



The Connected Charity

From joined-up finance & CRM to social follow-through: 5 ways fundraisers can get closer to donors, maximise income and stay the right side of regulators

Introduction

Digital developments are a double-edge sword for charities. On the one hand, it's easier than ever to reach out to, inspire and stay connected to donors, thanks to newer channels such as social media. On the other, there is now much more competition for people's attention and money. Would-be supporters have a multitude of good causes to choose from, and are faced daily with friends of friends doing something worthy for sponsorship.

For the creative charity, the opportunities are wide and diverse if they are suitably engaged with their audience, well informed, and able to get their message heard above the noise. But to sustain interest and financial support they also need to be able to provide feedback to those donor bases. For every generous heart, there are cynics ready to question where the money goes - and suspicion and doubt can quickly go viral. So it is important that there is good visibility of how everything is connected, and where donations have been spent.

Consumer protection has increased too, to curb 'chugging', nuisance calls and unsolicited emails

from good causes asking for more money; the industry itself has pledged to do more to protect the vulnerable¹. So charities must tread carefully to maintain financial sources, being creative yet staying within ethical and regulatory boundaries.

Without appropriate controls and a clear line of sight across their activities charities may miss opportunities, focus their energy in the wrong places, lose their share of public donations, and risk alienating existing supporters.

Fortunately, the rise in digital connections and digital engagement makes such controls easy to introduce and maintain. Never have there been so many options for capturing, tracking and analysing donor and financial data; for setting and monitoring rules; for following a campaign or fund across its complete lifecycle - from earliest idea to its community impact. This offers today's charities an unprecedented chance to identify and do more of what they're good at; intelligently target and maximise campaigns; stay close to donors and grow their loyalty; and successfully spread the word to capture a larger share of more people's pockets.

¹Charities back tough fundraising rules to protect vulnerable donors, The Guardian, September 2015: <https://www.theguardian.com/society/2015/sep/06/major-charities-back-tough-fundraising-rules-to-protect-vulnerable-donors>

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As the possibilities multiply yet conditions become more challenging, charities need to raise their game - both strategically and operationally. They must be more creative, yet at the same time more disciplined and focused.

So what does this look like?

Below are five areas that many charities need to work on:

1. Deepening donor relationships.

To remain effective and competitive, charities need to be better at recruiting, 'knowing' and retaining donors.

First, they need to be able to deduce where the bulk of their funds come from, and which sections of the public their message and cause resonates most with, and find more of these people. Distilling this level of insight relies on a modern, well-connected finance system which can track income from source to outcome, and support better decision-making through strong business analytics and reporting – intelligence that can be accessed by campaign managers, etc.

Recruiting new donors means establishing where these audiences congregate (eg whereabouts online), which types of outreach work best (measured not just by gut-feel, but by evidence of income that can be traced back to particular campaigns), and which types of message carry the further virally. The more information the charity can capture about who's donating, where they signed up and why, the greater the scope for analysis and forecasting – allowing teams to spot patterns, focus on the activities that work best (bring most money in, and most cost-effectively), and capture a greater share of these donor's minds and wallets.

In addition to an intelligent finance system then, it is essential that charities have a good customer relationship management (CRM) system that can act as a central hub for all of this important data, so that it can be analysed and used to drive better and better marketing decisions.

These respective systems should not stand alone however: to deliver something greater than the sum of the parts, finance, CRM and other business systems should be tightly

connected - so devisers of campaigns can readily see the financial impact of previous and new activities, for example, using this to hone future plans.

2. Ethical and compliant practices.

When public sympathy is with a cause, a charity can achieve great things. The most successful episodes in charities' history can usually be traced back to a swell of public momentum – from Esther Rantzen's ChildLine to big annual TV-driven fundraisers such as Comic and Sport Relief, and Children in Need. Child and animal charities do very well at pulling on the heart strings, while charities associated with critical medical conditions attract supporters when someone they know is affected. But charities cannot rely on this, and they must be vigilant about not overstepping the mark – exploiting the vulnerable, or contacting people at what may be a difficult or distressing time.

Nothing can change the public mood more swiftly than complaints about a charity's practices². Complaints about fundraising rose by 28 per cent in 2015 - despite the fact that fundraising activity and donor contact had actually fallen by a third during the same timeframe, according to the Fundraising Standards Board³. Addressed mail and telephone fundraising combined accounted for 60 per cent of all fundraising complaints, it found, because the contact was generally welcome.

This poses a particular challenge for charities. In their attempts to more accurately target campaigns at loyal donors and those primed to give generously, charities risk upsetting those same people - who can now see a growing business-like mentality – something that feels removed from the 'heart' of a charity that they originally bought into⁴. People like to give to a good cause if they feel they are doing this spontaneously and generously. They are basing these actions on trust. Any hint that their donation may not have been enough, or that their well-intentioned actions have somehow laid them open to harassment, could drive those once-loyal donors away.

Regulators have responded to growing public concerns by imposing new rules on what charities are allowed to do. For example, they

²Why we've lost faith in charities, Management Today, June 2016:

<http://www.managementtoday.co.uk/why-weve-lost-faith-charities/reputation-matters/article/1369094>

³Large rise in fundraising complaints despite fall in activity, ThirdSector.co.uk, July 2016:

<http://www.thirdsector.co.uk/large-rise-fundraising-complaints-despite-fall-activity/fundraising/article/1401100>

⁴Charities risk losing our goodwill with aggressive fundraising tactics, The Guardian, June 2015:

<https://www.theguardian.com/commentisfree/2015/jun/09/charities-risk-goodwill-aggressive-fundraising-tactics-olive-cooke>

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can't contact incidental or repeat donors without a clear 'opt-in', through which the supporter expressly gives their permission.

The Charities Act 2016⁵ addresses a number of growing concerns about charity practices. In future, organisation-based fundraisers will have to be clear about certain standards, the measures they take to protect the public (including vulnerable members of the public), and how they monitor compliance. Auditable charities will be required to include related statements in their annual report.

Greater controls are also being introduced that should give the public greater confidence that funds can't be misappropriated or wasted due to poor management. It is harder for charities to hide these days, with the growing emphasis on transparency and accountability. Consumer Reports in the US, for example, publishes an annual list of the 'best and worst' charities for using donated funds effectively⁶. Meanwhile the global media are merciless if they suspect anything other than fair play, which can be very damaging to a charity's reputation⁷, and bad news spreads quickly online.

To ensure that a charity is abiding by the rules, it must have parameters built into its software systems. This means donor contact preferences

need to be recorded in CRM (donor account) records, and the latest accounting requirements – eg. the Statement of Recommended Practice: Accounting by Charities (SORP), and Statement of Financial Activities (SoFA)⁸ - built into finance systems.

Data protection is equally important. The more data that charities collect and keep about donors, the more careful they need to be about how they safeguard this⁹. As well as ensuring this isn't re-used in marketing or passed on to third parties without express permission, charities have a duty to ensure that personal contact details and potentially sensitive health data are not vulnerable to hacking or falling into the wrong hands. Charities are just as bound as commercial organisations by changes to the UK's data protection regime introduced in May 2016, under the new General Data Protection Regulation (GDPR)¹⁰. This sets out a range of criteria organisations need to abide by, as well as punitive penalties for rendering sensitive data vulnerable to potential breach. So data security needs to be built into data capture, storage and processing systems as a matter of course.

3. Communicating success.

One way charities can increase donors' trust in their activities is to be vocal about success,

⁵How will the new Charities Act affect your charity?, The Charity Commission, May 2016: <https://charitycommission.blog.gov.uk/2016/05/20/how-will-the-new-charities-act-affect-your-charity/>

⁶Best and Worst Charities for Your Donations: <http://www.consumerreports.org/charitable-donations/best-and-worst-charities-for-your-donations/>

⁷Now charities watchdog backs Mail expose of cold call sharks: Regulator finds four of Britain's biggest charities did breach industry rules following review, Mail Online, May 2016: <http://www.dailymail.co.uk/news/article-3583956/Now-charities-watchdog-backs-Mail-expose-cold-call-sharks-Regulator-finds-four-Britain-s-biggest-charities-did-breach-industry-rules-following-review.html>

⁸CIPFA's guide to the new charity accounting and reporting framework, CIPFA, March 2016: <http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/cipfas-guide-to-the-new-charity-accounting-and-reporting-framework>

⁹Dementia charity warned to take action over data protection failings, The Telegraph, January 2016: <http://www.telegraph.co.uk/news/uknews/12087713/Dementia-charity-warned-to-take-action-over-data-protection-failings.html>

¹⁰New European Data Protection law comes into force today – what should charities be doing?, BWB LLP: <http://www.bwbllp.com/knowledge/2016/05/24/new-european-data-protection-law-comes-into-force-today-what-should-charities-be-doing/>

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making sure donors get to hear how their money was used and what difference it made. One of the success factors of the big TV campaigns such as Comic Relief or Children in Need is that primetime coverage is interspersed with reports of the good works achieved from the previous year's fundraising.

An intelligent finance system, closely linked to the customer database, will allow a charity to 'close the loop' and track a donation from a campaign and particular donor to its use in a project and eventual result. This information can then be analysed and fed back to the supporter, and wider donor community, through a range of communication vehicles (as long as these don't transgress a donor's stated preferences). Adopt-a-child/adopt-an-endangered-animal charities close the feedback loop by connecting donors to an individual recipient – helping the donor to feel at a more personal level the difference they are making.

And of course social media and other digital channels make it easier than ever for charities to make success reports and other fundraising feedback available for scrutiny, reassuring the public that donations have been well spent.

As charities are encouraged to be more open and transparent in their formal financial reporting, so they can also afford to be more upfront with donors about their finances – including the true cost of running the charity¹¹. Animal rescue charities often see phenomenal generosity from existing donors via their Facebook pages, when they set out the cost of vet care for a particular dog, cat or horse that has come into their care, or the precise amount they need to recover from a traumatic event such as a fire, flood or act of vandalism¹².

Tailoring the message, and medium, to the donor is important, to avoid annoyance and any breach of marketing permissions, so success relies on systems being closely linked to ensure these preferences are honoured.

4. Marketing – remaining relevant, staying humble

With new controls over whether, when and how charities can approach potential or repeat donors, marketing teams have got their work cut out as they try to be as creative, business-like and effective as possible but without seeming to be officious. Using social media pages to broadcast messages to self-selecting supporter groups can be a powerful option – provided the charity already has good traction. More niche or obscure charities may have a harder time building up such communities however, or getting their messages to go viral so that more supporters sign up.

So what's the key to marketing balance? Humility and openness are important, as discussed above, so charities do need to be prepared to give back – and not just by means of a free pen in a direct mail envelope.

Analytics has an important role to play in understanding the subtler influencers of people's behaviour, which has given rise to a whole discipline of social listening and behaviour and mood monitoring¹³.

The more that charities can capture, link and make sense of all sorts of different types of data, the more chance they will have of building that complete, 360-degree view of donors and creating some depth to individual or microsegment profiles.

The other thing charities need to refine is the ability to 'meet donors where they are'. In other sectors, such as retail and financial services, organisations have realised the value in allowing consumers to make a purchase or apply for a loan within the activity they're already engaged in – rather than expecting them to go off to a separate web site. So if a person spots an item they like while browsing an online magazine, they can click to buy it without leaving the page. Similarly if they're looking at properties or cars online, they can initiate a loan application without switching to a new app.

Charities could do this too – blending the chance to donate more seamlessly into everyday activities. If someone reads about a dreadful

¹¹Charities need to be honest about running costs, The Guardian, April 2016:

<https://www.theguardian.com/voluntary-sector-network/2016/apr/26/charities-admin-costs-accounts-reporting>.

¹²Manchester Dogs Home Arson Attack: Animal Lovers Unite In Powerful Social Media Campaign, Huffington Post, September 2014: http://www.huffingtonpost.co.uk/2014/09/12/manchester-dogs-home-arson-attack_n_5808924.html

¹³Marketing challenges in the third sector, Red Brick Research, June 2016:

<https://www.redbrickresearch.co.uk/2016/06/28/marketing-challenges-in-the-third-sector/>

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catastrophe on an online news site, or in a social media feed, for example, they are able to click to donate with very little effort. Converting a consumer in the moment can feel far less intrusive, and secure instant results.

All of the technology is available to do this today - provided systems are integrated, able to connect straight back into finance systems and CRM applications so associated data is efficiently and reliably captured at source.

Where charities lack the capital to invest in comprehensive new finance system or CRM capabilities, or are struggling to distribute intelligence to the users who need the particular insight, the cloud offers an efficient and cost-effective route to flexible, new functionality and providing access to this wherever it is needed.

Buying finance and CRM software 'as a service' (SaaS) has proved popular with charities for all of these reasons, and as cloud solutions become more accepted and reliable, the range of options available has increased exponentially. Procuring software functionality via the cloud also enables cash-strapped charities to access robust data security (because the provider has to take care of this), and to add new capabilities as these become available without the high costs often associated with an internal system upgrade.

5. Operational efficiency.

Finally, charities by their very nature have a duty to be very efficient in the way they run their operations, so that no money is wasted and more of its income goes directly to the intended cause. Just as government/state organisations are obliged to be frugal with public money, so that as much as possible is used for the greater

good, so charities are accountable to their donors – and to sector regulators/ombudsmen.

This needn't mean depending excessively on volunteers giving their time with no expectation of pay. In fact, a charity is only as good as the people who work for it, so investment in human resources should be a priority¹⁴.

Rather, charities need to be clever about operational spending, ensuring they make sound investments. The right finance system will be able to provide this level of analysis and insight, supporting better operational decisions.

Connecting IT systems - such as finance, CRM and HR/payroll - brings its own rewards, too. Separate systems doing distinct tasks can be costly to manage, result in a lot of repetition, and prevent users from seeing the bigger picture – because intelligence is fragmented, and no one can see the bigger picture.

A truly connected charity is not just one that exploits new digital channels to get closer to potential donors. It is tightly connected right through to its core – from team to team, department to department, location to location. Through a connected infrastructure, connected systems and connected data, it has the wide view as well as the detail, the strategy as well as the tactics. It leaves nothing to chance, and is able to reap the benefits for its cause.

Getting from here to there

Of course, each charity will be at its own stage of the journey towards greater 'connected-ness'. To get a feel for how much work your organisation has left to do, consider:

¹⁴We need to tackle myths around charity pay and how we spend our income, The Guardian, July 2015:

<https://www.theguardian.com/voluntary-sector-network/2015/jul/14/myths-charity-pay-staff-income-sun-alzheimers-society>

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- > Do you have a 360-degree view of donors and their pledge history - in a single central resource that everyone can access? How easy is it for marketers to work out which campaigns and donor segments have been the strongest source of funds, based on past trends? Do they have the figures?
- > How comprehensive and intelligent is your finance system? Can you currently follow a donation right across the fundraising lifecycle – from campaign to outcome? Is the system sufficiently linked into other business systems to provide the level of insight required?
- > Are you providing enough feedback about the charity's financial performance and campaign successes, and giving thanks where they're due? If you wanted to do more of this, could you?
- > How easy is it for function heads, team leaders, campaign managers and head office personnel to see what's happening in other parts of the organisations?
- > How confident are you that you have the right controls to prevent your organisation overlooking donor preferences, or transgressing new rules on donor and data protection?
- > Do you have the visibility needed to honour new expectations on financial transparency – so regulators and the public can get the insight they need about where the money goes?
- > Is your organisation run as efficiently as it could be? Are there areas of waste you still need to tackle?
- > Can you trust your IT-enabled business intelligence, and is it telling you the whole story – for example, allowing you to pinpoint areas of weakness or underperformance?
- > Are you able to conduct deep analyses of campaigns, financial performance and HR/ team effectiveness so you can keep making improvements, honing your results?
- > Are you sufficiently digitally enabled to engage with donors where they are today? What about potential volunteers and other talent you need? Are you looking for and connecting with the right people in the right places?
- > How are you monitoring and driving the social 'mood' around your charity?
- > Is legacy technology or a lack of budget holding back progress? Could cloud-based solutions provide a valuable shortcut to new functionality, extra flexibility and enhanced security?

The bigger question is to what extent any limitations in these areas may be preventing your charity from innovating and doing the best for its chosen cause. Although it might seem counterintuitive, it is often by introducing clear parameters that organisations feel freer to be bolder and more creative – because they are not afraid of breaking the rules, overstressing budgets, or being led down a blind alley.

Many a market is subject to disruption at the moment, and the charities sector is by no means immune. The more that organisations can build and act on connected intelligence, and within the right controls, the more they will be able to achieve - with their supporters fully behind them.

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