



Rapidata's Charity Direct Debit Tracking Report 2010

The **Full** Picture

About Rapidata

Rapidata Services Plc has been supporting charities, not for profits and commercial companies with the collection, administration and processing of Direct Debit payments since it was founded in 1997. Our partnership approach and outsourced solutions has seen Rapidata become the leading Direct Debit Specialist in the UK.

But we do more than just Direct Debit processing.

Our years of experience and innovative use of technology enables us to work with our clients to maximise the services. By providing cost effective collection services tailored to meet their exact requirements, such as eDirectDebit for online fundraising, we aim to allow our clients to concentrate on their core activities.

Since 1999 we became involved with not for profits and are now recognised as a voice of the sector on regular giving. Our relationship with the sector also saw us expand our services geared towards not for profits to help them to achieve their fundraising goals. We are very proud of our commitment in this area and are members of the Institute of Fundraising and Fundraising Standards Board.

We are based in Crawley, West Sussex and have a great team of people working across the UK. If you have any questions about the services we offer or would like to discuss any other issues you may face, we would love to hear from you.

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Introduction

Last year saw the launch of our inaugural, annual *Rapidata Charity Direct Debit Tracking Report*. With the recession biting hard, it was a time of doom and gloom for many charities, as well as businesses, across all sectors and our research reflected that, revealing a startling increase in the volume of direct debit cancellations.



A year on however, and we're pleased to report that much has changed. Finally, we are seeing a glimmer of light at the end of the tunnel as we start to emerge from what has undeniably been a very tough couple of years.

And here, in our 2010 edition of the *Rapidata Charity Direct Debit Tracking Report*, we reveal just how much changed for charities during 2009. In fact this year's report presents a much fuller picture of the charity direct debit landscape than ever before.

Not only do we examine cancellation rates for the past year compared with 2008's figures but here we look at volume and income levels, and for the first time, we exclusively reveal the value of the average gift by direct debit. We also take our first ever look at how income varied by cause last year, and at how people cancel their direct debit payments, giving our recommendations for maximising direct debit income.

That's not all – look out for us this summer when we'll be back again with our mid-year update, where we'll bring you up to speed with what has happened in 2010 so far.

As always, I would be delighted to hear from you if you have any feedback or would like to discuss this report with me. I would also be interested to hear your own experiences with direct debit payments so please do not hesitate to get in touch.

A handwritten signature in black ink, appearing to read 'S Gray', with a long horizontal flourish extending to the right.

Scott Gray, Managing Director of Rapidata Services Plc

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1. Executive summary

Direct debit cancellations were decreasing in the lead up to the recession, a trend that was swiftly reversed once the economic downturn began to bite. While the recession has had a dramatic impact on the level of cancellations, it has been followed by an equally quick recovery and a significant increase in the volume and value of direct debit giving.

In short, this year's analysis inspires a feeling of optimism about regular giving in the months to come. For the first time, the report provides not only information about direct debit cancellation rates but volume and income changes from last year, the average gift by direct debit, details about how donors cancel and what charities can do when armed with this information. Organisations are urged to be proactive in relation to direct debit giving, responding to, managing and – and where possible – preventing cancellations or failed payments. While the signs point towards greater stability and growth in direct debit giving, this is certainly no time for complacency.

Key findings include:

Overall fall in cancellation rates

2009 saw direct debit cancellation rates fall substantially throughout the year, returning to pre-recession levels for the first time since June 2007. Cancellation rates began at a high of 5.63% in January and rates dropped steadily for the first half of the year, falling at a more accelerated pace in the second half before plummeting to 2.63% in December (versus 3.89% in December 2008). December 2009 was also the first month rates dropped below 3% since June 2007. The good news continues into 2010, with cancellation rates in January to March considerably lower than in the same months last year and in 2008.

Cancellation cycle for 2009/10 returns to pre-recession pattern

During the height of the recession, there was little evidence of the cyclical pattern for cancellation rates that we have seen over former years. And yet, during the last half of 2009/10, the clear cyclical pattern for direct debit cancellation rates appear to have returned. Rates even dipped below the pre-recession average in August and October, and again in January 2010.

Increase in value and volume of direct debit

Overall, the actual amount generated through direct debit donations rose significantly in 2009. The 117 charities within this data sample received just over £26m by direct debit donations, up from £22m in 2008 – an increase of approximately 18%. The increased value was largely prompted by a substantial rise in the number of donations over the past year – an increase of 14%.

“ This report provides some fascinating insights into donor behaviour and some of the very first evidence to suggest that the worst of the donation losses due to the recession may finally have come to an end. ”

**Professor Adrian Sargeant,
of Bristol Business School and Indiana
University**

Average gift revealed

This is the first time that it has been possible to reveal the average amount that charities receive per direct debit donation, amounting to almost £12. In 2008, the average monthly direct debit was £12.26. Last year, this fell slightly to £11.95 – a drop of 31p (2.6%). Meanwhile, 54% of charities saw an increase in their own average gift level in 2009.

Some causes fared better than others in 2009

Overall income levels as well as the volume of direct debit payments increased across the board in 2009 and, while a slight majority of charities saw their own average gift amount increase, results varied depending on the cause. Detailed analysis was reserved for the top five causes (each represented by over 10 charities within this dataset); children, young people & families, healthcare & medical research, international, general social welfare and community.

Out of these, children, young people and families now top the chart in terms of the highest average gift by cause at £13.11, while international causes yield the lowest level (£10.65). However, it looks as though this hierarchy may be shifting. 68% of international charities succeeded in increasing their average gift amount over the past year and this segment reported the highest annual rise in average gift, yielding a 38% rise in the overall value of donations. General social welfare and community charities achieved substantial growth in the volume of donations, but reported a decrease in average gift from 2008 figures.

Majority of donors cancel directly with their bank

Less than 10% of donors cancel directly with the charity. Instead, the vast majority – 68% of cancellations in 2009 – were from donors cancelling directly with their bank. Almost one in five (19%) of cancellations last year came from direct debits being returned unpaid, and just 4% were a result of incorrect bank details meaning that payments could not be collected.

More direct debits are failing because of insufficient funds

The percentage of transactions that were rejected due to a lack of funds in the bank account increased by 28% between 2007 and 2009, amounting to more than 6 in 10 of failed payments. More than twice as many charities are re-presenting failed direct debit donations in an attempt to secure payment the following month, up from almost 12% in 2006 to 27% in 2009.

“ *Rapidata’s findings clearly demonstrate how sensitive supporters and their giving are to the external economic environment.*

For many professional fundraisers this has been our first experience of raising money in a recession. This report provides valuable insight into how donors do respond – in terms of cancellation, giving levels and sign ups – in a difficult economic context and, more encouragingly, how quickly their confidence bounces back. It’s extremely helpful in understanding what happened during the recession and therefore for planning flexibility into future work. ”

Ruth Ruderham, Head of Fundraising of Christian Aid

2. Methodology

Rapidata is in the unique position of processing large volumes of charity direct debit payments on a monthly basis, currently amounting to more than four million transactions a year in the charity sector alone.

The huge volume of transactions can reveal not only how much money people are donating by direct debit, but peaks and troughs in giving and the Charity Direct Debit Cancellation Cycle.

Last year's inaugural report revealed a grim picture of rising cancellations as people tightened their belts against the effects of the recession and as a result, gave less to charity and cancelled their direct debit donation.

The 2010 report takes a much wider view, examining the cancellation figures for 2009 and early 2010 in comparison with previous years' figures (from 2003 onwards). Importantly, this report looks beyond cancellation rates to cover income levels, the volume of direct debit payments, and for the first time, average donation value.

The report examines the trends for each, discusses the implications, and gives recommendations in terms of what charities should be doing to cut cancellation rates even further over the coming months.

In another first, this year's *Rapidata Charity Direct Debit Tracking Report* also examines income and volume by cause to determine whether any particular causes fared better, or worse, than others in 2009 versus 2008.

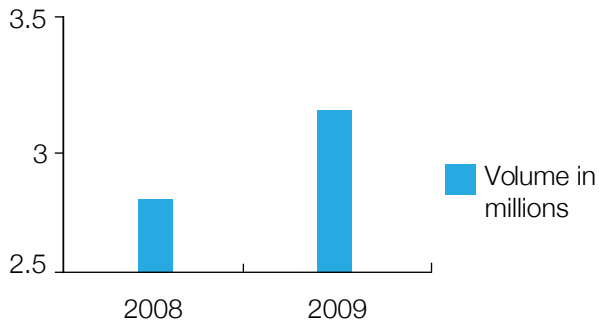
When looking at the average gift amount, and income by cause, the report uses a smaller cross section of 117 charities from the Rapidata client database. This is based upon more than 3 million donor transactions and amounting to £22 million of direct debit income annually. The charities represent a wide range of causes and sizes of organisation. These are charities whose direct debit donations Rapidata has processed for at least the last two calendar years, giving solid data for the timeframe in question.

NB. Sections 7-9 of this report (research into direct debit cancellations) are based upon Rapidata's full charity direct debit data set of more than four million transactions each year.

3. Direct debit volume

The first step is to look at how many donations people gave in 2009 overall, and here there is some very good news. The volume of donations rose considerably last year. In 2008, the 117 charities whose direct debit donations were monitored received 2.8 million transactions overall. In 2009, this figure rose to 3.2m transactions – a 14% increase.

Graph 1: Increase in volume of overall direct debit donations 2008-2009



While there were a number of natural disasters last year, there was nothing on the scale of what has already been seen in 2010 with the Haiti earthquake, and, it should be noted, the volume of donations grew across all causes, something we will explore in section 6 of the report.

This could indicate that charities pulled out all the stops to accelerate giving at a time of heightened expectation about the impact of the recession, or perhaps that people started feeling a little more secure financially last year and more able to give to their favourite causes.

4. Direct debit average gift levels

This is a particularly significant section of the report as here, for the first time, it is possible to reveal what people actually gave, on average, per monthly direct debit donation in 2009. Rapidata looked at how much the average gift amount was, both overall, and per charity, and compared it to 2008 to determine whether this amount had risen or fallen.

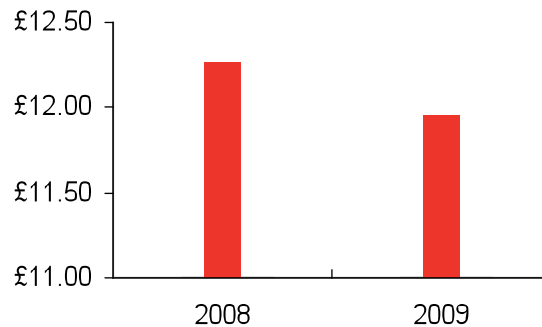
The average monthly direct debit donation in 2009 was £11.95. This reinforces the importance of direct debit giving as not only a regular, reliable and cost-effective income stream, but one that compares favourably with other donation mechanisms. The 2009 UK Giving report from the Charities Aid Foundation and National Council for Voluntary Organisations puts the average monthly donation amount in 2008/09 at around £10 per donor.

2009's average monthly donation is down slightly (2.6% or 31p) from the 2008 figure of £12.26. However, 54% of charities reported an increase in their average gift amount in 2009 compared to 2008, while 46% of charities showed a decrease.

“ Although the figure fell a little this past year, undoubtedly due to residual recessionary pressures, almost £12 a month is an impressive average for regular giving. This is testimony to the hard work of fundraisers in building up the value of monthly contributions from the tiny amounts that until comparatively recently used to pervade our sector. ”

Professor Adrian Sargeant of Bristol Business School and Indiana University

Graph 2: Average Direct Debit Donation Level



“ We are generally used to seeing donor recruitment campaigns focusing on sub-£5 monthly asks, unless associated with Child Sponsorship or an equivalent product. However, the increased use of negotiated recruitment channels, such as inbound and outbound telemarketing and direct dialogue, are playing a key role in increasing this entry-value. ”

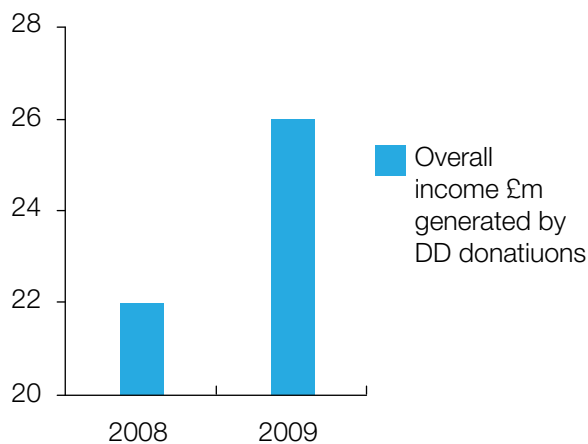
Bryan Miller, Founder of Strategy Refresh

5. Total direct debit donated income

In terms of the actual overall amount generated by direct debit donations to these 117 charities, 2009 saw a significant increase on 2008 figures. Almost three quarters of the charities in this sample succeeded in growing their annual direct debit income in 2009.

In 2008, the same charities raised just over £22m in direct debit donations alone. In 2009, this figure rose to £26m. This means that donations rose by almost £4m in 2009 – an increase of approximately 18%.

Graph 3: Overall Income (£m) Generated by Direct Debit Donations



To gain a clearer picture of whether 2009's increase might signal donors' return of confidence as UK financial markets showed signs of recovery, one would need to examine the figures over a longer period of time. The same dataset is not available pre-2008, but Rapidata will continue to monitor donation levels over the coming years.

6. Income / volume by cause

With further analysis it is possible to segment the data by cause and assess whether there are any notable differences in terms of the volume, average gift, overall value of donations and any significant increase or decrease between 2008 and 2009 figures.

The charities were sorted into 12 causes:

Children, Young People & Families

Healthcare & Medical Research

International

General Social Welfare

Disability

Art & Culture

Heritage & Environment

Animals

Community

Education

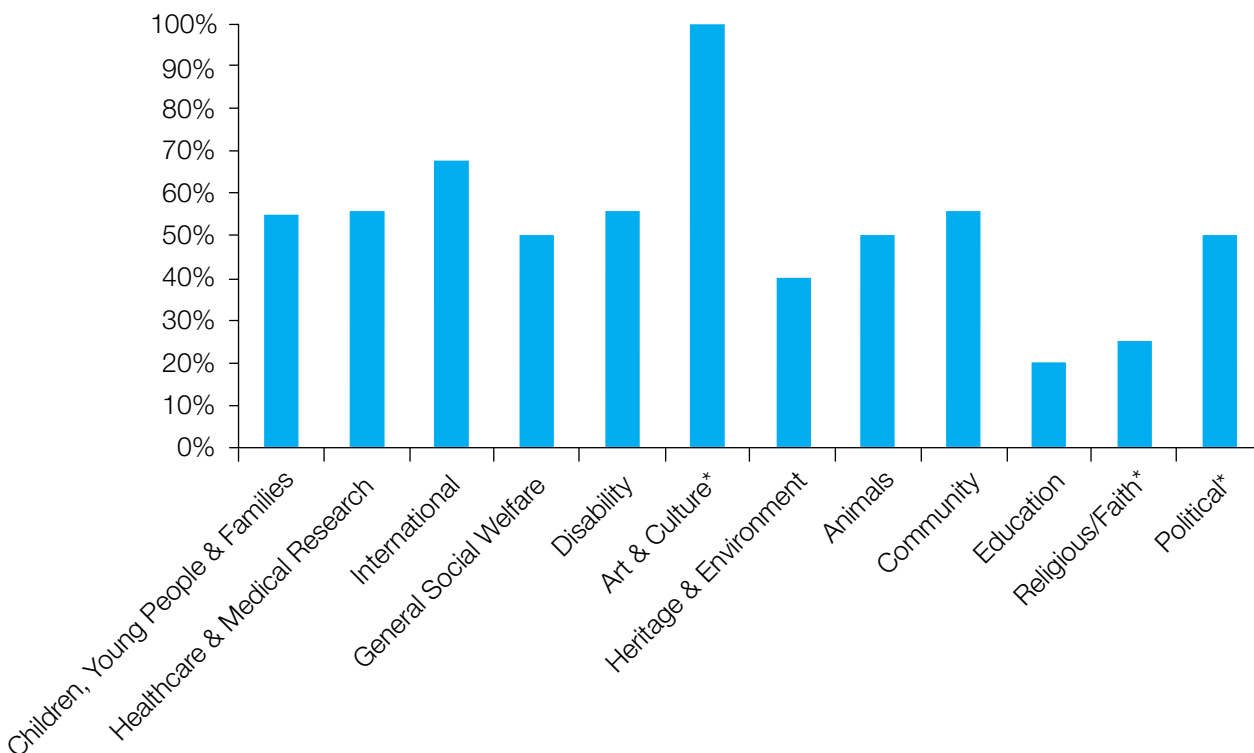
Religious/Faith

Political

While the average gift value for 8 out of 12 categories fell during the year, the large majority of causes increased the volume of transactions considerably and therefore the overarching value of direct debit giving.

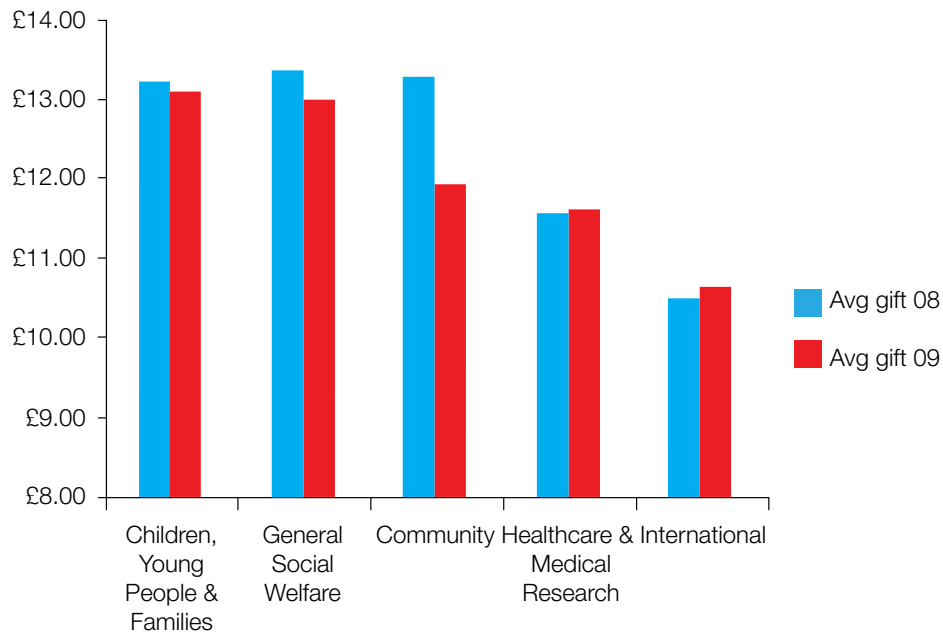
Working with our sample set of charities, some of the categories contained too few charities for the resulting data to be considered fully representative of the sector on a wider scale. Therefore, detailed analysis has been reserved for the five largest category areas (Children, Young People & Families, Healthcare & Medical, International, Community and General Social Welfare) in the data set, each containing between 10 and 36 charities. The results make interesting reading:

Graph 4: Proportion of Charities by Cause that Increased Direct Debit Average Gift in 2009



*Any starred categories contain less than 5 charities and should not be considered fully representative.

Graph 5: Average Gift By Cause (2008-2009)



Graph 5 demonstrates the variance in average gift from cause to cause and between 2008 and 2009. Children, young people and families now top the chart in terms of the highest average gift in 2009, while international causes report the lowest level.

Nonetheless, having reported the highest rise in the level of gift over the past year, it will be interesting to see whether the average gift of international causes experiences further growth over the coming years.

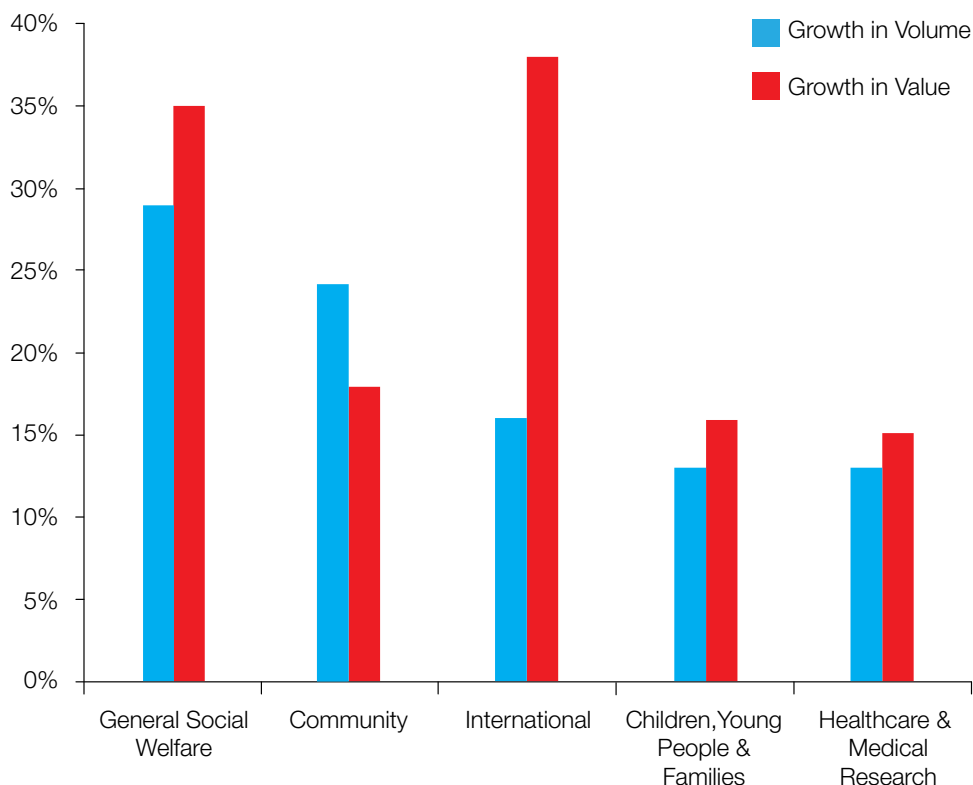
In contrast, general social welfare and community causes continue to yield high average gifts, but both reported a significant decrease in 2008 to 2009 average donation levels.

Rapidata also examined the volume and overall direct debit income levels for these 5 causes, comparing last year's totals to those of 2008. All five generated an increase in volume during 2009, ranging from 13-29% growth. Even better news comes in terms of the overall value of these donations, which increased between 15% and 38% for these five charities, (see graph 6).

“An analysis of average gift levels by type of cause is hugely interesting and the average gift levels in the international development grouping reflects our experience at Christian Aid. We had not previously been aware of the differences in average gift levels between causes and this allows us to see how we compare to the sector as a whole, and specifically to other international development organisations. It's exciting new information and prompts further questions about why these patterns are occurring.”

Ruth Ruderham, Head of Fundraising of Christian Aid

Graph 6: Annual Growth in Volume and Value of Donations (2008-2009)



Perhaps the most notable finding from this section of the report is the significant growth in the value of donations to international causes, prompted by a growth in volume and such a large proportion (68%) of charities having achieved an increase in the average gift. Growth was also particularly high both in terms of the volume and value for general social welfare charities too.

“CLIC Sargent increased average gift by 7.4% from 2008 to 2009 and the volume of transactions by as much as 38.5%, leading to an overall rise in direct debit income over the year of 48.6%.

“The key to achieving this was more investment in regular giving and upgrade activities in 2009. We asked our direct debit supporters to increase their gifts over the phone and this was particularly successful.

“We also noted that when we asked cash donors to become regular givers, the state of the economy was one of the main reasons cited by those that declined.”

James Spears, Head of Direct Marketing at CLIC Sargent

7. Direct Debit Cancellations

This is where the good news really kicks in as the report picks up on the core subject covered in the previous Rapidata Charity Direct Debit Tracking Report. Following on from a difficult couple of years that saw direct debit cancellations rising as the recession took hold, Rapidata is pleased to reveal that 2009 saw the lowest cancellation rate¹ – the first time rates had dropped below 3% - since the pre-recessionary period of June 2007.

Taking all of 2009's figures into consideration, it is clear that the year began and ended quite differently. January's cancellation rate was sky high at 5.63 – the highest rate since Rapidata started compiling cancellation data in 2003, while December's low of 2.63% brings cancellations down to levels seen only before the recession kicked in.

Cancellation rates started high in January 2009, following on from a bad 2008 and also to an extent as expected in the first month of the year when those direct debits cancelled during the Christmas period are finally processed, but then fell for three consecutive months between February and April. While still higher than average, they were considerably lower than in the previous year. After a slight increase in May, rates then fell steadily throughout the year with only two more marginal rises in July and September. Between March and June 2009, cancellations were about 34% higher than for an average March-June period pre-recession, down from 50% highs for most months during 2008 (see appendix, Table B).

It was at the tail end of last year that things really started to change with cancellation rates falling for the next three consecutive months and finally plummeting to 2.63% in December, (see table 1).

Table 1: Monthly cancellation rates during 2009

Month 2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Cancellation rate %	5.63	4.43	4.33	4.16	4.25	4.09	4.30	3.57	4.11	3.65	3.49	2.63

Table 2: Average annual cancellation rates²

Year	Average ¹
2003	3.52
2004	3.52
2005	3.24
2006	3.10
2007	3.11
2008	4.33
2009	4.05

A clear rise in cancellation rates can be seen in 2008 where figures jumped to 4.33% from the previous year's figure of 3.11%. In 2009, there was a drop on 2008's average, with the annual average monthly cancellation rate falling from 4.33% to 4.05%. This remains higher than the average during pre-recessionary years, as one might expect with the country still suffering the effects of the recession throughout 2009.

“Most donors are not cancelling because they have a problem with the charity; we know from our own research that it's because they feel they cannot afford to continue giving. If we could reach them when they were considering their decision I'm sure we could persuade most to keep giving, perhaps at a lower rate. But it's difficult to get people back on once they have made that mental leap in deciding to cancel. They then have to go back into the process of reactivation and start that mental switch again.

“We do contact lapsed donors in our upgrade and reactivation programme, this is generally 3 – 6 months after they have cancelled and we have a general industry standard of success at around 10-15%. We will now be looking at contacting lapsed donors earlier and testing some more.”

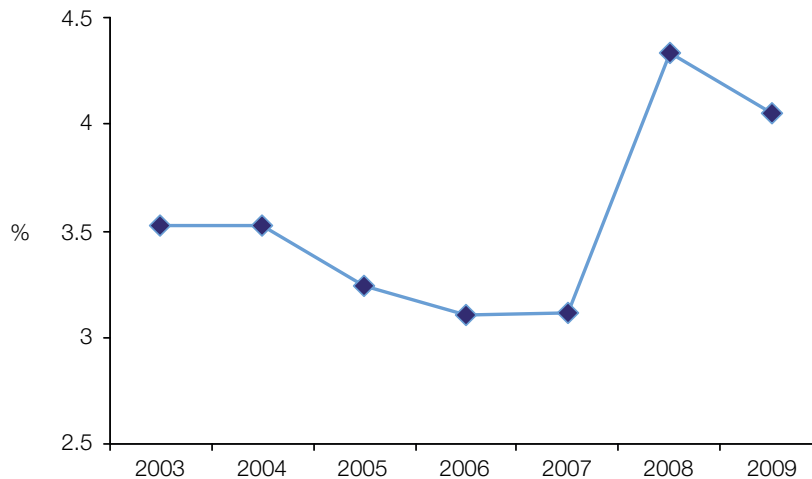
David Beck, Director of Fundraising & Development, Guideposts Trust

¹The cancellation rate is the number of direct debits cancelled in a calendar month as a percentage of total live direct debits.

²The average annual cancellation rate is calculated by adding up the monthly cancellations rates and dividing by 12 (except in the case of 2003 where data exists from April, so the rates have been divided by 9).

The graph below illustrates very clearly how cancellation rates rose dramatically between 2007 and 2009 before falling just as dramatically.

Graph 7: Average annual cancellation rates 2003-2009



Graph 7 clearly shows that the average annual cancellation rate had been falling consistently from the start of 2003 until the summer of 2007, when they began to rise slowly and – during the summer of 2008 – this growth rate really accelerated.

Cancellations were particularly high in July, September and October 2008 and in January 2009, reaching more than 5% in these months. In 2009 when the UK was still in the grip of the recession, monthly cancellation rates were higher than average for many months (see Table A in the appendix), but, and this is important, they were significantly lower in the second half of the year than for the same period in 2008.

Looking at new data for January-March 2010, cancellations range from 3.1 to 3.93. As would be expected for this time of year (see section 8, the Charity Direct Debit Cancellation Cycle), they are up on the December low, but remaining considerably lower than during 2009.

In short, last year was a major departure from the sky-high cancellation rates of 2008. For many months, cancellation figures were higher than average but lower than they had been the previous year, and possibly last year's seesaw cancellation pattern is more reflective of the unsteady economic situation than anything else.

“ In both 2008 and 2009 we seemed to have a peak in July and September, with cancellations marginally higher in the New Year than in December. The events of late 2008 with banks hitting trouble spots meant we hit higher than expected early attrition rates. The recession has clearly had an impact.

Dianne Flatt, Fundraising Manager of Epilepsy Action

“ The apparent reversion of 2009 cancellation rates to pre-2007 levels and pattern is both encouraging and challenging. Encouraging because it suggests that the future for direct debit regular giving – the mainstay of individual giving – may be brighter than we may have feared in recent years. Challenging because we need to fully understand the underlying factors that are driving this in order to correctly inform our strategies.

Margaret Bennett, Director of THINK Consulting Solutions

8. The Charity Direct Debit Cancellation Cycle

The Charity Direct Debit Cancellation Cycle is the pattern cancellations tend to take throughout the year. Last year, Rapidata revealed that the annual hot spots where direct debit cancellations traditionally rise (based on fiscal year data collected from April 2003 onwards) are during the summer and in the New Year (around January).

Table 3 and Graph 8 illustrate the Charity Direct Debit Cancellation Cycle throughout the fiscal year, based on newly adjusted average cancellation figures for each month from April 2003 to March 2010.

Table 3: Average cancellation rates for each month from April 2003 to March 2010

Month	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Average Rates %	3.28	3.45	3.43	3.73	3.72	3.77	3.95	3.65	2.78	3.96	3.33	3.54

Graph 8: The Charity Direct Debit Cancellation Cycle

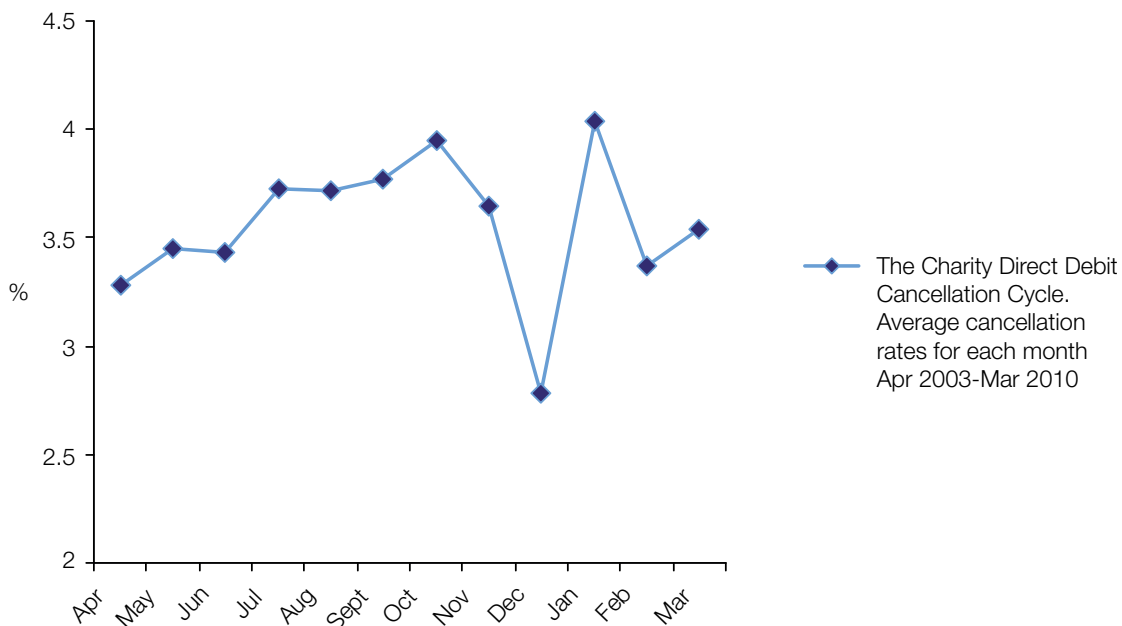


Table 4 below shows the monthly cancellation rates throughout 2009/10, compared with those of the two previous fiscal years and pre-recession averages. Owing to higher than average cancellation rates during the recession, monthly averages still appear higher than pre-2007 averages.

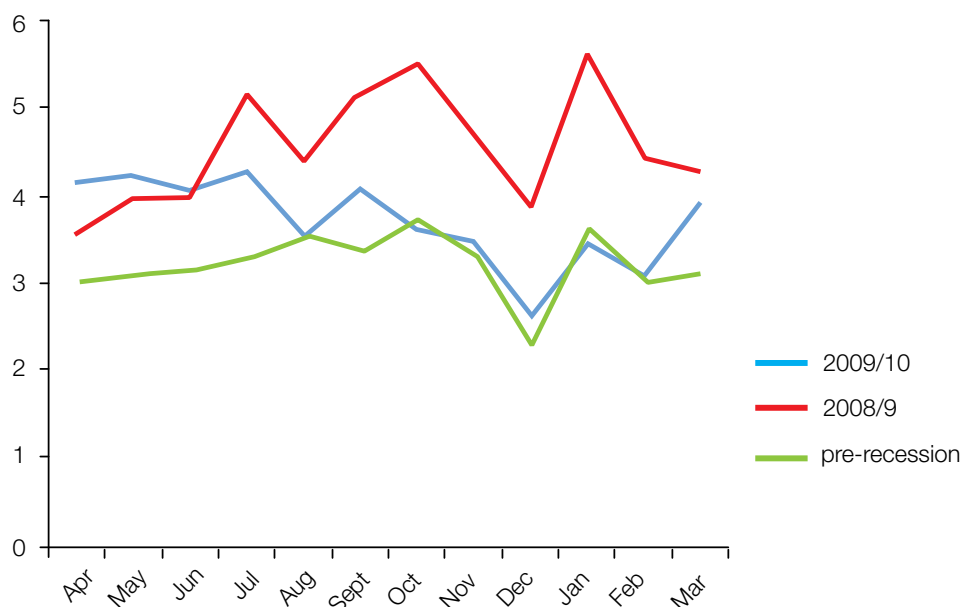
“ In 2009 our cancellations were higher than 2008 but fairly evenly throughout the year with no extraordinary peaks to speak of. In 2010, so far the rate has reduced with lower rates than in the same months of 2009. ”

David Beck, Director of Fundraising & Development, Guideposts Trust

Table 4: Monthly Cancellation Rates

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003-07 (pre-recession)	3.04	3.13	3.18	3.33	3.61	3.39	3.74	3.34	2.32	3.65	3.06	3.14
2007/08	2.25	2.47	2.30	3.04	3.54	3.61	3.51	3.90	3.71	4.01	3.53	3.95
2008/09	3.6	4	4.02	5.16	4.4	5.16	5.52	4.77	3.89	5.63	4.43	4.33
2009/10	4.16	4.25	4.09	4.3	3.57	4.11	3.65	3.49	2.63	3.49	3.1	3.93

Graph 9: Monthly cancellation cycle for 2008/09 and 2009/10 compared with the pre-recession cycle



As this graph shows, during the height of the recession, there was little evidence of the cyclical pattern for cancellation rates that we have seen over former years. However, during the last half of 2009/10, rates appear to have returned to the clear cyclical pattern for direct debit cancellations, albeit with a notable increase in March. This may

be partly due to the high levels of publicity around the still volatile state of the economy in the lead up to the election. Rates dipped below the pre-recession average in August and October, and again in January 2010. This is undoubtedly the most positive indication that the recession for direct debit giving may now be behind us.

9. How donors cancel

Cancellation rates, of course, are only part of the story. And, while the figures show that they at last seem to be falling, there is still work to be done to reduce attrition further. To truly understand cancellations and work out an effective strategy to reduce them, one must first understand how people cancel. Rapidata not only processes 4 million charity direct debit transactions a year, but also gathers data on how each cancellation is made.

The data reveals that by far the most popular way of cancelling a direct debit donation is to do so directly with one's bank. In fact, Rapidata can reveal that between 2007 and 2009, 61-68% of cancelled direct debits were carried out this way, while less than 10% of donors informed the charity themselves.

The second most common form of cancellation results from direct debits being returned unpaid, which accounts for around 20-26% of all cancellations. A very small percentage (3-4%) was as a result of incorrect bank details given.

Table 5: Direct Debit Cancellations & Rejected Payments

Cancellation Code	2007	2008	2009
DIRECT	9.44%	8.46%	8.40%
AUDDIS	3.28%	4.48%	3.62%
DD UNPAID	26.27%	19.65%	19.60%
ADDACS	61.01%	67.41%	68.38%

KEY

DIRECT: Direct debits cancelled directly with charity
 AUDDIS: Cancelled due to incorrect bank details
 DD Unpaid: Rejected payment
 ADDACS: Cancelled by BACS (by the donor with their bank)

Every year, fewer donors are informing the charity of their decision to terminate a direct debit. The vast majority (68%) of donors cancel their donations directly with their banks and this trend is growing. Since 2007, there has been a 12.1% rise in the proportion of cancellations made directly with their bank. For many, it is quicker, easier and less likely to evoke feelings of guilt if they cancel directly with the bank. The dramatic rise of online banking has given donors greater control over their payments – the ability to instantly initiate or cancel direct debits.

“*Very few donors, less than 10% of cancellations, actually write in to notify the charity that they are cancelling their direct debit. We receive a monthly report from our bank plus notification reports from our service providers so we hear about lost donors after they have cancelled.*”

David Beck, Director of Fundraising & Development, Guideposts Trust

Where direct debits are returned unpaid (DD Unpaid), this is usually down to one of two reasons; either there is a lack of available funds in the bank account, known as 'Refer to Payer' or the donor has cancelled the transaction, but the notification did not reach the payment processor before the transfer was implemented.

When there are insufficient funds in the account, the payment will be referred back to the donor and – in most instances – the direct debit will continue with an attempt to complete the following month's donation. Therefore, it is important to note that this doesn't always signal a cancellation. This tactic is often successful in securing the donation, but if it is not, or if a charity has chosen not to re-present, the direct debit will be cancelled.

The next most common reason for a DD Unpaid is when a donor has cancelled a direct debit, but the notification from the bank has not reached the charity or payment processor before the transaction has been implemented. A number of other possible reasons exist, such as when a donor has died, but these result in a very small proportion of unpaid direct debits.

Table 6: DD Unpaid

Year	2006	2007	2008	2009
Refer to Payer (Insufficient Funds)	47.18%	41.05%	57.62%	60.52%
Instruction Cancelled	49.10%	46.44%	35.15%	33.00%

Back in 2006, the two main reasons for unpaid direct debits (insufficient funds or instruction cancelled) were neck and neck. But, as the recession took hold, instances of 'Refer to Payer' became much more common, increasing by more than 28% since 2007.

Looking further into the Refer to Payer category, again there are two main types; direct debits that are to be re-presented the following months due to insufficient funds and those that are not to be re-presented (either because the charity does not wish to request the payment again or because it has already been re-presented once already and will now be cancelled).

Table 7: Unpaid direct debits referred to payer

Refer to Payer	2006	2007	2008	2009
DD to be re-presented	11.97%	14.29%	21.50%	26.89%
DD not to be re-presented	35.21%	26.76%	36.12%	33.63%

Table 7 shows that the proportion of failed payments due to be re-presented has more than doubled since 2006, with a particularly steep increase in 2008 of 50.45%. As mentioned earlier, re-presenting the following month is often a successful way of securing the payment.

But, where a direct debit payment has failed to go through and Rapidata has tried to collect it the following month and been unsuccessful, or the charity has taken the decision not to re-present, the direct debit is cancelled. These cancelled direct debit payments constitute around a third of unpaid direct debits that are categorised 'Refer to Payer'.

10. Conclusion & recommendations

There is much to take away from this year's tracking report, not least a considerable degree of optimism for direct debit donations over future months. And yet, this is no time for complacency. This section of the report identifies not only the key findings from the latest direct debit analysis, but – armed with this information – what can be done to maximise your charity's regular giving income streams.



What is genuinely exciting about this work is that, with every passing year, we will understand even more about donor behaviour. It will be possible to track the impact of various events and economic circumstances on direct debit giving in the UK and provide fundraisers with a tool they can use to make realistic predictions about how the fundraising environment will impact on their work. It will also afford them valuable benchmarking data to assess their own performance.

Professor Adrian Sargeant of Bristol Business School and Indiana University

Although the UK was still very much in the grips of the recession in early 2009, it seems that the shockingly high cancellation rates of 2008 may be a thing of the past. Having begun at a high in January last year, cancellations fell steadily and

then more dramatically throughout the year, ending below 3% in December 2009. Rates even dipped below the pre-recession average in August and October 2009, and again in January 2010.

Perhaps the most positive sign of all is that during the last quarter of the year and the first quarter of 2010, the clear cyclical pattern for direct debit cancellations seems to have returned.

Returning to the Charity Direct Debit Cancellation Cycle is a very positive move, allowing charities to anticipate donation levels more accurately and budget accordingly. Most importantly, understanding the Charity Direct Debit Cancellation Cycle gives fundraisers the opportunity to reinvigorate relations around these key times of year, doing what they can to aid retention, prevent cancellations and re-activate donors, (see *Beating the Charity Direct Debit Cancellation Cycle*).

As to be expected during a recession, there has been a marked increase in unpaid direct debits where people, quite simply, didn't have the funds in their account to honour their donation when collection time came around both during and post the recession. While charities cannot control the wider economic environment and the state of donors' finances, many types of cancellations may be prevented or – at the very least – learnt from.



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BEATING THE CHARITY DIRECT DEBIT CANCELLATION CYCLE

- Review your direct debit cycle: Does it match up to the typical annual pattern? Are the peaks and troughs in the same place? Is your cancellation rate higher or lower than the average?
- Schedule donor communications so that you contact regular givers before a typically high cancellation month for your charity.
- Invest in donor stewardship, particularly during a global recession.
- Acknowledge any cancellation quickly, in writing, thanking the donor for their support.
- Offer alternatives to cancellations, such as giving at a lower level, or taking a payment holiday.
- Monitor any such programmes introduced and review the impact in terms of cancellation levels.

For more information and advice about managing cancellations and beating the Charity Direct Debit Cancellation Cycle, see www.rapidataservices.com/news/ddcm

Understanding why a direct debit payment has been rejected is important, giving charities the information they need to prevent cancellations, build donor relations and – where money is tight – to offer donors other ways to support the charity. In the case of AUDDIS, where the rejection is due to incorrect bank details, it is often simply a case of a quick phone call to amend an inaccuracy in the bank account details in order to enable future payments to go through.

When a direct debit has been cancelled directly with the bank, there may be an opportunity to send a reactivation mailer to encourage that particular supporter back into the fold. Equally, where a charity receives information that a donor has passed away, it is also vitally important to practice good data hygiene by taking that record off their database.

“ You must plan to maximise donor value throughout their lifetime with the charity, from testing initial ask levels at recruitment, on to a pre-planned rolling upgrade programme, and finally getting more creative with lapsed donor renewal or cross-sell to an alternative fundraising product. Rather than a ‘one size fits all’ approach, use the insight you have on donors to target and tailor your upgrade activity and see if that delivers you better results. ”

Bryan Miller, Founder of Strategy Refresh

The fact remains that charities are having to work harder than ever to retain donors’ support. In the first half of 2009, some 22 million adults used internet banking on their main current account, meaning that more than 50% of regular internet users are now banking online.³ This shift, plus donors’ greater access to information from the full range of charities; both within and beyond national boundaries, has changed the face of modern day giving. While donors can quickly identify charities to support, it is equally quick for them to change allegiance. Good stewardship has never been so important.

“ Good fundraising strategies will place the supporter journey at their heart, prioritising retention activities that give supporters timely and appropriate feedback on how their money is making a difference to the cause, and constantly reinforcing the original case for support. Good investment strategies will continue to prioritise campaigns to upgrade current supporters over campaigns to recruit new supporters. Good communications strategies will ensure that the case for support is just as compelling post-recession as it was during the recession. ”

Margaret Bennett, Director of THINK Consulting Solutions

TIPS FOR REACTIVATING DONORS

- Make sure donors can reactivate easily and securely through the charity’s website.
- Attempt reactivation sooner rather than later: certainly within 12 months of a cancellation.
- Regularly test reactivation campaigns, adjusting the timing and communication channel (telephone, letter, email etc) as appropriate

³Source: Consumer Payments Survey (CPS), a continuous quantitative market research survey commissioned since 2007 by the Payments Council (the organisation that sets strategy for UK payments).

Any stewardship or retention strategy should commence right at the start of a charity's relationship with the donor – at the moment of recruitment. The data in this report highlights the importance of relationship building with many cancellations having the potential to be turned around with some simple but prompt action, (see Tips for Reactivating Donors).

The recession saw many charities increasing their focus on existing donors, investing in retention over and above most costly recruitment methods. And this has clearly had an effect with charities benefiting from the dramatically reduced cancellation rates seen at the end of 2009.

Looking at the wider picture of direct debit giving, there is more good news. This year we have exclusively revealed the average amount that people donate by direct debit is just under £12 (£11.95), amounting to £144 during the year exclusive of Gift Aid.

What is more, the majority of charities have managed to increase the volume and overall value of direct debit income during this period, underlining the message that direct debit giving can not only help sustain charities through tough times, but can even be increased during a recession.

While we seem to be emerging more quickly than we may have expected from the recession, it has undeniably had a colossal impact. Direct debit cancellations were decreasing pre-recession, but this trend was swiftly reversed once the economic downturn began to bite. So, where does that leave us now? Will cancellations continue to decrease or has the recession left the UK public still feeling the pinch? What will be the impact of a general election and possible change of Government in all this? Will charities continue to succeed in growing direct debit income?

“ *The ideal situation would be to reach them before they stop giving, when they are still considering their commitment. For example, can stewardship calls also be used to ask how donors feel about their commitment and uncover any thinking about whether they can afford to continue or are thinking about cancelling?* ”

David Beck, Director of Fundraising & Development, Guideposts Trust

“ *Looking after your existing donors is paramount for long term sustainability. When you speak with a donor who already has a relationship with the charity you have a golden opportunity to listen – to find out how they are feeling about their commitment and their level of support, if they are finding it difficult to afford regular donations and maybe need to adjust their gift value; or whether they might engage further to give more, take part in an event or maybe volunteer. The key to retention is good stewardship; not to always ask for money, to listen to your donors and to act on what you learn.* ”

Gordon Michie, Director of Development of Relationship Marketing

“ It is encouraging to see overall direct debit income growth, but to be able to see that this is related to growth in numbers of givers, as well as value of gifts, is hugely helpful. The fact that, despite the recession, the number of people giving by direct debit is increasing is incredibly positive. It shows that the sector can still attract new supporters and it demonstrates how much potential there is if we treat these new supporters well and increase their gift levels. The biggest learning is how much opportunity there is for growth if we get our stewardship right – the fact that cancellations are now at their lowest rate for some time shows we are moving in the right direction. ”

Ruth Ruderham, Head of Fundraising of Christian Aid

37% of donors are now regular givers (up from 34% in 2006/07), amounting to 31% of the total amount donated. *Source: UK Giving 2009, CAF/NCVO.*

Looking at the evidence of Q4 2009 and Q1 2010, there is a good chance that cancellation rates may remain as low as, or possibly, lower than pre-recession averages for the coming months. Of course, only time will tell. Rapidata will continue to monitor direct debit giving, producing an update this Summer.

“ Cancellations will inevitably rise in a global recession, but during this recession donors have shown that they are also willing to increase their support and commitment, understanding that this is as much a difficult time for charities and, ultimately, their beneficiaries, as it is for themselves. ”

Scott Gray, Managing Director of Rapidata Services Plc

“ As we come out of the recession, we need to make sure we do not take our eye off the ball of supporter loyalty. Regular giving through direct debit is the mainstay of sustainable general fund income for many charities. As the cost per recruit rises our strongest weapons in the fight to maintain a good lifetime value are to extend supporter lifetime and to increase average gift.

A key message to our most loyal supporters must be that we still need our donors to support us at their current levels, even though times are improving. ”

Margaret Bennett, Director of THINK Consulting Solutions

12. Appendix

Table A – Monthly and yearly direct debit cancellations rates from April 2003 to February 2010

Year	Events	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Avge
2003-04	Tsunami appeals	3.90	3.50	3.48	3.84	3.31	3.81	3.62	3.42	2.79	4.13	3.25	3.56	3.54
2004-05	Tsunami appeals	3.01	3.36	3.42	3.46	3.88	2.92	4.92	4.04	2.34	3.78	3.19	3.13	3.45
2005-06		3.06	2.96	3.39	3.15	3.93	3.71	3.39	3.13	2.03	3.33	2.92	3.12	3.18
2006-07		2.98	3.64	3.33	3.18	3.39	3.10	3.04	2.78	2.11	3.35	2.90	2.75	3.05
2007-08	Northern Rock (Sept)	2.25	2.47	2.30	3.04	3.54	3.61	3.51	3.90	3.71	4.01	3.53	3.95	3.32
2008-09	Credit Crunch Recession	3.60	4.00	4.02	5.16	4.40	5.16	5.52	4.77	3.89	5.63	4.43	4.33	4.57
2009-10	Credit Crunch Recession	4.16	4.25	4.09	4.30	3.57	4.11	3.65	3.49	2.63	3.49	3.10	3.93	3.71
Avge		3.28	3.45	3.43	3.73	3.72	3.77	3.95	3.65	2.78	3.96	3.33	3.54	

Table B - Differences from pre-recession monthly averages

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Pre-rec'n Avge	3.04	3.13	3.18	3.33	3.61	3.39	3.74	3.34	2.32	3.65	3.06	3.14
2007-08						3.61	3.51	3.90	3.71	4.01	3.53	3.95
Percentage difference	_	_	_	_	_	6.59	-6.12	16.77	59.91	9.97	15.36	25.80
2008-09	3.60	4.00	4.02	5.16	4.40	5.16	5.52	4.77	3.89	5.63	4.43	4.33
Percentage difference	18.42	31.95	26.42	54.95	21.88	52.2	47.59	42.81	67.67	54.25	44.77	34.59
2009-10	4.16	4.25	4.09	4.30	3.57	4.11	3.65	3.49	2.63	3.49	3.10	3.93
Percentage difference	36.84	35.78	28.62	29.13	-1.12	21.24	-2.46	4.49	13.36	-4.58	1.31	25.16

Acknowledgements

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