Strategic Marketing and Fundraising for Nonprofit Organizations

~The Nonprofit Provocateur~

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Being strategic in marketing means focusing on the things that can generate the greatest return for the organization for unit of money and/or effort expended.

Obviously, if your organization has a total of $5,000 to spend on marketing/communications, you'd want to spend it on something that would give you a $50,000 return if possible, rather than spending it on activities that will generate only a $10,000 return. Ten grand is nice, but fifty is really nifty! Avoid diminishing returns.

Many times, the choices aren't so obvious. If they were, you probably wouldn't need this article.

The biggest problem for most nonprofits is that they simply fail to evaluate the range of options to determine what's working and what's not working and then set budgets based upon that. Groups also often fail to evaluate new opportunities and think outside the box. Instead, groups do the usual things of printing a newsletter, creating a website, paying registration fees to have table displays at conferences or community events, and sending out mailings to members and prospective members. This is often done without the help of a budget that properly allocates the amount of money to spend on a particular activity or marketing piece relative to the expected payback.

How should one begin the analysis of being strategic with marketing dollars and staff time?

There are a couple widely recognized and respected concepts for efficiency and effectiveness that apply very well to evaluating marketing activity: (1) the 80/20 rule; and (2) the “big rocks” concept. These are largely the same, or at least closely related, concepts. Let's examine them both.

The 80/20 Rule

The 80/20 Rule, also known as the Pareto principle, states that, in many circumstances, roughly 80% of the effects come from 20% of the causes. Business-management consultant Joseph M. Juran suggested the principle and named it after Italian economist Vilfredo Pareto who, in 1906, observed that 80% of the land in Italy was owned by 20% of the population. He further observed that 80% of the peas in his garden came from 20% of the pods.

In business, the following observations are often made:

- 80% of revenue comes from 20% of customers
- 80% of complaints come from 20% of customers
- 80% of revenue comes from 20% of the time one spends

This principle highlights the importance of being strategic and focusing on those activities that give the biggest return. It's essential to constantly reevaluate what's working most effectively and to pare back or eliminate those activities that are least efficient.

Okay—that sounds like a great principle, but you're wondering how to apply it in the real world.

Here's an example from Bryan Eisenberg, author and professional marketing speaker. Eisenberg notes that often, when he reviews a client's website statistics report, they observe that 80 percent of the web traffic hits only 20 percent of the pages. He suggests focusing energy on those 20 percent of pages that are critical to sales and buying processes. He further advises that if users can't find those critical pages, the site should be optimized to lead users there. (www.clickz.com/clickz/column/1716017/the-pareto-principle-applying-80-rule-your-business)

It's important to not only pay more attention to those activities that yield the greatest return. Of necessity, it's incumbent upon you to stop wasting limited resources on activities that drain time, money and energy. By eliminating negative baggage, your organization can realize significant improvements in productivity and morale.

While the 80/20 Rule provides a very useful guide to avoid diminishing returns, its use should not be taken to extremes. There is another concept, the **Long**

Tail Principle, which provides a counterpoint to the 80/20 Rule. The Long Tail Principle suggests that the aggregation of revenue from small customers or donors may exceed the revenue from the big customers or donors in the top 20 percent. In other words, a large number small donors can potentially out-perform a small number of large donors.

The Long Tail Principle probably would be observed in any for-profit business that sells goods that are fairly uniform in price and are unlikely to be consumed in particularly large quantities by any one individual. An example of this is Amazon.com. Books tend to priced within a fairly narrow range (i.e. there are no $1,000 books or $10,000 books for sale (other than antiques or maybe a copy owned by a very famous person). Also, there are not going to be any individual readers who buy 10,000 or 20,000 books in a year. There are reports that Amazon has 120 million customers. No one retail customer or group of retail customers can consume enough books or buy expensive enough books to skew the average revenue per customer by any significant amount.

It is doubtful that the Long Tail Principle would have much relevance to the average nonprofit organization, at least for those not national in scope. The Nature Conservancy reportedly has more than one million members. If one assumed that the average annual contribution size is $100, that would amount to $100 million of membership revenue per year. Nevertheless, it is entirely within the realm of possibility that one or several individual donors could contribute that much money alone, or at least a large fraction of the total, thus making the Long Tail Principle inapplicable.

You will need to determine which principle is dominant for your particular nonprofit organization. Simply look at the donation numbers to determine where most of the revenue is coming from: the few or the many. That said, just because one model is dominant does not mean that it is the best model for your organization. If a majority of your public support dollars are coming from a lot of small donors, that is an important clue that your organization is missing the opportunity to move some of those donors up to higher giving levels and/or find more donors with a higher capacity and willingness to give. Conversely, if most of your revenue is coming from a few, large donors, that may signal vulnerability in the event one or a few of those major donors dies or loses interest in supporting the organization. Under this circumstance, it would be wise to broaden the base of support and diversify funding sources.

To test these principles, I crunched the membership revenue numbers for a particular nonprofit organization to see how it compared to the 80/20 Rule. I was surprised how well the model fit. It turns out that 79% of revenue came from the top 20% of donors, and that the remaining 80% of donors only contributed 21% of membership revenue.

By critically evaluating donation figures and understanding these two marketing principles, nonprofit organizations can focus their efforts in a way that leads to optimal funding.

Tim Jacobson is president of Visjonær Consulting & Communications, LLC. He's been a board member and executive of a number of nonprofit and for-profit organizations over the past two decades. He's the author of a novel "The Kurchatov Penetration" and executive producer of a documentary film, "Mysteries of the Driftless," slated for broadcast on public television. He has led successful efforts to raise millions of dollars for nonprofit organizations in the form of grants and individual donations.