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Income Protection: Securing Donor Loyalty During the Downturn

The old adage 'charity begins at home' is beginning to look frighteningly accurate for third sector organisations. Increasingly gloomy economic forecasts are forcing consumers to re-evaluate their regular outgoings, and they appear to be leaving charities out in the cold. The announcement that the government has created a 'recession fund' for the voluntary sector totalling £42.5m adds weight to recent surveys that have highlighted the impact of the downturn upon charity giving.

Research we carried out among a UK-representative panel of 30,000 consumers revealed that 14 per cent of people have already axed regular direct debit donations to charities because of the economic downturn, and the pace at which donations are continuing to dry up may well have taken some by surprise. Even though household wealth has doubled over the last decade, overall donations to charity have not kept pace with inflation, or increased at the same rate as disposable income. And it gets worse - research by Charities Aid Foundation shows that, typically, six per cent of donors contribute almost half of all money raised, meaning many charities are dependent on a small group of high-value donors. Consumers are clearly making tough choices in the face of global financial uncertainty. What's interesting is that potential reductions in disposable income, as prices go up and salary increases look less likely, mean people are reconsidering what is essential in their everyday lives. It's a worrying time in the third sector, but an opportunity for those charities that have donor databases to implement effective donor retention strategies. Donor segmentation, where value, potential, channel preferences and motivations are identified, is a key route to communications optimisation. Allocation of scarce communication funds into retention strategies can be implemented according to the recency, frequency and value of donation, plus delivery of relevant communications that support each donor groups motivations are key steps. The threat of cutbacks in regular donations is a harsh warning for charities, and they would do well to look again at their customer databases to make sure they are doing all they can to avoid being the first on people's chopping blocks. Of course, it would be foolish to completely ignore donor acquisition, but at a time like this the greatest value lies in your most willing and responsive givers, so be sure you understand the techniques needed to nurture them.

