drug and alcohol treatment charity, says the sector should not be too deterred by PBR. His charity has been delivering PBR contracts for local authorities and other agencies for the past three years. "In the main, it has been fine," he says.

He believes the Work Programme is unusually complex and the success of PBR should not be judged by it. But he says service commissioners do need to think carefully about the structure of PBR contracts, and that Addaction has more than once turned down the chance to bid for them. "When we've looked into the details, they don't stack up because they're placing unrealistic outcomes on staff or on service users," Antrobus says.

Evan Jones, head of community services at St Giles Trust, a charity that works with ex-offenders, says it has been stung by PBR. Speaking at the Third Sector Payment by Results workshop this month, he said St Giles had bid successfully for a programme for getting young people into work, but made mistakes when tendering. "We underestimated the time it took to get young people into work," he said. "As a result, no one won - we had to reduce staff to cut our costs and the project didn't produce the expected results."

The charity, which is piloting the government's social impact bond scheme at HMP Peterborough, has learned to be more business-minded. "We've managed to get clauses taken out of contracts when we've realised they're unworkable," he said. "We now spend quite a lot on legal advice to check the detail. We used to just sign contracts, but not any more."

PBR contracts have also had unintended consequences on St Giles staff, said Jones: "We've found that staff were rushing some conversations with clients because they were conscious of hitting targets." Antrobus of Addaction also says that PBR contracts, if not managed properly, can focus staff on results and put pressure on them to deliver "unrealistic outcomes".

Kerr of the LVSC says that access to finance remains a barrier. "Funders such as Big Society Capital exist, but it's not working well at the moment for delivering PBR," he says. "Trying to find a bank or other lender to support this type of work is really hard."

Ben Jupp, a director at Social Finance, a not-for-profit organisation that has helped to arrange finance for third sector organisations delivering PBR contracts, told the Third Sector workshop that finance was available, but charities should engage funders right at the start - social funders would naturally be wary of investing in organisations already in difficulty, he said.

"There's a difference between seeking social finance before you enter into a PBR contract and seeking finance halfway through the process because you did not read all of the small print and are running out of funding," he said.

Kerr believes that if charities are working as subcontractors, as in the Work Programme, the prime contractor should offer financial assistance. "The primes will generally have the financial muscle to help their subcontractors by providing up-front payments," he says. "At the moment, we're seeing small and medium-sized charities facing the same amount of risk as the prime contractors, which is not what we were expecting."

Karl Wilding, head of policy, research and foresight at National Council for Voluntary Organisations, is also concerned about the level of risk under PBR. "We seem to be transferring the risk from those who are most able to bear it, such as local authorities, to charities that are least able to bear it."
He stresses that commissioners need to consider alternatives to PBR. At the moment, he says, the trend is for contracts to have an element of PBR, even though there's little evidence to show that it delivers better results or value for money. "Public policy can be a bit herd-like," says Wilding.

"PBR has its place, but there still needs to be a place for grants. In many cases, standard contracts would be appropriate."

Jupp of Social Finance believes PBR contracts can help effective third sector organisations to thrive in the current economic climate, but adds that they must analyse the detail and think through the implications. "PBR is like a strong medicine," he told the Third Sector workshop. "It can help shift the way a service operates, but if it's not rightly applied then there are all sorts of nasty side-effects."

Source: http://www.thirdsector.co.uk/Finance/article/1156811/analysis-payment-results-work-charities/
APPENDIX NINE

Reminding people to leave gifts in wills 'could raise another £4bn'

Third Sector Online, 28 May 2013, by Daniel Lombard

**Rob Cope, director of Remember A Charity, says the government research his organisation helped with shows the effects of making the ask**

Charities could generate an extra £4bn in donations if people were reminded to leave gifts in their wills, according to a trial by the Cabinet Office Behavioural Insights Team, known as the 'nudge unit'.

The finding was made as part of a study carried out by the team in partnership with the Charities Aid Foundation and the University of Bristol’s Centre for Market and Public Organisation, for the report *Applying Behavioural Insights to Charitable Giving*.

It was one of five trials on charitable giving, conducted around the country, that found simple messages could encourage people to increase their regular donations or the numbers of people joining fundraising initiatives.

The legacy giving trial, conducted in partnership with the legacy giving charity Remember A Charity and Co-operative Legal Services, found that people were three times more likely to include gifts to charity in their wills if solicitors or will-writers reminded them to do so.

The trial covered 1,000 new wills and was designed to assess the effectiveness of a new policy of suggesting the possibility of legacy giving when a will is being written.

According to the study, 5 per cent of people left legacy gifts without being prompted by solicitors. This rose to 11 per cent when solicitors or will-writers asked if they had considered leaving any money to charity, and to 15 per cent when they were asked: "Many of our customers choose to leave money to charity in their wills — are there any causes you're passionate about?"

An additional £1m of gifts was left to charities in wills as a result of the trial alone.

Rob Cope, director of Remember A Charity, said: "The results show that if solicitors simply ask people to consider leaving gifts, then this gap closes significantly. It is clearly a suggestion that people are warm to, and many more include gifts to charity as a direct result."

The charity is calling for all solicitors and will-writers to remind their clients that leaving gifts in their wills is a way of continuing to support their favourite causes after they're gone.

Another of the trials, on payroll giving, conducted with the Charities Trust, a payroll-giving agency, and the Home Retail Group, tested the effect of enrolling individuals in a scheme that automatically increased donations by 3 per cent a year unless the donor opted out. It found that the proportion of new donors signing up for automatic increases rose to 49%, from 6 per cent using an opt-in system. If this was brought in across all payroll-giving and direct-debit schemes, it could raise an extra £40m for charities per year, the study found.

Another trial carried out with 1,500 HM Revenue & Customs employees found that if a photograph of an employee who gave to charity was included in email communications with
potential donors, the proportion of people signing up to payroll giving more than doubled, from 2.9 per cent to 6.4 per cent.

Peter Lewis, chief executive of the Institute of Fundraising, said: "This report shows that a good legacy fundraising appeal can both triple the number of people leaving gifts to charity and double the amount given. It could in theory mean an extra £4bn for charities every year."

Nick Hurd, the Minister for Civil Society, said the research showed "how generous people are prepared to be, if asked in the right way".

Figures from Legacy Foresight, released earlier this month, showed that combined legacy income in the year to the end of March was £1.044bn, up 1.4 per cent on the figure of £1.029bn for the previous 12 months.

Source: http://www.thirdsector.co.uk/news/1183887/
When money’s too tight to mention

Marketing, 14 September, 2011, by John Reynolds

**Brands securing tie-ups with charities are tending to reduce their focus on a financial angle in favour of an emphasis on less costly and more complex forms of partnership, writes John Reynolds.**

Last week, *Marketing* revealed that Tesco is to end its decade-long partnership with Cancer Research UK's Race for Life. The withdrawal by Tesco is part of a wider trend that suggests the dynamic between brands and charities is changing.

The days of a brand donating a slew of money to a charity and then sitting back and waiting for its investment to illuminate its philanthropic credentials are long gone. Today, the relationship between a brand and charity is likely to be multi-faceted, strategic and often complex.

At times, tie-ups are so in-depth and detailed they can resemble the negotiations surrounding pre-nuptial agreements, as both parties scramble to secure favourable terms for themselves.

The shift has been exacerbated by marketing budgets being at a nine-quarter low, according to the latest Bellwether report, and finance directors looking to cut overheads.

**Ciaran Biggins, head of new business at Teenage Cancer Trust** says, “Companies have got a lot more strict about (charity) funding because of cuts to marketing budgets. More and more companies want to give time instead of cash, but charities need cash”.

**Nicola Mendelsohn, executive chairman and partner at Karmarama, and president of the IPA**, expands on the theme. “The days of brands writing a blank cheque are gone” she says. "Corporate social responsibility works best when both parties co-operate fully.”

**Mutual decision**

In the case of Tesco and Race for Life, details surrounding the cause of the relationship's end are hazy, though both parties say it was a mutual decision. Some argue the 10-year relationship simply ran its course. Others believe the pair are now seeking a different objective.

There’s no doubt that the partnership weighed heavily on Tesco's balance sheet. It reportedly paid out a hefty six-figure sum for TV ads supporting the charity this year.

However, a source close to the matter says there is more to it than money. Tesco is seeking more ‘local’ relationships, because Sainsbury's and Morrisons, for instance, have been praised for investing heavily in localised schools schemes.

Conversely, other long-term, high-profile tie-ups, such as BA with Unicef and HSBC with WWF, show no signs of weakening (see bar chart, below right). What is changing, however, is the structure of these deals.

**Strategic shift**

Manny Amadi, chief executive at corporate specialist C&E, who works to strike corporate alliances with charities such as Greenpeace, Unicef and Cancer Research UK, says, “Tie-
ups between charities and brands are becoming more strategic, as they look to meet the objectives of the charity. We are also seeing longer deals, of up to three years."

He adds: "Both parties are realising they can drive greater value by being more strategic in approach and investing more time in the partnerships. Also, companies want to support charities through different means, and not just through cash."

One example of a changing partnership is Macmillan Cancer Support’s relationship with Boots.

This tie-up involves "cause-marketing initiatives", including Boots showcasing information about the charity in-store. Both parties benefit: there is increased awareness for Macmillan, while Boots raises its philanthropic credentials in the eyes of the consumer.

Similarly, Procter & Gamble’s Pampers brand has an eye-catching tie-up with Unicef, which means that for every special pack of the nappy brand sold, the corporation donates money toward vaccines.

According to a recent report on corporate-NGO partnerships, M&S’s link with Oxfam was ranked as the "most-admired corporate-NGO partnership” this year.

The relationship dates back to the 90s, but in recent times has taken on a different shape, as both parties have worked to develop the relationship.

"Now, it is not about philanthropic giving, it is more about relationships of mutual benefit," says Sarah Farquhar, head of retail at Oxfam.

This has been evinced by the "clothing exchange" tie-up, where individuals who donate unwanted M&S clothes to Oxfam will receive a £5 M&S voucher in return.

"The Marks & Spencer deal was interesting as it encouraged non-cash donation from the public for the first time," adds Farquhar. Following on from the "clothing exchange" tie up, the pair forged a recycling initiative, which means that every label on M&S clothes has "Recycle with Oxfam" printed on its label.

Perhaps most pleasing for the charity is that other brands have seen the benefit of this tie-up and are queuing up to join in.

Oxfam is now talking to Sainsbury’s, with which it previously had an ad hoc relationship, to find out how they can forge longer-term recycling deals that will benefit both parties. All these "strategic partnerships" mean, of course, that brands are getting more for less expenditure, much to the chagrin of many in the charity sector (see bar chart, above left).

Instead of a cash injection, armies of volunteer staff from brand sponsors are turning up to put in man hours at charities, which is far less appealing to a non-profit body than money.

"From a charity point of view, I know I’d rather receive cash than have 100 volunteers turn up with not much idea of what to do," says one charity source.

**Brand dominance**

The result of all this, as IPA’s Mendelsohn argues, is that brands will play a more dominant role in charity partnerships. "I think charities will have to work harder to garner support of corporations, because corporates are more demanding of what they need," she says.
Hence charities are being more cautious when preparing to negotiate "pre-nup" agreements. This is the case for Teenager Cancer Trust, where a relationship with headline sponsor, Nomura, for its flagship Royal Albert Hall concert, ended earlier this year.

**Francesca Marcheghi, head of account management at Teenage Cancer Trust**, says the charity is now looking for a long-term sponsor as it 'can take time to understand the culture of the company'.

It has an existing "good-fit" tie-up with Top Man, and is hoping to find a similar brand to sponsor the concert. There will be brands happy to put their name to it, but when it comes to cash, they are tending to be backwards in coming forwards.

Some good news for charities is that none of the brands surveyed for C&E's 2011 Barometer says that charity partnerships will become less important. That 50% of charities see sponsorships becoming "much more important", compared with 25% of brands surveyed, shows, however, that enthusiasm is higher in the third sector than the private sector. Tesco's decision to withdraw its headline sponsorship from Race for Life is certainly indicative of emerging trends.

Throughout the economic downturn, brands are likely to continue with responsible marketing initiatives and those initiatives are growing more likely to come at a reduced price.

*Source: [http://www.marketingmagazine.co.uk/article/1091053/charities-when-moneys-tight-mention](http://www.marketingmagazine.co.uk/article/1091053/charities-when-moneys-tight-mention)*
The good give young

Promotional Marketing, 7 February 2011, by Martin Croft

Promotional Marketing’s own research suggests that younger people respond better to on charity partnerships in promotions. Martin Croft explores.

Charity fundraisers have tended to focus on direct mail campaigns targeting people who they know have a habit of donating to good causes – and that has almost always meant older people, often retired.

But research conducted exclusively for Promotional Marketing magazine by Fast.MAP amongst its online panel of consumers suggests that charities may be aiming at the wrong people.

The poll found that the people who respond best to charity-linked promotions are not the 50+ Baby Boomers, but those aged between 18 and 44. More than a third – 40% – of consumers in this age group have changed their shopping behaviour because of a promotion. That drops to 31% for the 55-64 age bracket and 25% for the 65+ bracket (the very people charities are traditionally targeting).

Our exclusive research also ties in with some just published by Mintel, which found that consumers do indeed think better of brands which have charity links.

In our research, we also asked consumers which promotions they had actually ‘bought into’ in the previous 12 months. The most popular cause appears to have been breast cancer.

Liz Monks is director of fundraising at Breast Cancer Campaign, one of three charities that benefit from Breast Cancer Awareness Month (the other two are Breakthrough Breast Cancer and Breast Cancer Care). Monks says: “A lot of our partnerships are aimed at young people, not just to raise money but also to raise awareness and educate younger people about the issue.”

Breast Cancer Campaign has worked closely with a number of big brand names including Asda for the ‘Tickled Pink’ initiative, Debenhams (which made a donation for every bra it sold in October 2010) and Kit-Kat Senseo.

The Senseo link, also in October, saw an on-pack promotion on one million Kit-Kat Senseo packs, with BCC receiving 10p for every one sold, while the brand and the charity organised a special concert featuring The Saturdays. Monks adds: “Asda has been a partner for 14 years and Debenhams for 10. Brands are happy to support causes like ours, if there is a real ‘fit’.”

But it’s not just about sales: take the BCC partnership with Reckitt Benckiser’s stain removal brand Vanish. Monks observes: “We know Vanish sales have increased [as a result of the partnership]. But we also know that Reckitt Benckiser is committed to getting the message about breast cancer to their staff, a lot of whom are young women. Partners come to us wearing their commercial hats and also wanting to do good.”

And it’s not always companies trying to target women, or with sizeable numbers of female employees, she points out: BCC has a partnership with builders’ merchants Travis Perkins, which painted some of its trucks pink. “Builders have mothers and wives and daughters,” Monks says.

British Heart Foundation has had a number of partnerships involving promotional activity, as
Jamie Grier, head of new business, corporate fundraising, says. These include ones with Tetley Tea and Shredded Wheat (now finished) and another with the New Covent Garden Soup brand, which will see the charity get the proceeds from the brand’s soup of the month in February 2011 (the second year in a row the two have linked up).

Grier says: “We are very explicit up-front. We are looking to work with brands that are promoting an active healthy lifestyle. While we will never endorse any claims clients may make, [any health lifestyle positioning] must be supportable by research.”

“Charity partnerships are generally becoming more strategically aligned,” Grier adds. “That’s because they are now being paid for out of marketing budgets, so they have to stand up against other marketing channels on their own merits. Charities don’t expect a free ride anymore.”

Charities are also finding ways to make their own unique properties work harder. For example, Wallace & Gromit’s Children’s Foundation (which raises money for children’s hospitals and hospices across the UK) already has a successful fundraiser in Wallace & Gromit’s Great British Tea Party, which is again linking up with Yorkshire Tea.

Now, says Marie Storey, head of corporate partnerships for the foundation, it is extending the fundraising opportunities with a new event, Wallace & Gromit’s Great Day Out, a nationwide dog-walking day in conjunction with the Kennel Club and financial services provider Foresters.

Storey says: “It will be a bit quirky.” The foundation is looking for pet or outdoor relevant brands to partner with, but only “brands and products that fit within the Wallace & Gromit world. They have to be things they would have in their cupboards.”

Steven Dodds, joint head of planning at direct marketing agency DMS, observes: “The recession has actually presented a huge growth opportunity for charities and causes. In a world where many products are identical in terms of rational benefits, businesses need to find a ‘higher purpose’ to hang their brand around. This will help them to create stand out in an ever crowded marketplace.”

But Katherine Tupper, senior account director at promotional marketing agency The Big Kick, sounds a word of warning: “From our experience, Brits will only be motivated to buy something because of a charity link if the charity is relevant to them and has real synergies with the brand they are partnered with.

Thinking about your weekly shopping: have you ever done one of the following, because there was a promotion linking a brand or product with a charity or cause (e.g. Oxfam, breast cancer, raising money for Haiti etc.)? Please tick all that apply

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Bought a product you weren’t intending to buy</td>
<td>22%</td>
</tr>
<tr>
<td>Bought more of the brand or product you usually buy</td>
<td>11%</td>
</tr>
<tr>
<td>Bought a rival to the brand you usually use</td>
<td>11%</td>
</tr>
<tr>
<td>Made a trip to a supermarket different from the one you usually use</td>
<td>6%</td>
</tr>
<tr>
<td>I have never done any of the above</td>
<td>67%</td>
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1,033 responses
Thinking about your weekly shopping: have you ever done one of the following, because there was a promotion linking a brand or product with a charity or cause (e.g. Oxfam, breast cancer, raising money for Haiti etc.)? Please tick all that apply

<table>
<thead>
<tr>
<th>Results by age of consumer</th>
<th>18-24 %</th>
<th>25-34 %</th>
<th>35-44 %</th>
<th>45-54 %</th>
<th>55-64 %</th>
<th>65+ %</th>
</tr>
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<tr>
<td>Bought a product you weren’t intending to buy</td>
<td>30</td>
<td>28</td>
<td>31</td>
<td>25</td>
<td>20</td>
<td>14</td>
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<tr>
<td>Bought more of the brand or product you usually buy</td>
<td>20</td>
<td>20</td>
<td>13</td>
<td>12</td>
<td>7</td>
<td>10</td>
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<tr>
<td>Bought a rival to the brand you usually use</td>
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<td>20</td>
<td>14</td>
<td>11</td>
<td>9</td>
<td>8</td>
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<tr>
<td>Made a trip to a supermarket different from the one you usually use</td>
<td>20</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>I have never done any of the above</td>
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<td>60</td>
<td>55</td>
<td>62</td>
<td>69</td>
<td>75</td>
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<td>0%</td>
<td>5%</td>
<td>14%</td>
<td>21%</td>
<td>31%</td>
<td>25%</td>
</tr>
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APPENDIX TWELVE

How to market effectively in the not-for-profit sector

The Marketer Online, 26 October 2012 by Trevor Clawson

In a competitive world, charities need to market the solution as much as raise awareness of the problems they’re trying to tackle, Trevor Clawson discovers

Charities are working in a very competitive environment,” says UK Salvation Army head of marketing and fundraising Julius Wolff-Ingham. “More charitable organisations are emerging and yet the total pot of money available from donors hasn’t got significantly larger.”

It’s a point that highlights the challenge facing not-for-profit organisations that rely on fundraising to deliver on their mandates. Charities, like businesses, are in competition with each other – and the commercial world – for hearts, minds and, ultimately, wallets. Effective marketing is vital. From direct mail and hard-hitting TV campaigns to social media and PR, not-for-profits are using the same channels as their marketing counterparts in the commercial sector.

But charities and other not-for-profits aren’t businesses. Their ability to function effectively depends on winning and maintaining the trust and goodwill of donors, members and volunteers. That needs to be reflected in their marketing.

But what does that mean in practice? Are the techniques and strategies employed by not-for-profit marketing teams really so different from those employed by commercial organisations?

Razor-sharp branding

In his book Goodvertising, advertising consultant Thomas Kolster sets out his thoughts on advertising that has an “unselfish” aim or an objective to bring about a social good.

In his view, the marketing activities of the not-for-profit sector should not be seen as tangentially different from those of commercial brands. “In fact, I think not-for-profits can learn quite a bit from the way brands position themselves,” he says. “If you look at a company such as Coca-Cola, its branding is very sharp and clear. That’s not always the case in the not-for-profit sector where organisations don’t always manage to communicate what they’re doing.”

In high-profile areas such as overseas aid, crisis response, poverty reduction, relief in war zones and children’s issues, a great many charities are doing overlapping work. And while an organisation may be very clear about its own mission, the public at large may find it hard to distinguish between the work of one charity and another.

More fundamentally, the fact that larger charities are often engaged across a wide range of projects can make it difficult for members of the public to answer a simple question, “what is this charity for and what does it do?”.

Wolff-Ingham acknowledges that this is a challenge for his own organisation. “People experience the Salvation Army in a lot of different ways,” he says. “We run national programmes such as hostels for the homeless and detox centres, but there are also a lot of initiatives created at local level by our members. We can’t work like, say, BMW and create a brand identity at headquarters, which is then imposed on the whole organisation from the top
right down to the dealership. Very often people’s experience of the Salvation Army is through local people and local initiatives.”

So what can marketing managers working at national level do to sharpen the perception of their organisation? Wolff-Ingham says the answer is to focus on your messages, even at grassroots level. “Our focus groups show that people see us as a very traditional organisation with a long pedigree, but they don’t necessarily know what we do. We have an established tradition, but that’s not what we want to focus on, so we encourage members to talk about the diversity of our work rather than our pedigree. The key message is that we are there to meet a need and we can be trusted to do so.”

Clear communications

High-profile campaigns provide a means for charities to both raise money for specific causes and imprint the values and effectiveness of the organisation on the collective mind of the public.

Gyro creative director Pete Petrella has been working with War Child, a charity founded to provide help for children in conflict zones. He says the organisation’s current TV campaign serves two purposes. “Primarily it is to raise money to help children caught up in the Syrian conflict,” he says. “But it also helps to introduce War Child and what it does to a wider public. It has long associations with raising money in partnership with the music industry, but isn’t quite so well known beyond that. The TV ad will raise awareness of its work.

Wolff-Ingham agrees that fundraising can go hand in hand with raising awareness. “We don’t really have any budget for awareness raising at all,” he says. “Most of the awareness work that we do takes place when we are fundraising.”

On the other hand, campaigns – and more particularly fundraising campaigns – shouldn’t contain too many messages. “It’s vitally important to be clear about what you want,” says response marketing agency Watson Phillips Norman strategic partner Gail Cookson. “So if you are fundraising you need to have absolute clarity about what you do and why you need the money.”

That sounds straightforward enough, but some charities and not-for-profits must confront potential donors with difficult and distressing concepts and situations that they would perhaps rather not think about.

A campaign setting out to raise the money to help the victims of war, famine or abuse will almost by definition involve hard-hitting descriptions or imagery that can’t fail to evoke an emotional response. But eliciting anger or shock on the part of a direct mail recipient or TV viewer won’t necessarily bring money flowing into the charity’s coffers. “You have to get the balance right,” says Cookson. “It’s easy to shock people, but your audience can turn off very quickly.”

Sometimes the problem highlighted by the charity seems simply too big for any individual. Kolster cites research from the University of Berkeley in California on responses to campaigns warning of the dire consequences of climate change. “They found that people actually become more sceptical when they see Doomsday messages,” he says. “Negative messages were found to push people into denial and prevent them from doing anything.”

So how do you get the balance right? Petrella believes the answer is to combine an uncompromising look at the problem message (if necessary) with a sense that, by changing behaviour in some way – donating, volunteering, partnering – the targets of the campaign can indeed make a difference. “On the ad we made for War Child,” Petrella says, “the key
was to show the outcome within the campaign – children being taken away from the war zone and looked after in a safe place.”

Is less more?

Not-for-profit organisations clearly can’t afford to squander their advertising budget and, as Cookson points out, all the research tools and mailing lists available to commercial marketers are also open to fundraisers in the third sector. Thus a direct mail campaign can be targeted according to familiar demographic data in the same way as a series of television ads.

Other factors also need to be taken into account when choosing a delivery channel. Many of the TV campaigns created by Watson Phillips Norman are screened in the day. “It’s partly, but not solely, a matter of cost,” says Cookson. “Screening in peak time certainly costs more, but charities also need to consider whether they have the resources to handle the response from an ad screening when the TV audience is at its highest.”

That said, new backchannels are making it easier for not-for-profits to handle any surge in donations. “Premium text has become a much more accepted way to donate,” Cookson says. “That’s partly because Comic Relief has made such a big thing of it. People know about it and feel comfortable with it.”

For smaller charities, a tried and tested way to maximise returns on a limited budget is to find a creative agency that will work on a pro bono basis, as is the case with War Child and Gyro. “We agreed to work with them because we believe in what they do and it also provided an opportunity to produce a powerful piece of work that we could talk about,” says Petrella.

Working for nothing means exactly that and, with no budget from War Child, Gyro had to keep a lid on costs. The solution was to seek help from third parties and it managed to secure free footage from ITN and the participation of a Sky News reporter. “We had to be entrepreneurial,” says Petrella.

According to Wolff-Ingham, pro bono agency work doesn’t tend to be favoured by larger not-for-profits. “Larger organisations want to buy the best service they can, not necessarily the cheapest,” he says.

So does that mean pro bono equals second best? Not necessarily – Petrella stresses that the charities using a “volunteer” agency should ensure the supplier is fully committed. For not-for-profits interested in hooking up with agencies, Pimp My Cause provides a matchmaking service.

Social services

For small not-for-profits seeking to connect with stakeholders, social media can provide an effective and low cost communication channel. For 3Space, a small charity that acts as a broker between commercial property companies with unlet space and community groups that need somewhere to carry out their work, social media has provided the ideal channel, explains marketing director Alice Vaughan.

“Twitter helps us to identify the charities we can help. 3Space also uses hashtags such as ‘empty shops’ to open conversations,” she says. Facebook is used to highlight how the properties are being used.

Meanwhile property companies are usually contacted directly. “That is a much more formal process,” says Vaughan. “The charities and the property owners are two very different
stakeholder groups and they have to be approached differently."

3Space can persuade landlords to give charities access to property for limited periods of time – the owners get a “business rate” saving. It’s an example of the symbiotic relationships that not-for-profits can develop with commercial companies.

Partnerships can take various forms, ranging from Tesco’s Computers for Schools campaign to Barnardo’s collaborating with Kentucky Fried Chicken to provide work placements. Wolff-Ingham cites the example of the Salvation Army’s partnership with the Covent Garden Soup Company. “It put information about the Salvation Army on every pack of soup sold and we got five pence for each. In return they saw a rise in sales.” The key to these arrangements is a good fit between the two brands.

If a recent survey by Charities Action Aid and Bristol University is any indicator, the completion for funds and support is likely to intensify in years to come. The study found that young adults were much less disposed to donate to charities than post-war baby boomers and, as the latter grow old, not-for-profits face a challenge in getting a new generation on side.

And in marketing terms there are pitfalls. Witness the long-running controversy over “chugging” (charity mugging) – the practice of converting people into regular donors through direct street pitches. Few people object to this kind of street campaign in principle, but the overpersistence of some agents has alienated and angered at least some potential donors. The Public Fundraising Regulatory Association has now introduced a system of fines for charities whose agents attract complaints.

It’s a development that demonstrates that it is not just vigorous marketing – but the right kind of marketing – that yields non-profit returns.

Source: http://www.themarketer.co.uk/archives/masterclass/how-to-market-effectively-in-the-not-for-profit-sector/
Has the recession knocked charity marketing into shape?

Database Marketing, November 2010, by Antony Begley

While the third sector has suffered in the recession just like every other sector, an unexpected silver lining may be the focus that’s been thrown onto data quality as it seems that charity marketers have shed their old image as junk mailers in the eyes of consumers, if a new research study is to be believed.

The third sector has always been something of riddle wrapped up in an enigma, while database marketers have long found it to be a happy hunting ground, there has always been an unspoken reluctance to make too much of what goes on in charity marketing, perhaps fearing that to do so would be seen as distasteful or exploitative. Have a look at the treatment the so called high street 'chuggers' get in the mainstream media and you'll discover that the marketing industry's fears about shouting too loud about their exploits in the charity sector may be well founded.

Charities and the database marketing agencies and services they employ often don't work efficiently as a team. The model simply doesn't seem to work as well as it does in the private or public sectors.

There are, of course, many reasons for this, which we won't go into right now, but one significant consequence of this fact is that the third sector has often taken a clunky, circuitous route to adopting best practice when it comes to all things database marketing. Charities were among the last bodies to dump the badly targeted, pay and spray mailshot approach that characterised the direct mail industry of yore. Anyone remember those infamous free biro mailers?

Under mounting pressure from supporters, charities reluctantly dragged their creative strategies up to date in the 1990s with higher quality mailings and harder-hitting messages, but unfortunately the improved creative strategy was not underpinned up by an enhanced data quality strategy, meaning as often as not that the nice, shiny, well presented and well written mailers went straight into the bin because they rarely reached their intended destination.

An expensive habit, when the DMA reckons that over half of charities spend between £0.5m-£2.5m every year on direct marketing alone.

Thanks to a mix of public pressure and commercial imperative, however, the charity sector has finally begun to get its data house in order in recent years and it seems that this process has been accelerated by the recession. Curious that it takes plummeting revenues to encourage the adoption of best practice, but then again this revelation is hardly unique to the third sector. How many of your clients and suppliers have bucked their ideas up in the last couple of years, finally buying into the data quality management principles you've long espoused?

As in most sectors, the recent / on-going recession hit charities hard. A 2009 survey by the Charity Commission found that at least 50% of UK charities had been significantly affected by the downturn with the vast majority experiencing a major fall in revenues. How the third sector responded to this challenge was always likely to be critical to their long term success, and perhaps even their survival.
The third sector faced exactly the same issues that every other business has faced in the last 18 months - trying to cut costs, trying to reduce overheads and trying to work both harder and smarter for the money that's still out there.

**Upping the ante**

The results of a very recent study suggest that the third sector has risen admirably to the challenge. Commissioned by data asset management specialist the REaD Group in response to falling donations, the survey was conceived to delve into how consumers themselves perceive charity marketing in 2010.

In a nutshell, it appears that recession-fuelled progress has finally allowed charities to cast off their old image as junk mailers. In fact, some 42% of the 1,363 respondents said they place high levels of trust in the way charities handle their personal data, which is in contrast to Government, for example, who were least trusted by consumers (36%).

The research indicated that the consequences of sloppy, poorly targeted mailings can be dire indeed. Almost 30% of adults would stop supporting a charity that sent them badly targeted direct mail (e.g. sending prostate cancer mailing to a young female) while 47% said they would cease supporting a charity that they deemed to be wasting money on marketing communications. Moreover, 15% of consumers said they would stop donations to charities that used inaccurate name and address details and overall men were more likely to cancel their donations if their personal details were wrong.

Rob Salmon, Managing Director of data bureau meta-morphix, a REaD Group company, comments: "Most third sector organisations are aware of any underlying issues with the quality of their data but until they really start working with it, they're unlikely to see the full impact that poor data quality can have on the success of their marketing or fund raising campaigns."

One interesting and unforeseen finding was that, as a nation, the Great British public are getting better at complaining to charities if they don't like a marketing mailing. Call it moaning, call it essential customer feedback to rectify fundamental problems, more than half of consumers would complain if they were unhappy with a charity's marketing.

And despite all the noise and fury surrounding digital channels, direct marketing remains the nation's preferred channel. Granted, the survey was commissioned by an organisation with a heavily vested interest in postal communications, but the wording of the preferred channel question was in no way leading so the responses are valid.

Samantha Wilson, MarComms Manager at the Fundraising Standards Board, says: "We are pleased that the public trust charities to look after their data. We would encourage all charities to make it as easy as possible for their supporters to let them know when they've got it wrong so as they can continue to successfully manage their data.

"With the risk that if charities get their personal information wrong they will simply take their donations elsewhere, it has never been more important for charities to look after their data and follow best practice guidelines".
APPENDIX FOURTEEN

Charity marketing

Admap, February 2012, By Fiona Blades, Dr Emma K Macdonald and Professor Hugh Wilson

*Charity marketers are taking advantage of their long-standing expertise in areas such as speaking with authenticity and brand advocates*

These are tough times for charities. As in many sectors, the marketing budgets of not-for-profits are feeling the pinch. From our work with charities, we know that this is nothing new - times are always tough in this field. Lean organisational structures and the pressure to preserve funds for core activities means that charity marketers are masters of frugal marketing budgets.

Not having extensive resources within, charity marketers have always looked outside their organisations to achieve their aims. They are adept at harnessing the energy of others - through attracting supporters to a cause and marshalling volunteers to help them.

Charity marketing managers have taken this social competency into the online space, where they have provided many of the significant successes to date in social media marketing. Here we present some principles and examples of effective charity sector marketing in both the real and virtual worlds.

There is much that can be learnt from charities about how to market your brand when the pressure is on.

**Obtain a holistic view of brand touchpoints**

As always, effective marketing begins with effective insight. Just as in other sectors, customers judge a charity holistically based on the totality of their experiences with that brand.

Customer insight, therefore, needs to capture all of the ways that recipients encounter the brand, because these contribute to the brand image and perceived effectiveness of the charity.

The range of touchpoints includes those under direct control of the manager – such as advertising and direct mail - as well as those outside your control - such as hearing about the brand from a friend or seeing someone else engaged with the brand.

The challenge for the marketing manager is to get these touchpoints working together so that all brand encounters reinforce the message of an effective organisation. A real-time tracking approach to research can identify which touch points are working together and where there might be gaps in your communication.

Getting your touchpoints to work together can have a powerful impact. For example, Oxfam includes posters about its latest campaigns in its charity shops, so that the message is not just ‘go to Oxfam and buy a second-hand book cheaply’ but that by buying something in the Oxfam shop you are also helping people in poorer countries.
Conversely, we found in one study that a high-street charity's expensive shop refit was accidentally conveying the message that the charity was altogether too smart and clearly had too much money to spend!

**Empower your advocates - the volunteers and supporters that help drive your brand**

There is rightly much talk of customer engagement and crowdsourcing in the commercial sphere. Charities are very effective at harnessing the influence of others as they have been doing this in the offline space for decades via armies of unpaid volunteers.

Oxfam has found that its charity shops are not just a source of much-needed revenue: they also provably have a positive impact on brand image when they empower their (largely volunteer) sales force. For instance, imagine the scenario where a shop visitor starts talking to a volunteer and asks them about how the money they give to Oxfam is used. Where the volunteer is able to give an informed answer, such as clarifying that the portion of spend on admin versus charity is actually very small, the shop visit can have a powerfully positive influence on the individual's brand perception and hence on their subsequent engagement with the brand.

The Royal Society for the Protection of Birds (RSPB) are masters of empowering their one million members through activities such as the Big Garden Birdwatch. In 2011, 600,000 members took part over two days in January, counting over ten million birds. And despite reports that the numbers of charity volunteers are falling, RSPB announced that it had its best ever year in 2010-11 with 17,609 volunteers donating more than one million hours to the charity.

Employees in for-profit firms are equally enthusiastic on day one of their new job, as indeed are many of their customers on day one of their new product ownership, so it's not just charities that need to harness the natural sociability and prosocial behaviour of the human being. We just need to do two things. First, provide some outlets for this natural collaborativeness. And second, make sure that we don't get in the way with over-restrictive policies on employee engagement with social media, siloed measurement systems or micro-management of front-office staff.

**A 'feel bad' message can be a good outcome of advertising**

Advertising messages typically carry a 'feel good' message: use this brand and it will make you feel better, happier or more confident. However, in the charity sector, advertising often works via negative emotions. Charities tend to motivate their audiences using messages that promote pride or guilt. A successful 'guilt' message will result in audiences reporting that they felt negative about the ad. With a regular ad-testing campaign it would be a poor outcome, but in this case it is a very good result. This means that assessing an ad campaign in the sector requires non-standard metrics. For instance, Christian Aid ran an integrated campaign showing people in developing nations suffering the impacts of climate change and asking for a change in behaviour: "Be a love and switch your computers off at the end of the day" and "Any chance of turning that thermostat down a degree?" The response to the execution was that it made you feel 'awful' but also left you with the feeling that you could do something about this problem. A warning, though: according to recent research by Cranfield's Paolo Antonetti, pride is a more powerful motivator of future action than guilt. So, help supporters to make a really small step, then make them feel good about it and want more of the same feeling. This brings us to our next topic, activation.
Social media can help with the key challenge – activation

A single charity campaign may have multiple calls to action. A campaign may seek to educate, change behaviour and engage support. For example, Asthma UK's 'Alert to Asthma' campaign aims to make schoolteachers and students aware of how to assess and take swift action. The important thing is to give the message that 'you can do something' by making the desired behaviour explicit and easy. In the case of 'alert to asthma' it's about correct use of an inhaler, and seeking medical attention within the first ten minutes of an attack.

The immediacy of many online channels can make it very easy for supporters to enact engagement behaviours

For instance, an online video message may be only one click away from an online financial contribution. A charity may seek a financial donation from some supporters, and offers to volunteer from other supporters. Often the same campaign will be seeking both of these actions from different segments. For example, older people may have the financial means but not the time to help, while younger people may have the time but not the money. Charities that have members who are strongly committed can harness this energy to reach out to more people via Facebook pages and viral media. When presenting at the Cranfield Customer Management Forum, Claire Zuurbier from Great Ormond Street Hospital Charity told of how the hospital was using social media to quickly activate supporters so, for instance, if they receive a late notice opportunity to sell theatre tickets or fill a hotel, they are able to do this rapidly via Twitter and Facebook.

Online social media can be a valuable resource to charities because of its power to reach lots of people cost-effectively.

Royal National Lifeboats Institute has won multiple awards for a campaign which effectively harnessed supporter participation and the impact of key influencers to reach teens. They solicited crowdsourced content (supporter-generated messages) which they then distributed to 12 influential bloggers. The campaign reached 11% of 15-20 year olds, turning RNLI from one of the least known charities among young people to a hot online topic.

There is a worrying tendency in some quarters to patronise charity marketers as in some way the poor relation of their for-profit colleagues. This is far from our view. Many areas in which charity marketers have long been expert – speaking with authenticity, harnessing the enthusiasm of brand advocates, managing the complete customer experience - are only now being grappled with by the major blue-chips. We can all learn much from this rich melting pot of creativity and commitment.

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APPENDIX FIFTEEN

COVER STORY CHARITY MARKETING

Is charity marketing in better shape than ever?

Database Marketing, April 2012, by Antony Begley,

*The charity marketing sector has been hit just as hard by the recession as any other and has had to change and adapt the way it works to fit into the new world order - but will the efficiencies learned in the last few years mean it emerges stronger than ever, asks Antony Begley?*

The UK charity marketing sector has been hit just as hard as the private and public sectors by the recession and the post-recession 'age of austerity' that's still very much prevalent in the UK. And just like in the other sectors that has meant both budget and job cuts as charities seek to 'do more with less', a phrase which may come to define the first half of this decade we're living in. But just how hard has the sector been hit? And what does that mean in practical terms to those who carry out this most important of insight-driven marketing work? How has the sector evolved its game to meet the new challenges head on?

Reason for optimism

A quick look at the Charities Aid Foundation website which collates donation statistics for UK charities suggests that the sector may not have been quite as hard hit by the recession as many other sectors, a notion backed up by Jim Baggett, Managing Director of charity focused Marketing Services Provider Wood For Trees. "The reality is that the sector doesn't seem to have been hit anywhere near as hard as other sectors have," he says. "We work with about 28 different charities at the moment and the vast majority of those haven't experienced a downturn in total donations, though there are clearly a number of variables at play here."

The number one factor at play, of course, is the huge strength of many of the UK's household name charity brands, and the emotional power that they exert on vast swathes of the population. But another possible variable is that the sector has simply gotten significantly better at fundraising on a sophisticated level over the last five years or so.

"The last few years really have been hard on the not-for-profit sector," counters Glenn Cook, formerly database marketing guru at Macmillan Cancer Care support, now head of Group Solutions at The REaD Group. "But what the recession has done has forced a lot of charities, especially the bigger ones, to take much greater control of their marketing, to get under the skin of exactly who they are targeting and with which messages."

Cook highlights the continued growth of Macmillan's revenues right through the recession period as proof positive that a strong focus on insight-driven marketing can deliver results in even the toughest of macro economic times.

"The charities that have been least affected by the last few years have been those that grasped the importance of understanding their data five or six or seven years ago and invested heavily in a data analysis and function," says Cook.

"In other words, the ones that have been most successful have been the ones that decided a long time ago to run their fundraising divisions just like any other commercial business would."
Baggett's experience also tells him that most of the UK's bigger charities have long had data insight departments that would rival those of many big private firms in terms of complexity and sophistication. He also raises the possibility that for many next-tier charities not yet operating at that level, it might be a worthwhile exercise to "take the hit" for a couple of years in order to build a much stronger fundraising function in the longer term.

"I think a lot of marketers would be surprised at how slick and well organised the database marketing departments are within most of the big charities," he says. "Most of those guys 'got it' a long time ago and run very sophisticated multichannel activity of a very high standard. For charities that haven't quite made that leap, though, it's certainly possible to argue that it's worth taking the hit for a year or two to invest in an insight department to build the basis for future growth."

One of the main stumbling blocks for charities here, of course, just as in any other business or organisation, is gaining board approval for jam tomorrow (at the expense of jam today). To make this leap, suggests Baggett, requires a strong board and a strong CEO or MD.

He explains: "While the benefits of most direct and database marketing activity are easy to demonstrate, you still need a willing pair of ears at the highest level. A good example is a client of ours, The Dog's Trust, which is a great brand and as far back as 2005 it made the decision to invest in a proper insight function.

"Key to that was a great chief executive who saw the potential of data and who had the courage to pour money into a number of channels. Since then, the charity has been flying in terms of fundraising."

Cook's story at Macmillan is not a dissimilar one. When he joined the charity was heavily dependent on the strength of its brand and was doing well but needed to evolve. "We managed to persuade the board, led by a Sainsbury's veteran who understood data, to invest what were very significant sums in a data analysis and insight function, ending up with nine staff in the team."

The challenge at the time for Cook was to evolve the entire fundraising side of the business away from a siloed, product-based strategy towards a data-driven approach.

"Our marketing activity at the time was all based around individual products when what we really needed to do was let the data speak to us and tell us which customers should be targeted for which products."

Since then, Macmillan has gone on to break the magical £10m barrier for the first time last year and shows no signs of slowing up any times soon.

But Cook adds a caveat that "it doesn't matter how good your analytical team is, or even your data, if the organisation isn't willing to evolve and adapt."

**Look to the Future**

These days, much of Baggett's work at Wood For Trees is predictive and based around planning as his clients become increasingly familiar and comfortable with the finer points of predictive analytics and multichannel marketing.

"Many of our clients are now looking more and more at planning and forecasting tools, looking at growth not just for next year or the year after but for the next 20 years," he says.
"That involves lots of modelling work involving lifetime value and attrition rates and so on, but we now produce what are effectively slider bar tools that let our clients see what happens when they put money into this channel or pull it out of that one."

The move to high end forecasting has been a major one, and not without its problems, says Baggett, but one that will ultimately prove worthwhile.

"But MSPs like us are not magic bullets," he warns. "We don't look 'outside the box' for our clients, that's not what we're there for, that's what they can use agencies for. We can only work with what we've got at our disposal, but our clients seem happy with what we do!"

And Wood For Trees must be doing something right, having been named Outstanding Marketing Services Provider at last year's inaugural Database Marketing Awards against some very stiff competition.

The one area that causes Baggett mild concern for the future is the lack of experienced analysts in the charity sector to make the important decisions. A lack of skilled, experience manpower is not unique to charities, of course, but it's an issue that will need to be addressed if the charity sector is to continue to evolve for the next decade.

Far from being the poor relation of commercial database marketing operations, it appears that, propelled along by the pressures of the recession, charity marketers are keeping ahead of the game.
<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Concept 15%</th>
<th>Application 30%</th>
<th>Evaluation 45%</th>
<th>Presentation 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade A</td>
<td>This grade is given for work that meets all of the assessment criteria to secure at least 70% and demonstrates a candidate's ability to:</td>
<td>identify relevant theoretical principles commensurate with postgraduate level and critically apply and evaluate these within a senior marketing management context using originality of thought</td>
<td>critically analyse complex, incomplete or contradictory areas of knowledge of a strategic nature and communicate the outcome effectively</td>
<td>produce reliable, valid and incisive conclusions and strategic recommendations based on findings</td>
<td>engage confidently in academic and professional communication, reporting on actions clearly, autonomously and competently</td>
</tr>
<tr>
<td>Grade B</td>
<td>This grade is given for work that meets all of the assessment criteria to secure at least 60% and demonstrates a candidate's ability to:</td>
<td>identify relevant theoretical principles commensurate with postgraduate level and critically apply and evaluate these within a senior marketing management context</td>
<td>analyse complex, incomplete or contradictory areas of knowledge of a strategic nature and communicate the outcome appropriately</td>
<td>produce reliable and informative conclusions and strategic recommendations based on findings</td>
<td>engage in academic and professional communication, reporting on actions clearly, autonomously and competently</td>
</tr>
<tr>
<td>Grade C</td>
<td>This grade is given for work that meets enough of the assessment criteria to secure at least 50% and demonstrates a candidate's ability to:</td>
<td>identify relevant theoretical principles commensurate with postgraduate level and apply these within a senior marketing management context</td>
<td>analyse areas of knowledge of a strategic nature and communicate the outcome satisfactorily</td>
<td>produce reliable conclusions and strategic recommendations based on findings</td>
<td>engage in academic and professional communication, reporting on actions clearly, autonomously and competently</td>
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<tr>
<td>Grade D</td>
<td>This grade is given for borderline work that does not meet enough of the assessment criteria to secure a pass and is within the band 45-49%. This may be due to:</td>
<td>repeating case material rather than evidencing knowledge of the marketing discipline at Postgraduate Diploma level</td>
<td>a lack of knowledge and understanding of a strategic nature</td>
<td>superficial conclusions and strategic recommendations which lack depth</td>
<td>inappropriate use of academic and professional communication</td>
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<td></td>
<td></td>
<td></td>
<td>limited analysis of information with limited reference to theories and concepts</td>
<td>insufficient evaluation of marketing concepts, theories and methodologies, evidencing a lack of understanding of strategic issues</td>
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<td></td>
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<td>limited inclusion of contemporary issues and limited awareness or understanding of managing and working at a strategic level</td>
<td>an inability to apply appropriate techniques for problem solving and decision making</td>
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</tbody>
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