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# Q: Why work to diversify revenue streams? Isn't it better to master one rather than be average among many?

Few non-profit organizations live off the interest of a large endowment or have guaranteed sustainable multiyear revenues from any source. Thus, diversifying revenue streams is all about reducing risk. If the stock market crashes and end of year major gifts try up as a result, how will the organization make up these anticipated but unrealized resources? Engaging in fundraising from multiple types of revenue sources does not imply lack of mastery as a result of diversification. Rather, the organization wants to be skilled at acquiring revenues from all of its sources. Thus, every non-profit should seek to develop a comprehensive long range plan to develop multiple revenue streams: memberships/booster clubs, annual giving, direct mail, foundation grants, fundraising event income, government appropriations, licensing and merchandising, corporate sponsorships, planned giving, and major giving. Non-profits with sports event properties may also be able to tap into sports event income from ticket sales, concessions, parking, and radio and television advertising or rights fees.

Each non-profit organization will have its own program strengths and weaknesses. A great Division I athletic department will generate significant game revenues and television rights fees but will not have the programs eligible to receive government appropriations. The small local non-profit with a passionate and well-connected board will generate significant funds from fundraising events and grants from local foundations. A national non-profit sports organization with champion athlete and Hollywood celebrity support and their attendance at large black tie benefit galas in major cities will be able to develop million dollar events.

Speed of development, investment and overhead costs, sustainability and scalability are key considerations when looking at which streams should receive priority status as well as those resources that best match up to the organization's program and leadership strengths. Branching out into new revenue streams will also require investments in development capacity such as staff, consultants, technology, etc. The earlier an organization can analyze its attractiveness to various stakeholders and donors interested in supporting its programs and lay out plans to market to these new audiences, the less likely it will be that the organization will succumb to large revenue fluctuations or the paralysis of an atmosphere of scarcity. Not making budget because of a disappearing resource is less scary when you see light at the end of the tunnel generated from investment and gradual growth of new revenue sources.

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Topics

Fund Raising / Revenue Development