



# Charities Navigate This Recession Using the Internet Effectively

A large, abstract graphic at the bottom of the page consisting of several overlapping, semi-transparent geometric shapes in shades of red, pink, and grey, creating a layered, architectural effect.

2010

## Navigating the Recession Using the Internet.....Effectively

*In this report you will learn:*

- **How to grow support despite the lack of spending in the economy today.**
- **What you SHOULD do and what you should NOT do during a Recession.**
- **4 Reasons why the internet is revolutionising advertising.**
- **3 Key Methods for marketing your charity on the internet.**

The Global financial crisis has produced economic conditions that are the most significant for over a generation. The World Bank laid this out very clearly:

*“After an estimated 5.3 per cent contraction in economic activity in 2009—the sharpest slowdown of any region—the recovery in real GDP in Europe and Central Asia in 2010 is projected at 4.1 per cent... 3.2 percentage points slower than the region’s pre-crisis five year average.”* (Source: The World Bank regional note 10<sup>th</sup> June 2010)

Without overly stating an obvious point we are suffering the effect of the recession and it’s unclear how long the effects will be felt. The next most likely questions are: What happens now? How long will this last? What am I supposed to do? Despite the efforts of the coalition and their support for the wider Sector it’s fair to say that no one really knows for sure what is going to happen.

Both Mervyn King and Warren Buffet, two well-known and respected figures on financial matters, have expressed their views:

*‘The nature of the headwinds means that the recovery is likely to be slow. And there is much uncertainty - about the outlook for the world economy...’* **Mervyn King**, Governor Bank of England (Source: Mail online, February 11<sup>th</sup> 2010)

*“It’s an economic Pearl Harbor. The recession will be longer and deeper than most people think. This will not be short and shallow.”* **Warren Buffett**, World’s Richest Man and Most Successful Investor (Source: Reuters, March 9th 2009)

During a recession of unknown severity and length, developing a plan for how an organisation can survive financially is essential. A strong and secure plan which can respond to changes in the economy is the key to survival. Even in good times a *weak charity marketing and fundraising plan* for example holds charities back. In the current climate a weak plan could be the factor that even decides whether some charities fail or not. Sadly we can see the evidence of the knock on effect at a business level by taking a walk along any high street in the UK.

***So what does this mean for small to medium charities?***

### **Adapting to your new environment**

Firstly acknowledging that the general public’s behaviour changes during a recession will give you the upper hand. Prospective donors and current supporters are themselves adapting to survive. The next step is to choose and keep evaluating the right strategies for your charity and your supporter base. Your prospect donors and current supporters are adapting. There is increasing competition for funding and some of your competitors, (the smart ones), are changing their approaches in line with the economy. Even banks and suppliers have changed their operations in

order to adapt to the recession. The saving grace is that all charities and all businesses are trying to navigate the same choppy waters.

*Let's take a closer look...*

### **Potential and Current Donors are Hunting for the Best Voluntary Organisations to Support**

Donors won't waste money. Finances are scrutinised and budgets are tightened in line with need, rather than what they want. Just as for consumers luxuries become less important as the necessities become more expensive. When every penny counts, it makes sense that consumers dramatically reduce spending on supporting causes that do not demonstrably deliver clear outcomes.

You can see that entertainment and restaurants are being hit hard. As customers buckle down they start to eat out less, preferring the cheaper, eat at home options. While Dominos and Pizza Hut are experiencing double digit growth, pricey restaurants are quickly losing key clientele.

People are now spending less and less money, **so why should they donate to support you?** Donors now expect you to give them a reason and clear evidence of your outcomes, to demonstrate your added value, to support your activities and the issues faced by those who use your services.

### **Competitors are Looking to Access the same pool of money as YOU**

Other charities are in a similar situation to you. They're facing hard times too and want to stay afloat and keep their heads above water. Some may have weak plans in place and, if you are aware of this, you can actually use it to your advantage and come out ahead.

People often panic and react too quickly in ways which may not help their organisations. They might cut overheads or services more than they need to - to keep supporters happy - so that they don't lose any of their current donors. Drastic cuts may harm them in the long run though so be wary of doing this yourself because short term gains may not benefit you in the long term.

Many of your competitors may cut down their expenses by reducing staff and/or their hours. Usually the first thing to go is a reduction in advertising, marketing and promotional efforts.

***Don't do this because it is often a huge mistake.***

Ogilvy and Mather, an international Advertising agency with over 60 years of experience, advise against eliminating marketing budgets during a recession:

*"Continue to spend through the recession and recover faster than those that reduce their budgets. In fact, organisations that increase their marketing spend in recessions recover up to 3 times faster in normal times." Ogilvy & Mather, Ad Agency to Fortune 500 Companies*

*(Source: Optimizing Production Expenditure & Creative Assets, White Paper by Ogilvy & Mather)*

Those who will cut their marketing budget and think that they're saving money are really hurting themselves when the recession is over. They will be unable to recover as quickly as charities that didn't make unnecessary cuts or spend their marketing budget more effectively. Your voluntary organisation can come out ahead with the right strategy.

*“The recession is an opportunity to put weaker competitors out of the market and decrease their market share and decrease their capacity when growth returns.” Ogilvy & Mather, Ad Agency to Fortune 500 Companies*

*(Source: Doing More with Less. White Paper by Ogilvy & Mather)*

Also bear in mind that many rates for advertising are currently low and there are some low to no cost marketing strategies. So every penny that you put into your promotional budget is going further than it would be elsewhere. It's a win-win situation for you.

If other charities have decided to cut costs here, donors will only see your marketing and not theirs which keeps your exposure high and theirs low to zero. If someone happens to be seeking to support the type of charity you are and the services you may offer and has no experience with any other charities in that field, they'll see your marketing. This benefits your charity and puts you in a stronger position to grow as the recovery develops.

### **Pressure on your Suppliers**

Obviously your suppliers are for the most part businesses. They want to be paid on time and the lines of credit that they extend may currently be quite minimal. Standards are stricter and they try to ensure that they are not taking any unnecessary risks with their business. They are much more diligent about getting paid and expect you to see their point of view while being less forgiving.

### **Banks also feel the strain!**

Surprisingly even after the economic stimulus efforts, banks are still cautious even about giving money to other banks. Since they're hesitant to give other banks money this isn't helping individuals, businesses or charities. Many people have lost their credit lines with banks even if they haven't done anything to cause this! It is a fact that life is not always fair. Without a strong line of income you and your supporters may be finding it very difficult to fund anything but the essentials at the moment.

In spite of the gloomy climate, you don't have to let the recession take advantage of you. It can be a great opportunity for your charity if you know what you're doing.

### **Why this Recession is Different**

The last major recession was in the early 90's and there is a key difference between then and now. That difference is the growth and reliance on what surely is the **8<sup>th</sup> wonder of the world**, The Internet.

Undoubtedly the internet has become an essential part of most people's lives. Now in 2010, charities (**particularly small to medium sized charities**) have increasing opportunities to use the internet to their advantage. The internet can be used to give you an edge over those who are competing with you for support, donations and income. You can perform better and smarter than those who don't use this resource effectively.

Not all trustees and charity managers have learned how to use the internet, specifically for marketing and helping their charity gain more supporters and income to deliver more products or services. It is easy for a charity to spend money marketing their charity online but is it as easy to get

the best returns on that investment? The ability to learn how to do this and give yourself a distinct edge is within the grasp of most charities.

So how can your charity use the internet to navigate this recession and come out ahead?

## 4 Reasons to Market Online

There are four major reasons that charities need to use the internet for effective promotion.

### Reason #1: People spend money online now more than ever

In 2008 comScore reported that people began looking for services and products online more than ever before, up by 21% actually. The internet is the place to capture the attention of possible donors and using communication such as email marketing is a proven way to retain and inform supporters - and generate more income from them.

The internet is the easiest and most convenient location for supporters to find the charity they're looking for. The largest and most important question though is whether or not people are donating money online while they're searching.

Online retail spending during 2009 rose to record levels and is predicted to triple to £67 billion by 2020. (UK Reuters Dec 18, 2009). People are surfing the internet to find retail products but they are also willing to spend and donate at an unprecedented level.

*"The value of online retail can no longer be dismissed as a sideshow. Its phenomenal growth is not only forecast to deliver sales of as much as £21.3 billion by 2011, but a £12.3 billion increase will also ensure that the entire UK retail sector is growing again by the end of 2011," says **Carl Scheible**, managing director at PayPal UK.*

### So how are donors finding the charities and services they want to support?

#### They use the most popular search engine



Google is the most popular search engine, way ahead of its competitors. comScore did a study in February 2009. The top 5 were Google, Yahoo, Microsoft, Ask, and AOL. Google is predominant in the marketplace and holds 72% of the searches that are performed. Second in line is Yahoo with 16% while the other two (Microsoft or MSN is now known as Bing) only get a small piece of the rest of the pie. With this information the main focus of a strategy has to have Google at its centre. The position that your site has on Google is a direct representation of how well known you are, in the eyes of the supporter. Crucially, if you're

not visible on Google then effectively you do not exist on the internet.

Google used correctly can help you get visitors and supporters through your site.

### **Reason #2: Either other charities will get the donations or you will**

Some of your competitors may be ahead of the game. They may see how it can help them to market online. If you decide not to use the internet effectively for promotion and your competitors do, they will be winning support that you could have. If supporters donate to your competitors once and are satisfied, they will likely do it again and again.

You can use the fact that many of your competitors who market online don't do it effectively. If you learn how, you can come out stronger than them.

### **Reason #3: Online = Greater Return on your Investment**

Many charities have realised that their marketing budgeting needs to be set so that they can get an effective return on their investment (ROI) because of pressure on funds. Online methods include marketing through search engines and e-mails. They are often considered more effective than regular advertising and communication methods.

### **Reason #4: Offline Donations are influenced directly by Online Marketing**

Just as consumers use the internet as their main source of buying products, donors are now more likely to search online to research a charity or service before later giving to it either online or offline in the future.

comScore and Google conducted a relevant survey titled "The Role of Search in Consumer Buying". They made the interesting discovery that 16% of sales are immediate while 21% may come after the search later on down the line. The largest discovery is that 63% of sales are first researched online before purchased offline. These facts hold true for both charity-to-donor and charity-to-charity donations.

These findings state that people will give based on what they find online either online or offline. It states that if you're not online *effectively* then your competitors for support and donations will have an advantage and you will *suffer offline too*.

Your online presence can be improved to encourage supporters to donate to you instead of your competitors and increase your income both on and offline.

### ***How should you spend your charity's money on the internet?***

## **3 Key methods for marketing your charity on the Internet**

A survey conducted by Sapient ([www.sapient.com](http://www.sapient.com)) discovered that

- 1) 38% of businesses who use the internet for marketing use placements in the search engines while
- 2) 24% use email marketing, and
- 3) 15% do digital advertising in various forms as their main method.

In 2008 the Direct Marketing Association discovered that for every pound that a business spends for email marketing they make a return of approximately £28 and the offline results state that every pound spent offline only has a return of £9. Senior marketing executives in 2008 stated that 91% of

the 340 executives surveyed used online advertising and the more important fact is that 55% state they were cutting advertising offline to increase their online presence. This trend holds true for charities and has only increased.

**This is a key factor in charities using the Internet effectively to navigate the recession.**

A higher ROI can be obtained for ALL of your marketing funds if you use online methods rather than simply offline methods.

**Look out for future reports as we explore how to best use the internet to promote your charity.**