



Action you can take to manage the impact of Covid-19 on Fundraised Income: Ireland facing a 15% decline in 2020 costing sector €179m

Dennis O'Connor, Niamh Carruthers, Darren McMahon

Introduction

With the global spread of Covid-19 bringing economies and societies to a standstill not seen in our collective lifetime, Ireland is faced with unprecedented levels of disruption and must now operate within a completely unprecedented context. Companies, families and individuals live and work under unfamiliar conditions, practicing social distancing, while all nonessential services have ground to a halt and those who can are working remotely. The only guarantee is that there will be both knock-on effects, continuing long after the world returns to its former pace, as well as short-term effects, some of which will be potentially damaging and require urgent action. The Irish not-for-profit sector has already begun to experience some of these consequences.

2into3 recently released 'Fundraising in a Time of Crisis: Lessons from History' in response to the crisis born from Covid-19 and as a follow on from 2008's 'Fundraising in a Cold Climate' report, which examines how fundraising is impacted at a time of crisis using evidence from different historical events. The recent report examines the potential impacts of the current crisis on fundraising and the not-for-profit sector, positing that that despite the damage likely to befall Irish not-for-profits, the sector will remain strong.

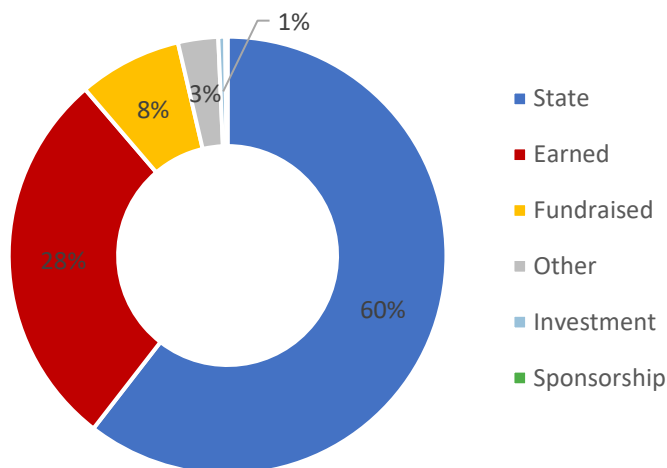
This paper expands on the views expressed in 'Fundraising in a Time of Crisis: Lessons from History' and holds that the not-for-profit sector is resilient and will recover fully following the end of the economic slowdown resulting from Covid-19. However, negative, short-term effects on the sector are inevitable. Some subsectors will be more adversely impacted while others may even see a rise in fundraised income. Those with primarily fundraised income models will be more heavily impacted than those relying on statutory income. Smaller organisations will be hit harder than larger ones. Finally, certain methods of fundraising will disappear for the time being, while others may be significantly impacted, remain relatively stable, or even grow.

2into3 seeks to estimate, based on our existing data, the value of the loss in fundraised income that the sector might anticipate this year, presenting a few scenarios based on the fundraising methods we believe will be the most adversely affected. In doing so we hope to scale the possible short-term impact that COVID-19 will have on the not-for-profit sector if unmitigated.

Irish Not-for-Profit Sector Funding Model (2017)

In 2017, the not-for-profit sector received 60% of its funding from the state, 28% from earned income streams and 8% from fundraising. The remaining income fell under the categories of 'Other' (3%) and Investment income (1%).

Table 1: Irish Not-for-Profit Sector Funding Model, 2017¹



Fundraised income

Table 2: Changes in Fundraised Income for Irish Not-for-Profits

| Year ² | % Change in Fundraised Income ³ |
|-------------------|--|
| 2009 | -12.9% |
| 2010 | +23.9% |
| 2011 | +3.7% |
| 2012 | +7% |
| 2013 | +0.8% |
| 2014 | +7% |
| 2015 | +6% |
| 2016 | +4.5% |
| 2017 | +9% |

In 2017, 2into3 estimated fundraised income for the Irish not-for-profit sector to be €1.1 billion. Based on the most up-to-date figures from 2into3's Quarterly Fundraising Monitor for 2018 and year-to-date for 2019, 2into3's initial estimate for fundraised income for 2019 is €1.13 billion.⁴

2into3 has collected data on fundraised income for 9 years and thus has been able to track annual changes in fundraised income levels. These figures show that fundraising has increased every year for eight consecutive years, with 2009, the year following the crash, being the only year to experience a drop. The data, moreover, shows that not only did fundraising recover the next year, but did so almost twice over.

In 2018, the fundraising mix for the not-for-profit sector was as follows:

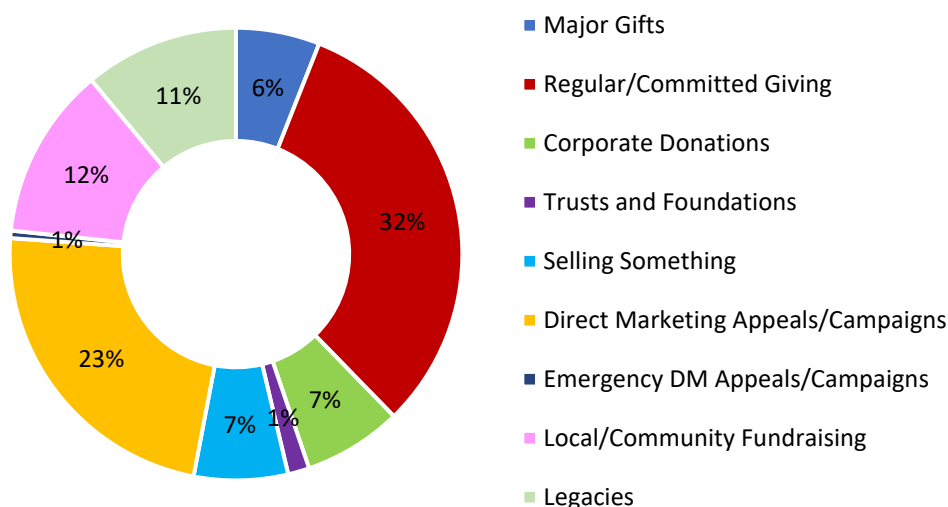
¹ 2into3, *The Irish Not-for-Profit Sector: Annual Fundraising Performance Report 2019*.

² The table notes changes in fundraised income to the previous year for Irish not-for-profits, as stated in their annual accounts.

³ 2into3, *The Irish Not-for-Profit Sector: Annual Fundraising Performance Report 2010-2019*.

⁴ Based on a 3% increase in fundraised income for 2018 and a 2% decrease year-to-date as of Q3, 2019.

Table 3: 2018 Irish Not-For-Profit Fundraising Mix⁵



Using the year 2019 as a baseline and applying the percentages from the above fundraising mix, which is the most recent, to the estimated total fundraised income (€1.13 billion), the estimated value of fundraised income by method for 2019 is set out below:

Table 4: Estimated Value of Fundraised Income by Method

| Method | % Mix | Estimated Value |
|--------------------------------|-------|-----------------|
| Major Gifts | 6% | €67,920,341 |
| Regular/Committed Giving | 32% | €358,845,804 |
| Corporate Donations | 7% | €80,372,404 |
| Trusts & Foundations | 1.5% | €16,980,085 |
| Selling Something ⁶ | 7% | €75,844,381 |
| DM Appeals/Campaigns | 23% | €261,493,314 |
| Emergency DM | 0.5% | €5,660,028 |
| Local/Community | 12% | €139,236,700 |
| Legacies | 11% | €124,520,626 |

Impact of Covid-19 on Fundraised Income for Not-for-Profits

2into3 seeks to place a quantum on the likely effect of the current economic halt on organisations in 2020, from the end of Quarter 1 (March), throughout Quarter 2 (April, May, June), and possibly into Quarter 3 (July, August September), bearing in mind that seasonal trends may also affect fundraised income levels both in general and in terms of specific methods. We note that, based on longitudinal trends derived from unpublished 2into3 figures, fundraising tends to be the highest during Quarter 4 (October – December), when most seasonal appeals take place. The below figures suggest that some recovery would be seen by the end of Quarter 3 entering into Quarter 4.

2into3's view is that the four methods likely to be the most affected are as follows, with varying severity:

⁵ 2into3, Q4, 2018 Quarterly Fundraising Monitor, Unpublished.

⁶ This includes income from charity shops, draws, raffles and lotteries

- **Local & Community Fundraising** (e.g. events): Will disappear for as long as social distancing conditions last, through March and likely throughout Q2 and half of Q3, potentially then heavily impacted at the end of the year.
- **Selling Something** (e.g. charity shops): Will range between temporary elimination to severely impacted, with some sales continuing online for charities with the capacity to do so. Likely to remain heavily to moderately impacted throughout Q2 and Q3.
- **Corporate Philanthropy**: Will range between moderately and lightly impacted from now through Q2.
- **Regular & Committed Giving** (e.g. monthly donations or standing orders): While some donors will end their regular gifts in light of high temporary unemployment, it is hoped that this will taper off by Q3. Other donors with the capacity to do so may even increase their regular gifts to attempt to provide relief for their chosen organisations.

Meanwhile, it is possible, even likely, that other methods, specifically Major Giving, Trusts & Foundations, Direct Marketing Appeals and Emergency Appeals may actually increase in *response* to current events.

Table 5 presents scenarios of fundraised income loss by fundraising method, accounting for certain methods, should they be disturbed for the full year, while Table 6 presents the same scenarios, adapted for the likelihood that methods will experience disruption for different lengths of time at differing degrees of severity.

Table 5: Potential Loss of Fundraised Income in 2020 by Method, Full-year

| Method Value of loss | No impact (-0%) | Lightly impacted (-10%) | Moderately impacted (-25%) | Heavily impacted (-50%) | Severely impacted (-75%) | Eliminated (-100%) |
|----------------------------|-----------------|-------------------------|----------------------------|-------------------------|--------------------------|--------------------|
| Major Gifts | €0 | €6,792,034 | €16,980,085 | €33,960,171 | €50,940,256 | €67,920,341 |
| Regular/Committed Giving | €0 | €35,884,580 | €89,711,451 | €179,422,902 | €269,134,353 | €358,845,804 |
| Corporate Donations | €0 | €8,037,240 | €20,093,101 | €40,186,202 | €60,279,303 | €80,372,404 |
| Trusts & Foundations | €0 | €1,698,009 | €4,245,021 | €8,490,043 | €12,735,064 | €16,980,085 |
| Selling Something | €0 | €7,584,438 | €18,961,095 | €37,922,191 | €56,883,286 | €75,844,381 |
| DM Appeals/Campaigns | €0 | €26,149,331 | €65,373,329 | €130,746,657 | €196,119,986 | €261,493,314 |
| Emergency DM | €0 | €566,003 | €1,415,007 | €2,830,014 | €4,245,021 | €5,660,028 |
| Local/Community | €0 | €13,923,670 | €34,809,175 | €69,618,350 | €104,427,525 | €139,236,700 |
| Legacies | €0 | €12,452,063 | €31,130,156 | €62,260,313 | €93,390,469 | €124,520,626 |
| Total value of loss | €0 | €113,087,368 | €282,718,421 | €565,436,842 | €848,155,263 | €1,132,005,690 |

Table 6: Potential Loss of Fundraised Income in 2020 by Method, Quarters 1-3⁷

| Method Value of loss | No impact (-0%) | Lightly impacted (-10%) | Moderately impacted (-25%) | Heavily impacted (-50%) | Severely impacted (-75%) | Eliminated (-100%) |
|----------------------------|-----------------|-------------------------|----------------------------|-------------------------|--------------------------|--------------------|
| Major Gifts | €0 | €2,241,371 | €5,660,028 | €11,206,856 | €16,810,284 | €22,413,713 |
| Regular/Committed Giving | €0 | €11,841,912 | €29,604,779 | €59,209,558 | €88,814,336 | €118,419,115 |
| Corporate Donations | €0 | €2,652,289 | €6,630,723 | €13,261,447 | €19,892,170 | €26,522,893 |
| Trusts & Foundations | €0 | €560,343 | €1,400,857 | €2,801,714 | €4,202,571 | €5,603,428 |
| Selling Something | €0 | €3,792,219 | €9,480,548 | €18,961,095 | €28,441,643 | €37,922,191 |
| DM Appeals/Campaigns | €0 | €8,629,279 | €21,573,198 | €43,146,397 | €64,719,595 | €86,292,794 |
| Emergency DM | €0 | €186,781 | €466,952 | €933,905 | €1,400,857 | €1,867,809 |
| Local/Community | €0 | €9,189,622 | €22,974,055 | €45,948,111 | €68,922,166 | €91,896,222 |
| Legacies | €0 | €12,452,063 | €31,130,156 | €62,260,313 | €93,390,469 | €124,520,626 |
| Total value of loss | €0 | €113,087,368 | €128,921,298 | €257,729,395 | €848,155,263 | €515,458,791 |

Conclusion

Even for methods only moderately affected, the potential value of loss in fundraised income is very significant. While the sector will, when the economy recovers, have the opportunity to return to pre Covid-19 levels of fundraised income many organisations will face a significant fall in fundraised income in 2020. In particular those that are smaller, are from particular subsectors, or whose fundraising mixes favour those methods most impacted. 2into3 takes the view, based on the figures in Table 6, for potential loss by fundraising method, accounting for the effect of inactivity by time period, that the Irish not-for-profit sector is set to lose **€179 million (a 15% decline on 2019)** in 2020.

Recommendations

At a **sectoral level** the case needs to be made to Government, which is the principal funder of the sector, that a significant loss of fundraised income will occur which will impact on the ability of organisations to deliver on their missions. This is already under led by the Wheel, the Charities Institute and other bodies and 2into3 is supporting this effort with our research.

Also, at an **organisational level**, the way in which Covid-19 will impact fundraising needs to be understood by not-for-profit organisations so that they can mitigate accordingly. A potential 15% decline in fundraised income in 2020 does not need to be met with a simple cutting of fundraising costs. There is a range of other actions that can be taken which can minimise the impact on organisations.

At an **organisation level** we recommend the following actions:

1. **Assess** the potential loss of fundraised income for your organisation by taking your 2019 fundraised income by method by month and calculating the impact using the factors in Tables 5 and 6 above:

⁷ Loss of activity for equivalence of 2 quarters: last month of Q1, all of Q2, 2 months of Q3. Methods impacted 1/3, ½ or 2/3 of the year. Legacies remain as a value and are not affected by seasonal factors.

- a. No impact on Major Gifts, Trusts and Foundations and Emergency Direct Marketing
- b. A 10% reduction in Regular Committed Giving and Direct Marketing Appeals and Campaigns for 1/3rd of year.
- c. A 25% reduction in Corporate for 1/3rd of the year.
- d. A 25% reduction in Legacies for the full year.
- e. A 75% reduction in Selling Something for half the year
- f. A 100% reduction in Local & Community Fundraising for 2/3rds of the year.

This the total potential loss of fundraised income for your organisation if unmitigated.

2. **Examine** your eligibility to apply for the Covid-19 Wage Subsidy Scheme. This could allow you to maintain your team to take the following actions.
3. **Consider** the potential to increase Major Gift and Trust & Foundation income by doing prospect identification, using name generation and **wealth screening** and other research methods to add to your prospect pipeline and update your case for support.
4. **Adapt** the communications of your regular committed giving and direct marketing appeals to take account both of the likely impact of Covid-19 on some donors' ability to give as well as the propensity of other donors to give more.
5. **Invest** more resources in your online channels where they already exist, otherwise establish a new online giving platform to fill this gap.
6. **Research** the impact that Covid-19 has had on your corporate donors. Get in touch with all existing corporate donors, being proactive where their capacity to support your organisation may be adversely impacted, as well as assessing where support can continue. Identify corporate sectors unaffected or performing strongly during Covid-19. Reach out where possible.
7. **Develop** a new plan for Selling Something & Local and Community activity post-Covid-19. Maintain your volunteer base by staying in touch.
8. **Reassign** resources based on your learning based on the outcomes of items 1 through 7 above.
9. **Monitor** your performance carefully, comparing each month with the same month of the previous year and **benchmark** with your peers and the sector.

The 2into3 Consulting and Research team of Dennis O'Connor, Rob Foley, Darren McMahon and Niamh Carruthers are available to help organisations fundraise at this time of crisis. If you would like to learn more please get in touch with one of us.

Dennis O'Connor Dennis@2into3.com or 086 8162278

Rob Foley Rob.foley@2into3.com or 086 0327935

Darren McMahon Darren.mcmahon@2into3.com or 086 7924696

Niamh Carruthers Niamh.carruthers@2into3.com or 086 0462358