

Cracking The Diverse-Income Code

For greater sustainability, diversify your income.

By Karen Eber Davis

If your nonprofit is interested in diversifying income, Mote Marine Laboratory and Aquarium offers a great example. In the late 1970s, Mote's leadership realized that to fund research, they needed more diverse income. Mote started by focusing on youth. The organization began a science education program and summer camps. In the 1980s, Mote opened an aquarium to reach even more people. At first, it was small. Now, the aquarium provides over \$1 million in operating support. Later, a state-of-the-art shark tank was added that drew 22,000 visitors. Recently, Mote added traveling live exhibits including sea lions.

Guess what's most surprising about Mote's success. These activities weren't primarily to grow income. Their main purpose was to bring local people on board to support research. The purpose of the education programs, aquarium, shark tank, and live exhibits was to gather locals with the goal of engaging them to become individual donors. All

the other income generated, including \$1 million from the aquarium, was a valuable byproduct.

Every nonprofit must forge its own unique path to income diversity. Therefore, what worked for Mote won't work exactly for you. What *will* work for you is to focus on one income stream and adopt a long-term approach to income diversification. Here are the steps to follow.

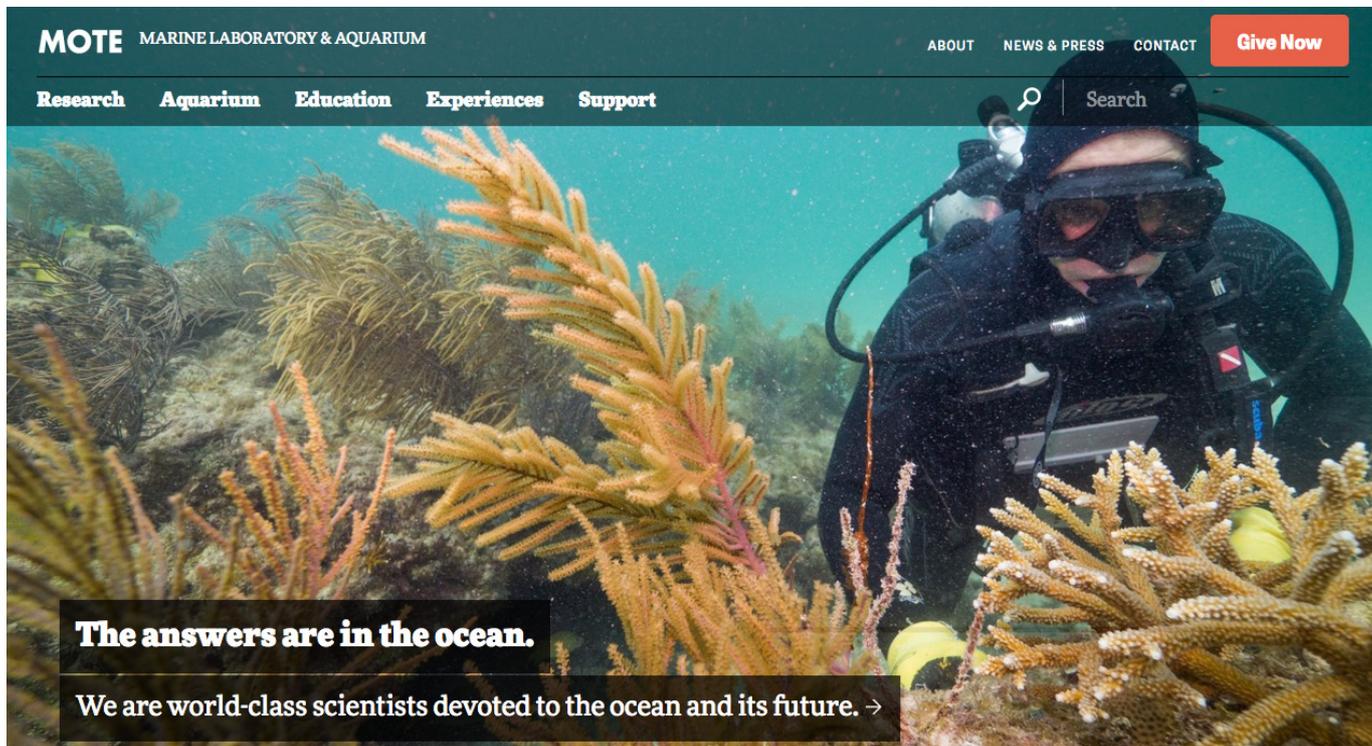
Choose a Second Stream.

Assuming you have one solid income stream now, you can choose one of six other income streams. Before reading about them, notice that this is a crucial decision. Your diversity strategy will shape your work. It will shape your organization. Your decision will impact the services you offer and the staff you hire. It will influence the communities you build. It will affect who your customers, donors, and volunteers are. With that importance in mind, here are your choices.

- 1. Earn money from customers** by selling them mission-related services and products.
- 2. Show individuals the value of your work** and ask for donations.
- 3. Persuade government officials** to fund your services or products.

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Mote Marine Lab & Aquarium (mote.org) has explored new income streams to great advantage. You can too.



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4. Help foundations and grant-giving entities imagine the result of their gifts and fund your proposals.

5. In return for income, partner with corporations to improve their bottom lines.

6. Earn revenue from customers you provide with goods or services unrelated to your mission, such as space rental.

7. Persuade people to donate non-cash resources – that is, in-kind gifts.

Make Sure It Fits.

At the department store, even though a robe’s tag promises one size fits all, it does not. Likewise, despite what you’ve heard about nonprofits, every income stream does *not* offer every nonprofit the same fit. You want to design a diversity strategy that fits you. A good fit will result in a quick start, a good amount of organizational control, and plenty of potential income. What characteristics should you consider for your custom strategy? Here are the four most important:

1. First consider your organization’s experiences and assets. Does your database contain thousands of people with a passion for your mission, whom you can readily contact? If yes, entry into individual donations will be swifter than without this resource. Do people currently purchase services? If yes, inviting them to purchase others will be easier than if you never charged for anything. Perhaps one of your assets is a unique physical space. If so, rental income may offer excellent fit. In terms of the mission you seek, is it better to have customers or donors?

2. Another fit principle involves the skills of your leaders. Sometimes fit is immediately obvious. When Joe, with experience in a technology company, began to lead a national nonprofit, his background pointed to selling mission-related technology to individuals. In another organization, CEO Nick worked his way up through the development department. His skills favored individual donations. You will find excellent fit in the space where your leaders’ skills intersect with emerging income opportunities.

3. Fit also involves exploring the potential income the strategy will generate. Three streams – mission-earned revenue, individual donations, and government money – provide three-quarters of the nonprofit sector’s cash. You *can*, of course, defy the odds and succeed. The New York Hall of Science, for instance, receives millions in grant revenue. But such outside-the-big-three success is uncommon. If you choose an income stream other than the big three, you face greater challenges and less potential income.

4. Another way to discover good fit is to examine others. Identify half a dozen nonprofits in your field that you admire. Inventory their diversification strategies. Be careful! Even though it appeared that Mote sought mission-earned income, the organization’s true strategy was to engage local individual donors. Study, question, and understand others’ strategy nuances.

As you develop your income diversity strategy, be ingenious. Fish in large ponds. Build on your assets. Stick with it, and you can crack the diverse-income code. 



Karen Eber Davis (karen@kedconsult.com) is an expert in maximizing philanthropic impact. Find more stories about income diversification in her book 7 Nonprofit Income Streams: Open the Floodgates to Sustainability! Chapter 8 will help you capture the essence of others’ success.

Coming Up in “Your Ingenious Nonprofit”: Don’t miss upcoming issues, in which you’ll learn how to turn your disadvantages into magnificent successes and take the risks that lead to the greatest rewards.



WHAT’S UP ONLINE?

To broaden online discussions on nonprofit topics, we’re expanding our Discussion Forum with a ListServe, provided by Yahoo Groups. To join, you can either click on the “Yahoo” button at:

NonprofitWorld.org/social/
(free Yahoo login required)

or send a blank e-mail to:

NonprofitWorld-subscribe@yahoogroups.com
If you have any questions, contact Jason Chmura at jchmura@NonprofitWorld.org