



Securing the future of one-to-one fundraising

Framing the discussion around one-to-one fundraising reform, regulation, evolution and future-proofing.

DMA fundraising taskforce
March 2016



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Introduction

The industry's failings thrown in the spotlight

Bad publicity throughout summer 2015 has brought to light several major issues in the way the fundraising sector approaches its supporters. Whilst charities generally strive with real integrity to raise funds as best they can and for the best of reasons, it has suddenly become a moral, practical and legal imperative for the sector to evolve quickly or face loss of trust, revenue and freedom of operation.

In May 2015, the tragic death of 92 year-old Olive Cooke threw into stark relief the inadvertent but very real negative impact that the sector can have. Mrs Cooke, previously recognised by the Prime Minister as Britain's longest-serving poppy seller, was an extremely generous charity supporter, having dedicated much of her life to volunteering for local and national supporters and, at the last count, was an active supporter to at least 88 charities. But her generosity made her a target for other charities, so that she was swamped and driven to anxiety by the pressure of anything between 480 and 3,000 fundraising letters and innumerable phone calls per year.

Whilst the reasons for Mrs Cooke's death extend beyond this pressure, it highlighted a clearly unacceptable situation that the third sector now needs to find safeguards against, and quickly.

A new regulator – and legal threat

Further to the Olive Cooke case, a sustained expose of the third sector by the media during 2015 showed a widespread disregard for industry best practice and, in some cases, the law.

At the time, the third sector was regulated by the Fundraising Standards Board (FRSB), enforcing a Code of Fundraising Practice written by the Institute of Fundraising (IoF). A government investigation into the sector, headed by Sir Stuart Etherington, has led to the FRSB being closed, the IoF code being passed to the new industry regulator and the establishing of a new Fundraising Preference Service (FPS) to allow supporters to opt out of fundraising calls or one-to-one mail.

This new regulator is the third sector's last chance at self-regulation. It has until this summer to provide satisfactory proposals for the FPS and other measures to reform fundraising conduct. If our response is not quick, genuine and effective then the government will step in and legislate.

Supporting the third sector's integrity and evolution

Whilst this root-and-branch review of the sector has been born in very negative circumstances, it now provides a hugely positive and welcome opportunity to help individual charities and the sector as a whole to overcome many challenges that it faces: answering the issues around supporter data, privacy and respect, but also driving a rewarding evolution of fundraising strategies, tactics, sophistication and management.

There is also, at present, no way for an individual organisation to formulate its activities within the context of the sector's collective activity, as was thrown into stark relief by the Olive Cooke case. Now is the time for the sector to explore new levels of co-operation and co-ordination: to use its collective skills, experience and resources to work more effectively and with more sophistication than charities could aspire to in isolation.

The DMA fundraising taskforce and what it will deliver

The DMA's fundraising taskforce has been set up to help charities and the charity sector make this rapid evolution. An open, inclusive group of third sector stakeholders, it is engaged with identifying all current issues, risks and opportunities and to lead the development of real, viable and future-proof solutions. It takes an industry-wide view and aims to help you put your supporter at the heart of all fundraising efforts, recognising that they are the most important person in the entire charity process and that what is right for them is ultimately best for your organisation and its beneficiaries. The taskforce's mandate is much more than a reactive one: its aims are forward-looking and innovative, with a mission to facilitate a strong, mutually beneficial future for charities, supporters and beneficiaries alike.

In keeping with the five guiding principles set out in the DMA Code – put your customer first; be diligent with data; respect your customer’s privacy; be honest and fair; take responsibility – the DMA fundraising taskforce will identify viable ways to help charities conduct positive, supporter-first, attainable and effective one-to-one fundraising that befits the sector’s charitable aims.

The DMA, which also runs the Telephone Preference Service and Mailing Preference Service and whose DMA Code for the marketing industry was commended by the Etherington report, has also been in deep discussion with the Cabinet Office and the NCVO about how best to create the FPS, new charity sector code of conduct and best practice.

The DMA fundraising taskforce is currently consulting widely throughout the fundraising sector and currently comprises:

Chairs:

Melanie Howard, Chair, Future Foundation

Michelle De Souza, Head of CRM & Customer Insight, Age UK

Current taskforce members:

Alistair McLean, Chief Executive, Fundraising Standards Board

Rachel Aldighieri, Managing Director, DMA

John Mitchison, Head of Preference Services, Compliance and Legal, DMA

Jane Cave, Managing Director, IDM

Also joining the taskforce will be:

Liz Curry, Business Process Manager, Comic Relief

Johnty Gray, Mass Engagement Director, Wateraid

Siobhan Handley, Senior Direct Marketing Manager (Acting), Barnardos

What this document provides

This whitepaper presents the ideas of the taskforce. It aims to frame the discussion and to invite meaningful participation from all parties: large organisations, small organisations, consumer groups, data brokers, regulators and all other stakeholders.

In its current form, it helps you, your supporter and your sector in three ways:

Firstly, it provides a brief context and outline of the key challenges facing supporters, charities and the sector as a whole.

Secondly, it raises some fundamental questions to frame discussion in the sector, including an initial sector-wide Future of Fundraising workshop to be hosted by the DMA in mid-March.

Thirdly, by simply bringing these key questions to the fore in a clear and organised manner, it can already offer some level of clarity, understanding and insight for you to dial into your current and next fundraising activities.

If you are able to contribute towards this vital re-shaping of your sector and its practices, working to safeguard and evolve a much stronger future for fundraising, we welcome all contributions. Please contact Tasha Munn, DMA Councils Manager, at Namitasha.Munn@dma.org.uk to add your expertise and insight at this pivotal moment.

Rachel Aldighieri
Managing Director
DMA

1. The fundraising sector today

KEY SECTION CONTENT

- Overview of one-to-one fundraising in the UK
- Supporter attitudes, behaviours, trends
- Trust
- Analysing complaints

The fundraising sector today

So much of value in our society hangs on the continued health and success of charities. Safeguarding and strengthening the work they do is a critically important endeavour. Underpinning this work, and within a context of a drastic reduction in government grants over recent years, financial contributions from supporters to causes they care about are vital – but are being put at risk by negative, poorly thought through or badly executed fundraising practices.

There are substantial amounts of research and measurement available about the levels of participation and giving to charities in the UK today. To provide a basic context for the issues discussed in this paper, below we pull together various sources to provide a succinct and useful overview of public support for good causes in the UK: including who gives to charity, why they do it, the channels the sector uses to reach them and the scale of this one-to-one communication.

There is a high level of participation with charities across the board

Donations to UK charities are substantial: the 165,290 charities in the UK accrued an annual income of £70.07 billion in 2015; although there is a very long tail, with 75% of charities earning less than £100,000¹.

Giving is also quite ubiquitous across the UK population: 79% of consumers participate in at least one charitable giving or social action activity per year, with 57% having done so in the last month. This high rate of supporter charitable donations is unsurprising, since 68% of people rate the role of charities in society as highly important. The average donation amount in 2014 was £14, whilst the average monthly amount given by sponsors was £10².

There are variations in supporter behaviour per demographic group. Sixteen to 24 year olds are the least likely to have donated in the last month (42%), whereas 45-64 year olds are most likely (63%). Over two thirds (70%) give money directly or via sponsorship. Women (63%) are more likely than men (52%) to be involved in charitable giving or social action. In particular, in regards to 'giving goods to charity' there is a large disparity between women (27%) and men (15%). Poorer households are more generous than richer households relative to their available budget³.

It is not only individuals that donate. Corporate giving is the norm, with 98 of the FTSE 100 companies making charitable donations in a typical year⁴. However, whilst donations from corporations have increased from £1.1 billion in 2007 to £1.67 billion in 2012, the nature of this has changed: whereas previously 70% of these contributions were cash, in 2012 that had decreased to 54% as more was made up of employee time and in-kind contributions through increased staff engagement⁵.

Why people give to charity

Most people accept the fundamental contribution charities make in resolving unpalatable and deep-rooted problems on our behalves: understanding, curing and avoiding serious disease; safeguarding and caring for vulnerable children; mitigating the effects of ageing and isolation; helping the poor and homeless to get on their feet; assisting those with disabilities and mental illness to live fuller lives; helping relieve humanitarian crises in the third world; rescuing and treating animals; and supporting a huge range of other local and national causes.

1. Charity commission: recent charity register statistics, 31 December 2015
 2. CAF UK Giving 2014: An overview of charitable giving in the UK during 2014
 3. CAF UK Giving 2014: An overview of charitable giving in the UK during 2014
 4. CAF Charities and foundation: experts in charities and giving, 2015
 5. Charities Trust, The Future of Corporate Giving, 2013

The reasons and influences behind why people donate to charities are complex. Three quarters (75%) of people donate because of a particular belief that they have in a specific cause. What people deem a worthy cause is dependent on their perception of the benefits for both beneficiary and supporter, the intensity and urgency of the need and whether the need is beyond the beneficiary's control. Sixty-one percent also donate because of personal experiences they have had, particularly if they know someone who may benefit⁶.

When giving is perceived to be a social norm (for example, announcements of amount raised on television and events such as Comic Relief) people are more likely to give and to give more⁷. People are also more likely to donate when the rewards they receive (thanks/praise/recognition) come through a social group of which they are a part¹⁰, particularly if they are well integrated in this group, while the influence of social norms is magnified by providing information on the consequences of helping⁸. Donating once makes a person feel good about themselves, which increases the likelihood of donating again⁹.

Whatever the driving influence behind these altruistic behaviours, the World Giving Index suggests that the British are giving more time and more money to charities despite the economic downturn, placing the UK as the most generous country in Europe¹⁰.

Attitudes and trust levels remain largely positive – but with definite room for improvement

Trust, generally, is a long-analysed but poorly defined area. Trust in institutions of all kinds over the past two decades has been shown to be steadily declining. In regards to charities, the longest running and methodologically reliable research is the Charity Commission survey of public trust and confidence. The 2014 results¹¹ showed that trust in charities has been relatively consistent since 2005 (6.3 out of ten in 2005, 6.6 in 2008 and 2010, 6.7 in 2012 and 2014). To put this in context, people have lower trust in charities than in doctors and the police, but higher trust than in social services, private companies, banks, councils, MPs, newspapers and government ministers.

The jury is still out on the precise impact of the Olive Cooke story on trust and donations. The sector's reputation took a big immediate hit as a result of the strength and duration of the coverage: Third Sector's Charity Brand Index from September 2015 found only 52% of respondents said their level of trust hadn't changed since the story broke in May 2015, whilst 44% said that they would be less likely to share their personal information with charities as a result. But whether this has affected long-term trust remains to be seen. More recent research into donating behaviour by YouGov¹² suggests that trust has not yet recovered: there has been a decline in people's willingness to donate generally since the middle of May 2015, which coincides with the increased negative sentiment around charities in the media. The warnings are very clear and compelling for each and every charity, however: any further negative situations can be expected to cause significant immediate and accumulative impact.

This is an urgent situation for individual charities to face up to, as well as the sector as a whole, and creates a firm imperative for every organisation to act to safeguard its future. It is clear is that trust in an individual charity will be heavily affected by its behaviour in a one-to-one manner: earlier research from the REaD Charity report¹³ showed 53% of people would stop supporting a charity that contacted them too much, whilst 47% would stop supporting if they received badly targeted advertising mail.

There is an opportunity for the DMA taskforce to pull this all together and to possibly conduct more research in defining good one-to-one fundraising from the supporter perspective.

6. CAF UK Giving 2014: An overview of charitable giving in the UK during 2014

7. Voluntary contributions to a public good: a natural field experiment, Richard Martin and John Randal, 2005

8. The Effects of Recognition and Group Need on Volunteerism: A Social Norm Perspective, Robert J. Fisher and David Ackerman, 1998

9. Trust and relationship commitment in the UK voluntary sector: Determinants of donor behavior, Adrian Sargeant and Stephen Lee, 2004

10. CAF World Giving Index 2015

11. Public trust and confidence in charities, Charity Commission, 2014

12. YouGov Charity Index, 2015/16

13. The 2012 Charity REaD report

Huge volumes of charity communications have not generated significant numbers of complaints

The current rhetoric is of a sector that is swamping supporters with fundraising appeals and targeted communications that are insensitive and unwanted. However, the reality of this has to be questioned.

Annually, the Fundraising Standards Board (FRSB) (the regulator of fundraising in the UK) has produced a self-reported complaint monitor by charities. As members of the FRSB account for over 50% of all voluntary income raised nationally, this can be considered reasonably representative.

Its July 2015 Complaints Report, reporting on complaints made in 2014, did not show any considerable increase in the number of complaints compared to previous years – and even showed those about advertising mail had fallen. However, following the stories in the Daily Mail, complaints rose significantly and the FRSB began their own investigation.

The 2015 report¹⁴ showed that, of the 1,338 charities that submitted data, there were approximately 20 billion supporter contacts in 2014. Over 52,000 complaints were reported by 1,338 charities, which equates to just one complaint for every 384,000 contacts.

Mail is hugely popular with charities, who sent 195 million addressed and 180 million unaddressed mailers in 2014. Whilst addressed mail had the highest total number of complaints (16,500, or 54% of all one-to-one fundraising complaints), this still represents only one complaint per 11,800 mailers.

Email is equally as popular with charities and is well received by supporters. In 2014, 195 million charity emails produced the fourth highest open rate of any sector¹⁷; and subscribers are rather loyal, generating the lowest unsubscribe-to-open rate (0.97%) of any sector measured.

Telephone fundraising provoked only one complaint per 2,300 contacts; social activities one per 3,350; SMS one per 20,400; and online fundraising one per 12.3 million.

Cash collections generated the highest complaint-to-contact ratio, with one complaint per 50 contacts. Door face-to-face generated one per 6,000; street face-to-face one per 38,700.

Only around 5% of complaints made to the Telephone Preference Service and the Mail Preference Service are charity related.

The statistics suggest that supporters are generally accepting of charity one-to-one communications. However, the evidence is patchy and, with a view to decreasing complaint rates even further, the sector needs to explore both the reasons why people sometimes make complaints and the reasons why these are relatively rare. Since 2015, the FRSB has begun to gather these reasons with a view to including this as part of its annual FRSB Complaints Report.

There is also a need for more in-depth research, particularly amongst vulnerable consumers, to investigate how supporters would like to be contacted, the frequency of contact they expect compared to that they receive, and which channels they prefer to be contacted through, particularly set in the context of future technologies.

14. FRSB Complaints Report: An overview of charity fundraising complaints from 2014

2. The challenges facing individual charities

KEY SECTION CONTENT

- Data (compliance around sourcing, handling, use; making use of analytics, behavioural modelling, etc)
- Supporter experience (putting your supporter first, emerging strategies, using behavioural insight, creating effective journeys, keeping up with evolving supporter attitudes and preferences)
- Capability gaps (resources, skills, experience, training; managing channel evolution and complexity; making use of tools, systems and software available)
- Charity organisation/structure (governance, accountability, safeguarding, strategic support)

Supporter experience: delivering a relevant and sophisticated supporter experience

Whilst charities can spend time contemplating marketing spend, brand saliency and how we can harness technology to meet marketing objectives, they must consider all of this in the context of how they can deliver an exceptional supporter experience.

Charities, in common with other industries, know that supporter experience has a direct impact on loyalty. That impact isn't always positive. Whilst effective targeting with contextually relevant messaging will engage supporters, creating an enduring relationship that sees them supporting us for longer, contact that is excessive, impersonal or irrelevant can lead to attrition where a supporter is no longer willing to engage with the organisation, the worst outcome being that they ask for no further contact.

The key is always to put your supporter first and build fundraising strategy and tactics around their needs and preferences. Clearly, a supporter who feels valued, respected, safe and engaged will become a much happier, more generous and more loyal one, making this approach a win-win for all. This remaining opportunity for the sector to self-regulate is closely related to the Etherington report's commendation of the DMA Code and its central tenet to put your customer first. Whilst some charities are already working to (or towards) this principle, a vital challenge for the sector to solve is how best to support all charities in evolving their fundraising operations to this quality.

Keeping up with new and future approaches to engagement offers challenges but unique opportunities

Supporter donation behaviours are changing. The emphasis on experience, performance and challenge in our daily lives, fuelled by social media, is providing great impetus to various forms of active supporter engagement, such as participation in novel activities on behalf of good causes. The success of MND's 'ice bucket challenge' campaign in 2014 has shown that donation is more than simply giving money. And importantly, given typically lower donation rates amongst the young, these new approaches to engagement are often led by and successful amongst younger audiences: the average age of supporters to the ALS Association fell from 50 to 34 during the ice bucket challenge.

Even volunteering, in its traditional sense, is predicted to change: nearly three-quarters of consumers say they could see volunteering being delivered using online technologies in ten years' time.

The DMA fundraising taskforce is interested to map the potential of these new forms of engagement and how they will intersect with and shape attitudes to more direct fundraising approaches over the coming years.

Creating insight-led donation journeys to maximise supporter value

There is much research into supporter behaviour, but plenty of evidence that charities are struggling to use this to make their fundraising more forensic and successful. For example, as has been mentioned above, giving a donation increases a supporter's likelihood of giving again; as does receiving recognition and thanks for their contribution.

If, as discussed in Section 1 above, it is known that supporters who give once are more willing to give again, and are also more willing to give when they receive praise, thanks or recognition, then charities need to be able to use such insight to maximise the value of their existing supporters, such as by sending a personalised communication to thank them for each donation.

As highlighted in the Future Foundation Digital Giving review, charities have a long way to go to transform fundraising into a digital, self-selecting process for supporters. Ensuring all charities are better able to use collective understanding to operate more effectively will be an important part of evolving the whole sector.

Capabilities: harnessing digital communication channels

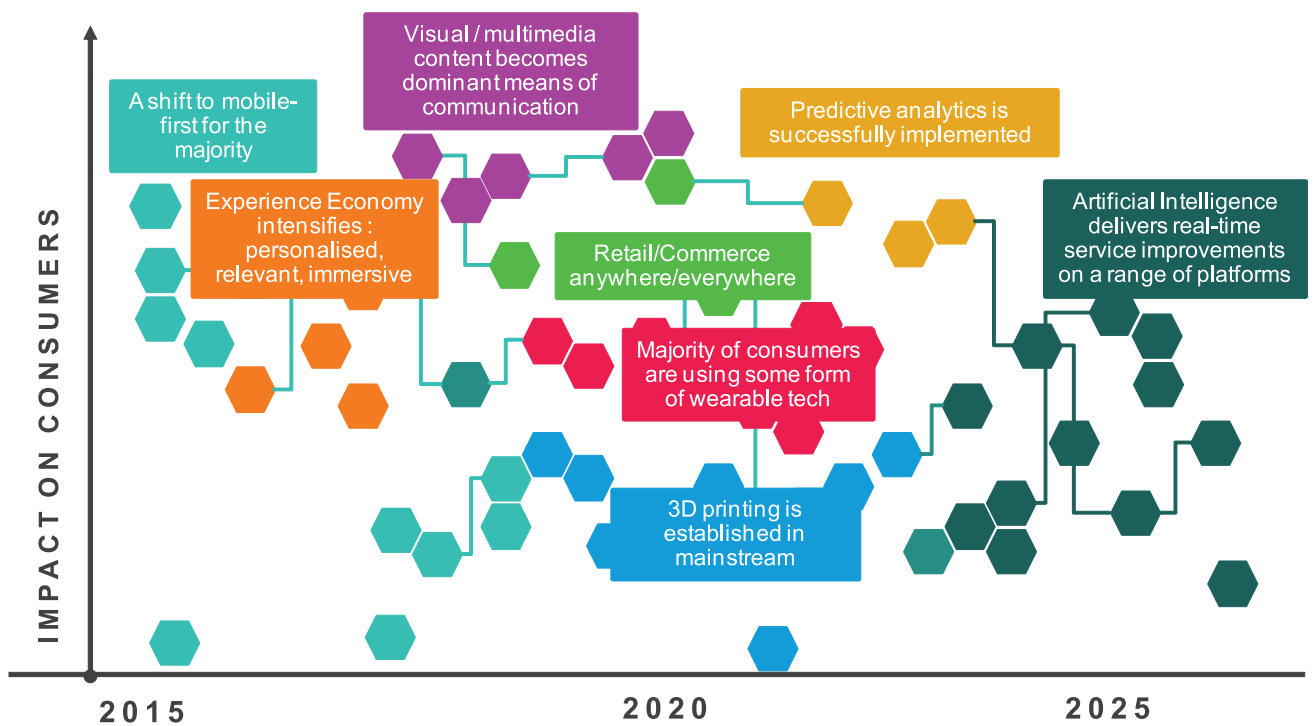
Digital channels and forms of giving offer huge potential – but charities are struggling to prepare

Technological changes will clearly continue to transform the interface between charities, their supporters and indeed their beneficiaries over the coming decade.

Our starting point for these is a timeline created by the Future Foundation in consultation with the Institute of Practitioners in Advertising (IPA) for a major 2015 project on the future of consumer engagement. This suggests that 50% of people will be wearing some form of interactive technology by 2021 and that by 2025 predictive analytics and intelligent interfaces will be built into the majority of devices and interactions. Eighty percent of the population will soon have a smart phone, whilst 50% will own a tablet. The implications of this will be huge and need to be planned for in our assessment of future directions for charities, again something to be reviewed by the taskforce.

What other technologies should be included and how will they impact on one-to-one fundraising?

Consumer tech timeline 2025



Future Foundation, 2015

Capabilities: adapting to the changing roles of traditional one-to-one fundraising channels

Most immediately pressing for fundraisers is that traditional methods of one-to-one fundraising are in decline relative to new methods.

Between 2008 and 2014, the portion of donations made online rose from 4% to 15% and text donations increased from 0% to 11%¹⁵. If 80% of the population will soon have a smart phone and effectively become 'mobile first', this is a critical area for future engagement, alongside computer access from the home or workplace.

The sector will benefit from more coherent thought leadership around this, however, as the obvious increase in technology usage hides greater nuances: for example, those who own and use the most internet-enabled technology (higher socio-economic groups and younger generations) also give the proportionally least amount of their income to charity. Investigating and defining how charities should adapt to these changing supporter profiles and motivations is something that is unlikely to be possible at individual charity level for all but the biggest few charities, if that; it will be better delivered through sector-wide analysis and reporting.

The inevitable continued growth of digital and online giving will also likely change supporter attitudes towards traditional channels, setting charities a challenge to adapt in-step. For example, extensive research suggests that 15-34 year olds are much more likely to welcome, trust, remember and be moved to purchase by advertising mail, having come to know it primarily as an exciting, novel, more premium channel in an era of vastly improved targeting and personalisation¹⁶.

The great advantage of digital methods is that they require the supporter to effectively opt in and participate directly, thus circumventing concerns about consent that underlie the current proposals for the Fundraising Preference Service.

However, there is a question as to how charities can be better equipped for donations in these various forms. For example:

- 84% of non-profit donation landing pages are not optimized for mobile¹⁷
- 83% of charities don't have a mobile strategy¹⁸
- 74% of charities don't use SMS to fundraise¹⁹
- 79% of fundraising emails do not personalise the "To" line with a first and last name²⁰
- 37% charities do not send a single email to new email subscribers with the first 30 days of signing up²¹

This lack of basic one-to-one marketing strategy is worrying. With the majority of supporters using a smartphone and half owning a tablet, numbers that are only expected to increase, many charities are in danger of finding their digital capabilities falling well behind their supporters' requirements.

This is something that should be addressed by the DMA fundraising taskforce. The taskforce has the opportunity to look forward and predict the shift of one-to-one fundraising to new channels and incorporate this into an holistic view of the future.

The DMA taskforce will endeavour to create a futures time line for emerging fundraising methods that need to be included in any future regulatory plan.

15. CAF UK Giving reports 2008-2015

16. Royal Mail Market Reach, *The Private Life of Mail*, February 2015

17. Dunham and Company, Online Fundraising Scorecard: A National study analyzing online fundraising habits and donor experience

18. Give as you Live, *How is the Digital Giving Landscape Shifting?*, 2013

19. Give as you Live, *How is the Digital Giving Landscape Shifting?*, 2013

20. Dunham and Company, Online Fundraising Scorecard: A National study analyzing online fundraising habits and donor experience

21. Dunham and Company, Online Fundraising Scorecard: A National study analyzing online fundraising habits and donor experience

3. Developing an industry-wide approach

KEY SECTION CONTENT

- Sector-wide collaboration and co-ordination
- Managing supporter relationships
- Corporate for Good initiatives

Why charities must commit to long term thinking

It seems ironic that the very sector whose aim is to resolve long term social and humanitarian problems in society has generally failed to apply this longer term lens to its fundraising activities and interactions with supporters. We have seen something like a split personality emerge in many charities, with high-minded commitment to their causes obscuring a more ruthless side – expressed in relentless pursuit of funds from the public. And whilst trustees are keen to look at wider impacts in achieving their goals, scrutiny of the mechanics and reality of day-to-day individual fundraising, as well as the long-term consequences of this, has perhaps been lacking. Without a bigger-picture view, charities risk destroying public trust and alienating their own supporter base.

Arguably, this tendency has been exacerbated by the severe reduction of government funding for the sector from half its income to less than a fifth over the past decade²², creating a narrative of greater scarcity and a ruthless mindset that has driven fundraisers to pursue practices that now threaten to undermine the integrity of the entire sector and, ironically, attract heavier governmental intervention.

Whilst much can be learnt from analysing what has gone wrong in the sector, the most helpful way forward is to clarify the issues and challenges that will need to be addressed over the coming years, rather than scrabbling for short term fixes for damage limitation. To create an holistic view of the future potential for effective fundraising, there are several underlying components to consider and which will be the subject of future taskforce work.

Key components shaping the future

This whitepaper does not purport to cover all components below, but suggests them all for discussion by the Future of Fundraising workshop and within the wider industry forum.



22. <http://www.theguardian.com/commentisfree/2016/feb/07/charities-and-their-role-in-society>

The imperative for sector-wide collaboration and co-ordination

The DMA fundraising taskforce wants to work with charities and the sector to look at how they can work more effectively, both individually and together, to establish best practice in one-to-one fundraising using the tools that are available today; and to develop protocols to safeguard their futures.

At a macro level it should be the collective objective of all charities to protect the public from unwanted or excessive contact from charities and recognise this is essential if the sector is to retain public confidence and maximise funds. There should also be a commitment to protect the most vulnerable in society – this expectation particularly applies to a sector which claims to champion those very people.

The sector needs to better share information and insight to strengthen the overall experience and service it can deliver. Individual charities need to actively seek feedback from supporters about their own fundraising programmes, but common agreement and shared practice about how to do this is going to be key for the sector as a whole to be able to use it to maintain ethical as well as financial effectiveness.

Why the sector must look outwards to build better leadership and good practice in fundraising

As a sector that is heavily reliant on data-driven marketing as an income generator, and is therefore responsible for managing large volumes of personal data, every charitable organisation needs to be aware of its regulatory obligations around personal privacy and data. Charities – and chiefly their trustees – must take full responsibility for charity fundraising, knowing when too much detail is not necessary and when detail could be important.

Ultimately, the responsibility rests with trustees. No system of regulation can substitute for effective governance by trustees who make sure that they are addressing the right issues.

One might argue that trustees already have all the powers they need; but the issues currently facing individual charities and the sector as a whole reveal that trustees are widely lacking some of the crucial elements required for effective governance: they must add the right skills, information and attitude to prevent poor practice happening. Trustees, the Charities Commission and the aligned regulators (the ICO, Direct Marketing Commission and the new regulator) should assist the sector in developing a more ethical fundraising culture to ensure that bad practice is not tolerated in the future.

Existing mechanisms, innovations and activities that point to future collective solutions.

Suppression lists

Suppression lists are the primary existing industry-wide safeguard, but it is clear from the Olive Cooke case, amongst others, that they are only succeeding in protecting supporters under certain criteria.

Responsible charities hold suppression lists of those who have asked that the organisation stop contacting them. These are used daily, integrated within processes that ensure these individuals are not included within outbound data-driven marketing communications.

CRM systems

The challenge is to bring together diverse data sets from disparate activity, make sense of it and use it in a way that values and optimises the relationship, delivering a coherent supporter experience that will encourage loyalty.

All of this must happen whilst working within a strong frame-work of data governance – but there is a question as to whether non-profit organisations have the requisite data skills. Many charities have multiple touch-points and the largest 25 or so in particular have invested heavily to develop supporter relationship management systems. But 96% of charities admit to struggling to manage the vast amount of supporter data available²³, with 77% citing a lack of in-house expertise as the most common barrier to analysing data about individuals. Additionally, 71% said that data integration was a stumbling block – pointing to a strong need for greater skills development in this area and investment in the necessary technology.

This as another important area for the DMA fundraising taskforce to investigate and form recommendations about.

23. Advanced NFP, Data management research, 2014

An industry-wide approach to managing supporter relationships?

Given the nature of the market and the likelihood of supporters having more than one affiliation, the impossible question for all charities is “who else has an ongoing relationship with the supporter or is attempting to engage them”? But charities need to be mindful of the fact that their support is always likely to be given in the context of engagement at a greater or lesser degree with many other worthwhile causes.

On the assumption that all charitable organisations are able to record and categorise a two-way memory of every communication they have ever had with an individual, is there an opportunity to share the aggregate of these activities in a way that doesn't breach an individual's privacy, so that each organisation is able to gain an understanding of who else might be contacting a supporter? The DMA taskforce wants to facilitate this discussion between charities.

Again, as new methods come into the mainstream and supporter express their engagement with good causes in a number of ways including participating in events, volunteering as well as giving – it is important that the taskforce creates an holistic and future orientated view.

Adapting to overlap by the commercial sector: Corporate for Good and the challenges and opportunities regarding social initiatives by commercial brands

It is worth noting that there are other fundamental shifts that fall beyond our scope which are germane to the eventual future shape of the sector. One of these, and potentially the most challenging, is the question of social purpose and its relationship to Corporate for Good initiatives. Currently, whilst there are many eye-catching examples of new social enterprises and social businesses that have started up to address social issues using sustainable business models – such as Toms or Jamie Oliver's Fifteen – the growing adoption of this approach by major brands could be a serious future disruptor to the current role and operations of the third sector. Unilever are leading the charge on this with their stated goal of helping one billion people become healthier by 2020, whilst cutting the climatic impact per supporter down. If citizens are convinced that these new models are effectively delivering to social need, their commitment to charities as the main means of resolving such issues may seriously begin to wane. We put this at the five to 10-year time horizon and suggest a watching brief on this area.

Community work by commercial organisations is a hugely valuable compliment to the work of the third sector – and charities gain huge resources and support from commercial organisations. Questions should be explored, however, about how to leverage this trend towards corporate social initiatives and how corporate social work should be regulated in line with charitable work.

4. Defining the future

KEY SECTION CONTENT

- What should the rules for the third sector be?
- Background and outline of FPS requirements; and the proposals as they currently stand
- Self-regulation

Should the rules be different for the charity sector?

The identification of how, why or whether one-to-one fundraising can differ from one-to-one marketing in its standards or practices or a key debate and a key issue for the DMA fundraising taskforce to curate a resolution to.

The Institute of Fundraising (IoF), the fundraising sector body, was previously responsible for the sector code of conduct. It had argued that fundraising required different rules to commercial marketing, particularly regarding some sections of PECR on telephone calls and CAP and DMA best practice on advertising mail; but in August 2015 was forced to update its guidance to bring fundraising standards in line with the marketing standards followed by the business world and ensure compliance with marketing legislation.

There are clear differences between not-for-profit and commercial activities, so it may be appropriate for the rules and best practices to differ at some level; however, the key point is that the supporter should always be put first. No difference must ever be an opportunity or excuse to deliver anything less than a completely fair, honest, respectful, appropriate and positive supporter experience.

That the sector is supply-led rather than demand-driven not only provides differentiation, but arguably has facilitated the recent continuous growth of income for many charities who use mass marketing – able to reach further on limited resources to increase a market share that isn't impeded by the common market forces present in other industries.

A way of demonstrating the potential income that charities are looking to acquire might be to look at cross-industry comparisons to insurance, utilities, even the small appliance market. Clearly, a household will only need one home insurer or utility provider and most likely only one kettle at any one time. Hence the cap on market share will be dictated by number of households. But an individual may support as many charitable causes as they wish, the only limitation being their financial ability to pay. In addition, where commercial purchases might be significantly driven by need, much charitable donation could be described as purely taste-based rather than need-based.

The growth of the sector might therefore be explained by the fact that it in theory has no limit to the number of charities that an individual might support.

This is evidenced by the volume and scale of one-to-one marketing activity undertaken during 2014 from the top 1400 charities. As we have seen, it is significant: six billion contacts made through targeted mass marketing, with television, press and outdoor advertising providing a further reach of 14 billion (Source: FRSB).

The DMA taskforce must consider the impact of the effectively unlimited nature of fundraising on the future shape of activity and regulation.

Background to the current third sector fundraising reform

As noted, throughout 2015 there was a sustained media investigation of the fundraising and charity sector. This revealed a widespread disregard for industry best practice and in some cases the legislation when it came to contacting supporters with one-to-one marketing. This was highlighted most clearly by the case of Olive Cooke, who felt overwhelmed by the up to 3,000 charity requests she received each year.

This led the minister for civil society, Rob Wilson to order an investigation into the sector led by Sir Stuart Etherington. The FRSB also held its own investigation.

The Etherington report was published in September 2015. In addition to endorsing the DMA Code and guidelines for dealing with vulnerable people, it made a number of recommendations to improve one-to-one communication in the sector. All of its recommendations were accepted by the Cabinet Office, including:

- The FRSB would be closed
- A new regulator would be set up, funded by the charities
- The code of practice, previously maintained by the Institute of Fundraising (IoF), would be transferred to the new regulator. This code of conduct had been updated in August 2015 to bring it up to the standards followed by the business world and ensure full legal compliance, particularly regarding some sections of PECR on telephone calls and CAP and DMA best practice on advertising mail.
- A Fundraising Preference Service would be set up to allow people to opt out of fundraising calls or mail
- Explicit consent will be required for data sharing to take place
- Charities and fundraisers will have to state how vulnerable people will be protected.

Lord Michael Grade has been appointed chair of new charity regulator, with Stephen Dunmore as chief executive.

The new regulator is the last chance the sector has at self-regulation. The points detailed above are not open for negotiation and will be implemented. If the sector does not comply then the government will step in and legislate.

The question for the DMA taskforce is how to shape the new regulation in the most constructive and effective way: to protect supporters whilst maximising effective fundraising in existing and future channels.

The relationship between the DMA Code and plans for the Fundraising Preference Service

The DMA Code was re-issued in 2014 after extensive consultation and work and firmly puts the customer at the heart of responsible one-to-one communications. The Code was highlighted in the Etherington report as the standard to which organisations should aspire and the foundation for discussions about self-regulation and the FPS.

The DMA has had various conversations with the Cabinet Office and the NCVO about how best to create the Fundraising Preference Service. It is the DMA's view that if the charity and fundraising sector had upheld the standards of the Code then they would not have created the problem uncovered by the Daily Mail. However, the FPS and new regulator now offers an excellent opportunity to help the sector to vitally evolve: not just in terms of data responsibility, but well beyond this, touching on all areas of one-to-one communication. All charities who come under the control of the new regulator will have to use it, and this in its turn helps create a unified approach that can deliver benefits to fundraisers in terms of best practice and stronger business models.

The idea of designing the FPS as a 'reset button' has been very popular with the media and public. The idea is that at any time a consumer can register with the FPS, effectively hitting the reset button at which point all one-to-one marketing activity from fundraisers will stop. If after this point the consumer decides to opt in to communications from specific charities, they will have permission to stay in touch. If the amount of marketing becomes too much again then the consumer can go back to the FPS and hit the reset button again.

As well as being a rather unsophisticated marketing tool, there are also many other considerations to take into account with a service like this: including length of registration, security, cost of implementation, who can register, confusion over existing preference services, how to handle complaints and sanctions, to highlight just a few. Other more complex solutions have also been proposed – involving exceptions to the opt-out, data pooling to share information and the provision of additional information – but these will be more expensive and complicated.

The FPS working party has until the summer to come up with a proposal for the service. Its work will help shape the DMA response.

What does this mean for the sector?

The charity fundraising sector will now not just have to comply with the standards of other businesses that conduct one-to-one marketing, but the additional standards and requirements set out in the Etherington report.

Charities will now have to re-think their marketing/fundraising strategies. They can no longer rely on dated business models of straight-forward telephone and advertising mail contact and will have to be much more careful and respectful about how they treat their supporters if they wish to keep them. Again, successfully incorporating emerging and future methods must be critical.

Those charities whose fundraising activities were less than compliant will have to spend a lot of time money and effort changing their systems and bringing their data up to date. Those that were fundraising in a compliant manner will still need to take additional measures to comply with these new standards. In the short term there will be a lot of confusion and cost while these changes are implemented and this will have a significant impact on charity fundraising activities. But these changes are now unavoidable and essential if the sector is to restore public trust.

Another key question for the DMA taskforce is around how to encourage and enable charities to rapidly become compliant with these higher standards.

What it means for the DMA and its membership?

The compliance question should not worry DMA members as they were already working to these standards.

The events of recent months and the need for charities and their suppliers to try and rebuild reputations adds new pressures to charities who are already riding the shockwaves of drastic changes in funding. The DMA is already providing support on heavily overlapping issues to over a thousand organisations in the commercial sector and is ideally placed to extend these services to any charities now be seeking advice on best practice in marketing, training, legal advice and other benefits that form part of DMA membership.

The creation of the DMA fundraising taskforce provides any member of the third sector with a forum to make their contribution towards achieving the much stronger, future-proof and fundamentally supporter-centric success of charities, both individually and collectively.



5. Conclusion and next steps

The evolution of the third sector is already non-negotiable and underway. Precipitated by troubling and unacceptable failings within the sector, this is now an opportunity to create extremely positive change: to pool expertise from across the sector with learnings from the commercial world to enable a much better fundraising ecosystem that produces much better results with much less friction.

The risks of continued failure should deeply worry any member or supporter of a charitable cause and must inspire serious, committed and complete action; but they should also be seized upon as a chance to solve the headaches of day-to-day fundraising and shift the organisational focus back towards delivering first class services and solutions for the vulnerable.

You can help shape secure and strengthen your organisation and sector's future. The DMA fundraising taskforce invites you to closely follow and join in with this sector-wide development of innovative new solutions and opportunities. Its next step is a workshop in March that will bring together an array of senior charity experts to discuss the questions raised in this paper and collate ideas and opinions. The taskforce will produce a report summarising this contribution.

If you would like to add your own contribution over the coming weeks and months, please contact:

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6. Describing the future of fundraising

Future-proofing areas (next 10 years)	Data, digital and emerging technologies	Long-term strategy and sustainability	Supporter experience
<p>Frameworks for regulation and governance</p>	<ul style="list-style-type: none"> • How can charities, big and small, collect and maintain data in a compliant way? • Should supporter data be shared between organisations? If so, under what conditions? How can the sector re-adjust quickly to the opt-in rule for data sharing? • How can the sector define “reasonable” vs “excessive” contact, both by a single charity and by the sector as a whole, with an individual supporter? • What should self-regulation look like? • Should not-for-profits work to the same standards as commercial organisations? Should there be tighter/looser/different controls and best practices? 	<ul style="list-style-type: none"> • Is the trustee structure giving the sector the governance, support and vision it needs? What needs to be changed to ensure every charity is well-governed, not just well-intentioned? • How can the sector best collaborate with government and other authorities, organisations, industries? Eg to define, promote, defend and continually evolve its role and relationships? • How can charities re-align the fundamental goals and values of their fundraising and operational sides? • What safeguards can the sector put in place to mitigate/manage known and as-yet-unknown strategic (even existential) risks? • How can industry-wide best practice be developed and disseminated in keeping with the pace of change? 	<ul style="list-style-type: none"> • How can fundraisers manage supporter relationships in a compliant manner? • What preference/control needs to be given to the supporter (looking beyond mere compliance towards building sensitive, respectful, mutually beneficial charity-supporter relationships)? • How should complaints be recorded, stored and responded to? • What should the standards around supporter experience/complaints be? • How can not-for-profits and commercial organisation community initiatives be governed in tandem and to the same standards? Should the standards actually be the same?
<p>Sector-wide collaboration</p>	<ul style="list-style-type: none"> • Should charities work together to co-ordinate approaches to each supporter? • Should supporter records be centrally pooled and managed to safeguard supporter interests, with all charity one-to-one interactions tracked? • How might this be technically possible? How would this be planned and managed? • Would supporters want this? • What other collaborative mechanisms/safeguards might work? 	<ul style="list-style-type: none"> • How can charities better work together to share insight, knowledge, skills, experience and specialist resources? • What unique long-term challenges or needs does the sector have/foresee? Can charities collaborate to drive development of systems, tools, methodologies etc tailored to these? • Does the sector have the right mechanisms (groups, forums etc) to manage its evolution smoothly and brilliantly? • How can the sector increase its skills (eg training, attraction and retention of talent, better formalisation/professionalisation of roles even where voluntary) 	<ul style="list-style-type: none"> • What other mechanisms could be developed to prevent the swamping of individual supporters? • How and who should manage the sector’s response to future negative events or publicity? • Should supporter satisfaction (or not) be more pro-actively sought by the industry; and how would this be managed and used? What research already exists and how can it be augmented? • How can fundraisers audit activity to ensure appropriateness and relevance?
<p>Best practice for individual charities</p>	<ul style="list-style-type: none"> • How can charities, especially smaller ones, fund and resource best practice data management? How can they use of supporter data, eg to continually improve targeting and tailoring of their communications? • How can charities better access and benefit from wider data sources (“big data”) to evolve? • How can charities access specialist data, digital or other skills, potentially on an ad hoc (eg project-by-project) basis? • How can charities with limited resources master the complexity of multi-channel, real-time one-to-one communications? What systems and skills are available to support charities’ rapid advancement in technical capability? 	<ul style="list-style-type: none"> • How can smaller charities develop/access the skills and resource to develop future-proof strategies (eg to adapt to changing tech use, emerging channels, etc)? • How can smaller charities ride the shift from traditional to emerging tactics? And manage multi-channel, real-time integration to simultaneously ensure best returns, best practice and best supporter experience? • How can (often overstretched/underskilled) fundraisers easily access and incorporate proven strategies to increase donations, loyalty, experience, referral, etc? • How can fundraisers use technology to improve their efficiency and effectiveness (ie raise more for less)? 	<ul style="list-style-type: none"> • How can fundraisers ensure their supporter’s best interests are met first? Ensuring they provide value to the supporter as well as the beneficiary? • How can organisations provide a clear, coherent, mutually rewarding fundraising journey for each individual supporter? • How can fundraisers increasingly use supporters’ own enthusiasm to fundraise through sponsorship, challenge, participation, etc? And quickly harness emerging approaches to fundraising (eg new social media challenges)? • How can charities responsibly maximise lifetime value? • How can fundraisers absorb learnings from their activities?

About the DMA

A DMA membership will grow your business. Our network of more than 1,000 UK companies is privy to research, free legal advice, political lobbying and industry guidance. Our members connect at regular events that inspire creativity, innovation, responsible marketing and more. Most of them are free.

A DMA membership is a badge of accreditation. We give the industry best-practice guidelines, legal updates and a code that puts the customer at the heart. We represent a data-driven industry that's leading the business sector in creativity and innovation.

One-to-one-to-millions marketing attracts the brightest minds; individuals that will shape the future. By sharing our knowledge, together, we'll make it vibrant.

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