



National Nonprofit Groups and Their Affiliates: Developing A Winning Internet Marketing Strategy

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In June 2000, eminent business strategist and philanthropist Peter Drucker predicted in Business 2.0 that "the Internet will have more impact on the nonprofit sector than the for-profit sector." The reality today, however, is that although many nonprofits have taken initial steps to utilize the Internet for marketing, fundraising, advocacy, and communications, most have not fully incorporated it into all aspects of their operations.

Internet projects at the majority of nonprofits tend to be limited in scope and confined to specific functions. For instance, a fundraising department selects an online donation processing service. At the same time, the organization's advocacy function purchases a software solution to create an online action center. This type of approach lacks coordination built on recognition that these separate online solutions touch the same constituents and should be integrated.

The problem is particularly acute among national groups with networks of affiliates where functions at the national office as well as individual affiliates often embark on separate projects with little or no integration. This makes it extremely difficult to build a complete picture of a constituent's interactions that can be shared across the entire organization. Without a coherent, integrated strategy or integrated systems approach capable of tracking all constituent interactions, nonprofit organizations will continue to struggle in achieving significant returns on online initiatives. The good news is that nonprofit organizations can develop a winning Internet strategy guaranteed to deliver results.

CURRENT APPROACH

Most nonprofits underestimate the potential impact of the Internet on their operations.

To most nonprofit groups, using the Internet means building and maintaining a Web site versus a holistic use of the medium to optimize constituent relationships. Most nonprofits view a Web site as a necessity and a "cost of doing business." The information technology function tends to manage the site, and it is regarded as a cost-center versus a revenue generator. In contrast, today's leading for-profits are tapping the Internet as a vehicle to enhance customer relations for achieving competitive advantage. Take, for example, American Airlines' pioneering efforts with email-based marketing and customer loyalty programs. The airline gives loyalty program members a registered user name and password for the AA.com Web site so they can check flights, update their frequent flier profiles, and learn about promotions.

Individual departments and affiliates make independent decisions.

Non-technical stakeholders (fundraising and advocacy staff, etc.) using the Internet typically have pursued discrete projects to address functional needs such as adding an email marketing or advocacy tool -- instead of developing comprehensive solutions supporting multiple departments as part of an integrated marketing strategy. So, for example, a nonprofit's fundraising department might contract with point vendors or a Web development

firm to buy and install online donation processing and donor communication tools. Meanwhile, the advocacy department may build an online activism center and an e-mail system for communicating with activists, licensing appropriate Internet tools from advocacy software vendors, or custom developing a solution with a Web firm. Simultaneously, staff who are managing events may have added online event registration tools by likewise partnering with a custom software developer or through licensing agreements with specialized vendors. Affiliates, too, may jump in, especially if frustrated by the lack of timely services from the national office, and work with local Web agencies or volunteers. A coordinated approach across affiliates or directed by the national office is rare.

PROBLEMS WITH THE CURRENT APPROACH

Until nonprofit organizations fully embrace the Internet as a tool for driving strategic initiatives including outreach, constituent communications, advocacy and fundraising, they will continue to under-invest or, worse, misdirect investment, ultimately achieving a limited return on investment. Without a coherent and integrated strategy, national nonprofit groups face serious challenges.

Data "silos" hinder cross-market and integrated communications.

When functions and affiliates invest in stand-alone systems, the result is a number of separate data "silos" (islands of data), which make it difficult for departments at an organization to share constituent

information and develop a comprehensive understanding of individual supporters. By definition, stand-alone systems — such as an e-mail marketing tool created by company A and a content management system created by company B — do not integrate or "talk" to each other. This lack of integration or communication between software solutions makes it virtually impossible for the development of intra-organizational list-sharing that would support cross-marketing and integrated constituent communications.

For example, advocacy and fundraising functions typically operate independently and build separate lists, fearing that soliciting donations from advocates will alienate them, or that promoting advocacy to donors will turn them off. Instead, fundraising functions spend huge amounts on marketing to purchased lists for acquiring new donors, usually at a loss; meanwhile, advocacy functions run their own campaigns to build and communicate with advocacy lists. Of course, a known activist is a better donor target than someone on a rented marketing list because he already has shown interest in the organization. Donors, too, are often willing to provide support beyond financial gift-giving and will take action. Planned Parenthood Federation of America found that non-activist donors and donor prospects (e-subscribers/registered users from its Member Center) responded at a 20 percent higher rate to an advocacy appeal than current, non-donor activists. Un-subscribe rates (a measure of whether a constituent is turned off) were negligible.

Another example is large nonprofit organizations, particularly disease and disorder groups, that host fundraising events. Some use tools for online registration and/or enabling participants to raise sponsorship money. However, these software systems are not tied to local donor databases at the affiliate level, making it hard for local chapters to cultivate or solicit event participants after the event. Moreover, where direct response fundraising is centralized at the national office to achieve economies of scale, prospecting opportunities are often lost because event participant information is not relayed to the national

office. One national disease group, which Convio interviewed, said the organization had more than 650 different constituent databases — a huge data silo problem.

Brand integrity is at risk.

As affiliates or chapters pursue independent Web initiatives, it is easy for organizations to go in different directions on design and messaging. This weakens branding across the network. To make a for-profit analogy, imagine if McDonald's allowed franchises to choose their own décor or rendition of the Golden Arches.

Fundraising jurisdiction can become a problem.

In the direct mail world, it has been easy to control the flow of funds to appropriate affiliates — national offices have commonly owned acquisition marketing and then passed donor lists to affiliates. In the online world, geographic boundaries are removed, increasing the likelihood that a donor would contribute to an affiliate in a different geographic location. Although this may seem like a good choice for a donor, the reality is that chapters are highly protective of their jurisdictions. Because of related concerns, some national nonprofit organizations bar affiliates from online fundraising. An alternative is an appropriately set-up, national online fundraising initiative that allows funds to flow directly to chapters.

Information technology inefficiency becomes more likely.

Lack of coordination among affiliates and headquarters invariably produces inefficiencies in technology purchases, utilization and support. Consider a for-profit model. A company provides a total automotive solution to its field offices and headquarters staff by purchasing a relatively uniform set of cars, centrally maintaining a common spare parts inventory, and keeping mechanics in-house to service the fleet. The company negotiates a bulk deal with a single automotive vendor, or at least with only a few. This significantly reduces procurement and maintenance activities, freeing the company to focus on its core

competencies instead of transportation matters. Now, map this process to a national nonprofit's current unorganized process for procuring Internet technology. It would be like having every field office and headquarter function make their own provisions for purchasing or leasing and maintaining their automobiles. The result: hundreds of makes and models, no economies-of-scale in purchasing, and high maintenance costs.

SOLUTION: THERE IS ONE!

Step 1: Recognize that the Internet can drive organizational objectives.

The first step is to recognize that the Internet represents a tool to achieve key organizational objectives including outreach, fundraising, volunteer recruitment, services, public policy change and operating efficiencies.

Step 2: Develop a coherent strategy involving all key stakeholders.

Stakeholders in all key functions — e.g., marketing, fundraising, advocacy, events, and services — need to be involved in shaping an organization's Internet strategy. Develop strategic plans with long-term visions but short term, realistic milestones. These plans should encompass all facets of national office functions and affiliates. The nonprofit also should have clear policies on data sharing between functions.

Step 3: Outsource — focus on core competencies.

An organization should consider outsourcing wherever possible, because building and managing software in-house requires hefty internal resources. Also, Web site users identify site problems and areas for improvement, expecting organizations to respond promptly with technical support and enhancements. Nonprofits do not need to be in the software business — they should be free to focus on mission fulfillment.



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