

Micro-donations: placing social purpose at the heart of business

The benefits and opportunities for digital
micro-donations in retail and hospitality
as part of a social purpose agenda



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About this report

This report has been commissioned by Pennies and is based on a literature review, original research data, and interviews. Pennies would like to give thanks to all those interviewed for the report, and who contributed to the underlying data. These include:

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Published December 2020.

Executive Summary

Customers, investors and colleagues are all demanding businesses should be 'doing good' by contributing to society at large. Business is simultaneously keen to place social purpose at the heart of operations, to stay relevant in their markets and play a positive role in a post-coronavirus landscape.

A recent survey by KPMG¹, found that the "new customer" is becoming more altruistic, and is placing greater emphasis on their ability to trust brands as a result of the pandemic. This is echoed in recent findings from Pennies' research that showed 74% of people in the UK believe businesses have a responsibility to do social good.²

That was before the 2020 coronavirus pandemic hit. COVID-19 has not only resulted in a surge in community spirit but also placed greater demands upon businesses to contribute to the communities they serve and to hard-working charities, at a time when charitable donations are dramatically shrinking.

This can create tension across boardrooms under pressure to hit financial targets and satisfy their environmental, social and corporate governance (ESG) commitments, whilst also meeting the rising expectations of customers and other external stakeholders.



74%

of people in the UK believe businesses have a responsibility to do social good²

Digital micro-donations – the giving of a few pennies when making a purchase using a card or digital wallet – could play a role in addressing ESG, with clear benefits for all parties' businesses and their investors, customers and charities.

Digital micro-donations provide:

- **Customers** with an easy, affordable way to give to charity: 'give as you go'. There are brand benefits too, as 87% of consumers would purchase a product because the company demonstrated support for an issue they cared about;³
- **Businesses** with a quicker and simpler way to support their nominated charities, actively demonstrate their social purpose and, in turn, increase company value. 94% of Private Equity houses surveyed by PWC believe that a strong ESG framework raises company value;⁴
- **The charity sector** in the UK with a sustainable future-facing income stream. If each of the UK's 52 million cardholders⁵ donated just 35p a week, we could raise £1bn a year.

Income from the public is the lifeblood of the UK charitable and voluntary sector. It makes up almost half of all the money charities receive to do their work (£25.4bn in 2017/8)⁶.

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A significant proportion of this enormous sum comes from micro-donations; often just pennies, put into collecting tins or given to appeals, small sums donated to a fundraiser or while shopping. However, the growing trend in 'less-cash' and the marked switch to card payments and digital wallets (fewer than one in four payments were made with cash in the UK in 2019)⁷ is being further exacerbated by COVID-19⁸ – and is threatening the traditional collection tin.

 Less than **1/4** payments were made with cash in the UK in 2019⁷

It's vital that digital micro-donation alternatives continue to be embraced as an important part of the UK donation landscape as cash donations decline.

Digital micro-donation opportunities can also act as a direct response to consumers' increased desire to act ethically, as they seek demonstrable evidence of good social practice by businesses and employers. Importantly too, digital micro-donations maintain the affordability and ease of dropping a few physical coins into a collection tin.

This report suggests that a sustainable digital income stream for charities has already been created and can be significantly increased, whilst unlocking a wealth of advantages for the retailers that support them – inspiring customers, colleagues and satisfying investors.



Encouraging charitable giving: what's in it for retailers?

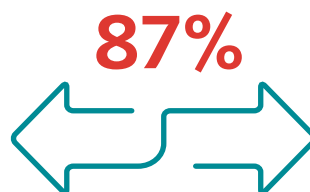
Charitable giving has long been a fundamental part of how our society operates. While businesses have often acted as positive philanthropic forces in their communities, more recently consumers have begun to demand evidence of responsible and ethical behaviour as a price for their custom. KPMG⁹ finds the “new customer wants brands to put purpose before profit”. This is supported by Pennies’ research that shows that 74% of people in the UK believe businesses have a responsibility to do “social good”.¹⁰

Doing good: customers, employees and investors all demand it

Social impact has also become an important driver of brand choice: 87% of consumers would purchase a product because the company advocated for an issue they cared about¹¹ whilst 89% claim they would likely switch brands to those that support a good cause, given similar price and quality.¹²

And demonstrably doing good is also an important driver in recruiting and retaining talent. According to data from the Chartered Institute of Marketing, 82% of millennials are more likely to seek employment at a company that has been publicly awarded for its ethics.¹³

PWC also cites that employees put 57% more effort into their jobs when they are committed to the companies they work for¹⁴ – and just as it plays a role in recruiting staff, a company’s ethical position can inspire greater commitment from colleagues too.



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If this weren’t motivation enough, there is a significantly increased focus on ethical businesses from investors and shareholders, keen to see the views of the mainstream market addressed by companies through transparent reporting on their Environmental, Social and Governance (ESG) agendas. 94% of Private Equity houses surveyed by PWC believe that a strong ESG framework raises company value.¹⁵

Businesses and business leaders are now placing social purpose at their core, giving it as much importance as their marketing campaigns and financial plans (and helping inform them) according to a 2020 study by Porter Novelli.¹⁶

The research presents an executive view of businesses which asserts that “purpose is here to stay”, concluding that “delivering value to all stakeholders, not just shareholders, is not simply an aspirational idea for a few leading brands, but rather the new go-forward strategy.”

The ways that businesses govern and control their social impact has also transformed over the last decade, with a raft of fresh reporting and regulatory requirements emerging; from the Modern Slavery Act, which became law in 2015, to an increased focus on Diversity Reporting.

For Simon Wallis, International Managing Director of Domino's Pizza, the decision to engage in raising money for charity is informed by commercial and altruistic aims:

“It is about identifying a sweet spot across people, profits and planet. Individual initiatives such as charitable donations are then governance led, driven by what resonates with our customers and our team members.”

John Mewett, CEO of Screwfix, concurs:

“We know that giving back to our communities isn't just a responsible thing to do, it's the right thing to do. Charitable giving helps to support those who need it the most and the amount of online micro-donations that people make on a daily basis, across various sectors, is just outstanding. Every penny really does count and we know how much it means to our customers and colleagues at Screwfix, to give back.”



The rise of 'less-cash' is eroding charity income

The explosive growth of digital payments is creating a 'less-cash' economy. One of the key drivers of the decline in street donations, according to 73% of charities surveyed by Barclays, is that the public are carrying less cash and have fewer opportunities to give.¹⁷ A surge in digital payments enables faster transactions for customers, while reducing the cost of handling cash for businesses. The coronavirus pandemic has accelerated this trend towards digital payments.

In 2019, 50% claimed to leave the house frequently with no cash on them at all, having switched to debit and credit cards, Apple Pay, PayPal and other digital wallets for everyday payments.¹⁸ 63% of Brits believe their phones will be their main method of payment in five years' time.¹⁹



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Consumer trends remain a driver. For example, following a survey of consumers in the early months of the coronavirus pandemic in 2020²⁰ Link, the UK's largest cash machine network, found that 75%

of people were using less cash, and 54% of those asked said they were avoiding cash altogether. 76% of people reported they expected to use cash less and move instead to other forms of payment or do more online shopping in the next six months.

We can anticipate all of these trends continuing to grow beyond 2020 because of the impact of COVID-19, with businesses adopting more opportunities for contactless transactions.

With less cash, it's never been more crucial to find additional ways and create new opportunities to keep capturing small, spontaneous, digital donations for charity.

The need deepens

COVID-19 poses an even greater, existential threat to the UK charity sector. During 12 weeks of nationwide shutdown in early 2020 alone, the sector was set to lose upwards of £4bn in funding, according to NCVO (National Centre of Voluntary Organisations).²¹

Meanwhile, NCVO predicted the charity sector would see total income decline by a third and a voluntary income fall of 48%, while other research pointed to a growth in demand for services of 43%²² and job losses of up to 60,000.²³

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The Poppy Appeal is a powerful annual reminder of the combined effect of consolidating millions of small donations. However, even the Royal British Legion had to rethink this flagship annual fundraising event in the new coronavirus-created landscape, despite its cultural significance and huge popularity in the UK.

For 2020, the charity had to switch its fundraising from in person to online and to encourage supporters to donate from home, with little idea of how successful this shift would be, especially as the pandemic continued to put significant strain on donors' personal finances.

Countering these huge and developing challenges is key for charities if they wish to survive and thrive in the new landscape. Successful new fundraising solutions require a combination of convenience, accessibility and security to keep donors happy, whilst boosting the number of donation opportunities to help charities make up funding shortfalls.



The micro-donation opportunity

Micro-donations make up a crucial part of the fundraising landscape for charities. A micro-donation is any small charitable gift, made with coins or digitally: the contactless payment points offering a digital 'tap-to-donate' option, increasingly available in museums and churches; and the small change dropped into a collection box on the shop counter or donated digitally at the point of sale with charities like Pennies.

Digital micro-donations offer something particularly appealing in an age of 'less-cash', ethically minded consumers, and for retailers seeking innovation and differentiation.

"We are seeing the industry respond to the changing expectations of their customers. Retailers are making encouraging progress on issues like pay growth, productivity, sustainability and demonstrating their commitment to communities and charity."

- Helen Dickinson OBE, CEO of the British Retail Consortium

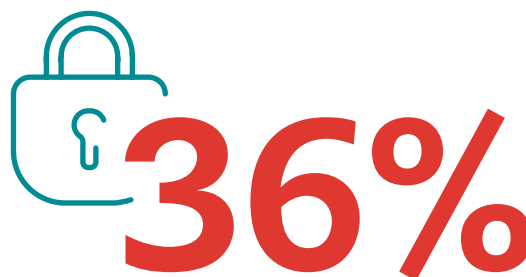
How Pennies makes micro-donations matter

Fintech charity Pennies provides a simple way for businesses to offer a multi-channel micro-donation option having developed technology solutions to make it easier for businesses to join in. Customers can donate a few digital pennies (by a round-up or top-up as the retailer chooses) when paying by card or digital wallet.

As an increasingly recognised brand (over a quarter of consumers in a 2019 survey reported having heard of Pennies²⁴), the micro-donation option provides a level of trust and confidence, and responds to consumers' giving preferences; over a third of us don't wish to commit to regular donations, and want to know our digital donations are secure and handled by a trusted source²⁵.

Micro-donations made in this way are anonymous and free of any GDPR concerns – using the payment architecture to enable a donation but not capturing card or personal data. Pennies follows the donation not the donor, and works with benefiting charities (who receive grants from donated funds to support their vital work) to publicise how funds are put to good use – from click to impact. Bob Wigley, Chair of UK Finance, highlights that:

"Pennies...is distinguished by its ability to enable electronic donations without disrupting the systems that facilitate customer payments, and crucially does not hold any personal data."



of adults in the UK say they want to know that digital donations are secure and handled by a trusted source ²⁴

Pennies launched in 2010 with its first partner, Domino's Pizza; a business driven by digital innovation, which immediately saw micro-donations as a chance to consolidate and leverage its charity activity and allow customers and colleagues to be part of their ESG commitments.

"Domino's approach to corporate responsibility has become more governance led – shareholders have more of an interest in sustainability policies.

Alongside that, Domino's is a very consumer-facing brand; our charitable approach has been led by our communications and marketing team, driven by what resonates with our customers and what we know is engaging with our franchisees. 2020 is a challenging year for the charity sector, as it is for many, but we continue to be humbled by the generosity of our customers who this year are set to break £1m worth of donations [made with Pennies] for our charity partners."

- Simon Wallis, International Managing Director of Domino's

For high street retailer Hobbycraft, Pennies offers an additional way for its customers, who might otherwise not have given through traditional means or participated in fundraising events, to join in:

"I see Pennies as complementary; we still have tins on the counters and sponsored walks, but they tend not to raise as much. We get a lot of feedback from customers that may not wish to be involved in such activities but welcome the chance to get involved [by giving a donation with Pennies]."

"The Pennies side is really easy, it happens quickly and efficiently, there's not a lot of work involved in it whether it's at the till or via Click & Collect."

- Dominic Jordan, CEO of Hobbycraft

Meanwhile Fuller's found Pennies became an engaging source of pride for younger colleagues:

"50% of our colleagues are under the age of 25, and they were challenging us in terms of how Fuller's was socially responsible – a demographic more attuned to employers' demonstrating a social purpose. Pennies became a way we could help our nominated charities even more – very quickly, and simply. During the pilot of Pennies, before full roll-out, our managers – and customers – loved it."

- Jane Jones, Marketing Director, Fuller's Pubs

Payments providers also recognise the importance of offering their customers, regardless of sector, effective ways to contribute to social good. By using payments technology as the driver, the Pennies micro-donation opportunity becomes easier for businesses to adopt, as Pete Wickes, General Manager, Enterprise EMEA at Worldpay from FIS has found:

"Our clients recognise the need – and indeed request – ways to engage their customers and colleagues with a simple way to give back to their communities. From day one working with Pennies, we were able to offer a secure, intuitive and flexible micro-donation option together."



Consumer giving and the coronavirus crisis

Pennies saw increases in consumer donations with its ecommerce partners (from DIY purchases to online pizzas) during the height of the first UK lockdown, as well as significant interest from new businesses wanting to explore micro-donations.

Health food retailer Holland & Barrett responded to the pandemic by contacting Pennies, and in just two weeks added the option to donate to its website, and stores. This meant customers could add a 50p donation to purchases in support of the NHS Charities Together COVID-19 urgent appeal.

With high levels of online orders and stores selling essentials during the pandemic, implementing an omnichannel solution maximised fundraising. Strong staff and customer communications helped ensure thousands of pounds were raised in the opening weeks of the partnership.

“We know the use of cash is falling – donating digitally and in this micro way is much more relevant to consumers’ behaviour. Charities are under a great deal of pressure particularly at the moment and stepping in to support them feels like it’s something a good, responsible retailer or brand should be doing.”

- Nick Collard, Holland & Barrett’s Chief Customer and Digital Officer

“Charities are under a great deal of pressure and stepping in to support them feels like something a good, responsible retailer or brand should be doing.”

Unlocking the opportunity for business and charity

Digital micro-donations are a way for businesses to scale-up their charitable programmes: bolstering ESG agendas by supporting 'social' or societal initiatives; positively engaging colleagues; and inviting customers to join in with their support for charities, causes and community activities. Meanwhile, there is quantitative research showing that customers are turning to digital methods of payments and away from cash.

There are three key considerations for businesses hoping to adopt micro-donations to maximum effect:

1. **Outline a clear set of ESG commitments** into which micro-donations naturally fit, likely as part of your 'social' (community benefit) outreach. This provides context and corporate responsibility objectives for colleagues, customers and shareholders.
2. **Colleague engagement is key.** It's important that colleagues feel committed to the direction of a business's social responsibility programme. Involving them in decisions and training and empowering colleagues that are customer facing on micro-donations, is crucial.
3. **An omni-channel micro-donation option** provides customers with a seamless, consistent, and simple check-out experience online, instore and in-app. Consider how micro-donations can form part of an integrated consumer journey.

There are clearly practical reasons why digital micro-donations are an attractive solution for retailers and hospitality businesses, but it's the scale of impact which makes it such an exciting movement for businesses to join in with.

And it cannot come soon enough. Charities providing front line services to our community face a dramatic decline in funding, and therefore in their capacity to operate, as COVID-19 increases demand.

Micro-donations matter, now more than ever.






About Pennies


Pennies is an award-winning fintech charity with an important mission: to protect and grow the ways in which we can all donate the small amounts of money that make such a big difference to charitable causes. Pennies provides an easy way for retailers of all types to offer their customers the chance to give a small donation, whenever they are paying for something with a card or digital wallet.

Because micro-donations matter, now more than ever.

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Pennies! 



To find out more about implementing micro-donations opportunities within your business:



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