



Beneficiary Gifts

How to develop them as part of your fundraising mix

What is a beneficiary gift?

Beneficiary gifts (called *virtual* gifts by some) involve donors 'buying' a gift for a recipient from a catalogue or website but instead of the recipient receiving a gift, the donor's money is spent on a charitable activity or product.

Beneficiary Gifts and Fundraising

Beneficiary gifts have proven to be highly successful fundraising mechanisms because they are a fun, as well as altruistic, way in which to engage donors.

Usually gifts are given a set 'price', which demonstrates what the product would cost to provide. Once the donor has purchased the 'gift', the recipient of the gift is sent a card or email informing them that a gift has been bought for them.

Beneficiary gifts have become popular with charities in recent years as a means of:

- offering supporters a new way to engage with the charity
- capitalising on the public's desire to shop ethically via catalogues and online
- offering donors a new way of donating
- creating a new revenue stream
- acquiring new supporters
- testing catalogue products and direct mail asks
- raising awareness of the charity among recipients.

The planning stage – points to consider

- How will beneficiary gifts fit in with your current fundraising mix?
- What is the main purpose – income generation or supporter acquisition?
- What gifts will you sell?
- How much will you need to spend and what amount of income will you have to generate to make it a success?
- Will other sections of your organisation support this initiative?
- Will management and trustees commit to providing the resources, especially for marketing and fulfilment?
- How will you develop supporters brought on to your database in this way?

- Do you have the resources to support an initiative (e.g. staff to meet the fulfilment requirements and answer queries)?

Choosing the gifts and planning the marketing

Decide how you will approach potential gift purchasers – by telephone, online, by direct mail or by all three methods? Ensure you can comply with data protection requirements. Plan your marketing and design and print budgets according to the main gift-giving occasions throughout the year. Be sure to test your products and your approach with donors.

Selling and fulfilment

There are many systems to put in place when entering the retail trade. Have you considered VAT and tax implications? Do you need to set up a trading arm? Will your IT system support secure transactions? Do you have in place a policy to cover customers' change of mind? Are you familiar with, and can you comply with distance selling regulations? Will it be possible for you to collect Gift Aid on your beneficiary gifts schemes?

Pitfalls and perils

- What will you do if you don't sell enough virtual gifts?
- Decide whether the income generated will be restricted or unrestricted.
- Buy a cow. Buy a goat. Buy a latrine. What's in the fine print? Make sure communications with donors are clear and transparent.
- If a charity is using the beneficiary gift mechanism but intends to use the funds to:
 - 1) fund costs to support and sustain the gift – e.g.: feed for the livestock (and not just the livestock), OR
 - 2) for general purposes (e.g. governance), then this is an illustrative method of fundraising and the *actual* use of the funds ought to be clearly stated.

Accountability and Transparency

Key to the success of any beneficiary gift scheme is full accountability and transparency. When launching a beneficiary gifts scheme, it is vital to explain to the potential donors and recipients of beneficiary gifts, exactly how the 'gift' will be spent. This is particularly important if when purchasing a goat, the money generated from the purchase of that goat will be entirely unrestricted. Most donors are happy to allow charities to decide where their money is spent and understand the importance of flexibility, particularly for smaller charities. For those donors who want to restrict their gift, transparency on the part of the charity, provides the opportunity for the donor to donate elsewhere. It also reduces the risk of any misunderstandings and the risk of damaging the reputation of not only the charity but the sector as a whole.

Members of the Institute of Fundraising and the Fundraising Standards Board should be familiar and comply with the Institute of Fundraising's Codes of Fundraising Practice, especially the [Accountability and Transparency Code](#).

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Top Tips

- Check out the competition – other seasonal gift catalogues or charities' websites. What is popular? Where is there a gap in the market? What fits with your charity and its charitable objectives?
- Establish an ethical giving policy and ensure it is prominently displayed in your literature or on your website.
- Charities should be clear internally about how the price of beneficiary gifts is calculated so that they can explain in some detail to donors or members of the press who ask.
- Make sure staff can explain to donors and to the media how you the charity is using the money generated by the sale of beneficiary gifts.

Case studies

[Oxfam Unwrapped](#)

Oxfam Unwrapped is one of the major beneficiary gifts catalogues. The scheme has a number of objectives:

- to make money;
- to bring new people to Oxfam;
- to offer existing supporters a different way of supporting;
- to communicate what Oxfam does; and
- to help develop Oxfam's brand and people's perception of it.

There are obviously a number of potential pitfalls, such as the possibility of creating a 'goat mountain' (not right for the beneficiaries) or, at the other end of the scale, spending 'goat money' in another way (not right for the supporters).

It is important that gifts are chosen to reflect need. In deciding on a final gift list, Oxfam looks at total need, number of countries and regions and how this represents Oxfam's work. Priority gifts are decided upon, depending on need. These gifts are placed in 'priority places' within the catalogue so that these are pushed rather than solely pushing the items that are expected to sell well. To ensure that the right numbers of each gift are available, Oxfam has developed a 'Sold Out' policy when pre-defined thresholds are met. This threshold takes into account orders that come in via internet, phone and post, guaranteeing satisfaction for donors and meeting the needs of beneficiaries.

Having an upfront approach is of utmost importance to Oxfam, helping to meet both the needs of beneficiaries and supporters.

[FARM FRIENDS](#)

FARM-Africa works directly with beneficiaries on the ground. Its work focuses mainly on helping people build sustainable livelihoods through initiatives such as livestock banks and the training of Animal Healthcare Workers.

As FARM-Africa is much less well-known than many development charities, when the beneficiary gifts scheme was launched in 2004, a new sub-brand specifically for this form of fundraising was created.

FARM FRIENDS' main objectives are:

- to raise money for FARM-Africa;
- to increase awareness of their work in Africa; and
- to appeal to a new target audience and allow them to extend their fundraising.

Having a different brand has enabled FARM-Africa to appeal to a broad range of people with the FARM FRIENDS scheme. The scheme has been incredibly successful, with more income raised each year since launch in 2004. The scheme itself offers purchasers the opportunity to send a small gift which contains a model animal and information about FARM-Africa's work, so the recipient receives something tangible as well as donating money to the charity.

As FARM-Africa is a very small charity, it is unable to restrict its income from beneficiary gifts in the same way that other larger charities are able to. Therefore, the income generated through a goat purchased from FARM-Africa is treated as an unrestricted donation, and the money is used wherever the need is greatest.

[Send a Cow](#)

Send a Cow was one of the first charities to launch a beneficiary gifts catalogue in the UK.

With a smaller programme of work, it can be harder to ensure that any restrictions still enable the charity to fund its work effectively, especially if the product has the potential to raise significant income for an organisation. For a smaller charity, like Send a Cow, it was very important from the outset to consider how funds raised would be restricted.

Send a Cow's approach is to offer a catalogue that accurately reflects the full range of work that is provided on the ground. As a specialist charity, Send a Cow has found this an effective approach. In developing the beneficiary gifts catalogue, Send a Cow takes into account the work planned for their organisation for the year and works closely with the overseas offices to identify the types of assistance required. This informs the basis for the range of gifts that are offered throughout the course of the year. Send a Cow also identify costs to create a "genuine" price for gifts. This includes not just the cost of purchasing the livestock but also builds in the costs of other essential aspects of the gift, such as the training that is provided to ensure that the animal is cared for.

Send a Cow's approach ensures that any funds raised from the sale of beneficiary gifts can be restricted to their programme work in an effective way, whilst still being transparent to their supporters about how their donations will be spent.

The Institute would like thank Oxfam, FARM-Africa and Send a Cow for their contributions to this Institute of Fundraising briefing.

For further information

- [Office of Fair Trading: Distance selling regulations](#)
- [Charity Commission: CC35 Trustees, trading and tax](#)

Data protection:

- [Data Protection Code of Fundraising Practice](#)
- [Information Commissioner's Office](#)

Trading and charities

- [HMRC: Charities – trading and business activities](#)
- [Tax-Effective Giving](#)

About the Institute of Fundraising

The **Institute of Fundraising** is the professional membership body for fundraisers, working to promote the highest standards in fundraising practice and management. The **Institute of Fundraising's** mission is to support fundraisers, through leadership, representation, standards setting and education, to deliver excellent fundraising.

Committed to raising standards in fundraising practice and management, we engage with charities, Government, media, the general public and other bodies to positively influence the UK fundraising environment. We work to nurture the knowledge and standards of all those who undertake fundraising, offering an extensive range of training and networking opportunities.

The Institute represents over 5,000 fundraisers and 300 fundraising organisations, providing information and support services for Individual and Organisational members.

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