

RSM! Robson Rhodes



UK Charities Marketing survey

Analysis summary

Survey conducted between
June 2006 and September 2006

Foreword

The charity sector spends a considerable amount of its income on marketing and fund-raising activities. There is an increasing amount of competition to attract funds from donors, resulting in a growing emphasis on the strategic marketing of charities to their various audiences. Recent reviews of a number of charities indicated a need to review the effectiveness of marketing expenditure with the aim of improving the return on marketing investment.

The survey was conducted to gain a deeper understanding of how marketing is used to support the objectives of UK charities.



Sandra Malone, Director, RSM Robson Rhodes

Contents

Foreword

- 2 Summary of results analysis
- 4 Planning in a vacuum?
- 6 Teams and dreams
- 8 A charitable brand as an asset
- 10 To segment or not to segment... that is the question!
- 11 Conclusions

Appendix I

- 12 Original Survey Questionnaire

Research objectives

To assess how companies create and influence value by investigating:

- to gain a deeper understanding of marketing in charities;
- to understand the primary role of the marketing function in charities;
- to understand the primary role of marketing expenditure; and
- to understand the return on investment for marketing spend.

Survey participants and methodology

The survey was launched in June 2006. It initially targeted marketing and finance directors in UK charities. The survey was conducted primarily by post and online, following in-depth interviews and discussions designed to test its validity. For reference, the original survey questionnaire is included on pages 12-16.

Acknowledgements

We would like to offer our thanks to David Membrey, Deputy Chief Executive of the Charity Finance Directors Group, for having the vision to collaborate with us on this project. It will hopefully inform finance directors going forward and encourage them to form closer working relationships with their marketing colleagues.

We would also like to thank Rosie Chapman, Executive Director of Policy and Effectiveness of the Charity Commission for her support and Professor Ian Bruce and Sandra Ramiro Meyer of the Cass Business School who worked with RSM Robson Rhodes and managed the survey analysis.



Centre for Charity Effectiveness

Highlights

- **76% of all charities that responded admit that they fail to monitor the results of the marketing spend.**
- **58% of the charities surveyed revealed that they did not set any performance indicators, such as reach and impact, for marketing activities before undertaking them.**
- **63% of respondents operated from within a centralised marketing team. Many of these mentioned that their organisational structures changed frequently, as did the person to whom the marketing function reported.**
- **40% of all charities that responded said they used external support (agencies and consultants) to supplement their marketing teams.**
- **31% of respondents felt it had been necessary to re-brand in the past two years.**

Summary of results analysis

By late spring 2006, RSM Robson Rhodes had completed several major marketing consultancy assignments for UK national charities and detected a worrying trend. It appeared that marketing spend was increasing and that more funds – millions of pounds each year – were being diverted to 'marketing', without any monitoring or measurement of how successfully these funds were being applied.

So we discussed our findings with the Charity Finance Director's Group and agreed to gather more data in an effort to discover if this tendency was the norm or an exception.

We produced an online survey for the Charity Finance Director's Group, which it distributed at events. Just under 10% of its membership responded, most of who were working in charities with an income of between £1m and £50m.

Marketing share of total income

The rule of thumb has always been that marketing spend should equal approximately 10% of turnover. This is rarely the case, but gives some guidelines as to what to aspire to. This figure, or an approximate thereof, should give a comfortable budget for delivering both marketing necessities (web, external communications, fundraising tools etc) and funds for marketing trials.

Customers/clients/donors differ significantly and it stands to reason that the way in which they are compelled to engage with any charity will also have different origins. It is important to be able to get both the message and the 'channel' to the target market 'right' and this often means that a controlled trial and error process and budget is required.

The graphs below paint an interesting picture: Our respondents say that they cannot specify where 81% of the marketing spend is applied, and they also report that 91% of the activities for the unspecified budget are deemed as 'other'.

This lack of specificity should worry both marketers and their charitable organisations. Customers/donors have a choice where they would like to see their funds used – organisations that can confidently state how funds are spent and the return on that investment are bound to receive more, rather than less.

Trends in the marketing budget

Marketing budgets are funny things. Those that hold them generally want 'more'. Those that disperse them generally expect better parameters, such as return on investment figures and key performance indicators.

Figure 1 Marketing costs

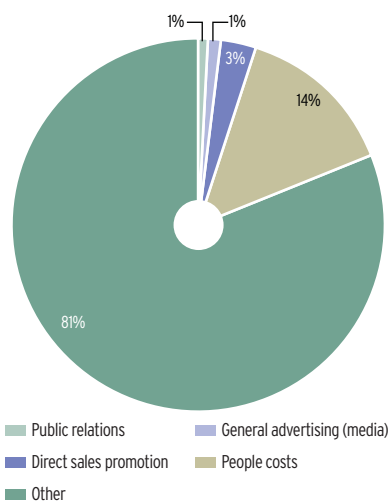


Figure 2 Percentage of income spent (activities)

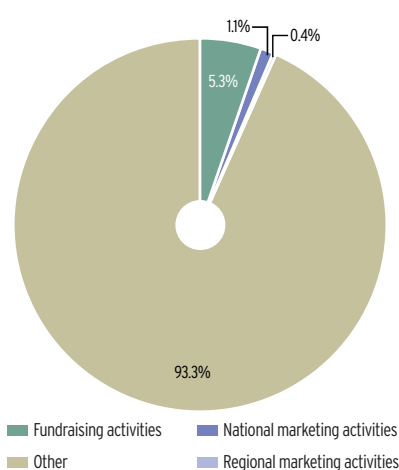
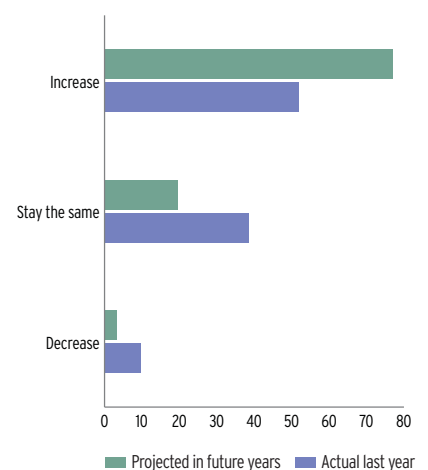


Figure 3 Trends in the marketing budget



According to our survey, there was every indication that marketing budgets are projected to increase.

Primary role of marketing

76% of all charities that responded admit that they fail to monitor the results of their marketing spend.

Extent to which marketing results are monitored

According to our survey, the effectiveness of marketing spend was only monitored to some extent. This implies that a substantial amount of charitable income is not closely monitored, when being spent. Since those that contribute

to charitable causes are being inundated every day with requests for time, attention and money, the more prudent are beginning to demand close accountability of the funds that they donate, before making a decision as to where their funds should be placed.

This inability to relate costs to benefits is a serious issue.

There has been much talk in the past about keeping administrative costs down in an effort to ensure that most funds raised go directly to the worthy cause. But the survey showed that, in the main, 'marketing and marketing-related' costs were 'hidden' within larger budgets and were rarely laid out directly on the P&L sheet.

One charity admitted that it had a 'small' central budget for marketing. In fact, with closer inspection we found marketing spend in every function and in every department. We worked out that, by planning the production of its leaflets and brochures centrally for the year ahead – buying and storing the paper then printing and producing in bulk – the charity would not only be entitled to significant discounts but would save money by ensuring that the printing press was better utilised. Estimated savings were in the region of £2.3m.

Figure 4 Primary role of marketing

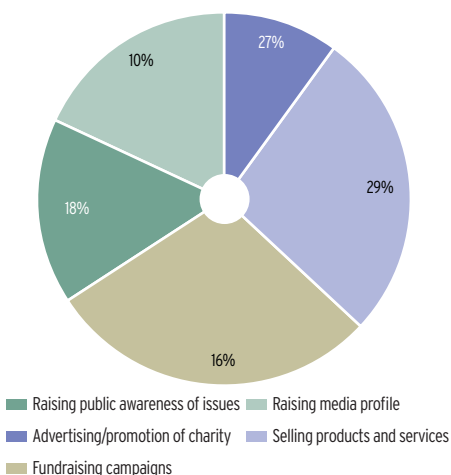
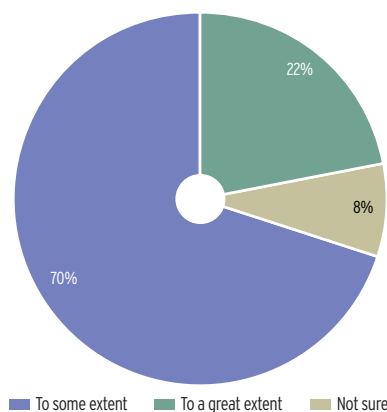


Figure 5 Extent to which marketing results are monitored



Planning in a vacuum?

58% of the charities surveyed revealed that they did not set any performance indicators, such as reach and impact, for marketing activities before undertaking them.

This raises issues at the strategic planning stage as well as pointing to a lack of communication between the finance director, the senior management team and the marketing team.

Degree to which marketing is involved in developing strategy

The results of the survey indicated that the marketing team was rarely involved in the development of the overall strategy. This is curious, as it is normally marketing's role to understand the environment and provide the market intelligence from which strategic decisions are made. Marketers would generally undertake an analysis of any competitors as well as the brand positioning of the charity. They would hold responsibility for customer understanding and would be expected to report on any gaps in the customer satisfaction model. They would understand both the internal

and external dynamics that influence their customers and markets, and it is from this position that they would provide the evidence-based information from which their colleagues would make strategic decisions. The fact that this model does not appear to be in place in many of the charities we interviewed, suggest that 'marketing' is restricted to 'marketing communications' and therefore is confined to the promotion of the charity rather than the development of the marketing strategy.

Effectiveness of marketing activities

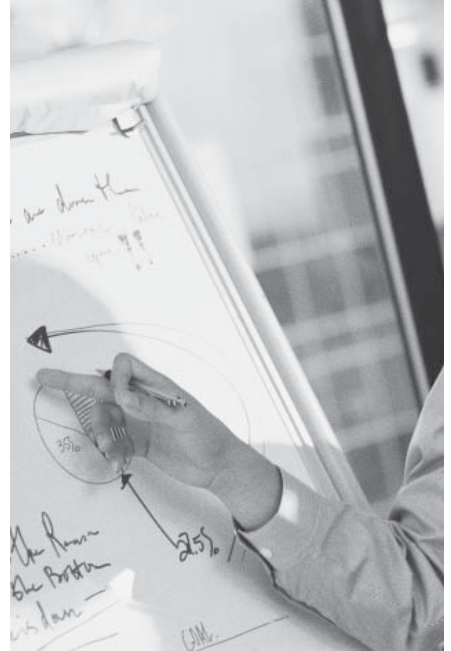
With the competition for charitable funds intensifying and cash flow tightening, it seems only sensible that, before monies are spent, performance criteria are set to help monitor the success of the spend. In a perfect world, that would be hard figures, as in: 'we spent X to get Y'. In reality, some of those performance measurements could range from reach and frequency of contact with key stakeholders to percentage points on aided and unaided awareness or indeed positive, qualitative feedback that indicates satisfaction with products and services.

Value for money of marketing activities

Value and the 'perception' of value are important. Is a charity able to define how 'valuable' a particular marketing is likely to be? Can the marketing team 'prove' that the investment in marketing activities has resulted in a good return?

Our survey indicates that those that responded believe that they offer 'good or excellent' value for money.

The Head of Marketing at Charity X told us that, when looking at last year's marketing activities, he discovered that they had attended 167 events around the UK. We were impressed. We then asked him to tell us, against each activity, who the target audience was, what the event cost, what the benefit to their charity was and what the return on that investment was – what happened as a result of attending that event? Try as he might, the Head of Marketing had to admit that he couldn't possibly answer those questions: the charity simply did not have that information.



In a recent interview for the Chartered Institute of Marketing¹, Philip Kotler, the founding father of modern marketing, said that organisations:

"...would perform much better if the 'voice of the customer' was present at board (senior management) meetings. Otherwise, all the board talk is financial. Financial talk is about the past, not about the future. A marketing officer ought to present a marketing scorecard at each meeting, summarising the progress made and the plans being prepared for building a stronger market position in the future. The senior marketer should be an equal member of senior management in preparing strategic plans."

Figure 6 Degree to which marketing is involved in developing strategy

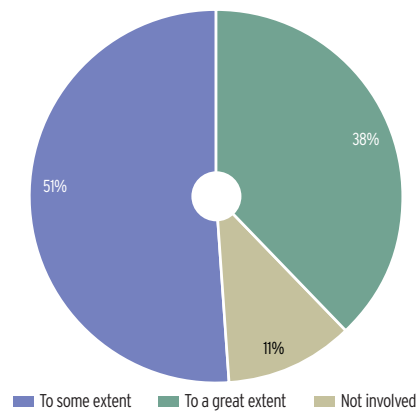


Figure 7 Effectiveness of marketing activities

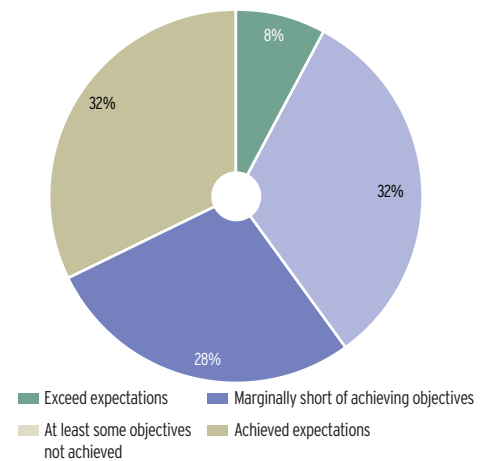
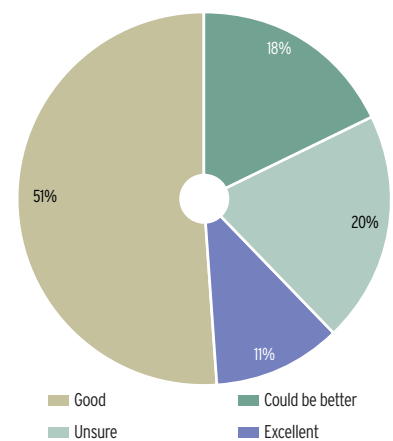


Figure 8 Value for money of marketing activities



Note:

1 'The Marketer' Issue 27, September 2006 The Chartered Institute of Marketing

Teams and dreams



It was interesting to note that 63% of our respondents operated from within a centralised marketing team. Many of these mentioned that their organisational structures changed frequently, as did the person to whom the marketing function reported. *“Where marketing reports to was normally up for grabs every April,”* said a frustrated charity marketer.

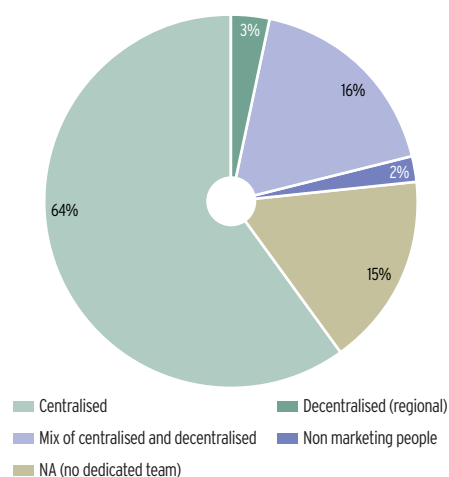
Others indicated that this could be a result of the fact that marketing was quite new in the sector. Some respondents said the word ‘marketing’ was too *“in your face”*, that it *“reeked of direct sales and cold calling”*. *“Fundraising was a better way to put it,”* said one charity finance director. In fact, there was quite a healthy debate as to what the word ‘marketing’ meant. In our survey, 50% of our respondents have the word ‘marketing’ in their titles, but that could mean anything from *“events organiser, to press and media relations, marketing communications or fundraiser”*. Very few felt that they held responsibility for the marketing strategy of the organisation or influenced the strategy of their charity. And an additional 40% of those responding said they used external support (agencies and consultants) to supplement their marketing teams.

Marketing team structure

There has always been debate about the structure of a marketing team – should it be centralized or de-centralized? Those that argue for the latter, cite the need to be closer to the ‘customer’ as the main reason for having an organisational structure located on a regional or area basis. In the survey, 64% of those that responded said that they had a centralized marketing team structure; 16% said there was a mixture of central and regional marketing functions; 15% said there was no dedicated function and only 3% said that the marketing function was purely designed on a regional basis.

No respondents said that the marketing structure was designed around the customer – most were function-based e.g. ‘web manager or fundraising manager’ rather than ‘donor manager’ or internal customer manager’.

Figure 9 Marketing team structure



A charitable brand as an asset

Perception of the importance of the 'brand'

Intangible assets – such as a charity's brand – have never been more important. The Business Week/Interbrand 2006 survey of the Best Global Brand, published in July, showed that Coca-Cola was once again the world's most valuable brand, accounting for 66% of the market capitalisation of the Coca-Cola Company².

How are charities and Coca-Cola related?

Both seek to protect and enhance their brands and both should know that the key generators of sustainable income are ongoing customer and partner relationships.

Where they differ is that very few charities understand their 'brand equity' or the commercial value of their brand name(s) and therefore fail to leverage it to attract more funds, more volunteers, more partnerships or more grants.

Use of re-branding in the past two years

31% of our charities had felt it necessary to re-brand in the past two years. The reasons were wide and varied: *"We got a new chief executive - they always re-brand to put their stamp on the place."* Another said: *"We found that we were only appealing to a certain segment in the marketplace and felt that the way we presented ourselves was dated and not inclusive."*

Figure 10 Perception of the importance of the 'brand'

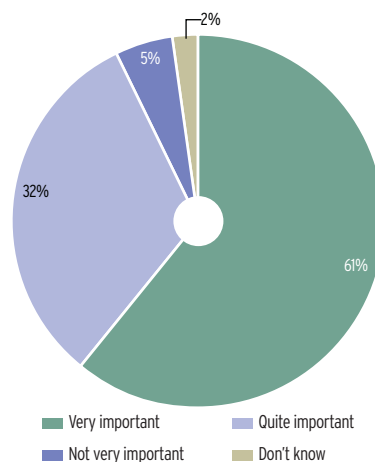
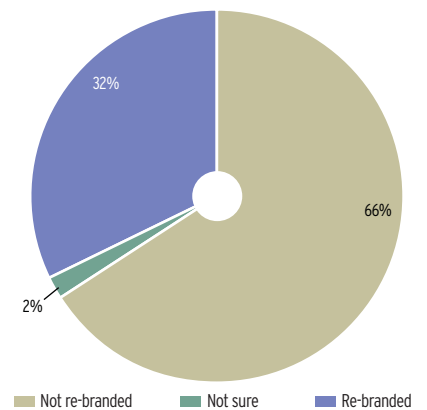
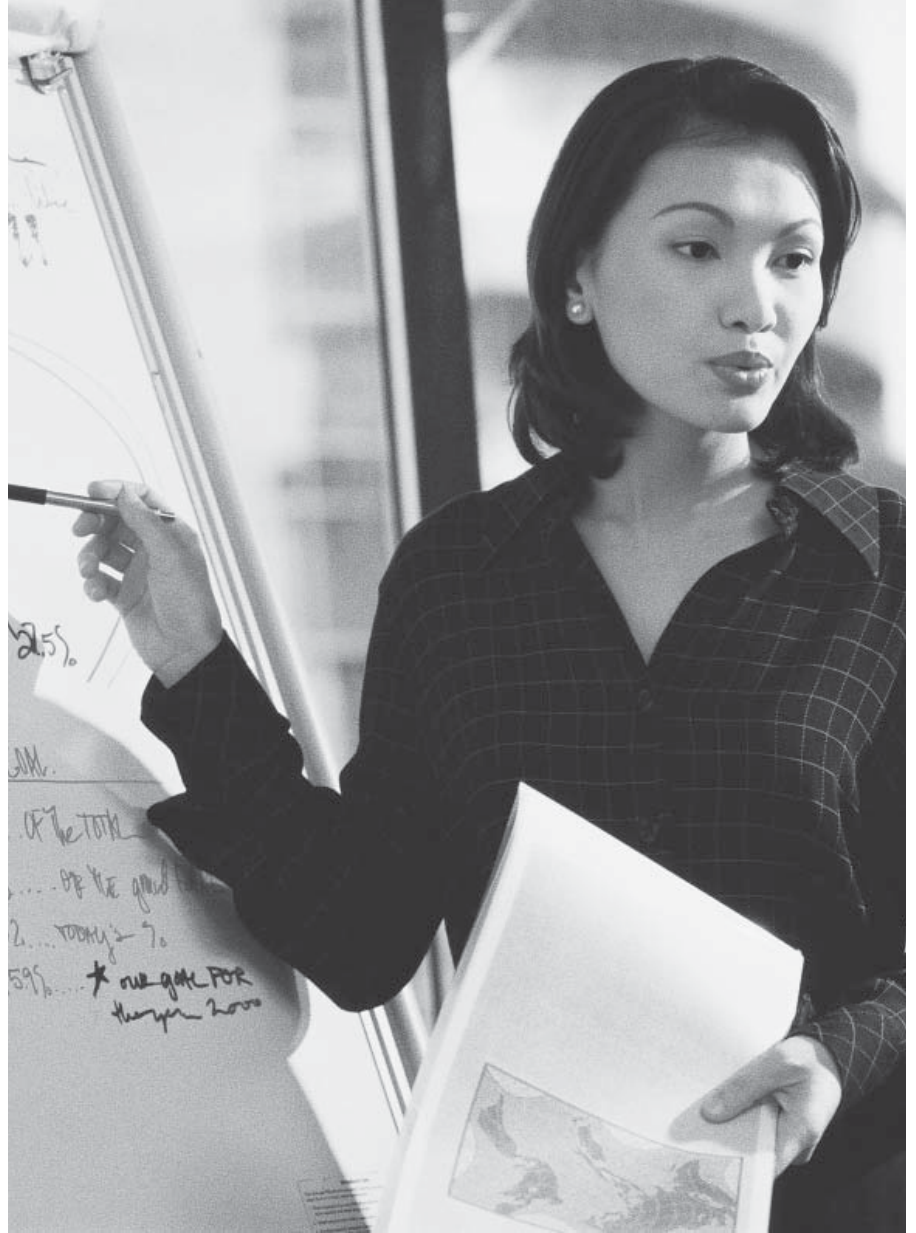


Figure 11 Use of re-branding in the past two years



Note:

² Business Week/Interbrand Best Global Brand survey 2006



"Re-branding was a nightmare," said this marketing professional. "We hired an advertising agency which created a series of abstract-looking logos that no one could quite understand. They were pretty but we couldn't work out how they exactly represented our charity. Next, they did some poster campaigns, the type you see on the Underground. They had this abstract artwork on it, but our charity details were in such small print, most of us couldn't read it, never mind the people that we were trying to attract to our campaign. None of us felt that we could expose our ignorance about these things to the ad team. We were really intimidated. They swanned around all dressed in black, acting extra patient with us. Finally,

our estates guy, who we had included on the internal focus group to review the work, said, 'I don't like it. It doesn't tell people what we do, like on the tin. You know that ad about a product doing exactly what it says on the tin?' The ad team stood there and gaped, but it gave us the opening to all chime in and voice our displeasure. We were able to take control after that."

27% of those who responded said that marketing was used to raise the profile and to promote the charity. The charity brand overall was 'meant to appeal to everyone'.

But therein lies a problem - one size doesn't fit all...

To segment or not to segment... that is the question!

In our survey, we found little evidence that time, money or attention is being spent on understanding and defining the customer base or why, indeed, some customers engage with a charitable cause. The usual suspects - philanthropy, or having a close relative or friend affected by that which the charity attempts to ease - were cited, but deeper customer segmentation, such as asking what a 16-18 year-old wants from this charity, had not been explored.

Turning the segmentation on its proverbial head, we based our initial thinking on 'customers who want XYZ'. We then built a new customer segmentation model based on what the customers wanted, rather than on what we wanted to give them. This subtle shift made an enormous difference. Quite suddenly, there were obvious overlaps and many gaps. We identified that there were several departments 'talking at' certain customer groups all at the same time, so that some poor customers were being bombarded. Other, important groups were hardly contacted at all.

From an organisational perspective, it meant that organisation silos could be broken and dismembered. Within the organisation, people could come together as a team of people to serve particular customer needs.

One of the best examples of customer segmentation that we have found was the National Trust, which noticed many years ago that it had an ageing membership base. It started the Young National Trust to attract a younger membership.

Identify target audiences for marketing spend

Assigning marketing spend to specific target audiences has always been tricky.

Should the marketer spend more marketing funds on existing and lucrative targets, understanding that it is generally 'easier' to gain more interest/funds/time/attention from those with whom you have an existing relationship?

Or is it more prudent to look for new and better markets and apply marketing monies in this fashion?

Unfortunately, this is a choice that our respondents rarely have, since marketing budgets are very rarely flexible enough to allow such choice.

Figure 12 Use of re-branding in the past two years

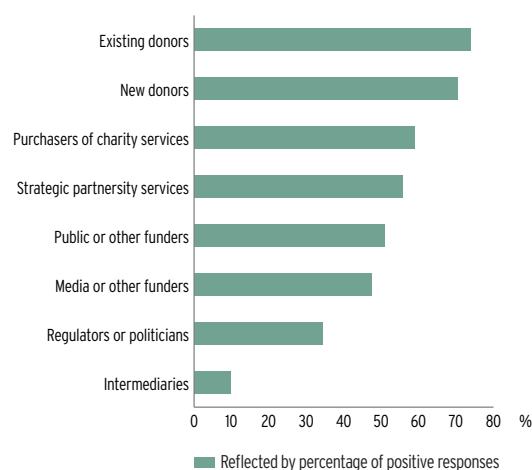
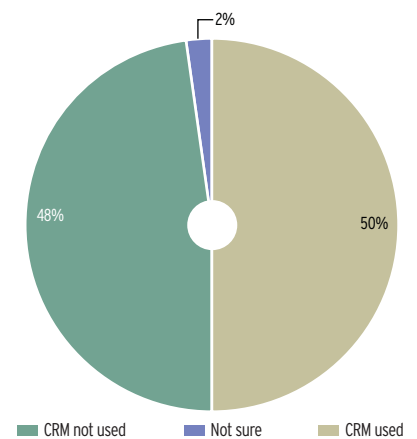


Figure 13 Use of CRM systems to track clients and contacts





We are reminded of a small book called 'Who Moved My Cheese?' by Spencer Johnson, in which several mice are feasting at a mountain of cheese with not a thought of the diminishing size of the mountain. Only a clever mouse or two makes that tough decision to go in search of 'new cheese', but the end result is predictable. Those that went in search of 'new cheese' were rewarded, although it was a tough and uncertain road. Those that continued to feast on the mountain of cheese were dismayed and appalled when the mountain eventually disappeared. They were left not only wondering what to do next and where to get their next mountain of cheese, but worse, the one or two clever mice who had set out before them, had already claimed a large advantage in both time and 'cheese'.

Use of CRM systems to track clients and contacts

We undertook some extremely interesting work with a national charity, looking at its customer segmentation. By reviewing the customers with whom the charity wished to engage, it became apparent that the whole of the organisation was inappropriately configured - the charity focused on products that it wished to deliver to the whole of the UK, but it failed to understand that customers are not all the same. At the end of the project, the charity implemented a simple, but effective customer relationship management (CRM) system.

Conclusions

We were delighted to receive such a varied and interesting response to our survey. We found that those who answered the survey were, in the main, extremely keen to better understand both marketing in the charity sector and their role in it. We felt that this survey was, in some small way, an opportunity to begin to benchmark thinking along these lines.

It is true to say that we were surprised that such large sums of money go unaccounted for; that marketing funds appear to have little in the way of performance indicators, metrics or return on investment figures. This leads on to strategic planning and we would advocate that marketing should be placed at the centre of the planning team - it's about the future and shouldn't be viewed as reporting only on the past.

A charity's brand is its 'golden thread' and needs to be viewed as an intangible asset; rather than as a set of advertisements or logos. The brand needs to be exploited in a positive and proactive - but careful - way in order to protect it and maximise its value.

For further information, contact:



Sandra Malone
Director, Marketing Consultancy Practice,
RSM Robson Rhodes LLP

T: +44 (0)20 7865 2441
E: sandra.malone@rsmi.co.uk

Sandra is a Global Marketing Director and Consultant who has managed worldwide strategic marketing projects for commercial and public sector clients

UK Charities marketing survey questions

Q1 Which of the following best describes the role of marketing in your charity?

Please rank in order of importance with 1 as most important down to 5 as least important

- | | | | | | |
|---|-----------------------------------|--------------------------|---|------------------------------------|--------------------------|
| a | Advertising/Promoting our charity | <input type="checkbox"/> | d | Raising issues related to our aims | <input type="checkbox"/> |
| b | Selling our products and services | <input type="checkbox"/> | e | Raising our profile in the media | <input type="checkbox"/> |
| c | Running fund-raising campaigns | <input type="checkbox"/> | | | |

Q2 Which of the following roles exist separately in your charity? (Tick all that apply)

- | | | | | | |
|---|-------------------------------------|--------------------------|---|----------------------|--------------------------|
| a | Marketing Director | <input type="checkbox"/> | g | Campaigns Manager | <input type="checkbox"/> |
| b | Communications Director | <input type="checkbox"/> | h | Events Director | <input type="checkbox"/> |
| c | Marketing Manager/Head of Marketing | <input type="checkbox"/> | i | Events Manager | <input type="checkbox"/> |
| d | Fund-raising Director | <input type="checkbox"/> | j | Publications Manager | <input type="checkbox"/> |
| e | Fund-raising Manager | <input type="checkbox"/> | k | Advertising Manager | <input type="checkbox"/> |
| f | Campaigns Director | <input type="checkbox"/> | | | |

Q3 To what extent is the marketing function involved in the development of your charity's strategy?

To a great extent To some extent Not involved

Q4 What is your charity's total annual gross income?

(Please select one answer)

- | | | | | | |
|---|---------------------|--------------------------|---|--------------|--------------------------|
| a | < £100,000 | <input type="checkbox"/> | g | £10m - £25m | <input type="checkbox"/> |
| b | £100,000 - £500,000 | <input type="checkbox"/> | h | £25m - £50m | <input type="checkbox"/> |
| c | £500,000 - £1m | <input type="checkbox"/> | i | £50m - £100m | <input type="checkbox"/> |
| d | £1m - £5m | <input type="checkbox"/> | j | > £100m | <input type="checkbox"/> |
| e | £5m - £10m | <input type="checkbox"/> | | | |

Q5 What % of the income stated in question 4 is spent on the following marketing costs?

- | | | |
|---|--|-------|
| a | People costs | _____ |
| b | Advertising (TV, radio, magazines) | _____ |
| c | Sales promotion (brochures, direct mail, exhibitions, publications, web) | _____ |
| d | Public relations (including agency fees) | _____ |

Q6 What % of income stated in question 4 is spent on the following?

- a Fund-raising activities _____
- b National marketing initiatives _____
- c Regional marketing initiatives _____

Q7 To what extent does your charity monitor the results of its marketing activities?

To a great extent To some extent Not sure

Q8 Who are the target audiences for your current marketing spend?

(Tick any that are appropriate)

- | | | | |
|----------------------|--------------------------|------------------------------|--------------------------|
| a Existing donors | <input type="checkbox"/> | e Media | <input type="checkbox"/> |
| b New donors | <input type="checkbox"/> | f Public/other funders | <input type="checkbox"/> |
| c Strategic partners | <input type="checkbox"/> | g Regulators/Politicians | <input type="checkbox"/> |
| d Intermediaries | <input type="checkbox"/> | h Purchasers of our services | <input type="checkbox"/> |

Q9 How aware are other staff in your charity about its marketing activities?

Very aware Somewhat aware Not very aware Unaware

Q10 How involved are other parts of your charity in marketing activities?

Very involved Somewhat involved Not very involved Not involved

Q11 Who sets the level of marketing expenditure?

- a Chief Executive
- b Finance Director
- c Marketing Director
- d Communications Director
- e Other (please state) _____

UK Charities marketing survey questions

Q12 How often do you get involved in setting objectives and reviewing the results of marketing activity?
(Please tick the most frequent in each column)

	Setting objectives	Reviewing results
a	Weekly <input type="checkbox"/>	<input type="checkbox"/>
b	Monthly <input type="checkbox"/>	<input type="checkbox"/>
c	Quarterly <input type="checkbox"/>	<input type="checkbox"/>
d	Six-monthly <input type="checkbox"/>	<input type="checkbox"/>
e	Annually <input type="checkbox"/>	<input type="checkbox"/>
f	Not involved <input type="checkbox"/>	<input type="checkbox"/>

Q13 Would you say that your charity is primarily:
(Please select one)

- a Product-led? (Focus on selling products)
- b Service-led? (Focus on selling services)
- c Client-led? (Focus on researched client needs)

Q14 What Key Performance Indicators (if any) are used in your marketing or communications operations?

Q15 What is your view as to the effectiveness of marketing activities conducted by your charity?
(Select one)

- a We exceed our objectives
- b We achieve our objectives
- c We almost achieve our objectives
- d We do not always achieve our objectives

Q16 What is your view on the current effectiveness of marketing spend in your charity?
(Select one)

- a We obtain excellent value for money
- b We obtain good value for money
- c We could probably obtain better value for money
- d We don't really know how effective we are

Q17 What best describes your marketing and/or communications team structure:
(Select one)

- a Centralised only d Outsourced
- b Decentralised (regional) e Not applicable
- c Some central, some decentralised

Q18 Our annual marketing expenditure over the next few years is likely to:
(Select one)

- a Increase
- b Stay the same as now
- c Decrease

Q19 We are increasing the emphasis on attracting funds through our:
(Select one in each column)

- | | Website | Use of well-known personalities |
|------------------|--------------------------|---------------------------------|
| a Strongly agree | <input type="checkbox"/> | <input type="checkbox"/> |
| b Agree | <input type="checkbox"/> | <input type="checkbox"/> |
| c Somewhat agree | <input type="checkbox"/> | <input type="checkbox"/> |
| d Disagree | <input type="checkbox"/> | <input type="checkbox"/> |

Q20 What is your view about the strength of your charity's brand among its key stakeholders?

- Very strong Quite strong Not very strong Relatively unknown

UK Charities marketing survey questions

Q21 How important is brand value in your work?

Very important Quite important Not very important Don't know

Q22 We have re-branded our charity in the past two years.

- a Yes
- b No
- c Not sure

Q23 We use a Customer Relationship Management (CRM) database to track all client or contact activities.

- a Yes
- b No
- c Don't know

Q24 We use the following external organisations to support our marketing activity.
(tick as appropriate)

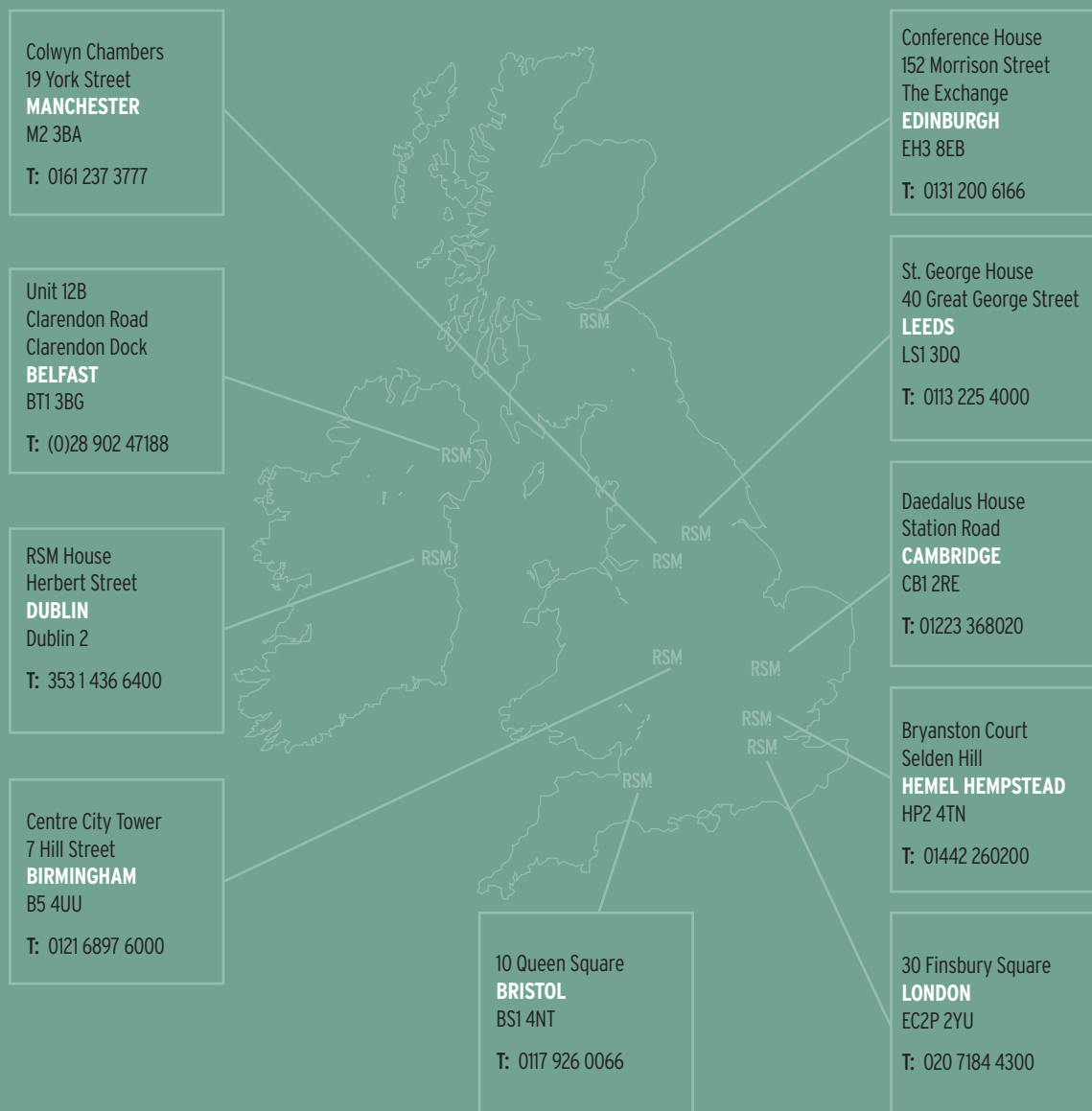
- a Advertising agency
- b Public relations agency
- c Industry bodies
- d Consultants
- e Marketing contractors
- f Events contractors
- g None used
- h Other (please state) _____

Q25 In the past fiscal year, our marketing expenditure:

- a Remained unchanged at £ _____
- b Increased by £ _____
- c Decreased by £ _____

Q26 In what circumstances would you increase your marketing expenditure?





www.rsmi.co.uk

RSM Robson Rhodes LLP is a limited liability partnership and is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

© RSM Robson Rhodes LLP, 2007

RSM Robson Rhodes LLP is registered to carry out audit work by the Institute of Chartered Accountants in England & Wales and is regulated and authorised by the Financial Services Authority.

Offices at: Belfast, Birmingham, Bristol, Cambridge, Dublin, Edinburgh, Hemel Hempstead, Leeds, London, Manchester. Registered office: 30 Finsbury Square, London EC2P 2YU at which a list of members may be inspected. Registered in England and Wales No. OC304188

www.rsmi.co.uk



INVESTOR IN PEOPLE