

Budgeting in Uncertain Times Forecasting in Today's Climate and for Tomorrow's Unknowns.

LUNCH AND LEARN →



Agenda

1. Current Consumer Sentiment and Behavior
2. Historical Context
3. Current Trends
4. Short-term: Re-forecasting Now
5. Long-term: Budgeting for the Future



Current Consumer Sentiment and Behavior



Poll #1:

How are you feeling about the fundraising climate in the next 2-3 months?



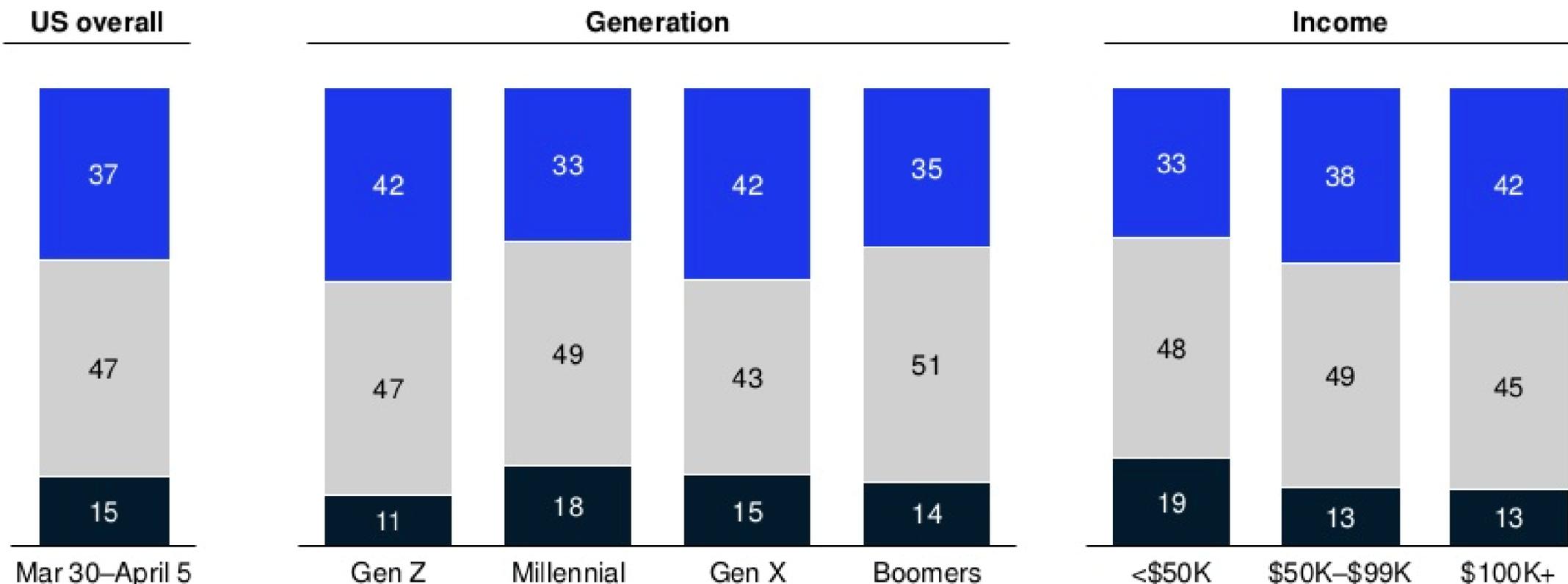
Current Consumer Sentiment



American optimism is the highest for those earning \$100K+, Gen Z, and Gen X, and Gen Z is the least pessimistic

Confidence in own country's economic recovery after-COVID-19¹
% of respondents²

■ Pessimistic ■ Unsure ■ Optimistic



¹ Q: How is your overall confidence level on economic conditions after the COVID-19 situation? Rated from 1 "very optimistic" to 6 "very pessimistic."

² Figures may not sum to 100%, because of rounding.

Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 3/30-4/5/2020, n = 1,484; sampled and weighted to match US general population 18+ years

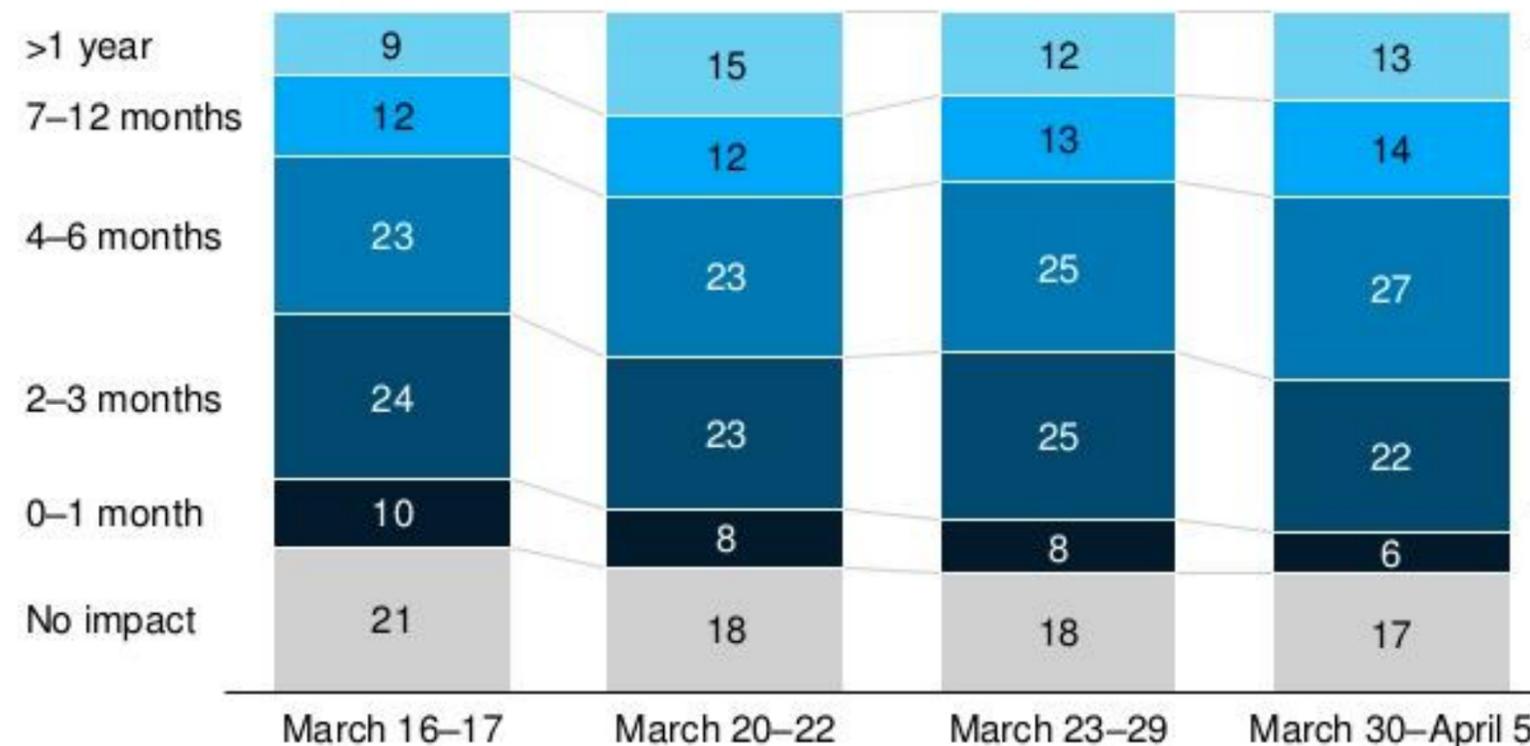


Current Consumer Sentiment



Most Americans believe that their personal finances will be impacted for at least 2 months

Impact to personal/household finances¹
% of respondents²



~76%

of respondents believe their **finances will be impacted for 2+ months** by the COVID-19 situation, roughly steady for the past few weeks

¹ Q: How long do you believe your personal/household finances will be impacted by the COVID-19 situation?

² Figures may not sum to 100%, because of rounding.



Current Consumer Behavior

NO, SERIOUSLY
(40%)

We saw memes and selfies get more serious...

LONGING FOR NATURE
(17%)

We saw people dreaming of the outside, posting images of landscapes and flowers...

LAPTOP LIVING
(13%)

People adapted quickly, by switching their social and work lives into a digital format...

SOFA AND SNUGGLES
(13%)

People were focused on getting cosy and feeling safe with pets and the people that they are close to.

CREATIVITY AND CRAFT
(9%)

People initially turned to their own creativity to keep entertained and to seek distraction...

THE NEW ESSENTIALS
(6%)

We saw a whole host of 'new essentials' for self-isolation. The things that really matter to people in these strange times.

SOLIDARITY & STRENGTH
(30%)

We see people sharing selfies and memes with words of encouragement and solidarity, fostering a sense of togetherness as we weather the eye of the storm.

BRINGING THE OUTSIDE IN
(18%)

As people face the idea of staying inside for a long period, the desire to feel connected with the outside world and imagine future possibilities is even stronger.

LIFESTYLES ONLINE
(15%)

People are developing increasingly creative and resourceful ways to use digital channels as they look to bring a bit of texture to the work and social lives they have had to move online.

POSITIVE HABITS
(22.5%)

People are still focused on emotional wellness but are now cultivating new habits that help them feel good, prioritising self-care and all the things they can do to bring joy and calmness to their lives.

LEARNING AND MAKING
(14.5%)

This space has grown and become more diverse - many see time at home as an opportunity to do more of the things they don't always have time to do and to re-engage with creative pursuits and passions.

The 'new essentials' have become engrained in routines, and less content is shared about essential items and products (or this is shared in the context of consumption occasions or moments).

Current Consumer Behavior

Other Key Consumer Behaviors

1. Post office has a 90%+ approval rating *(Pew Research)*
2. People have not forgotten about other threats to our way of life: climate change, global poverty, spread of nuclear weapons, terrorism *(Pew Research)*
3. Increase in online media, but moving away from mobile; Facebook, Netflix, YouTube all experiencing 15% - 27% increase, apps are flat or decreasing *(New York Times)*



Key Takeaways

- Consumer outlook continues to change
- Majority of consumers are unsure about duration and speed of recovery
- Most individuals believe coronavirus will impact their personal finances for 6-12 months
- Older and wealthier consumers are more optimistic
- Increased media consumption, but moving away from mobile
- Focused on building togetherness and good habits



Historical Context



Historical Context

Key events to evaluate

1. 9-11: public shock; led to confusion on what to do and lack of communication
2. Great Recession: economic uncertainty; led to lack of multi-year commitments and some reprioritization of charitable giving
3. Dot-com crash: decline in markets; led to stock gifts being less valuable than original amount
4. Bernie Madoff: led to lack of communication
5. Large natural disasters – Hurricanes Andrew, Katrina, Harvey; the Haiti Earthquake, Indonesia Tsunami: led to increased giving

#1-4 Courtesy of Giving USA

LUNCH AND LEARN



Budgeting in Uncertain Times



Poll #2:

How did your organization's fundraising fare in the during the 2008-2009 recession?



Historical Context

1. Depression

- S&P lost 86% in < 3 years
- 25% of country was unemployed (13 million)

2. Great Recession

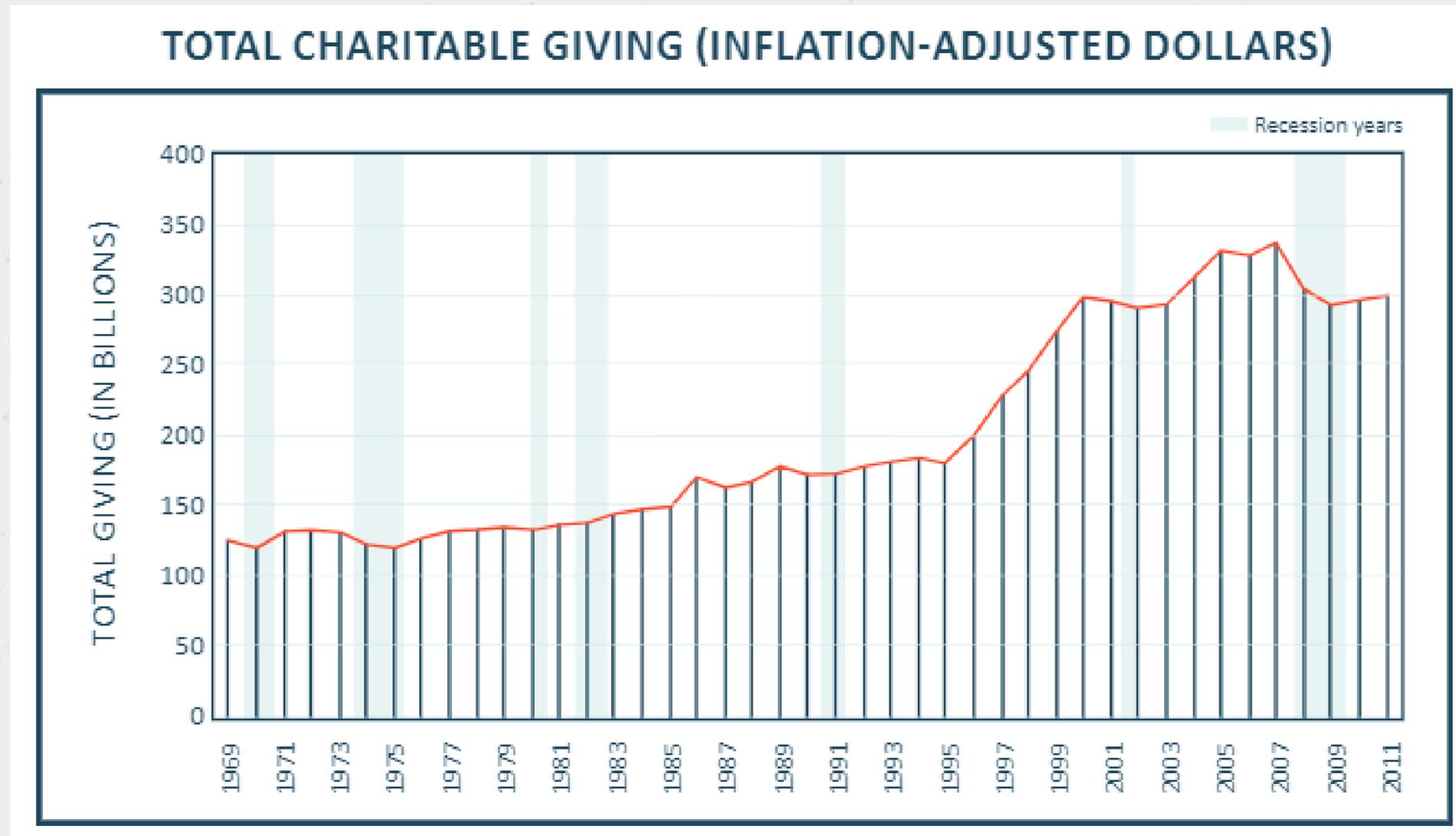
- S&P lost 33% in 2008
- 6% of country was unemployed (8.6 million)

3. Today

- S&P is down 18%
- 20% (prediction) of country is unemployed (22 million)



Historical Context



Russell Sage Foundation and The Stanford Center on Poverty and Inequality: Charitable Giving and the Great Recession

LUNCH AND LEARN



Budgeting in Uncertain Times



Historical Context

Giving during the Great Recession

- Down 4% in 2008 and down 8% in 2009
- Majority of decrease from top earners: donations from people making \$200K+ were down nearly 5%
- Food banks saw a 30% *increase* in giving
- Other types of nonprofits, like those focused on poverty, also saw increases during the recession



Key Takeaways

- Fundraising metrics in 2008 and 2009 are critical to future forecasting
- Dip in fundraising lasts longer than recovery
- Some sectors and organizations can benefit during instability
- The coronavirus pandemic and resulting economic impact will most likely impact both major and annual fund donors



Current Trends



LUNCH AND LEARN



Budgeting in Uncertain Times



Poll #3:

How is your fundraising right now?



Current Trends

- 15% decrease in year-over-year donation mail volume
- 15% decrease in week-over-week donation mail volume: it was flat in the prior year
- 14% decrease in year-over-year donation revenue
- 34% increase in week-over-week donation revenue
- Average gifts remain 14% - 17% higher year-over-year

OF DONATIONS | Year-Over-Year Comparison

Comparing the number of donations processed each week



TOTAL REVENUE | Year-Over-Year Comparison

Comparing the amount of donations processed each week



Merkle Response Management Group



Current Trends

- Political fundraising is very soft, especially for smaller races
- Organizations with missions related to current environment who are also aggressively fundraising are showing strong results
- Organizations with a committed base of support are continuing to raise funds
- Like retail, more donors are migrating online
- Higher sustainer cancellation rate, but organizations with strong sustainer programs are poised for success
- DAFs are still a strong philanthropic vehicle and one of the most recession proof
- Some donor pushback on planned giving promotion, *however*, increased interest in creating/updating wills



Key Takeaways

- Mail volume is down, but make sure you are looking at multi-touch attribution
- More donors are on computers – for longer periods of time – online giving is going to continue to grow
- Like 2008-2009, being a philanthropic priority is critical
- Sustainer cancellations are a fact – steward these donors for reinstatement in 9-12 months



Reforecasting Now



Poll #4:

Are you being asked to reforecast revenue or decrease expenses?



Reforecasting Now

Offline acquisition

- Revenue
 - Evaluate current response rate and consider decreasing it by another 5% - 10%
 - Average gift will remain flat or increase
- Budget
 - Eliminate expensive tests and most new packages
 - Rotate non-premium packages into each merge
 - Eliminate secondary and tertiary markets
 - Use post-merge optimization to further target top leads and reduce waste



Reforecasting Now

Online acquisition

- Revenue
 - Decrease number of new joins (and revenue) from social media and paid search
 - Reach could be a problem on many platforms
 - Response rate may decrease without an urgent/timely message
- Budget
 - Start with smaller daily budgets
 - Better optimize social media budget by creating individual campaigns for each audience
 - Optimize paid search by increasing negative keywords, targeting demographics, and observing audiences



Reforecasting Now

Sustainers

- Revenue
 - Continue to project for monthly sustainer declines
 - Use April as your benchmark for average decline rate
 - Consider projecting declines for the next 3 months and no growth for 4-9 months
- Budget
 - Increase communication with sustainers
 - Outsource sustainer communication



Reforecasting Now

Direct mail campaigns

- Revenue
 - Decrease lapsed (could be as high as 20%) and first-year donor response (potentially a 5% to 10% drop)
 - Increase multi-year donor response (increase by 3% to 8%)
 - Increase mid-level upgrading
- Budget
 - Eliminate expensive testing, stocks, formats and well as expensive color pieces
 - Review creative for potential reuses
 - Stop mailing to anyone without a home address



Reforecasting Now

Online Campaigns

- Revenue
 - Email as aggressively as your deliverability allows
 - Expect lower response, but higher average gift
 - Project for less revenue per email, but more overall revenue as number of sends increase
 - Don't ignore #GivingTuesdayNow
- Budget
 - Lower development fees by building a CX that can be used for both desktop and mobile
 - Reduce staff time by building more simple emails, forms, pages – load time is an issue
 - Invest in list cleaning



Reforecasting Now

DIY and Crowdfunding

- Revenue
 - Pivot to in-house Facebook fundraisers and budget revenue earned accordingly
 - Eliminate any revenue from past DIY fundraisers that were driven by events
 - Revenue from DIY will be minimal from new donors
- Budget
 - Boost FB fundraisers
 - Consider running DIY campaigns from influencers
 - Invest in technology to help DIY and P2P stay creative, interesting, successful
 - Crowdfunding campaigns for specific and tangible needs (e.g., health care worker relief fund or student hardship fund)



Reforecasting Now

Telemarketing

- Revenue
 - Expect increased contact rates
 - Project for an increase in response and average gift if your organization has a timely ask
- Budget
 - Increased contact rates = more budget
 - Monitor segments regularly and shut-down poor performing ones to optimize budget



Reforecasting Now

DAFs

- DAF participation can increase – if you put the resources behind marketing it
- Project for lower gift due to lower portfolio value – or push for donors to divest more of their funds

Texting

- Project increased revenue from experienced programs
- Project incremental revenue for new programs



Start Investing Now in ...

1. Donor Services
2. Telemarketing
3. Live event technology/practice – Facebook Lives, Zooms, Webinars, Virtual Auctions
4. Analytics and donor base screenings (wealth appends, influencer identification)



Key Takeaways

- Direct mail will most likely see a dip until shelter in place has lifted – but it's still a critical means of communication
- Mid-level donors appear less impacted by economy and more willing to help the causes they care about; DAF is helping keep the continuity
- Online communication and fundraising must become a priority, especially with shelter in place



Budgeting for the future



Poll #5:

What does your future expense budget look like?



Budgeting for the Future

First things first

- Your budget and projections should be as complete and detailed as possible
- It will cost more to make more: CPDR and ROI are not good KPIs to use during these times
- Pledges – small (sustainers), mid-sized, majors, and corporations may still not fulfill
- If you must cut budget, cut anything without a fundraising return – but don't cut stewardship or engagement (long-term fundraising benefits)
- Do not assume the worst! Depending on your mission, response, and community, your organization may not see steep declines.
- CARES Act has incentives to boost philanthropic giving; make sure donors are aware and promote them.



Budgeting for the Future

Key Priorities

- Retention
 - Do not change your mail schedule – just be more targeted
 - Consider an emergency funding campaign – puts your organization back as a priority
 - Do not scale back on newsletters or other cultivation pieces that illustrate impact
 - Keep programs designed to retain donors before they lapse
 - Pivot to online engagement



Budgeting for the Future

Key Priorities

- Sustainers
 - Create a strong reinstatement campaign using a variety of resources: telemarketing, texting, emails
 - Focus budget on online sustainer acquisition: improving CX to make a monthly gift, emails, then digital advertising
 - Find creative ways to ask for sustainer gifts in the mail (check-off boxes, etc.)
 - Make the ask about how easy it is for the donor – things will be stressful for a long time, remove their angst



Budgeting for the Future

Key Priorities

- Mid-Level Donors
 - Increase the information you are sending to them
 - Ask for a special increased gift during this time
 - Downgrade their package values
 - Stay connected in all channels
 - Give mid-level donors a contact at the organization
 - Survey them often, write back and thank them for their feedback
 - Often installments on higher-dollar mid-level giving



Budgeting for the Future

Key Priorities

- Online programs
 - Website traffic – especially from referral sources – may be down, unless you're adding budget to push more traffic to the site, expect fewer visitors
 - Diversify online revenue from just Giving Tuesday – Year-End
 - Expect to see more competition in social and commercial brands start realigning their marketing plans
 - Invest in email list hygiene and email deliverability
 - Invest in SEO



Budgeting for the Future

Key Priorities

- Acquisition
 - Don't stop offline acquisition; consider spreading out volume so no one campaign is at a great risk
 - Evaluate LTV on online lead collection versus online acquisition
 - Expect to see more competition (and higher pricing) in social and commercial brands start realigning their marketing plans
 - Google Ads may start showing coronavirus-related ads



Things to be investing next year...

- New platforms/channels that can be onboarded quickly and meet your budget priorities
- Engagement and education
- Board training
- Outsourced supporter fulfillment
- Data base organization and list hygiene
- Review of privacy policy and compliance

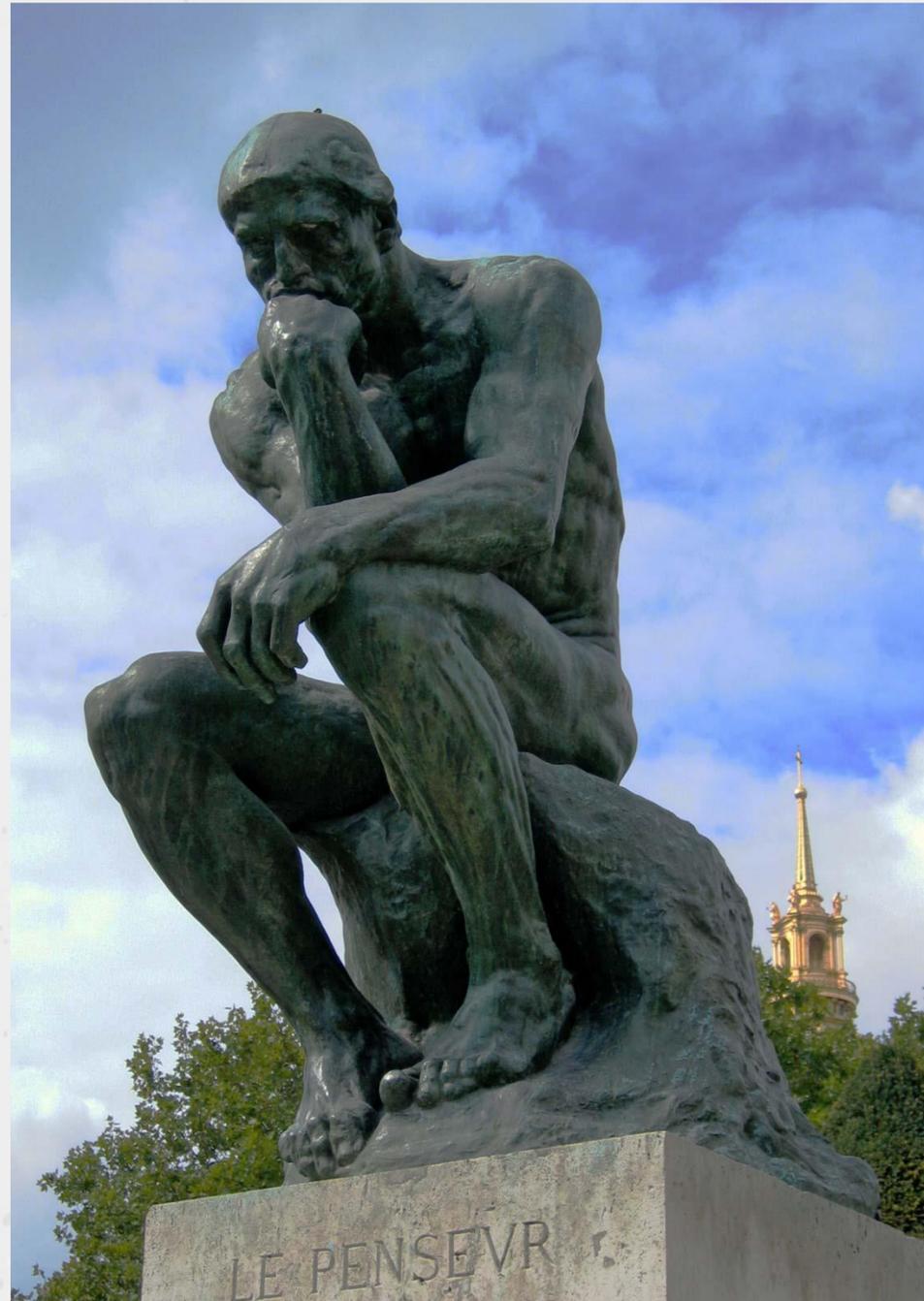


Key Takeaways

- A detailed budget is your playbook
- Retention programs need to take top priority
- Rebuild your sustainer program
- Do not stop acquisition programs, but keep the risk low
- Invest in new technology that allows you to connect more easily with donors
- Increase DAF promotions
- Use this time to clean up your CRM, website, online forms



Some final thoughts



LUNCH AND LEARN



Budgeting in Uncertain Times



Some final thoughts

- Create a plan for dynamic budgeting
- Fluid budgeting – flexibility in moving things around
- Negotiate pricing: from digital to direct mail
- Buy in bulk
- Look for corporate partnerships for offsetting costs, matches, and dual-promotions
- Invest in new channels (like addressable TV or Spotify) but only if you can move quickly and the result is measurable



Questions?



Appendix



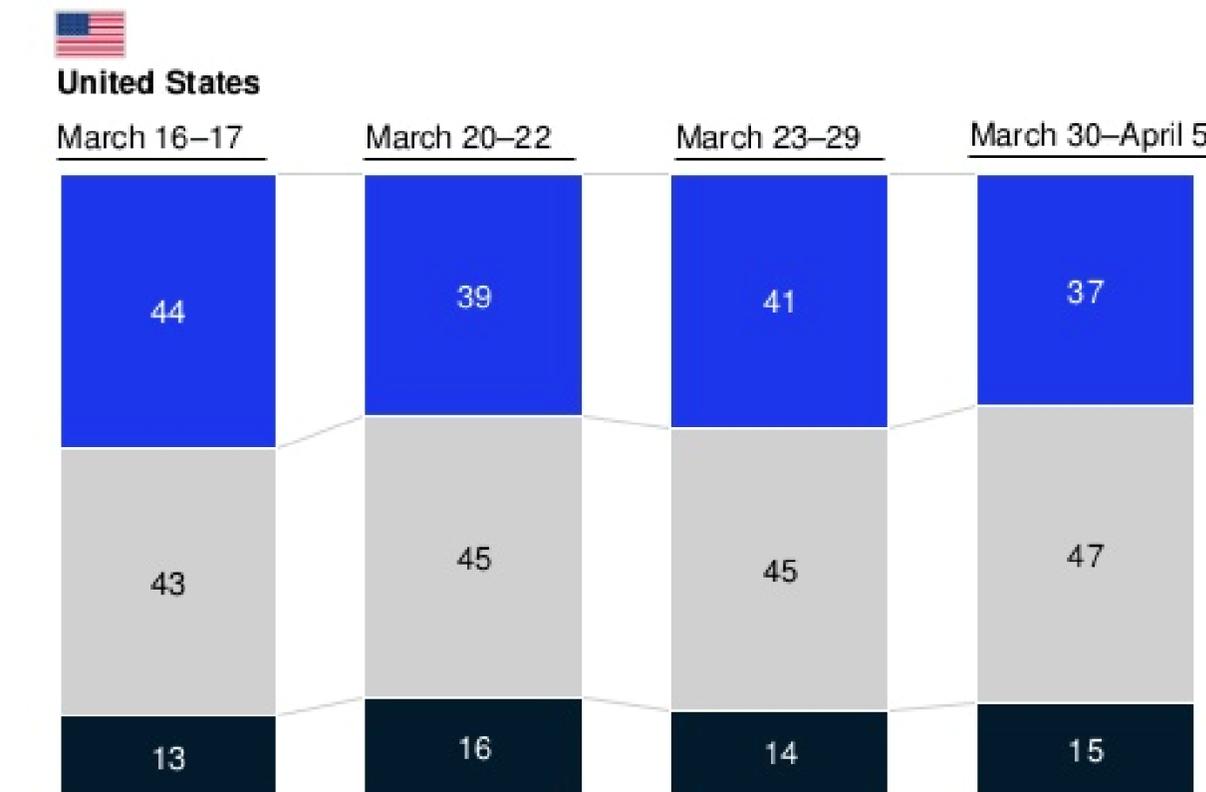
Appendix: Current Consumer Sentiment

American optimism has dipped: ~37% believe US will recover within 2–3 months



Confidence in own country's economic recovery after COVID-19¹
% of respondents²

- **Optimistic:** The economy will rebound within 2–3 months and grow just as strong as or stronger than before COVID-19
- **Unsure:** The economy will be impacted for 6–12 months or longer and will stagnate or show slow growth thereafter
- **Pessimistic:** COVID-19 will have a lasting impact on the economy and show regression / fall into lengthy recession



¹ Q: How is your overall confidence level on economic conditions after the COVID-19 situation? Rated from 1 "very optimistic" to 6 "very pessimistic."

² Figures may not sum to 100%, because of rounding.



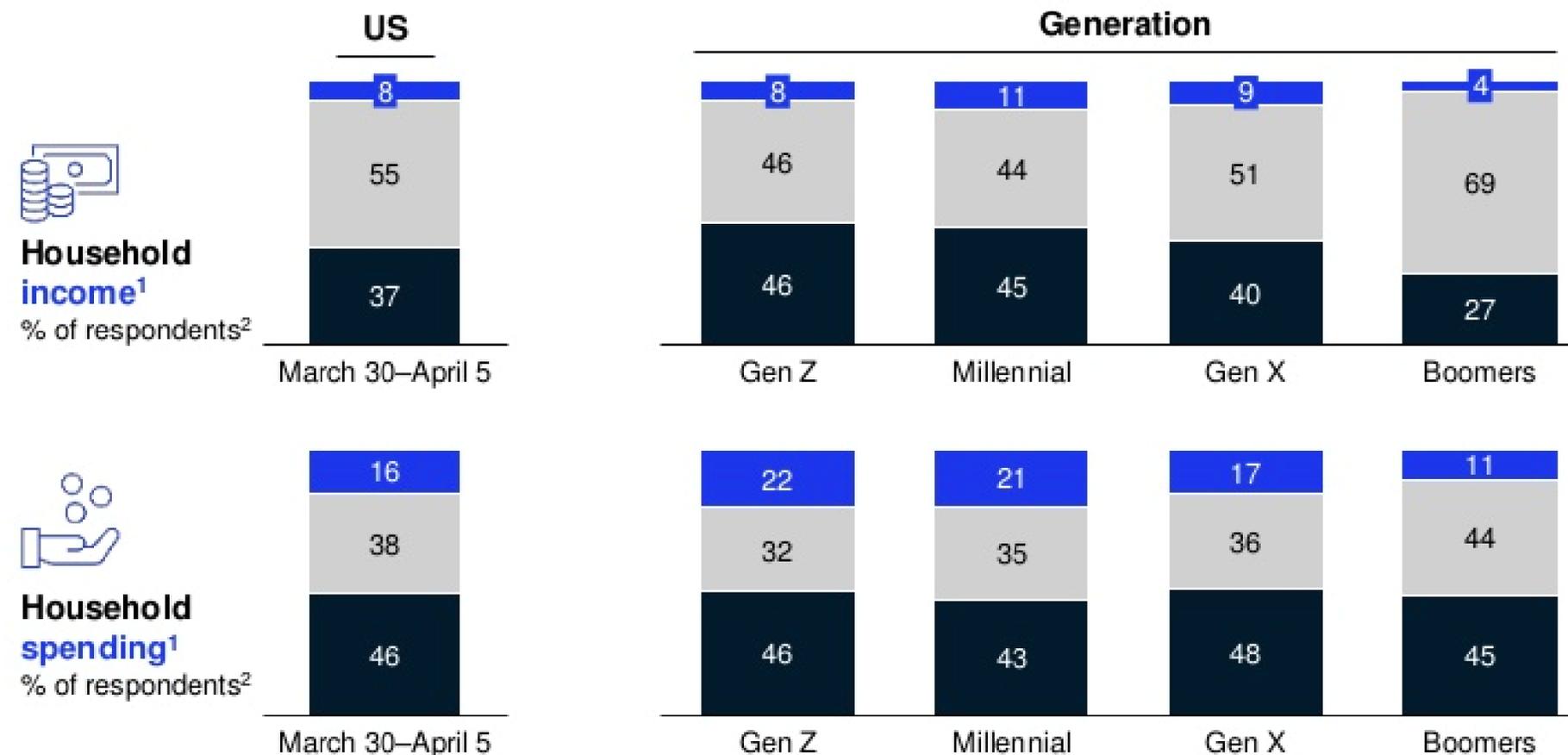
Appendix: Current Consumer Sentiment



While fewer Boomers expect lower income, they expect similar reductions in spending as other generations

Expectations of income and spending in the next 2 weeks¹

■ Reduce slightly / reduce a lot ■ About the same ■ Increase slightly / increase a lot



¹ Q: How do you think your overall available income and spending may change in the next two weeks?

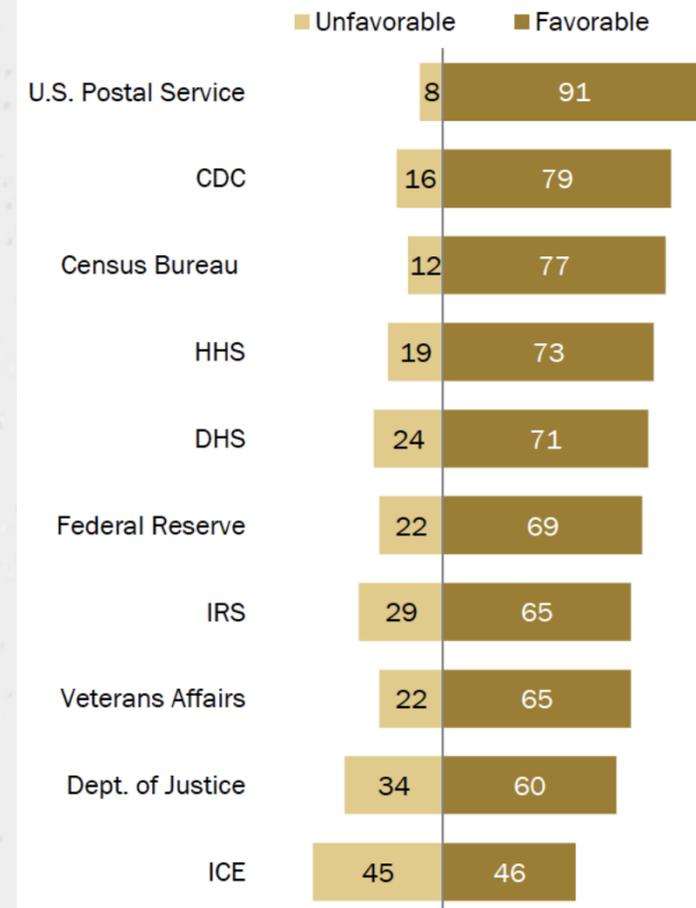
² Figures may not sum to 100%, because of rounding.



Appendix: Current Consumer Sentiment

A number of federal agencies viewed favorably by majorities of the public

% who have a ___ opinion of each



Note: Don't know responses not shown.
Source: Survey of U.S. adults conducted March 24-29, 2020.

PEW RESEARCH CENTER



Appendix: Current Consumer Sentiment

With exception of climate change, older Americans see higher levels of threat

% who say ___ is a major threat to the United States

	18-29	30-49	50+	Oldest-youngest diff
	%	%	%	
Large numbers of people moving from one country to another	22	41	50	+28
Cyberattacks from other countries	58	67	81	+23
Russia's power and influence	44	51	66	+22
Terrorism	62	69	80	+18
The spread of nuclear weapons	65	68	81	+16
China's power and influence	52	61	68	+16
Long-standing conflicts between countries or ethnic groups	29	40	43	+14
The spread of infectious diseases	77	74	84	+7
Global poverty	49	44	52	+3
The condition of the global economy	54	56	55	+1
Global climate change	71	62	54	-17

Note: Statistically significant differences in **bold**.

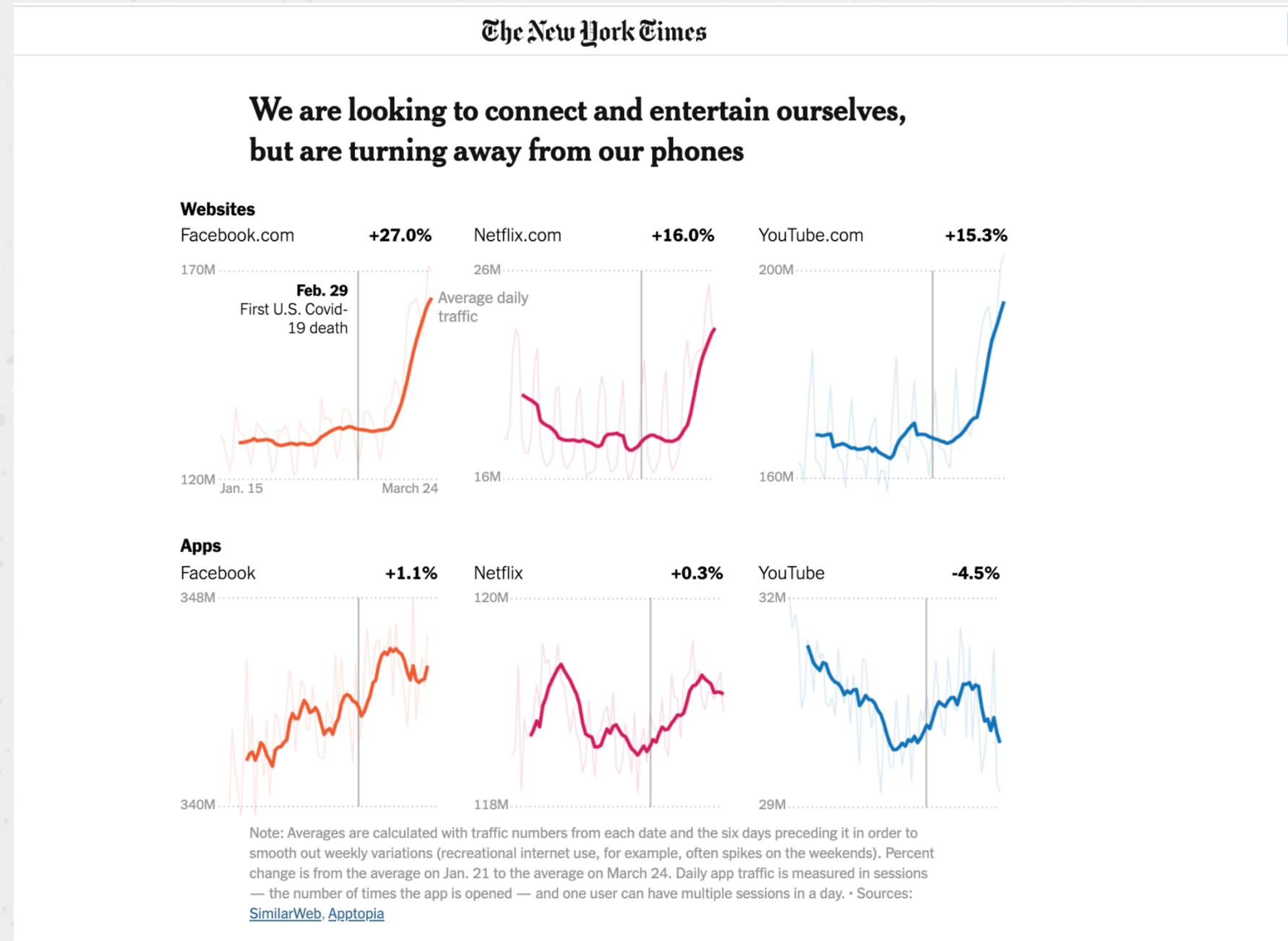
Source: Survey of U.S. adults conducted March 3-29, 2020. Q12a,c, Q13a-i.

"Americans See Spread of Disease as Top International Threat, Along With Terrorism, Nuclear Weapons, Cyberattacks"

PEW RESEARCH CENTER



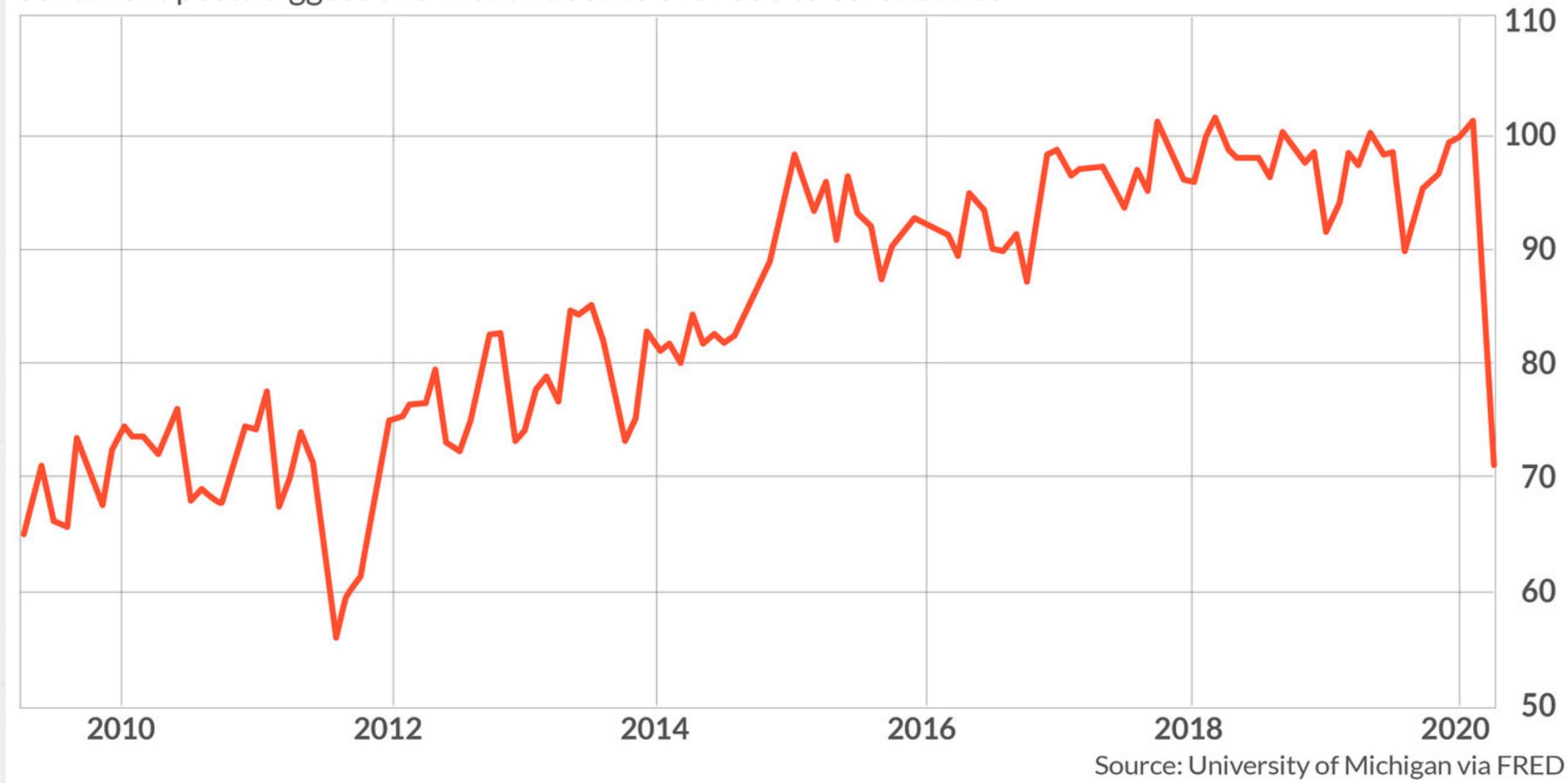
Appendix: Current Consumer Sentiment



Appendix: Current Consumer Sentiment

Consumer sentiments plunges to nine-year low

Sentiment posts biggest one-month decline ever due to coronavirus



Courtesy of MarketWatch.

LUNCH AND LEARN



Budgeting in Uncertain Times



Appendix: Historical Context



S&P 500 by year, adjusted for inflation.

Courtesy of Macrotrends.net.

LUNCH AND LEARN



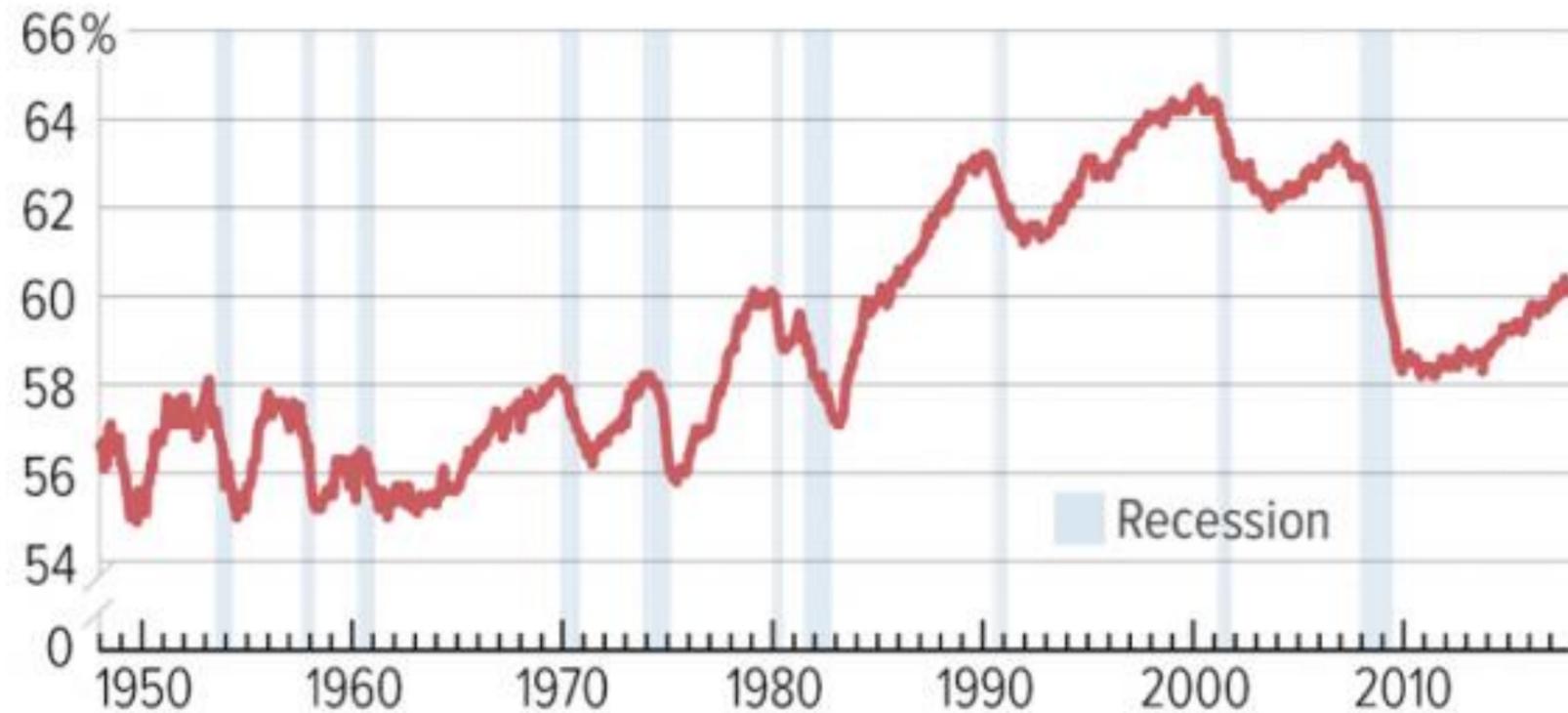
Budgeting in Uncertain Times



Appendix: Historical Context

Share of Population With a Job Fell to Mid-1980s Levels

Share of population aged 16 and over with a job



Sources: Bureau of Labor Statistics and National Bureau of Economic Research

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG



Appendix: Current Environment

- Merkle Response Management Group Full Report --
https://www.merkleresponse.com/sites/default/files/resources/downloads/COVID-19_ImpactReport_2020%2004%2013.pdf
 - Breaks down by sector
 - Offline-only
- CARES Act review -- <https://npengage.com/nonprofit-management/cares-act-social-good-501c3-organizations/>
 - First two bullets are about changes to donor giving
- Updated list of resources: <https://bloomerang.co/resources/covid19/>

