

The logo for MOORE features a stylized 'M' in red and white, followed by the word 'MOORE' in white, all set against a background of a blue sky with soft, pinkish clouds.

# MOORE

**CORONAVIRUS AND ECONOMIC CHALLENGES:  
WHAT HISTORY TELLS US  
AND STEPS FORWARD**

**MARCH 17, 2020**

## EXECUTIVE SUMMARY

You're having the discussions at townhalls, in board rooms, and in virtual meeting rooms. What do we do with our events, canvassing, and major gifts, all of which involve face-to-face contact? Will our direct response fundraising suffer? Will we make it through?

The truth is that no one knows. The outcomes for COVID-19 in the United States range greatly. Anyone who says with certainty how this will turn out is wrong, if only in their certainty.

But the past can be our imperfect guide. Different types of fundraising are affected differently by crises and shocks:

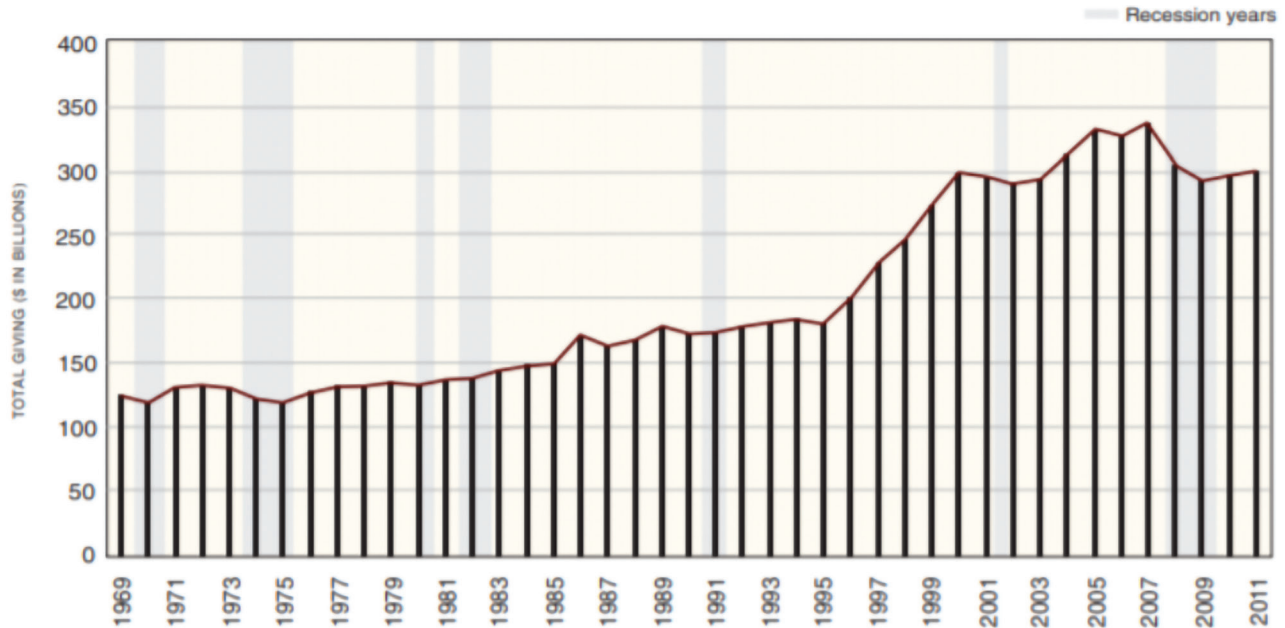
- Face-to-face fundraising efforts like events, canvassing, and traditional major donor networking are likely temporarily done.
- Corporate, foundation, and major giving could be off.
- Means like mail, phone, digital, and DRTV that can be interacted with from home will likely increase in importance.
- Giving will shift to those who stay the most relevant.

Some organizations will have to pull back. The vast majority need to stay the course. For a few, this is a once in a lifetime opportunity. There will likely never be a point when so many Americans are home checking their mail, and with fewer distractions.

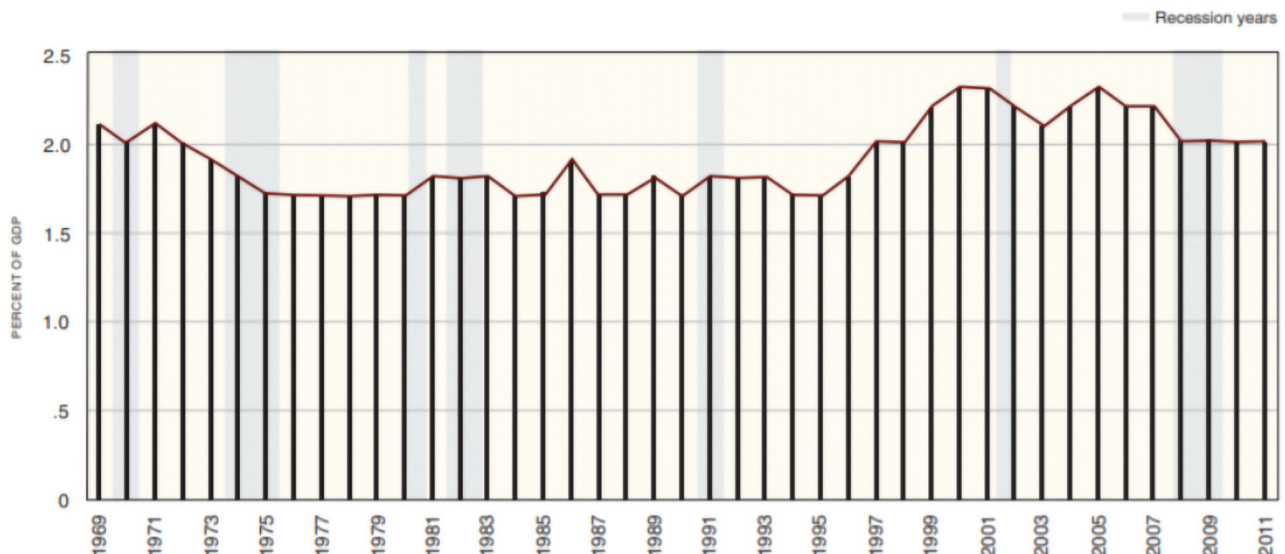
For all, however, a robust direct marketing program will be critical to future viability. Establishing relevance and continuing bonds with donors will be vital. And there are areas like donor advised funds and customization that will pay off in the short term and the long term.

## THE PAST AS A PROLOGUE

**Fact: Giving usually drops during recessions.** Per Giving USA data, giving after the 2007-2009 recession only barely started to inch back up in 2010 and 2011.<sup>1</sup> You can see this pullback and slow rise in previous recessions. We don't know whether this will be a recession or not, but data show an economic pullback to some extent ahead.



**Fact: This drop is not because people aren't giving.** However, people's giving as a percent of their incomes stays relatively, infuriatingly stable. We say infuriatingly because, for 50 years, we Americans have given essentially the same amount to charities. And yet the return on investment in the charitable sector is so strong, both in terms of joy and overall societal good.



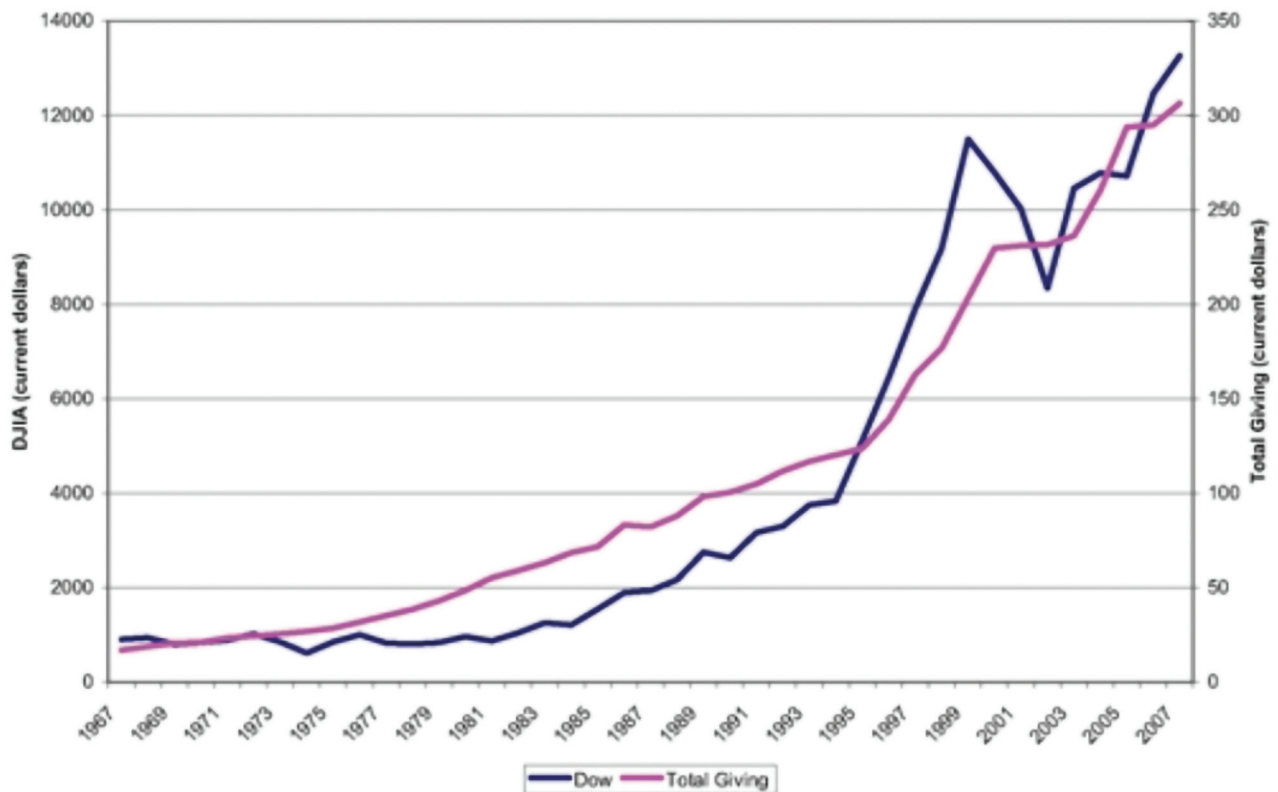
<sup>1</sup> Reich, R., & Wimer, C. (2012). *Charitable giving and the Great Recession*. Palo Alto, California: The Russell Sage Foundation and the Stanford Center on Poverty and Inequality

<sup>2</sup> Reich, R., & Wimer, C. (2012). *Charitable giving and the Great Recession*. Palo Alto, California: The Russell Sage Foundation and the Stanford Center on Poverty and Inequality.

**Fact: Drops in giving are not as great as overall economic drops. The Center on Philanthropy looked at economic reversals over four decades.** Even when the recessions lasted eight months or more, giving declined only 2.7% on average.<sup>3</sup> Similarly, 9/11 and the 2001-2002 stock market decline found a decrease in independent and community foundation giving, but only by one percent.<sup>4</sup> Even the Great Depression had only two years of giving decline, followed by steady increases.<sup>5</sup>

**Fact: Some types of giving are substantially hurt when there is an economic drop.** The ones are most strongly correlated with the rise and fall of the stock market are major donor, corporate and foundation giving. This is because the valuation of the available funds for charity decreases after a rapid decline in the stock market. Even still, you will not want to abandon major giving efforts, as stock market pullbacks hurt, but do not kill major gifts.

**Total Charitable Giving Graphed with the Dow Jones Industrial Average**



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<sup>3</sup> Warwick, M. (2009). *Fundraising when money is tight: a strategic and practical guide to surviving tough times and thriving in the future*. San Francisco, CA: Jossey-Bass.

<sup>4</sup> Renz, L., Cuccaro, E., & Ganguly, D. (2002). *Giving in the aftermath of 9/11: Foundations and corporations respond*. Foundation Center.

<sup>5</sup> Sharpe Jr, RF. (2008, Oct. 20). *Fundraising in Times of Uncertainty*. Memphis, TN.

<sup>6</sup> Nauffts, M. (2008, August). *The Stock Market and Charitable Giving - PhilanTopic: PND: Foundation Center*. Retrieved March 16, 2020, from <https://pndblog.typepad.com/pndblog/2008/10/a-week-or-so-ago.html>.

**Fact: Direct marketing is not substantially hurt by economic downturns;** it is non-cyclical. Giving through the mail and through digital channels has shown to be relatively robust even in bad times. Part of this is likely because direct marketing donors, especially mail donors, tend to be older than the general population. They are more likely to be of an age where income is fixed or their job is settled; young people tend to be more impacted by economic downturns.<sup>7</sup> Smaller gifts also tend to be mentally budgeted. People are loath to take money from a category they'd already set aside; therefore, people are more likely to substitute one charitable act for another than a charitable act for a non-charitable act.<sup>8</sup>

Further, major stock market declines are usually followed by cuts in corporate marketing budgets and as a result, less advertising of consumer products. This means less competition on TV and in the mailbox for consumer's attention. This is a unique time to keep your message strong as others hang back.

But, you say, you've seen graphs and charts of what happened to individual giving as part of the Great Recession. That's because of a couple of factors:

- Some organizations pull back from the mail. Mail volume dropped about 13% from 2008 to 2009. Few studies of philanthropic giving over this time factor this in. **We raised less because we asked less.**
- There's an overall decrease in donors over the past two decades—not necessarily in overall giving, as average amounts of giving per person giving have increased over that same time, but fewer people giving. When you control for income, wealth, demographics, and state factors, overall propensity to give wasn't hurt at all by the Great Recession, but rather that 2008 was in the middle of an overall drop in people being givers over that time.<sup>9</sup>

**Fact: Giving will shift.** While overall individual giving may not be as impacted by economic downturns, this doesn't mean donations will go to the same causes. As mentioned earlier, it's mentally easier to shift among charitable causes than to quit giving. During the Great Recession, foundations shifted their giving to states hardest hit.<sup>10</sup> Feeding America had 50% year-over-year Q4 increase in giving from 2008 to 2009. Food banks had a 32% increase in giving from 2008 to 2009.<sup>11</sup> Post 9/11, giving to the American Red Cross and September 11th Fund was so strong, they issued public statements that they didn't need any more money,

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<sup>7</sup> Mitra, I., & Xu, Y. (2017). *Youth Unemployment and Jobless Recoveries: A Risk-based Explanation*. Available at SSRN 3036185.

<sup>8</sup> LaBarge, M. C., & Stinson, J. L. (2014). *The role of mental budgeting in philanthropic decision-making*. *Nonprofit and Voluntary Sector Quarterly*, 43(6), 993-1013.

<sup>9</sup> Meer, J., Miller, D., & Wulfsberg, E. (2017). *The Great Recession and charitable giving*. *Applied Economics Letters*, 24(21), 1542-1549.

<sup>10</sup> Reich, R., Wimer, C., Mohamed, S., & Jambulapati, S. (2011). *Has the great recession made Americans stingier*. *The great recession*, 294-313.

<sup>11</sup> Grusky, D. B., Western, B., & Wimer, C. (2011). *The consequences of the great recession*. *The great recession*, 3-20.



We also see this when there's a natural disaster or in the increase in giving to veterans' services organizations during the greatest publicity for the wars in Afghanistan and Iraq. People give to what is on the news and what is topical.

**Fact: Need will increase.** The flu epidemic of 1918 was the worst infectious disease outbreak the United States has seen. When it was clear a national response was required, the Surgeon General telegraphed the American Red Cross to ask them to “assume charge of supplying all the needed nursing personnel,” “furnish emergency supplies,” and pay salaries and expenses up to \$575,000 (about \$11 million today).

The Red Cross ended up providing \$2 million (\$37.5 million today) in equipment and supplies to add to the relief effort and played a critical coordination role in the fight that would come.<sup>12</sup>

Health care, food assistance, help for the unemployed or unable to work during quarantine, education, elderly care, and on and on—fulfilling these needs will fall to us in the coming days, weeks, months, and potentially beyond. Even in this time of uncertainty, we must gear up for what will be needed of us.

Some of this will be different this time. Social distancing will hurt events, canvassing, traditional major gift contact fundraising worse than before. Sheltering in place could help mail, DRTV and other home-based giving. There's also COVID-19's impact on the elderly, who are our most frequent and loyal donors. History doesn't tell us what happens if they feel insecure.

So while the waters are uncharted, we do have some guides to be wary and watchful, but not full of panic.

#### **A Brief Aside**

The argument “I'm young, so I'll be fine” is rubbish. The virus may not kill you, but there are still serious impacts of this disease. And, if the best-case scenario is that you are “only” helping spread the disease to vulnerable populations like a modern-day Typhoid Mary, that's a pretty bad best-case scenario.

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<sup>12</sup> Jones, M. M. (2010). *The American Red Cross and local response to the 1918 influenza pandemic: a four-city case study. Public health reports, 125(3\_suppl), 92-104.*

## WHAT WE CAN DO

**Don't panic.** We know what happens when you stop acquisition. Take a fictional organization that started their direct marketing program in 2013 by acquiring 25,000 donors. Each year thereafter, they acquired or reacquired 25,000 donors. With retention numbers around the industry average<sup>13</sup>, by 2020, they would have built a program of 41,525 active donors, 7150 of whom are extremely valuable three-or-more-year renewing donors.

But let's say in 2020, they cut acquisition just for the one year. It would only be by 2024 that their total number of donors would reach their 2019 levels. And it would be 2027 before three-or-more-year renewing donors reached a new high. That's a seven-year recovery for a one-year decision. That doesn't take into account the losses in planned giving, which will be significant, because we know those \$5-\$10 donors are a frequent audience for planned giving.<sup>14</sup>

For channels like mail, phone, and DRTV, people are sitting at home right now who aren't usually there. It's a unique opportunity (although clearly not one we would have wished for) to speak to them where they live and when they are paying attention. And we would miss that opportunity were we to leave the field during this unique time or to churn out messaging that won't meet people where they are.

**Increase your relevance.** People will have increased worry during this changing time. We can best cut through the noise by being relevant to the person and to the time. For some organizations, your coronavirus story is one of increased need. If you are in health care, poverty abatement, care for the elderly, international relief, and so on, you are on the front lines in the fight to keep people safe. This is a story worth telling in any social-distancing-approved medium as loudly as you can.

The same is true for second-order effects of the virus. When people were giving after 9/11, it wasn't just directly related charities that got a boost. Some NYC-based immigration assistance organizations increased their fundraising by telling the story about how new restrictions made it harder for them to welcome deserving immigrants to our shores and increase their success in a new society. This tie into relevance helped explain to donors not just why, but why now.

For some, your coronavirus story is going to be just the opposite. What does a museum or library or arts organization look like without patrons? Here, your pitch is one where you ask what you want the world to look like once we get through the short term.

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<sup>13</sup> 25% renewing in year one, 50% renewing in year two, 75% renewing in year three and beyond.

<sup>14</sup> Froelich, S. (2010) Using the Science of Direct Marketing for Planned Giving Lead Generation, Cultivation and Close. [http://dma.convio.net/site/DocServer/Direct\\_Marketing\\_for\\_Planned\\_Giving\\_1\\_21\\_10.pdf?docID=1382](http://dma.convio.net/site/DocServer/Direct_Marketing_for_Planned_Giving_1_21_10.pdf?docID=1382)

Relevance isn't just adapting to the situation; it's also adapting to the donor. People who care about your cause deeply do for the same reasons today as they did a month ago. The more we can alter our message to fit the unique reason everyone gives to us, the better off we will be. These can be simple changes:

- The Red Cross found that putting a last gift date on some letters increased response rate by 20 percent among lapsed givers.<sup>15</sup>
- Make-A-Wish donors who are medical professionals respond 42 percent better when you preface their offer with "As a medical professional..."<sup>16</sup>
- MADD found that using a story from the same state as the donor can increase response rates by 50 percent.<sup>17</sup>

All these are relatively minor copy adjustments that can make a major difference, differentiating you from what other messages donors will be getting at the same time. And when you are printing on high-speed digital presses, these can be done quickly and inexpensively. Not everyone has a coronavirus story to tell, which means making sure you are telling your normal story as effectively as possible.

**Think past the current crisis.** This is difficult, we know. But in addition to thinking about the message you need to send now, you also need to think about the message you will send in 30 days or 180 days. The organizations that grow after major disasters and events have mid-emergency and post-emergency messaging platforms prepared. Communications and marketing teams mobilized and aligned in their messaging. They were donor-focused in their communications. They strategically crafted offers and asks to keep those donors engaged.

One international organization we work with saw the best December ever when many organizations had downturns in end-of-year major giving in 2018 with the tax law changes. What made the difference? They called their mid-level and major donors to thank them for making the difference. They didn't start in December; it was a year-long project. Everyone has the same basic message today. How will yours stand out tomorrow?

**Think about new ways to interact.** Losing all face-to-face fundraising opportunities, even for (hopefully) the short term, is a huge loss. These need to be replaced with letters, phone calls, texts, and other asynchronous communications means. This type of investment can bear fruit. For example, phone calls have been shown to increase future giving substantially<sup>18</sup> (by up to 40 percent) when made immediately after the gift is received.<sup>19</sup> Canadian

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<sup>15</sup> Kessler, J. B., & Milkman, K. L. (2018). Identity in charitable giving. *Management Science*, 64(2), 845-859.

<sup>16</sup> Ellinger, N. (2018, September 6). The four words that increased click-through by 42%. Retrieved February 27, 2020, from <http://agitator.thedonorvoice.com/the-four-words-that-increased-click-through-by-42/>

<sup>17</sup> Ellinger, N. (2019). *The New Nonprofit: Six Models to Raise More Money and Accomplish More Mission*. Spring Hill, TN: Illiterary Press. Pages 198-199.

<sup>18</sup> Longfield, C. (2011, May 23). We can boost donor retention. But only if we get smart. Retrieved February 27, 2020, from <https://sofii.org/article/we-can-boost-donor-retention-but-only-if-we-get-smart>.

<sup>19</sup> Burk, P. (2003). *Donor-centered fundraising: how to hold on to your donors and raise much more money*. Chicago, IL: Cygnus Applied Research.



Red Cross uses modeling to determine which of their sustaining donors is most likely to lapse. A simple phone call to those at-risk donors cut their donor bleed substantially and has an ROI of over 100%.<sup>20</sup> When you say thank you now, these are the donors who will be there to help you down the road.

Similarly, video is not just for internal use when staff must work from home. Virtual events can bring people together when a live 5K or gala isn't possible. When you can't give tours of your headquarters, you can use videos to create virtual tours. Conference calls and video conference calls can put your donors in touch with the work they make possible. And while the lack of patrons can be very challenging for organizations that serve patrons like arts, museum, libraries, etc., having no patrons may give them the opportunity to shoot video to create virtual tours and expand their possibilities to the world. For example, Mount Vernon created a virtual tour at [virtualltour.mountvernon.org](http://virtualltour.mountvernon.org) that introduces President Washington's residence to those who may not be traveling to Virginia now or ever.

Many organizations are using text-messaging extremely effectively. Save the Children and St. Jude are two organizations doing a great job of engaging donors. For those in isolation, the phone is a lifeline.

**Be with your donors when they need you.** Social distancing is essential for preventing the current pandemic from worsening. But that distancing also means decreased interaction for those most vulnerable to isolation and loneliness: older people and those with disabilities or pre-existing health conditions. Already, a quarter of elderly people fit the definition of socially isolated. And a report from the National Academies of Sciences found that this isolation carries with it:

- A 50% increased risk of dementia
- A 29% increased risk of coronary heart disease
- A 25% increased risk of cancer mortality
- A 59% increased risk of functional decline
- A 32% increased risk of stroke<sup>21</sup>

We are social animals, and we don't function well when that social element is withdrawn. Not only that, but coronavirus can increase fear and anxiety at the same time as fear and anxiety are increasing due to social isolation.

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<sup>20</sup> Ellinger, N (2019, August 19). Donors at the break point. Retrieved March 16, 2020, from <https://agitator.thedonorvoice.com/donors-at-the-break-point/>.

<sup>21</sup> National Academies of Sciences, Engineering, and Medicine. 2020. *Social Isolation and Loneliness in Older Adults: Opportunities for the Health Care System*. Washington, DC: The National Academies Press. <https://doi.org/10.17226/25663>.

But philanthropy giving can counteract this. Not only does the sharing of stories increase social connection, but there are also known health benefits to giving, including<sup>22</sup>:

- Spending money on others lowers blood pressure.<sup>23</sup>
- Giving increases happiness<sup>24</sup> and happiness lowers mortality.<sup>25</sup>
- Giving eliminates the negative impact of stress.<sup>26</sup>

So those who support us disproportionately need us during this challenging time to help tether them to the impact they are having and the impact they can still have. Reaching out through the mail or phone for some personal contact can help increase their well-being and help your mission in the long term.

It isn't just for the elderly. Every one of your donors is impacted by this pandemic. Media channels do a stellar job of providing information that escalates anxiety. Now is the time for demonstrating empathy. Messages can be:

- I know who you are.
- I know you are impacted.
- We are so thankful for you.
- If you can, help us out, we are grateful.

**Don't forget about donor-advised funds.** Right now, there is over \$121 billion sitting in donor-advised funds.<sup>27</sup> These funds are technically out of the control of the donors. Thus, even if they've taken stock market losses or the like, they can't use these funds to offset the losses; the funds are gone.

Thus, they don't take a hit from any potential economic woes. According to H. Daniel Heist and Danielle Vance-McMullen:

“While other forms of charitable giving generally drop during economic downturns, we find that grants from DAFs remain relatively stable in recession conditions ... Given these findings, donor-advised funds may be an important resource to the nonprofit economy in future recessions.”<sup>28</sup>

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<sup>22</sup> Yörük, B. K. (2014). Does giving to charity lead to better health? Evidence from tax subsidies for charitable giving. *Journal of economic psychology*, 45, 71-83.

<sup>23</sup> Whillans, A. V., Dunn, E. W., Sandstrom, G. M., Dickerson, S. S., & Madden, K. M. (2016). Is spending money on others good for your heart?. *Health Psychology*, 35(6), 574.

<sup>24</sup> Dunn, E. W., Aknin, L. B., & Norton, M. I. (2008). Spending money on others promotes happiness. *Science*, 319(5870), 1687-1688.

<sup>25</sup> Rimer, S. (2011, Winter). The biology of emotion—and what it may teach us about helping people to live longer. <https://www.hsph.harvard.edu/news/magazine/happiness-stress-heart-disease/>

<sup>26</sup> Poulin, M. J., Brown, S. L., Dillard, A. J., & Smith, D. M. (2013). Giving to others and the association between stress and mortality. *American journal of public health*, 103(9), 1649-1655.

<sup>27</sup> National Philanthropic Trust (2019). The 2019 DAF report. Retrieved March 16, 2020, from <https://www.nptrust.org/reports/daf-report/>.

<sup>28</sup> Heist, H. D., & Vance-McMullen, D. (2019). Understanding donor-advised funds: How grants flow during recessions. *Nonprofit and Voluntary Sector Quarterly*,

This means that DAFs function as a hedge against recessions. During the 2007-2008 recession, the amounts donated to DAFs went down substantially. However, the payout rate (percent of assets being donated) peaked in 2008 and the flow rate—the percent of money coming in during the year that goes out the door—peaked in 2009 at 103% (meaning more money was going out than coming in).

Unfortunately, sometimes databases on DAFs can be a bit of a mess. Your database may have hard credits, soft credits, or no credits, and you will need to track back through Fidelity, Schwab, et al., who made the gift. But now is the perfect time to undertake these efforts when you have (theoretically at least) spare time from not making face-to-face donor visits.

Some organizations have even had success with DAF messaging in acquisition. American Indian College Fund used an insert mentioning their DAF widget and found that it was responsible for 14% of new gift revenue. It was also responsible for 33 of their 41 \$1000 first-gift donors. Since this source is relatively recession-proof, it can give you a key advantage in getting the funds you need for your vital mission.

## **SUMMARY**

The most important takeaway here is not to panic. Yes, some means of fundraising are gone for the near term. However, overall giving has robustly weathered the storms of the past. Some means like digital and mail are relatively unrelated to the overall economy; they have historically suffered only when organizations have panicked and cut deeply. This can set you back literally years.

On the other hand, smart managers invest in things that are likely to be counter or non-cyclical during crises. Relevance, cultivation, customization, and DAFs will pay off in the short term and the long term. The long-term solution is to have a diversified portfolio of different types of giving.

Our sector will be under increased stress in the days and weeks to come. But we can get through this together, being the safety net and the springboard that America needs us to be.