Growing Charity Seeks Database:

Changes in Income of Charities Implementing Management Databases

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Summary

Charities seeking or adopting a management database system see substantial increases in their income. For charities that adopted Lamplight we found that median income increased by 33%. Charities that enquired about Lamplight but did not adopt it saw an increase of 29%. For the sector as a whole income has been increasing by 1-2% a year, and for many has decreased around the same period. The smallest organisations see the largest changes, with income doubling or trebling.

There is no claim of direct causation here: database systems are not directly income generating, and the system we offer does not primarily support fundraising. From our experience of working alongside these charities we believe that adopting a database is one feature of growing organisations. They recognise the need to be able to evidence their impact efficiently, and as they grow need better systems to manage that growth. That they can then helps them in attracting further funding.

Background

This research was carried out following a business planning exercise that asked us to look at some case study customers. We looked for some smaller organisations, based on what we'd recorded of their turnover when they signed up for Lamplight. Over and over, when we looked up their current finances on the Charity Commission website, they turned out to be 'medium' in our internal categorisation.

This was intuitively surprising for a few reasons. Our impression was that a decade of constrained public sector budgets, and Covid-19, had both reduced funding availability to the sorts of charities that are our customers. Research based on Charity Commission data, such as the NCVO Almanac and Third Sector Research Centre[i] show overall patterns of stability at best.

With Charity Commission data now relatively easy to access via their API, we were able to investigate further.

As a producer of a database system for charities, it'd be reasonable to ask questions about conflicts of interest in this research. We've tried to be as open and fair in the analysis we've done[ii] and if you'd like to see the spreadsheets or code behind these results we'd be willing to share them[iii]. If you have any comments or questions about how this could be improved, please let us know.

Data

The following data sets have been used:

1. "Customers": recent Lamplight customers. These are charities registered in England and Wales that have started using Lamplight in the past 1 – 4 years; and that have financial data at the Charity Commission before and after their sign-up date. One organisation was removed as an extreme outlier, its income going from £72k to £556k in one year. This gave us a sample of 103 organisations.
2. "Seekers": organisations that have contacted Lamplight in the last few years, but not signed up. They are treated as a comparator group on the basis that they are seeking a system like Lamplight, even if they decided not to use Lamplight, and so might have similar characteristics to Customers. We do not know if or when they adopted a system. Seven organisations were removed that did not have enough financial data, or one who was at the extreme (t/o going from £17,000 to £50). This gave us a sample of 102 organisations.

We also reference research carried out by NCVO for the UK Civil Society Almanac 2021 (https://beta.ncvo.org.uk/ncvo-publications/uk-civil-society-almanac-2021/ - data for 2018/19).

Methodology in brief

For each Customer, we looked at their mean income before they signed up for Lamplight, and afterwards. The average sign-up date for the organisations in our sample was 3rd May 2019. We used this date as a 'before/after' point when considering Seekers, calculating their mean income before and after 2019. Changes in income were calculated as (Mean Income After ÷ Mean Income Before). Note that these changes are not year-on-year: they are average turnover over 1 – 3 years before a cut-off date and average turnover over 1 - 3 years after a cut-off date. Calculations of income change are not year-on-year change.

By number, most organisations had turnover less than £1m. Looking at organisations in 2019, our samples had fewer Micro (< £10k) organisations, and more Large (>£1m) organisations, especially in the case of the Seekers, than the sector as a whole. The under-representation of Micro organisations is not surprising: most will be too small to need a management database system.

Size	Customers (%)	Seekers (%)	Sector (%)
Micro (< £10k)	1	2	44
Small (£10k - £100k)	19	12	36
Medium (£100k - £1m)	69	64	16
Large (£1m - £10m)	8	21	3
Major (£10m - £100m)	1	2	0
Super-major (£100m +)	0	0	0

Results

Overall, organisations looking for a database appear to have significantly outperformed the rest of the sector. The median increase in income for Customers after adopting Lamplight was 33%; Seekers' median increase was 29%. Across the entire sector, income decreased for Micro, Small and Medium organisations in real term[iv] and saw a small increase in absolute terms[v].

Looking in more detail at growth patterns, we see that well over half of organisations see growth over 10%. The figures for Customers and Seekers can't be directly compared but the pattern is clearly one of significant growth; and striking when compared to the sector as a whole.

Income Change[vi]	Customers (%)
Shrank	11
Modest growth (<10%)	12
Significant growth (10-50%)	43
High growth (50 - 200%)	24
Very high growth (>200%)	11

Income Change[vii]	Seekers (%)
Shrank	23
Modest growth (<10%)	9
Significant growth (10-50%)	38
High growth (50 - 200%)	25
Very high growth (>200%)	5

This effect is most pronounced amongst relatively smaller organisations: Figures 1 and 2 show that smaller organisations see the largest effects, for Customers and Seekers.
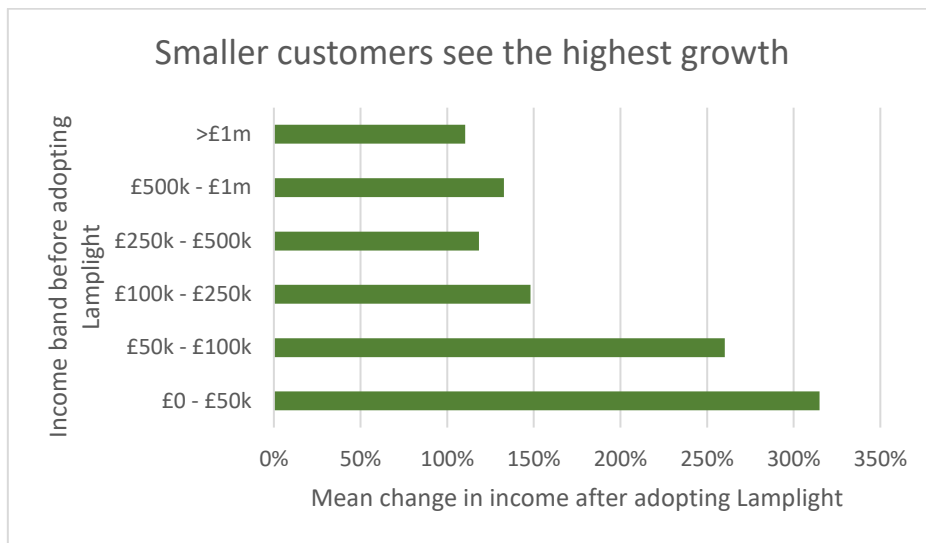

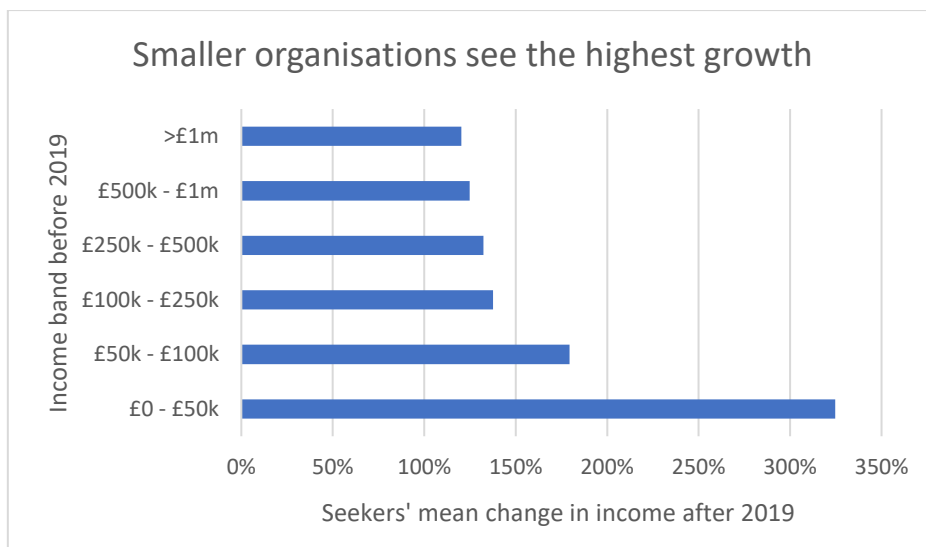*Figure 1 Change in income by Turnover for Customers*

Figure 2 Change in income by Turnover for Seekers

Discussion

We are not claiming causation. A database doesn't generate income and Lamplight and similar products do not focus on fundraising.

However the effect we observe is large, from a decent sized sample, and affects a large majority of the organisations in question. It's not limited to those who adopt Lamplight: those motivated to find out about one see a change, and we might expect that most of the Seekers chose a different system.

We work closely with charities to implement Lamplight and get to know them well. From this experience we know that many understand the importance to them of good data. Data that supports their day-to-day operations, but also data that can help them demonstrate and evidence their activities and impact. And data that they can learn from to improve. And ultimately, funders want to support strong organisations that have a demonstrable impact.

We also believe that "wanting a new database" is a characteristic of organisations that are growing and improving; this research supports that and provides some evidence that growth continues after the adoption, although we can only see for a short period.

Further Research

There are three ways in which we would like to broaden this research.

1. Richer organisational data

Additional data is available from the Charity Commission: in particular who-what-where; and some staffing and volunteer data. It would be interesting to explore whether there are further effects or insights from these attributes.

2. Expanding Customer Data

If we could access financial data stretching further back in time we would be able to include more of our customers in the data set – i.e. those that signed up more than 4 years ago.

3. Additional comparison data

Ideally we would have a third data set of charities that have not sought a modern management system for further comparison. Without polling data to seek such organisations, this is hard for us to come by. Alternatively it might be instructive to take a random sample of registered charities, matching the sample to the income and "who-what-where" of our customers. We wouldn't know about their internal systems but this might provide a further baseline.

Appendix 1: Detailed Procedure for Generating Data Sets

To generate the Customers data, we carried out the following procedure:

1. Downloaded a list of all current Lamplight customers, their Charity Number, and the date they signed their contract ("Contract Date").
2. Wrote a small script using the Charity Commission API to download all available financial data. Therefore, organisations which are not charities registered with the Charity Commission in England and Wales are excluded from this research: Scottish, Northern Irish, or other charities; or organisations with other corporate forms such as Community Interest Companies.
3. For each organisation, calculate their mean income in the years prior to their Contract Date; and the mean income in the years after their Contract Date. This excluded organisations without data in either of these periods (i.e. who have signed up recently and have not made a return to the Charity Commission since; or who signed up before the last available financial data through the API).
4. Calculate the change in income, by dividing the Mean Income After by the Mean Income Before.
5. Exclude one organisation at the very extreme (over 1000% income growth)
6. Calculate the mean Contract Date.

To generate the Seekers data, we carried out the following procedure:

1. Download a list of organisations that have had contact with Lamplight but who are not and have never been customers
2. Using the same script to download all available financial data. Therefore, organisations which are not charities registered with the Charity Commission in England and Wales are excluded from this research: Scottish, Northern Irish, or other charities; or organisations with other corporate forms such as Community Interest Companies.
3. For each organisation, calculate change in income. A cut-off date of May 2019 was used because it's the mean Contract Date above, and coincides with the latest NCVO almanac data. So the mean income before 2019 was calculated, and the mean income after 2019.
4. Remove six organisations that had insufficient data (ie none after or none before 2019)
5. Calculate the change in income by dividing Mean Income After by the Mean Income Before.
6. Remove one organisation at the extreme, with income after of around 3% of before (going from over £17,000 to around £50).

Organisations were only excluded because of a lack of data; or as extreme cases. No adjustments for inflation have been made.

[i] https://blogs.ncvo.org.uk/2019/07/30/exploring-trends-in-charities-incomes/

[ii] For example, presenting the mean change would look a lot better – 68% increase – but median is more commonly used when summarising distributions of incomes because it is not as swayed by extreme outliers.

[iii] Particularly amongst Seekers, we have not sought consent to share their information, so it's likely we'd need to anonymise it first. At the very least we'd need to seek advice on how or whether we can.

[iv] https://beta.ncvo.org.uk/ncvo-publications/uk-civil-society-almanac-2021/financials/#income-by-size

[v] Micro and small organisations income is fractionally lower in absolute terms; medium and large organisations saw an increase of 3-4% before adjusting for inflation:

Income (£m)	Micro and small	Medium	Large	Major	Super-major	Total
2017/18 total	2,199.4	7,345.3	14,987.6	16,780.5	12,232.0	53,544.8
2018/19 total	2199.3	7593.3	15522.7	18014.1	12627.9	55957.3
	100%	**103%**	**104%**	**107%**	**103%**	**105%**

Source: Table C1 in https://beta.ncvo.org.uk/ncvo-publications/uk-civil-society-almanac-2021/about/previous-editions/ and 2021 version.

[vi] Income change for customers is before and after adoption of Lamplight (we know the date); for Seekers it is the change before and after AR19 reporting period.

[vii] Income change for customers is before and after adoption of Lamplight (we know the date); for Seekers it is the change before and after AR19 reporting period.