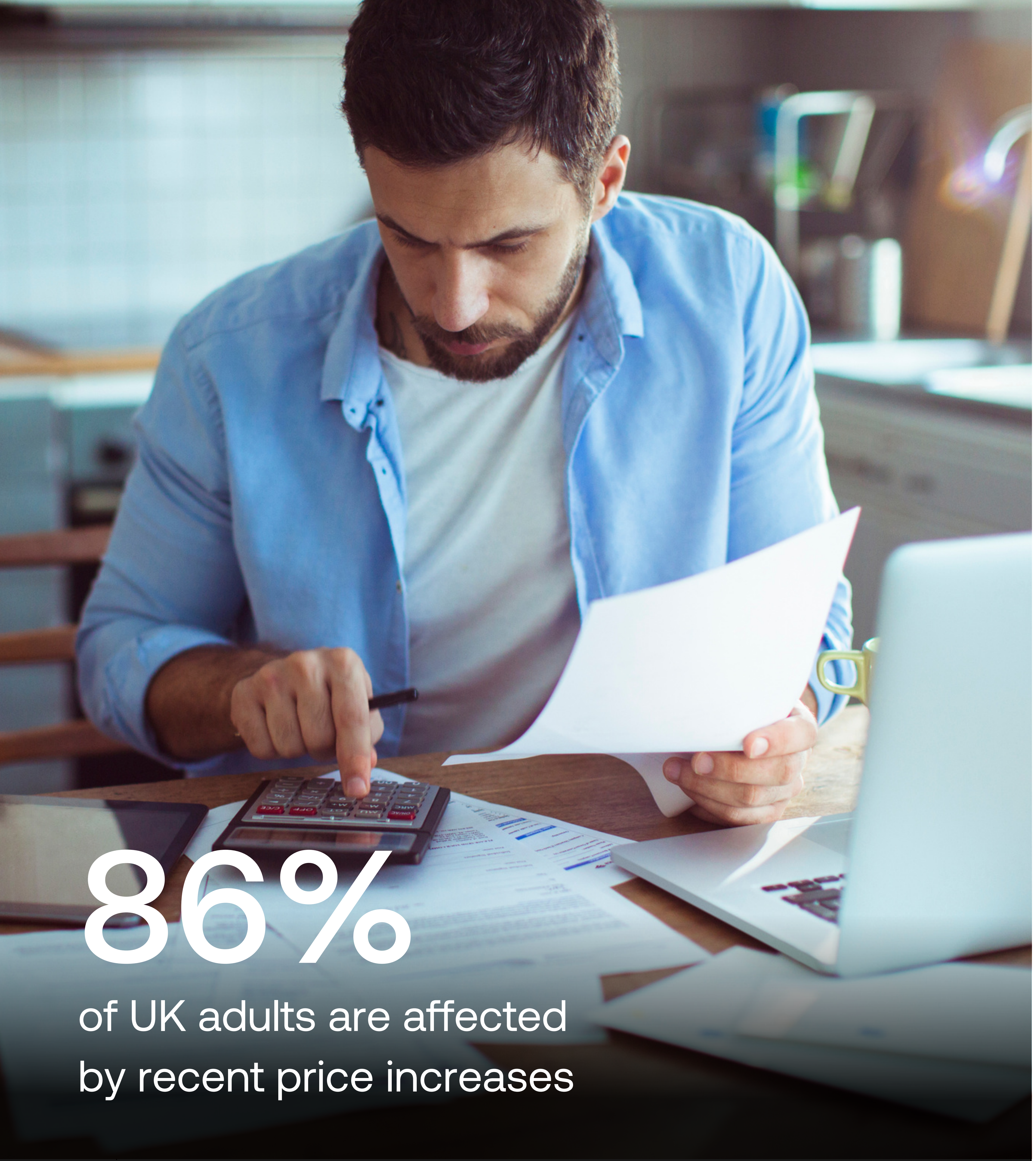
Navigating the 'Cost of Giving Crisis'

Adapting fundraising media strategies in a new financial pandemic

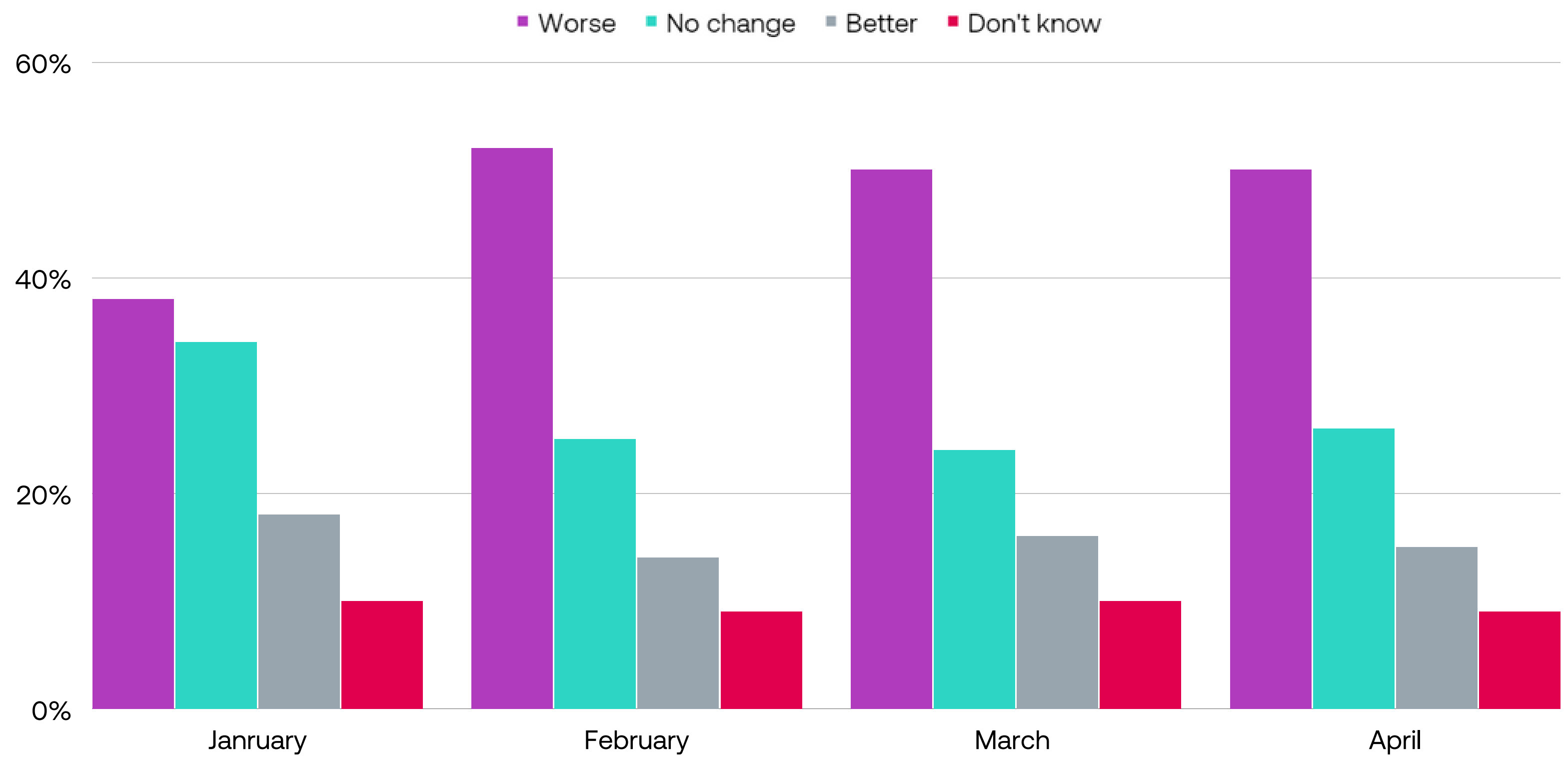
THE KITE FACTORY



Battling the Cost of Living Crisis

Since late 2021, the UK has been battling a cost-of-living crisis – a significant decrease in 'real' disposable incomes, off the back of rising inflation, a range of tax increases and higher energy, petrol, and housing prices. 86% of UK adults are now thought to be affected by these cumulative price increases, and YouGov data shows that 50% of people now believe their financial situation will be worse 12 months from now.

How do you think your household's financial situation will have changes 12 months from now?



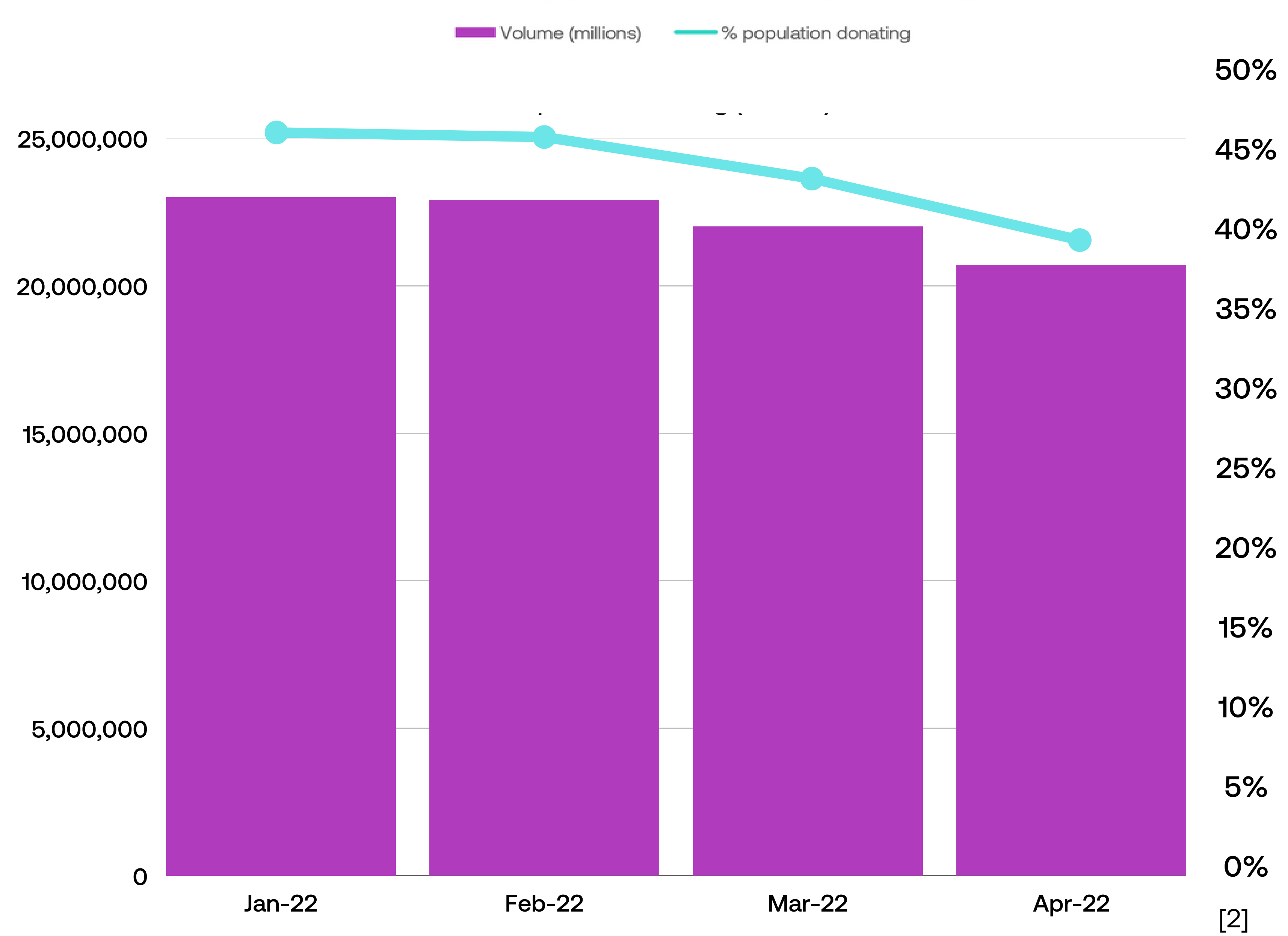
[1]

[1] YouGov "What do Brits think their financial situation will be 12 months from now?" (2022)

A knock on effect for charity fundraising

These new conditions and attitudes are having a knock-on effect on charity fundraising. In March, CAF reported that more than 1 in 10 of UK adults planned to donate less to charity in response to the financial situation. Concurrently, the charity sector is already seeing a decrease in donors, with two million fewer donations reported by CAF than normal for the time of year. We have found similar trends reflected in YouGov data, which reveals 10% fewer people donating to charity over the past 3 months in April vs. January.

Donated to charity (via direct debit or ad hoc) in last 90 days



[2]

With this new challenge – or what charity reports have begun referring to as the "cost of giving crisis"[3] - in mind, we have put together three key recommendations to empower charities to ride out this economic wave and stay relevant. Across these areas, we will indicate the opportunities that each provides, and how they are applicable across the owned, earned, shared, and paid media landscape.

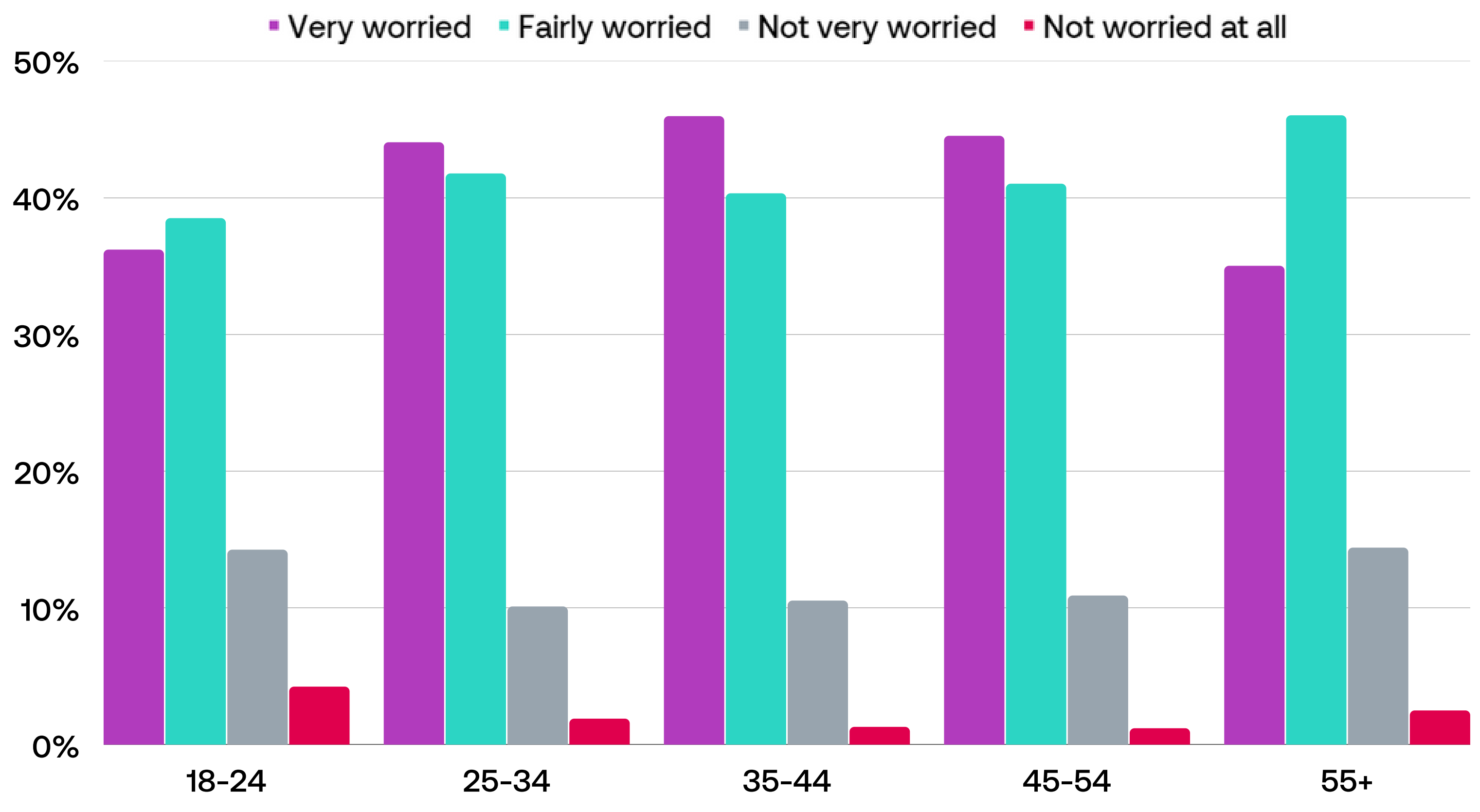
[2]YouGov Profiles Great Britain (23rd Jan 2022; 6th Feb 2022; 6th March 2022; 17th April 2022)

[3] Donor Pulse Report, Spring 2022

1. Evolve your audience segmentation

While most UK adults are feeling the increase in their cost of living in some way, we have identified nuances in the levels of concern between demographics, which translate into some interesting new trends in the proportions of different age groups donating to charities.

How worried are you about the rising cost of living in the next 6 months?



[4]

[4]YouGov Profiles Great Britain (20th March 2022)

18-24s

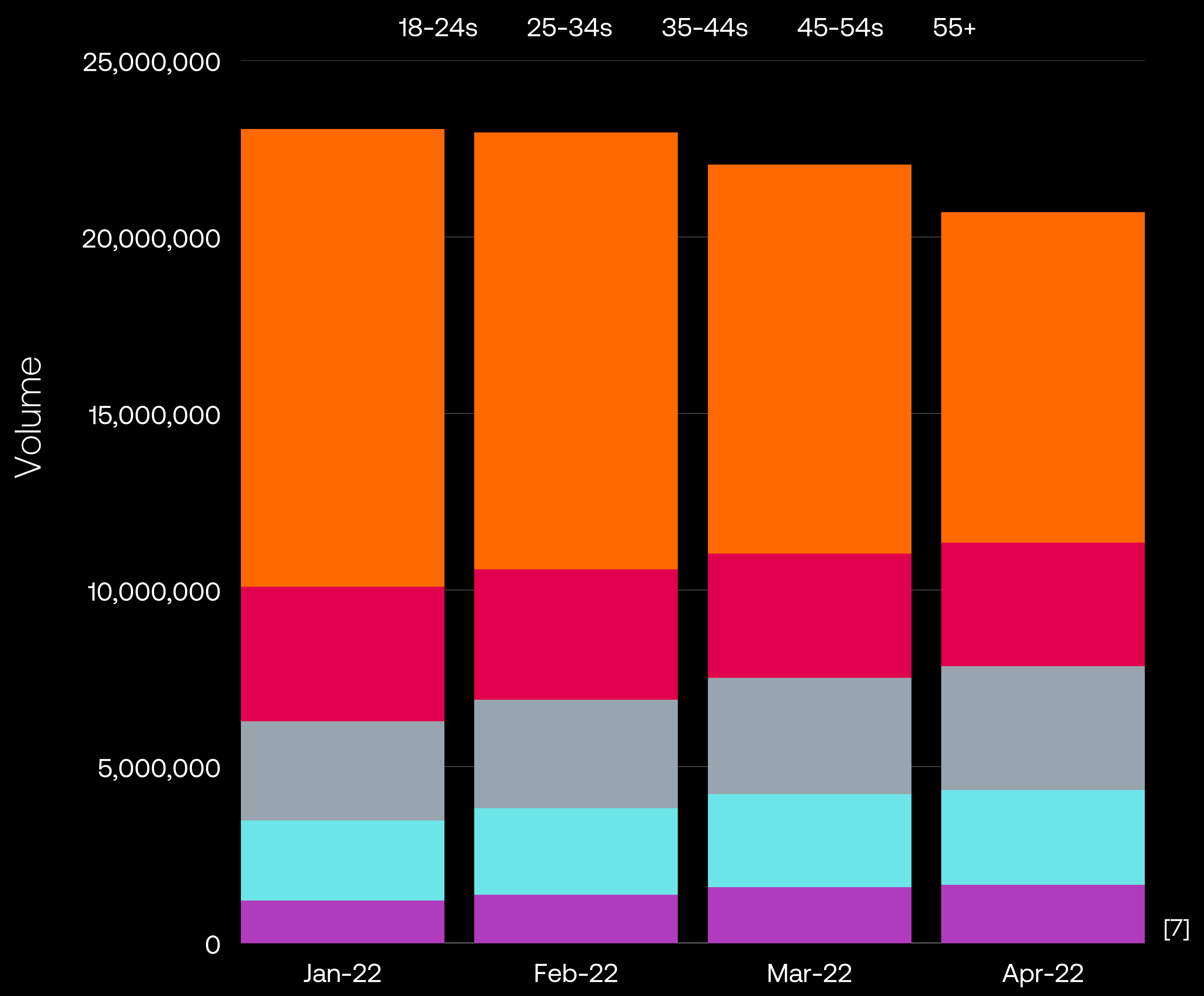
reported the lowest level of concern around the rise in daily expenses

18-24s have claimed the lowest level of concern around rises in daily expenses; 4% reporting to be “not worried at all”, and 14% “not very worried”. This reflects more recent trends in the charity sector which have identified Gen Z as the demographic now best placed to give to charity, with 36% of this generation feeling better off financially than previously, vs. other age groups who feel harder hit.[5]

When it comes to the demographic makeup of charity donors, we have already seen some interesting shifts since the start of the year. Between January and April 2022, the volume of 18-24s who have donated to charitable causes over the past 90 days has risen by 36%,[6] the most significant % change across all age groups in this period. In contrast, the volume of 45+s who reported donating to charity has fallen by 23%. This aligns with greater concern around living expenses that we see among 45+s, vs. Gen Z who typically feel less immediately impacted.

[5] Donor Pulse Report (Spring 2022)
[6] YouGov Profiles Great Britain (23rd Jan 2022; 17th April 2022)

Donated to charity in the last 90 days (via direct debit or ad hoc) - by age



[7] YouGov Profiles Great Britain (23rd Jan 2022; 6th Feb 2022; 6th March 2022; 17th April 2022)

With these demographic shifts in mind, the first aspect of evolving audience segmentation that we recommend for charities is to consider the opportunity of younger donors, who are an emerging opportunity area in the sector. This could be product focused, through a new offering, or media focused, investing more in channels, creative or messaging better suited to an 18-24 audience.

The second learning here is that on the flip side, these insights highlight the demographics most likely to be feeling the pressures of the cost-of-living crisis.

Of all age groups, 35-44s are reporting the greatest level of concern, with 48% responding that they are "very worried" about price rises. This figure rises to 59% for low-income households of the same age. Off the back of this, it is important that charities consider the overlap of these demographics with both their existing donors and paid media audience segments. If performance is slowing among this group, explore optimising media investment and tailoring product offering or creative messaging between segments.

2. Spotlight the value equation

A wider result of the cost-of-living crisis and resulting consumer sensitivity to non-discretionary spending, is the competitive price/value environment advertisers now operate in. This is visible in plenty of advertising over the last few months – from pricing wars between FMCG brands, to energy providers pushing product offerings designed to under-cut competitors.

Although charities are not commercial brands, understanding and promoting value equation when shaping product and comms are equally important when navigating cost-of-living induced pressures. "Value equation" refers to the trade-off between cost and value in any marketing exchange. For any potential consumer or charity donor, the equation works as follows:

Net Value from buying into a product = Total Value created

(customer + marketer value) − Cost [8]

[8] Business Marketing: Understand What Customers Value (1998)

While product price is linked to value, it is not the only consideration, and other currencies such as functional, social or psychological value, as well as product distinctiveness, are as much a part of the equation.

For charities, social and psychological value is key in connecting with a consumer by building their knowledge of a cause and bringing them closer to it. WaterAid's #Untapped campaign demonstrated this, increasing audiences' proximity to the cause with storytelling media, interactive touchpoints, and social media sharing.

While product price is linke Another example is Crisis' 2021 Christmas appeal, spotlighting value exchange by isolating a specific donation amount of £29.06 and unpacking exactly what value this figure brings to a homeless person. Therefore, fostering owned and earned media value helps a donor justify financial commitment and feel that they are getting value back from their financial commitment, regardless of the price.

3. Find your voice in the conversation

Finally, while in many ways the cost-of-living crisis presents a challenge to charities in reaching fundraising targets and retaining donors, for some charities it is as much an opportunity. Soaring prices are impacting social and welfare causes of all kinds – from food poverty and debt advice to mental health and animal rescue funds. This gives charitable organisations the opportunity to produce owned content – commissioned reports, surveys, or CRM communications, for instance – which project their cause in light of the cost-of-living crisis. Spotlighting this content across paid and earned channels will then drive renewed awareness and word of mouth for the charity, demonstrating the relevance of the cause and increasing the likelihood of fundraising success.

Conclusion

In a financial crisis impacting over 8 in 10 people in the UK, we are already seeing evidence of charity donations slowing, alongside shifts in the demographic makeup and financial security of donors. In this landscape, we have identified three ways that charities can adapt their strategies across owned, earned, shared or paid media; to not only ride the wave but stay ahead of new opportunities and audience insights along the way:

1.

Evolve your audience segmentation – understand who of your audiences will be most and least impacted by the crisis; explore the opportunity of the Gen Z donor, and tailor creative and messaging to speak to the squeezed middle.

2.

Spotlight the value equation – clarify to consumers the net value of your product or service and be confident in positioning this against price.

3.

Find your voice in the conversation – contextualise your cause in the new economic climate and amplify this voice across media channels.

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