

Convio lands in eye of storm

Company signed up Red Cross in 2005

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Convio Inc. secured one of the landmark clients in the company's almost seven-year history in July: the prominent American Red Cross.

The firm likened the win to the time it landed Howard Dean's presidential campaign several years ago, a move that propelled Austin-based Convio into the national spotlight. Dean's campaign made a killing in online donations, and for-profit Convio became famous for its software, which targets nonprofits and provides them with online services.

Under the Red Cross contract, Convio would launch a national Web site for the mammoth nonprofit in October 2005. Its plans included coordinating the group's chapters, easing online fundraising and helping the Red Cross keep in touch with donors through email.

Then Hurricane Katrina hit.

Watching the storm proceed on its trajectory toward the Gulf Coast, Convio CEO Gene Austin nervously anticipated a call from the Red Cross. Less than 24 hours after the storm came ashore, the nonprofit asked Convio to go live with its Web site, more than a month before the company's deadline.

"We got into battle mode," Austin says.

The company ran one of several Web pages for the Red Cross, which needed several sites simply to wade through the inundation of online activity after the storm. For Convio, the experience was somewhat of a trial by fire.

In the week after Katrina, Convio's clients raised \$90 million for hurricane relief using Convio technology, much of which went to the Red Cross. While the company averaged about \$14.4 million a day for its nonprofits, at one point Convio processed as much as \$3.5 million in a single hour.

The episode proves why 2005 might well be remembered as the pivotal year for online giving in the nonprofit world. Although Americans flocked to shop on the Web in the late 1990s, online donation activity lagged years behind.

But this year, U.S. charities raised an astronomical amount from the Web, a push likely hastened by disasters such as the Asian tsunami and the Gulf Coast hurricanes.

According to the Pew Internet & American Life Project, 26 million Americans have made donations online — about 2.5 times the number who had made an online donation four years earlier. At Convio alone, online donations made to its clients have increased more than 250 percent since 2004.

Steve Denne, vice president of development operations at the American Red Cross'

2005

Private Company of the Year



Convio Inc. CEO Gene Austin (left) and company founder Vinay Bhagat hope to turn a profit by 2007.

national headquarters in Washington, D.C., says 2005 has been staggering.

"It's truly been a tipping point in terms of online giving," Denne says. "Not just the number of donations, but the size of gifts. We were surprised — we were receiving \$100,000 gifts online."

That leaves Convio at the forefront of a burgeoning — and lucrative — industry.

With 1.4 million nonprofits in the United States, the industry generates trillions of dollars annually. Looking at national figures, Convio estimates that online donations comprise less than 3 percent of all giving today. By 2010, the company expects that number to grow ten-fold.

And Convio hopes to provide the platform for those nonprofits to expand their Web presence.

"All the nonprofits are starting to wake up and see 'www' everywhere," Austin says.

But despite the proliferation of nonprofit Web sites, Convio still is fighting some ignorance in the field.

Case in point: In a CNN segment about scam relief Web pages after Hurricane Katrina, one of the network's analysts erroneously listed the Convio-run Red Cross site as a fake. Because the Red Cross had several sites, the reporter assumed Convio's wasn't legitimate.

"The Red Cross jumped all over him like flies on honey," Austin says, and the mistake was remedied quickly.

But the episode showed some of the challenges that Convio faces as it looks ahead.

The company has invested millions of dollars in hardware and software — technology it hopes will enable it to handle an onslaught of instantaneous hits. That would allow Convio to land more gigantic clients such as the Red Cross, and the company says it's negotiating with a potential client of similar size.

Convio also saw its strongest quarter ever in the third quarter of 2005, with sales growing nearly 120 percent over the same time the year before. By the end of 2005,

the company had expected to book more than \$22 million in business. Austin says that puts the company on track to turn a profit sometime in 2007.

In 2005, Convio was ranked No. 3 on the *Austin Business Journal's* list of the Austin area's fastest-growing private companies with revenue less than \$10 million. Revenue growth from 2002 to 2004 was 271 percent.

Ultimately, it was Convio's potential for long-term success that made the company so attractive to the Red Cross, Denne says. Convio was competitive, but not outstanding, in technology, pricing and services when compared with others vying for the Red Cross contract, he says.

But Convio's technology investments, experienced management and eye toward the future won over the Red Cross.

"They'd turned the corner from startup to a more established firm," Denne says. "They had the capacity in terms of capital, management and resources to stay in the game."