

Charitable Giving: Inc Impact of COVID-19 - UK - July 2020

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“The COVID-19 outbreak has already had a devastating impact on the charities sector, with estimates suggesting a minimum of £4.3 billion has been lost because of the pandemic. There has been a growing consumer shift away from cash donations in recent years, and hygiene fears regarding physical money is accelerating this trend.”
– Jack Duckett, Associate Director – Consumer Lifestyles Research

This report looks at the following areas:

Charitable donations have already been affected by the COVID-19-influenced squeeze on consumer finances. The mean amount donated by consumers in April stood at £29.50, down 8% on the amount donated in March 2019 (£31.90).

Hygiene concerns around coins and bank notes during the COVID-19 outbreak have accelerated the consumer shift away from cash transactions, with this also meaning a drop in cash-based charitable donations. As a result, a growing number of adults are donating to charity through online channels, rendering it more important than ever for charities to consider their digital fundraising strategy and for street-based collections to consider introducing tap-and-pay machines.

The financial implications of the COVID-19 outbreak will be felt by all operators, but there can be little doubt that already beleaguered smaller charities will suffer the most, as they lack the funds to stay afloat during this socially and economically difficult time.

There are opportunities for bigger players to take a more active role in supporting smaller charities. In particular, larger more affluent charities can offer their expertise to help these smaller organisations to develop a stronger digital strategy that will better futureproof them, and thus maintain balance in the third sector. The benefit for larger organisations could be a significant boost in reputation and trust, at a time where these are in relatively short supply for some of the most well-known charities. Equally, while it may feel contradictory for bigger charities to support smaller competitors at this difficult time, the reality is that as smaller charities increasingly struggle, it could put more pressure on larger players to plug the service gap in the coming years.

Key issues covered in this Report

- **The impact of COVID-19 on charitable giving.**
- **Declining cash donations as contactless becomes more popular.**
- **The increasing importance of a digital strategy.**
- **Taking charity shops online.**
- **How larger charities can play a role in supporting smaller players.**

COVID-19: Market context

The first COVID-19 cases were confirmed in the UK at the end of January 2020, with a small number of cases in February. The government focused on the 'contain' stage of its strategy, with the country continuing to operate much as normal. As the case level rose, the government ordered the closure of non-essential stores on 20 March 2020.

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A wider lockdown requiring people to stay at home except for essential shopping, exercise and work 'if absolutely necessary' followed on 23 March. Initially, a three-week timeframe was put on the measures, which was extended in mid-April for another three weeks.

The Health Protection Regulations 2020 came into effect on 15 June allowing the reopening of all non-essential stores in England as well as the mandatory use of face coverings on public transport. Pubs, restaurants, hotels and hairdressers were able to reopen on 4 July, with many beauty businesses following on 13 July. It is important to note that while 'non-essential' shopping rules were relaxed as of 15 June, not all charity shops reopened immediately, with many of the largest operators opening their stores in phases.

From 24 July, it became mandatory to wear face coverings in shops and supermarkets. Rules on travel remain fluid: from 10 July, travellers from more than 50 'low-risk' countries no longer had to self-isolate for 14 days, but on 28 July the removal of Spain from this list of low-risk countries dominated headlines in the UK.

Economic and other assumptions

Mintel's economic assumptions are based on the Office for Budget Responsibility (OBR)'s central scenario included in its July 2020 Fiscal Sustainability Report. The scenario suggests that UK gross domestic product (GDP) could fall by 12.4% in 2020, recovering by 8.7% in 2021, and that unemployment will reach 11.9% by the end of 2020, falling to 8.8% by the end of 2021.

The current uncertainty means that there is wide variation on the range of forecasts however, and this is reflected in the OBR's own scenarios. In its upside scenario, economic activity returns to pre-COVID-19 levels by Q1 2021. Its more negative scenario, by contrast, would mean that GDP doesn't recover until Q3 2024.

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