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WHITE PAPER

The Non-Dues Revenue Imperative

THREE STEPS TO REVENUE GROWTH AND DIVERSIFICATION:

AUDIT AND OPPORTUNITY DEFINITION • BUSINESS PLAN DEVELOPMENT • PROGRAM IMPLEMENTATION

BY GARY DOLZALL

THE NON-DUES REVENUE IMPERATIVE

For nonprofit organizations there is no greater strategic purpose than fulfilling mission objectives and, in so doing, energetically serving their members, constituents, and stakeholders.

Fulfilling a mission requires multiple elements – a clear strategic vision, effective programs that engage and tangibly impact the constituency, and, of course, financial resources.

- For nonprofits and associations, ensuring financial strength requires looking well beyond the traditional foundation stone of member dues and developing a diversified and robust portfolio of non-dues revenue programs that are supportive of, and balanced with, mission objectives.

The vital importance and impacts of non-dues revenue are illustrated by:

- Professional membership organizations, on average, generate in excess of 65% of total revenue from non-dues initiatives.*

- Nonprofit trade organizations, on average, generate 59% of total revenues from non-dues platforms.*

For each individual organization, the opportunities for, and the appropriate fit of, specific non-dues initiatives – the "balancing of mission and margin" – vary and must be carefully evaluated and crafted accordingly. But in virtually every case, the development of a diversified and growth-oriented non-dues revenue portfolio is an imperative.

The diversity and breadth of non-dues revenue initiatives that may be effectively deployed by nonprofit organizations and associations are expansive, and often (and optimally) the initiatives can be highly synergistic. Non-dues revenue platforms include:

- Educational and Professional Advancement Programs
- Certification and Evaluation Programs
- Meetings, Conventions, and Trade Shows
- Grants and Gifts
- Affinity Programs: Business, Professional, and Member Products and Services
- Monetized Media Channels
- Content Marketing
- Data, Analytics, and Research Products
- Market Intelligence
- Sponsored Programs
- Codes and Standards
- Insurance
- Advisory Services

OrgCentric, as a component of the strategic services we provide to nonprofits, has assisted a range of leading associations and organizations in non-dues revenue development. As is detailed in this white paper, there are three incremental but highly integrated steps that will ensure an organization is positioned to optimize its non-dues revenue portfolio and performance.

* Data from the ASAE Operating Ratio Report, 14th Edition, © ASAE. Used with permission.

THREE STEPS TO NON-DUES REVENUE GROWTH AND DIVERSIFICATION

From our experience, there are three steps -- each unique, but collectively cohesive -- that an organization can take to optimize its non-dues revenue initiatives, while at the same time ensuring they are complementary with organizational mission.

Step 1: Non-Dues Revenue Audit and Opportunity Definition

This foundational step establishes a validated baseline from which an organization's go-forward non-dues revenue strategy can be constructed. It first audits and inventories the organization's existing non-dues portfolio and programs, then compares that performance to sector best practices and benchmarks (comparables), and finally, uses the knowledge and insights gained to broadly define and explore new or aligned opportunities to expand and diversify the organization's non-dues revenue portfolio.

Specific actions and initiatives included in this initial step include:

- **Non-Dues Portfolio Inventory**: Conduct a comprehensive "inventory" of the organization's existing non-dues programs, including definition of the nature and scope of the program, program and revenue objectives, its revenue performance trend, and its margin contribution. In addition to data directly related to the non-dues revenue programs, this step can be informed by organizational mission statements, strategic plans, operating and marketing plans, and member and constituent demographics, needs, and perception studies.

- **Brand and Synergy Assessment**: Across the organization and its non-dues revenue platform, review existing brand and sub-brand products and services (including member benefits and ancillary support services; educational resources and certification programs; media and publishing; events and meetings; et al.), to assess the clarity and cohesiveness of the non-dues revenue portfolio and its marketability. In addition to data directly related to the non-dues revenue programs, this process can be informed by mission statements; strategic plans; operating, marketing, and branding plans; and member and constituent demographics, needs, and perception studies.

- **Best Practices and Benchmarks**: This is a keystone in the project and its purpose is two-fold:

  - To benchmark the organization's current non-dues products and services portfolio and methodology against, and in comparison to, other relevant, leading, and innovative nonprofit organizations, as well as explore opportunities and approaches that may exist in the commercial business sector that are transferable and represent a new revenue opportunity.

  - To identify new and emerging portfolio strategies and revenue opportunities that can be applied to drive transformational growth.

Together, these two important elements of the best-practices benchmarking process will help to identify both new revenue opportunities and the means to enhance the revenue performance of existing portfolio initiatives.

- **Competitive Assessment**: It is invaluable to identify and understand the competitive forces that are being faced (whether from other nonprofit organizations or from commercial enterprises) and commensurately to define current organization assets (positioning, resources, intellectual property, etc.) that will provide for a possible competitive advantage in introducing new or expanded non-dues initiatives.

- **Opportunity Definition**: Building upon the insights and outcomes of each of the above actions, the organization will be well positioned to strategically and broadly define its opportunities for both enhanced and/or new non-dues revenue initiatives and to assess and validate each against the market and competitive landscapes. During this phase, for potential new (or repositioned) products and services identified, a preliminary analysis should be undertaken to assess strength criteria, including:

  - Its Unique Value Proposition both to the organization and to members
  - Fit both to organizational mission and within its product/service portfolio
  - Prospective demand of the product or service
  - Existing competition for the offering from nonprofit or commercial entities

- Prospective R&D and/or launch requirements and costs and risks
- Scalability to organizational resources and priorities
- Speed to market considerations
- Prospective business models/pricing
- Marketing and branding objectives
- Financial yield/margin dynamics

Step 1 Outcomes

The critical outcomes of step 1 will be:

a. A clear and validated inventory and performance assessment of the organization's existing non-dues revenue portfolio.

b. A comprehensive understanding of best practices, how the current portfolio benchmarks as compared to best practices.

c. Clarity around the competitive strengths and weaknesses and marketability of existing and prospective new initiatives.

d. A well-constructed and thoroughly informed and validated "short list" of prospective new or expanded non-dues revenue opportunities to carry forward into formal business plan development.

The conclusion of Step 1 represents a critical and valuable "checkpoint" for collaborative input and establishing "buy-in" across the organization and among key internal stakeholders. In our experience, Step 1 is most often, and most effectively, conducted with the involvement of a select team of internal staff representing key disciplines across the organization (e.g., executive leadership, finance, membership, marketing, and products and services, etc.), often with the support and insights of external expertise.

In Step 2, which involves the development of detailed business, marketing, and operating plans for the initiatives, collaboration works effectively to build broader "work teams" of those individuals who both can add insights to the process and will, eventually, be responsible for implementation.

Step 2: Business and Developmental Planning

The invaluable definition, analysis, and assessment work completed in Step 1 of this process provides the organization with a well-focused and clear "roadmap" from which to further validate and plan new or expanded non-dues revenue opportunities.

Step 2 of the process fully vets each opportunity and applies the discipline of constructing a business plan for each initiative. Successful non-dues revenue ventures are like any other "business" opportunity, and must be the subject of a plan of action that defines not only opportunity, but requirements (internal and external resources, goals, launch funding, technology, business cycle, et al.). And each opportunity also needs to be defined in terms of its value (intrinsic and monetary) so that decisions and priorities are fully informed and expectations are quantified and realistic.

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The rigor of business planning is a final opportunity to confirm and validate the opportunities defined in Step 1. Indeed, it is not unusual that once subjected to business planning, one or two such ideas may need to be placed at a lower priority – as compared to those opportunities that emerge as especially strong in the planning cycle – or even discarded.

Business Plan Components

Elements and considerations that should be addressed – and quantified – in the business plans for each non-dues revenue opportunity include:

- Strategic goals and fit (as they relate to both mission and revenue objectives)
- Positioning in serving the needs of members, constituents, and other stakeholders
- Definition and quantification of market opportunity
- Target market/audience(s) for the product or service
- Competition and competitive factors
- R&D requirements and risks
- Synergies with existing portfolio products/cross-promotion opportunities
- Contribution toward achieving a diversified and balanced revenue platform
- Launch resource requirements
- Speed to market; length of business cycle; and roll-out timeline
- Brand and sub-brand strategy and implications
- Marketing, branding, and communications requirements
- Pricing/business model options
- Projected revenue and margin contributions

Integrated Approach

It is important in the above process to quantify and validate each new opportunity on its "own merits." But it is also critically important to view the new non-dues revenue initiatives – and those that already exist – holistically and in an integrated strategy. Strong synergies likely exist between and across programs (for example, education offerings leading toward exam and certification programs), and recognizing and building these synergies into business and launch planning will be highly beneficial. So, in addition to addressing each specific new or revised product or service individually, the revenue expansion and diversification business plan should construct a cohesive, integrated portfolio implementation structure, including:

- Launch priorities, product staging, and timeline for roll-out
- Brand strategy that aligns products to the organization brand and that builds clear connectivity among complementary products and services
- Integrated marketing strategy and requirements
- Resources (financial, operational, human, technology, external)
- Rolled-up revenue and margin projections (three-year projections)
- Checkpoints, metrics, and defined measures of success

As related earlier, it has been our experience that Step 2 is best achieved with relatively broad participation among staff and stakeholders. Creating work groups or teams to build-out and formalize each of the individual elements is a means both to tap the insights and expertise of staff, and to provide staff with a true sense of ownership of, and enthusiasm for, the developing programs.

The need to assure integration of the emerging new initiatives is an overarching strategic issue, and a leadership group (such as likely was deployed during Step 1), will play the defining role.

The conclusion of Step 2 is the natural point in the developmental stage to present the comprehensive plans to executive management and, in many cases, the organization's board of directors for review and approval. Subject to that step, it also is the point at which the new plans and expectations can be incorporated into the organization's operating budget.

Step 2 Outcomes

The critical outcomes of Step 2 will be:

a. A final and confirmed vetting of prospective new and/or expanded initiatives.

b. Fully validated and comprehensive business plans for each initiative with qualified objectives, revenue expectations, resource requirements, and timelines.

c. Key staff and stakeholder participation in the development process and a sense of ownership and enthusiasm for the new initiatives.

d. A holistic and fully integrated view and strategy for the new initiatives that ensures synergies, brand alignment, and cross-marketing opportunities across both existing and new non-dues initiatives

e. Comprehensive plans from which to gain executive management and/or board-level approvals and buy-in for the initiatives.

Step 3: Program Implementation

Through the comprehensive and collaborative processes represented in Steps 1 and 2, the organization has now identified a range of robust non-dues opportunities and as such defined the platforms of an expanded and diversified non-dues revenue portfolio.

Now the challenge and requisite is to effectively translate those opportunities and plans into energetically deployed non-dues revenue programs.

A range of developmental tasks need to be staged and completed in a timely and effective manner to realize desired results. Among the critical steps to be addressed are:

- **Structure**: Refine the organization's overarching structure, if required, in a manner that will foster, facilitate, and energize what, in effect, is a new business venture. Especially in cases where the non-dues initiative is resulting in a transformational change to the goals and volume of non-dues programming, it is important that the over-arching structure of the organization reflects that and does not leave the non-dues initiatives to be managed in a disjointed fashion across multiple departments. Lines of responsibility – and accountability – must be clear.

- **Resources**: Allocation and definition of internal and external resource requirements that are scaled to achieving desired results yet tempered by fiscal and risk realities need to be defined and deployed. Opportunities to partner with third-party entities that are non-competitive but can bring expertise and capabilities should not be overlooked.

- **Product Development**: The products and offerings themselves need be finalized and created. Opportunities to partner with third-party entities that are non-competitive but can bring expertise and/or existing products into the portfolio should be pursued.

- **Brand and Marketing Strategy**: Develop an enterprise-wide and integrated marketing strategy, structure, and required resources for the non-dues revenue portfolio. Marketing and branding campaigns should be built with clear objectives, performance metrics, and ROI projections that are incorporated into fiscal year operating budgets.

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- **Staged Roll-Out**: New initiative roll-outs will likely need to be staged over a period of months, or even over several fiscal years, pending development time and requirements, resource availability, and other organizational priorities. The roll-out schedule should clearly take into account prospective synergies and integration across products so that new initiatives that share synergies and/or cross-marketing and branding opportunities are rolled out in a complementary fashion.

- **Checkpoints and Metrics**: Programs should be constructed with clear critical checkpoints defined for measurement, review, and, as necessary, refinement or course corrections. Metrics – measures of success – likewise should be defined in advance and serve as the basis for project expansion, refinement, or contraction.

Step 3 Outcomes

The critical outcomes of Step 3 will be:

a. Definition of an enterprise-wide structure that will ensure the non-dues programs are effectively implemented and managed, and that clear lines of responsibility and accountability are in place.

b. Required resources (internal, external, or partnering) are identified and deployed.

c. Products are finalized and developed.

d. Brand and marketing initiatives and campaigns are designed and deployed and built around clearly defined performance and ROI metrics, which are consolidated into fiscal operating budgets.

e. Products are rolled out in a staged fashion based upon opportunities and resources, and launched with an integrated view and a strategy that ensures synergies, brand alignment, and cross-marketing opportunities across both existing and new non-dues initiatives.

f. Critical progress checkpoints and measures of success are established and programs are reviewed and adjusted as actual performance against expectations dictates.

In Summary

A vital and energetic non-dues revenue program is a virtual requisite for association and nonprofit enterprises today. And, in fact, on average, such programs generate more than half of total revenues for professional membership and trade organizations. Like any major business initiative, non-dues revenue programs require strategic vision, deployment of best practices, and clear, tightly focused management. By assisting numerous organizations to expand their revenue portfolios, it is our experience at OrgCentric that following the three specific, but integrated steps outlined in this paper will bring energy, clarity, and highly successful results to nonprofit and association non-dues initiatives. ■

About the Author

Gary Dolzall is Chief Communications Officer of OrgCentric. Mr. Dolzall has more than two decades of experience serving the association and nonprofit sector and has assisted more than 60 such organizations. He is an active member of ASAE and serves on ASAE's Communications Section Council as chair of its Knowledge Working Group. OrgCentric, with offices in Washington, DC and New York City, serves the nonprofit sector, delivering expertise and capabilities across the inter-related disciplines of strategy, communications, branding, and revenue development. Mr. Dolzall can be reached at gdolzall@orgcentic.net.

About OrgCentric

OrgCentric delivers best-practices expertise and tangible results across inter-related disciplines including strategy, communications, revenue development, and branding. The OrgCentric team of professionals has assisted more than 60 nonprofit organizations and will represent an effective, collaborative resource to help you meet your objectives. OrgCentric exclusively serves nonprofit organizations and is a joint venture of the IridiumGroup and McGill + Partners.

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