



MAKING MONEY FOR IMPACT

A guide for impact-driven groups to
develop sustainable business models



REVENUE AND IMPACT

For many impact-driven organizations, making money isn't just an issue of hitting the bottom line. Diversifying revenue helps businesses and organizations become more resilient. The process of exploring revenue models alone can help them more clearly understand the resources they have available and how they can create impact. As the Knight Foundation found, "Earned revenue streams that demonstrate a meaningful connection to users are critical to long-term stability and sustainability."¹

Still, revenue generation is at risk of becoming a buzzword, especially in the progressive space – a symptom of the growing pressure to adapt to social, political and technological change. As organizations seek financial sustainability, many have come to find that growth for the sake of growth isn't the best longterm solution. It needs to be balanced with mission and the priorities of their community.

¹ <http://www.knightfoundation.org/features/nonprofitnews/>

"There are top down trends that are supporting mission-driven organizations in the marketplace. **The rise of sustainability marketing and cause marketing**, alongside a **desire to connect with a millennial demographic** that's big on purpose/impact/values, is giving mission-driven startups **more opportunity** and **market power.**"

– LARA SETRAKIAN
News Deeply



“Mission driven groups have historically experienced a **tension between revenue and impact**. This raises an important question: **how might you grow your impact and your revenue in tandem?** The earlier you tackle the question, the more **resilient** your organization or business will be.”

– CHRISTIE GEORGE
Director, New Media Ventures

A GUIDE TO SUSTAINING YOUR IMPACT

In this guide on how to develop more robust business models, we've identified 10 approaches to revenue generation, showcasing impact-driven organizations and companies from [New Media Ventures' portfolio](#) (indicated throughout the report with "NMV Portfolio" text beside each company logo) and beyond as examples. These examples focus primarily on digital and technology-enabled organizations, both for- and non-profit, but they apply across sectors and focus areas. This guide can also help funders – both donors and investors – learn how they can better empower impact groups.

Each model has its own opportunities and challenges. We hope that this guide encourages thoughtful exploration of revenue as a metric for progressive organizations' health, their relationships with their audiences, and the impact they're driving in their fields.

Things to Keep in Mind as You Read This Guide

- ✓ Traditional funding approaches are changing. For non-profits, foundation money is getting more competitive, and customers expect more from for-profit companies than just competitive pricing.
- ✓ For non-profits, not every organization has an earned revenue model. It's important we're honest about this.
- ✓ The best business model is one that brings reliable and recurring revenue that is aligned with your mission.
- ✓ When considering a model, the only way to know if it is the right fit for your organization is to investigate it, test it, and tailor it to your organization.
- ✓ Look for how you can provide tangible value to your customers. A good start is by evaluating your solution by who uses it (users) and who pays for it (customers).²
- ✓ While it's easy to go for the lowest hanging fruit, think long-term, too, when considering revenue streams. Be clear about what is important to your organization when looking at different models.
- ✓ The balance between revenue and impact is a delicate one. Every organization has to decide up front its priorities, what's required to achieve its mission, and what compromises it's willing to make.



ALIGNING REVENUE AND IMPACT

“The best business model for any mission-driven company is one in which **greater social impact** is intimately tied with **greater revenue generation**, so that increased impact automatically generates more revenue that can then power more impact, in a virtuous cycle.”³

– BEN RATTRAY
CEO, Change.org

IMPACT BUSINESS MODELS

Models describe the rationale of how an organization creates, delivers, and captures value. Though we've used models in this paper as a way to show how groups can create a more sustainable business, it's important to keep in mind that a model is simply a framework.

"A revenue model doesn't just kick in on its own. The specifics of execution are what ultimately determine success," explains New Media Ventures Director Christie George. "The context, the team doing the work and the end users are more important than the model itself."



Transaction
Fees



Advertising
& Lead
Generation



Sponsored
Content
& Events



Membership
& Subscription
Fees



Small Donor
Fundraising



Software as a
Service (SaaS)



Consulting
& Training



Whitelabeling



Freemium



Selling Data

USING RESOURCES AND THE RIGHT BUSINESS MODEL TO DELIVER VALUE

“Look at the **value of your product at a systems level** and find a different part of that system through which you can **assign economic value** to your work and **get paid.**”

– PETER GARDNER
Founder & CEO, Startgrid



TRANSACTION FEES

Transaction fees charge users for each transaction on your platform. The amount can be a flat fee, proportional to the size of the transaction, or offered as an optional tip during a transaction. This works best if money changes hands on your platform, such as on an online fundraising or crowdfunding site. Mission-driven organizations are uniquely able to leverage voluntary “tips”.

Benefits

- A source of recurring income
- Distributes the cost across users
- Little to no up front investment – and therefore risk – is required from customers
- May minimize friction in the user experience by not having to pay for the service in a separate transaction

Challenges

- Revenue generated may be inconsistent
- Earnings may be minimal if not carried out at large scale
- Significant investment in marketing is usually required to sustain user engagement and grow income

Examples



tinyGive lets anyone donate to an organization by sending a Tweet with a dollar amount and #tinyGive. tinyGive earns revenue primarily by charging fees on donations – 2% and 20¢ per donation. The benefit to this approach is that most nonprofits and donors are able to afford the pricing structure. A core challenge is getting to a sufficient size to generate robust revenues. So, tinyGive is bolstering revenue from transaction fees and users with paid monthly subscriptions from nonprofits.



Act Blue Civics is a non-profit building free customizable contribution forms and flexible fundraising digital tools for progressive groups. Users like Credo Action and Democracy for America can embed the donation tools in their campaign website for easy grassroots donations, where donors also have the ability to ‘tip’ ActBlue Civics in support of the platform. After an initial seed grant, their operating costs are entirely covered through voluntary tips from platform users.

Do the Math!

Market size is a key consideration in choosing your model. When revenue proportionately increases with the number of interactions or number of people you reach, volume is critical. For models like tips, lead generation or

advertising, the more interactions, the further the reach, the more revenue potential there is.

For example, with a 2% fee on transactions, \$10,000,000 worth of transactions earns \$200,000. To

meet the projections needed to sustain an organization with a 2% fee, the market size must be enormous.

$$\begin{array}{r} \text{Total Transactions} \\ \times \text{Percentage Fee} \\ \hline = \text{Revenue} \end{array}$$



ADVERTISING & LEAD GENERATION

Businesses or organizations pay to gain access to your audience. Customers pay based on the cost per impression, cost per click, or cost per action. A valuable model for mission-driven organizations is when companies pay to reach users who opt-in to the organization's email list.

“All our growth in traffic and revenue coincides with our email list growth. However, it’s **not as simple as just growing our email list faster**. We’ve tested multiple email acquisition strategies ourselves, and we’ve discovered that the **go-it-slow approach is optimal** to add good, active members to our list. Actions that have gone extremely viral or paid acquisitions haven’t worked as well for us. They still perform, but **the other methods perform so much better.**”

– WILL ROCKAFELLOW
Daily Kos

Benefits

- Requires little to no upfront investment from the user because third parties exist that cover some or all of the cost of the service
- Services like Google AdWords are easy to use and eliminate the need to find advertisers
- When a platform has collected a large number of users, generating leads can be a relatively low-cost process for generating revenue

Challenges

- Advertisements can cause frustration in the user experience
- Campaigns to continuously reach new audiences may be costly
- Requires an extensive reach and the ability to activate an audience that advertisers consider valuable
- There is little to no control over general advertising to make sure that the content is mission-aligned
- Selling the personal information of people who engage around a mission or issue can erode their trust if they are contacted by non-aligned organizations

Example



NMV Portfolio

Contratados is the ‘Yelp for migrant workers’ looking for information about opportunities, recruitment and working conditions. Contratados provides advertising space for a fee to legal services organizations on their website and bulletin board for employers, workers, and recruiters. They earn additional income from fees paid to post jobs, as well as website customization and consulting services for organizations that would like to implement a similar platform.



SPONSORED CONTENT & EVENTS

Corporations, foundations or other organizations pay to associate their institution with a social good brand or community and engage an audience around a specific issue. In the case of an event, a business may pay an organization to sponsor its annual conference for increased visibility to that audience. In the case of sponsored content, a foundation might pay a fee to sponsor issue-specific content on a media site.

Benefits

- A relatively accessible source of significant income, especially for organizations with reach or a well-established niche
- Events can achieve a number of organizational priorities in one package: build community, offer various revenue sources within the event itself, increase access to information, develop content, attract new customers

Challenges

- Extensive reach and strong relationship with an audience is needed to attract sponsors
- Managing conflicts of interest can be challenging
- Sponsors may not be recurring clients, and relationship-building with sponsors can be time-intensive

Examples



NMV Portfolio

Partnering with brands across industries including finance, health, auto, retail and beyond, Upworthy uses data to increase customer engagement through authentic stories about what brands stand for. The trust of the audience is the most valuable asset in Upworthy's earned revenue content model, so they publish only true messages that don't aim to cover up blemishes in corporate behavior.



NMV Portfolio

Blavity is a media startup that creates editorial, social and video content for black millennials. Blavity works with Fortune 500 companies to create content, distribute their advertisements and messaging in front Blavity's audience. Brands typically pay per impression for digital campaigns or a flat sponsorship fee for advertising during a live event.

Reaching Audiences to Earn Revenue: A Delicate Balance

Audiences have become increasingly wary of advertising. So much so that ad blocking services have significantly reduced advertising-based revenue models. In response, producers have turned to sponsored content as an alternative revenue strategy while balancing the challenge of tactfully

engaging audiences.⁴ Organizations like Blavity and Upworthy solve for that by clearly identifying content that is created or funded by sponsors and making sure it is valuable to their audiences.

When content aligns well with

its audience, it can be extremely successful in engaging users and broadening the sponsor's reach. For example, sponsored content on Upworthy earns 64 times more engagement on social media than the average post on the top 25 media sites.⁵

⁴ <https://contently.com/strategist/2014/07/09/study-sponsored-content-has-a-trust-problem-2/>

⁵ <https://contently.com/strategist/2014/07/15/upworthys-sponsored-posts-are-crushing-their-regular-editorial-heres-why/>



MEMBERSHIP & SUBSCRIPTION FEES

Customers pay a recurring fee, usually monthly or annually, to gain ongoing access to a product, service or community. This model is most common for membership organizations like museums and public media organizations with special content or rewards that only members can access.

Benefits

- Simplifies pricing by grouping a range of services or benefits together
- Helps to predict future earnings and to rely on a steady stream of revenue
- Membership growth drives both impact and revenue

Challenges

- Inherently exclusive and limits access to a service or product
- Not every organization has the staff or resources to deliver services to a membership

Example



NMV Portfolio

OPEN is an international network of progressive, nation-based, multi-issue, member-driven digital campaigning organizations, such as MoveOn and GetUp. OPEN members pay a yearly fee to access valuable resources and training from video production to management coaching.

Unlocking the Value of Membership

It seems common sense that an organization focused on a specific industry, mission or niche would be well-placed to offer membership for aligned people or organizations.

On the other hand, it can be difficult to quantify membership size and member buy-in, and double counting members through other organizations and minimal member engagement are common. Simply having access to a vast network of people with similar interests and values does not always generate a viable revenue stream.

If you are interested in building deep relationships with your members, below are three core strategies³:

1. Provide real, relevant benefits and services
2. Foster in-person communities
3. Create engaging platforms

SMALL DONOR FUNDRAISING

Customers directly fund the organization, either with a one-time contribution or a monthly recurring gift. This revenue model is unique to impact-oriented organizations that have a large number of members that believe deeply in the mission of the organization.

Benefits

- Minimizes financial barriers, especially when donation levels are voluntary, increasing the number of potential supporters
- Revenue grows as the number of donors increases

Challenges

- Scaling revenue with small donations can be challenging
- Revenue may be inconsistent
- Often requires significant investment in marketing to sustain use and grow income
- Can incentivize organizations to pursue high-profile campaigns at the expense of others

Example



NMV Portfolio

A global corporate watchdog, SumOfUs mobilizes large numbers of consumers, workers and investors online for social and economic justice. Eighty five percent of its revenue comes from small donations (averaging USD \$15) from members in response to email appeals. To build a more sustainable base of support, they are

increasingly asking donors to make regular monthly donations rather than one-off contributions. To understand what resonates with members to drive them to take action, SumOfUs conducts extensive and resource intensive campaign testing and data analysis. Constituency growth is key to support this growing enterprise.



Pro Tip

Many organizations have historically relied on a small set of large donors for their funding, while working separately to impact a different set of users. It's exciting that this next generation of leaders is discovering mission aligned revenue models that give them increased independence and power.

That said, for some online organizing groups, the surge in traffic via mobile devices seems to have reduced the effectiveness of mobilizing and raising funds via email. Organizations will need to keep fine-tuning their technology and their campaigns to address this challenge as the use of smart mobile devices keeps growing.



SOFTWARE AS A SERVICE (SAAS)

Sell subscriptions or licenses to software. Pricing can vary based on the type of customer or how they use the software. For example, campaigning software is sold as a service and the pricing is based on the size of the email list of the organization using it.

Benefits

- Offers significant recurring revenue and is highly scalable
- Relatively low-cost in comparison to in-house software or hardware setup

Challenges

- Technology that offers unique market value is very costly to develop and maintain, needing significant financial capital and upfront investment
- Requires expensive and often hard-to-acquire expertise

Revenue and Cost

It is tempting to build a new platform to avoid the cost of existing commercially available platforms. However, many times this ends up not viable commercially, because

platforms can be expensive to build and to maintain.

Is it possible to use an off-the-shelf solution from the commercial space that can be repurposed, even as a temporary solution?

For example, if your mission requires bringing together volunteers, can one of the many CRMs commercially available fill the gap or serve your needs?

Examples



CrowdTangle is a social analytics platform that helps companies measure content, benchmark accounts and identify influencers across a variety of social networks. A SaaS company with monthly subscription fees based on the number of features that each client wants, their clients include publishers ranging from the BBC to ESPN to the NFL. CrowdTangle offers a discounted rate for groups working on social issues, including nonprofits and advocacy groups. They've found pricing enterprise tools to be a challenge, and they reassess their rates every quarter.



Organizer enables organizations to engage, inform, and influence their target audience through mobile technology. Organizer licenses its mobile app and web management backend through a monthly or annual SaaS model with pricing in three tiers: Starter, Pro, and Enterprise.



CONSULTING & TRAINING

Sell staff's time and expertise to other organizations to help solve their needs. As a way of scaling their consulting work, organizations with expertise sometimes consider expanding their work into training larger groups, rather than one-on-one consulting.

Benefits

- Can be a lucrative source of income that requires little or no capital investment
- May add to the expertise of an organization

Challenges

- Depends heavily on time and expertise of the team
- Client demands can distract staff from core work and priorities



Pro Tip

To mitigate distraction of staff from core work, teams can establish a network of external contractors to take on projects that provide a significant margin but consume much less core team time.

Examples

hollaback! *NMV Portfolio*

Building the movement for gender justice, Hollaback consults with corporations such as BuzzFeed and Lyft who are seeking to create more inclusive public and shared spaces. A benefit of this model includes creating large, system-wide change. Conversely, scalability can be a challenge since revenue and the amount of work is not always directly correlated in consulting and training models.

ShareProgress *NMV Portfolio*

ShareProgress helps progressive organizations with sharing tools that turn supporters into recruiters. They provide access to their tools using a SaaS model with pricing based on the monthly volume of supporter sharing, serving clients like Planned Parenthood, Greenpeace, and the AFL-CIO. ShareProgress supplements its revenue with additional consulting services to progressive organizations in creative web design/development and data analysis work.

CHALLENGES OF SAAS AND CONSULTING REVENUE STREAMS

SaaS and consulting as revenue streams can present challenges in the digital, software and technology space. In fact, a number of the organizations we've surveyed found a fine distinction between offering a technical product or service and consulting services around that product or service.

With a consulting model, the amount of work increases with the number of clients, whereas on a platform model costs are relatively stable as the number of clients increase.

When first building a product and assessing revenue models, it's important to ask, "Are we a consulting firm or a self-service, scalable platform?"

While it's often easier to start a consulting firm since all you need is your expertise, it's harder to get external funding for one. Investors prefer backing SaaS platforms, which have the potential to scale much faster.



WHITELABELING

Organizations pay to rebrand (and sometimes alter) a product or service to offer to their users or customers as their own.

Benefits

- Repurposes existing resources for revenue and to broaden customer reach
- Provides the additional benefit of generating feedback to improve a core element of the business

Challenges

- Can redirect important resources and detract from the organization's focus if the product or service is not a core driver of the company's mission
- Cost of customer acquisition can be prohibitive

Examples

VOTE.ORG

NMV Portfolio

Voter registration groups, such as [National Voter Registration Day](#), pay to fully integrate and brand software built by Vote.org to make it easier for voters to order an absentee ballot and check registration status.



News Deeply serves corporate, philanthropic and institutional backers by creating topical microsites on the "Deeply" platform. One example is ArticDeeply, partnering with Open Canada and the Center for International Governance Innovation to cover Arctic issues.



FREEMIUM

A combination of “free” and “premium”, this model offers a basic product or service for free usually to a large group of users in order to get people using the basic service. A premium is then charged for access to more advanced features.

Benefits

- Free features are a powerful marketing tool
- Effective at engaging a market because there is no risk for the user

Challenges

- Difficult to effectively convert free users to paid users
- Often results in complex product offerings and has the potential to complicate marketing, communication and the relationship with users
- Conversion lifecycle can be lengthy if new users are price-sensitive

Example



Slack integrates a number of team workflows, services, tools and applications into one workplace collaboration platform. It offers a valuable set of base features free to use for an unlimited period of time.

As teams grow and become more reliant on Slack, they often upgrade for more advanced and premium features. By offering valuable, no-cost features, word of mouth has become one of Slack’s most successful marketing tools. Slack has been used with great effect by social change organizations and political campaigns to quickly and effectively coordinate the work of their distributed networks of volunteers.





SELLING DATA

Create, store or analyze data for a fee. For many organizations working with hard-to-reach communities or offering unique services, data may be valuable to other companies or even industries. In some cases, customers pay an additional fee for help in making sense of the data.

Benefits

- Many types of data are publicly available that are relatively easy and free to use, and can be lucrative with the right expertise
- Data can be easily mined from an organization's primary service or offering to provide additional value

Challenges

- With an increasing number of sources of data out there, competition is strong
- Technology that stores and queries the data often requires significant investment and ongoing technical knowledge
- Data inherently requires scale to generate valuable, representative insights
- Need enough people with the budget who want this data to create a viable marketplace

Examples

coworker.ORG *NMV Portfolio*

A digital platform for people to advance solutions in the workplace, Coworker.org is powered by its global networks of employees and gig workers. Coworker.org is exploring revenue generation via reports on aggregate worker data that analyzes corporate behavior at publicly traded companies. It is seeing budding interest in these reports from socially responsible investors.

 **THE CENTER FOR**
TECHNOLOGY AND CIVIC LIFE *NMV Portfolio*

A non-partisan nonprofit, The Center for Technology and Civic Life uses technology to improve the way local governments and communities interact. It sells for-profit companies access to its comprehensive civic dataset, such as which candidates will be on the ballot in every county in the US. Historically this kind of data has been proprietary and expensive, and these purchases then cover the costs for licenses given to nonprofits or smaller organizations. Determining the criteria for which a company is required to pay for the license can be a challenge. As a nonprofit who has been successful in bringing in fee-for-service revenue, it has found it difficult to secure foundation support that would allow it to test new datasets or build infrastructure to improve its service.

WHICH REVENUE MODEL IS RIGHT FOR YOU?

For many, trial and error is an inevitable part of finding the balance of mission and revenue. We've seen countless organizations experience mission creep in their efforts to find a sustainable business model. And when we see a startup with a laundry list of revenue streams, it is usually a signal that there is no robust revenue driver. For non-profits in particular, it begs the question: does every organization have an earned revenue model? "It's important to be able to talk honestly about not achieving self-funding," says Tom Steinberg, Founder and previously Director of mySociety. He explains, "It will stop impactful-but-not-profitable ideas being distorted into impactless-but-possibly-profitable ideas."⁷

"We have **three revenue streams** [small dollar donors, lead generation, and advertising] and they're all roughly a third of our revenue... **One downside is that prioritization becomes very hard.** Which revenue stream do we prioritize? We've balanced that pretty well, but it's a challenge. The one good thing is that all three of our revenue streams are numbers-driven. We add more supporters, we make more money. We send more fundraising asks, we make more money. We have more readers, we make more ad revenue. The same goes for our mission. We can't win big political fights without a larger, broader membership."

– WILL ROCKAFELLOW
Daily Kos

⁷ <http://www.businessmodelgeneration.com/canvas/bmc>

ADDITIONAL CONSIDERATIONS FOR A SUSTAINABLE ORGANIZATION

Balancing Scale

Scale is a primary consideration not only in the viability of a revenue model but also in the ability to impact and drive change. Economies of scale and the scalability of products or services can help decrease cost and increase revenue, but there can be a limit to the benefits of scale if it requires compromising your mission by engaging a less-aligned audience or bringing in non-aligned customers.

Manage Costs

Cost and revenue are two sides of the same coin. Impact-driven groups need revenue to sustain the ongoing costs they incur maintaining technologies, sustaining their teams and advocating their missions. To be a sustainable organization, it's just as important to understand how to make money as it is to understand how you spend it.

Revenue vs. Capital

It's important to distinguish between capital raised and a genuine revenue model. They are related when investors are willing to invest capital for the possibility of large returns or impact. In other cases, successful fundraising offers little evidence of recurring earnings. Even for startups that raise millions in funding, investment doesn't mean there is a robust revenue model at work.

Develop the Skillset

There is a specific, learned skillset associated with profit generation: determining market value, packaging the proof-of-concept in sellable form and projecting potential income from the product. Impact groups need to build the internal business skillset necessary to put into practice their earned revenue plans.

Experiment with Pricing

Pricing is key to making a revenue model work. Finding the price point that maximizes revenue is complex, and customers in the impact space often have lower ability to pay. Models where commercial customers help subsidize the cost for these customers can be a way to mix impact and financial sustainability.

SUPPORTING MISSION-DRIVEN STARTUPS

“What we require is some amount of mixed-expertise to identify ways of making these [revenue generation] efforts a success and to determine what success even looks like in a non-profit, mission-aligned context. While there’s so much to learn from the way those models are used in for-profits, we should recognize that they will play out structurally differently in the non-profit context. And that **our economic system is designed to support for-profit, market based models** much more readily than these experiments with hybrid models. So, it’s not just about picking up some models and applying them whole, but **identifying the ways in which they can be molded to fit into the broader scope of work**. And how funders can provide the support that truly makes experimentation possible as non-profits attempt to build business models.”

– MICHELLE MILLER
Co-Founder, Coworker.org

RESOURCES

Knight Foundation

How to decide whether you should be a non-profit or for-profit in four easy steps

Finding a Foothold: How Non-Profit News Ventures Seek Sustainability

Alexander Osterwalder and Yves Pigneur

Business Model Canvas

Sustainability

Model Behavior: 20 Business Model Innovations for Sustainability

MIT

Creating Value Through Business Model Innovation

Harvard Business Review

The Transformative Business Model

About New Media Ventures

New Media Ventures is a fund and community of technology leaders, venture capitalists, entrepreneurs, philanthropists, and politicians. Together, we invest in progressive media, technology and advocacy to nurture innovation that drives outsized social change.

For More Information

Learn about other impact-driven organizations in [New Media Ventures' portfolio](#) and find more information about building an impact-driven organization on [our blog](#).

