

THE SMART **money**

Today's most vibrant associations have left the nonprofit mindset firmly behind and are concentrating on building revenue.

BY DEIRDRE REID, CAE



WHEN THE VIDEO OF FUNDRAISER DAN PALLOTTA'S

TED TALK, "The Way We Think about Charity Is Dead Wrong," came out in March, it caused a ripple of conversation in the nonprofit community. Pallotta argued that nonprofits are held to an unreasonable standard of frugality that limits their impact. Nonprofits should be judged by their accomplishments, not by how much money they spend on "overhead" to achieve their goals.

"You can make \$50 million in a year selling violent video games to kids and they put you on the cover of Wired magazine," Pallotta points out. "But if you make \$500,000 as a nonprofit executive director working on solving some of the world's toughest problems, they will run you out of town."

If nonprofits are expected to fulfill their mission to change the world, Pallotta believes they must be given the same latitude that businesses have to invest in talent and resources, pursue innovation, and operate in a financially responsible manner. Joe Vallina, publisher at the American Nurses

Association, is of the same mind. "Nonprofits are a business," Vallina says. "The only real difference is that profits are reinvested into the organization rather than distributed to shareholders directly."

THINK LIKE A BUSINESS — NOT A CHARITY CASE

In some association offices, "profit" is still a dirty word. Angela Brady, senior consultant and publishing strategist at Stratton Publishing & Marketing, says, "With most association departments working toward the goal of serving members, the mindset isn't always there for one of those

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departments to have a more for-profit focus.” Furthermore, because an association magazine is considered a member benefit and communication tool, it’s often subsidized by other revenue and not expected to make a profit.

Some professional or academic publications even go so far as to prohibit advertising because they believe it would commercialize their journal or imply the endorsement of advertisers. Katie Butler, editor in chief at the Independent Insurance Agents & Brokers of America, takes issue with that. “Advertising is a reader service. It provides vendor information that members might need,” she maintains.

Vallina agrees: “If you do it right, advertising doesn’t affect the integrity of a journal in the slightest. Readers are savvy about advertising. They won’t automatically assume your editorial is bought.”

Even when advertising is sold, publications operating with the nonprofit mindset don’t always dedicate sufficient resources to revenue generation. Instead of strategically pursuing revenue, they rely on loyal supporters and other low-hanging fruit.

OWN THE COMPETITIVE CONTENT MARKETPLACE

Associations have an advantage over for-profit publishers: a built-in, niche community of readers. However, the competition is growing for the attention of these readers and the advertisers that follow them. Many for-profit publications have taken a cue from associations and are experimenting with membership programs in a quest to build deeper relationships with readers and more opportunities for advertisers.

The old nonprofit mindset is becoming difficult to sustain. Vallina says, “We compete with for-profit entities constantly. If we do not adopt appropriately aggressive, for-profit-esque business policies to do so, we have no realistic chance of remaining healthy, vital, and able to serve our organization’s mission.”

Media companies aren’t the only competition for member attention. Numerous businesses have discovered the benefits of content marketing. Marketing departments are shifting budgets from traditional advertising into apps, webinars, white papers, ebooks, and blogs — all of which are competing with association content and for members’ dollars.



BE THE FINANCIAL STEWARD OF ASSOCIATION RESOURCES

“Before the recession, it wasn’t uncommon for editors to see advertising as a necessary evil,” says Carrie Hartin, chief operating officer at Network Media Partners. “But with the recession, they realized that if they didn’t have enough revenue, they’d have to cut articles, issues, or the magazine itself.”

The publishing department at ANA wasn’t expected to be a revenue driver for the association. However, during the recession, ANA, like many associations, saw its membership, revenue, and reserves decrease. “Non-dues revenue took on a critical role in broadening and diversifying the revenue base for the entire association,” says Vallina. With new strategic processes in place to grow their market share and penetration rates, Vallina’s department is now the third-largest revenue center for the association.

“The business of publishing should always be taken seriously,” says Butler. “Making money may not be an attainable goal for every association publication, but a true accounting of what it costs to get the magazine out the door is attainable. You shouldn’t make decisions in a vacuum without thinking of the broader business perspective.”

UNDERSTAND YOUR PUBLICATION’S FINANCIAL STATUS AND POTENTIAL

“Organizations have to be willing to share financial data with staff so they can make

better financial decisions,” says Hartin. “Know your expenses and revenue per issue.”

Then, use data to benchmark your publication against publications of similar size. “Look at key expense categories as a percentage of revenue, for example, printing, production, and freelance writing costs,” says Brady. “How does your advertising-to-editorial ratio compare? See where you’re out of whack and make adjustments to your expenses and/or revenue generation.”

Associations that fail to maximize revenue potential usually lack strategic market awareness. Hartin says publishers should ask themselves:

- Is the publication reaching its entire potential readership?
- Are there competitive publications that already reach this audience effectively?
- Is there something unique about the association and its membership that can’t be found elsewhere in the marketplace?
- Are there vendors that have a specific service/product offering that your membership/readership needs?

DATA DRIVES STRATEGY

Chris Murphy arrived at NAFSA: Association of International Educators in 2003 to find a quarterly magazine suffering from a lack of sufficient resources. Because it accepted all member-submitted articles, the content quality was inconsistent, as was its publication schedule.

Advertisers weren’t interested since they could advertise in the regularly published bimonthly newsletter at a lower rate.

As the new publisher, Murphy needed data before he could propose any ideas for improvement. He conducted readership surveys for both the magazine and newsletter. “People loved the magazine in concept, but few read it, and they didn’t pay much attention to the newsletter,” he says.

The data prompted NAFSA to get rid of the newsletter and make the magazine a bimonthly publication. “I had to tell senior staff, who knew we were already losing money, that our new magazine would be much more expensive to produce. The survey data was helpful, particularly since it showed we were dedicating a lot of staff time to a newsletter that wasn’t being read.”

Since making these changes, NAFSA has completed three additional readership surveys. “They confirm we did the right thing and continue to help us make decisions on what’s working and what needs to be improved,” Murphy says. “Data is king in this kind of stuff.”

ALIGN PUBLICATION STRATEGY WITH ASSOCIATION GOALS

A publication should be run like a business, and its business is to help the association fulfill its mission. Murphy says, “Our new product lines must fit with our association’s core mission, vision, and value statements. Some mission-oriented products won’t make money, and that’s

TO BE FOR-PROFIT OR NOT TO BE

— THAT IS THE QUESTION

Do association publishing teams really need to think more like for-profits? Absolutely, says James G. Elliott, president of long-time Association Media & Publishing member James G. Elliott Co., Inc., one of the largest national magazine advertising sales outsourcing firms for association, B2B, and consumer publishers.

"The more a nonprofit publisher can wean their magazine off of subsidies and the more profit they can bring in, the better writing and graphics they can afford," he says. "When a publication is basically — or even totally — an association expense, then people will always want to pick away at it and cut back on what the association publisher is trying to do."

But what if your magazine has pretty much tapped out the print advertising potential in your industry? "Everyone knows I'm a huge fan of magazines, but in addition to publishing great print magazines, associations have to find additional media platforms to create a revenue stream," he says. "That's what the for-profit publishers are doing."

There are two main challenges for associations, as Elliott sees it. One is that many of them still operate with silos, so the association is looking at revenue department by department instead of collectively and organization-wide.

And second, he says, "Associations create this paranoia-like concern about members resisting their efforts to bring in revenue for the organization, and the vast majority of the time, it's simply not justified. One member writes an email complaining about advertising on the association's home page, for example, and the whole association goes crazy."

The associations that do successfully transition from a nonprofit to a for-profit mindset, Elliott says, have a chief revenue officer, or at least, someone in a leadership role with a chief-revenue philosophy. "Often, I see associations that have really good people in the wrong positions," he says. "You don't use a plumber to do electrical work, so don't put sales and revenue growth on someone who isn't wired that way, isn't optimistic about the selling process, and doesn't have the experience to overcome obstacles. A lot of times I see people in associations selling ads, but they do not have the temperament of sellers. Process-oriented people aren't necessarily best for sales."

In migrating to a for-profit approach to publishing, Elliott says the first step is to make sure the association's chief staff

executive is on board. "The key to maximizing revenue in an association is to create an environment of cooperation," he says. "Rip down the silos. Put your affinity relations, advertising, sponsorships, exhibit sales, etc., together in one collaborative effort. You rarely see silos in the revenue side of consumer publications."

While he admits that sometimes consumer publications can go too far in their effort to increase revenue (as in getting too close to trading editorial content for advertising), associations "err on the side of enormous caution." And, he adds that you don't often see the internal conflict in consumer publishing teams that you see in associations because consumer publishers are integrated and work more like a team.

"If your association's chief executive is on board with the change to a for-profit mindset, then get all your departments together for a strategic planning process," Elliott advises. "Sometimes the association chief executive doesn't realize how siloed things are."

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And what if the association leadership isn't willing to change? "Well, I would point out that the web is an inexpensive way to create community, and corporations and other content marketers are already using it to create communities that are competitive to the association's domain. I would think about that long and hard."

— *Carla Kalogridis, editorial director, Association Media & Publishing*

okay as long as other products make money to support them.”

The same approach is taken at ANA. “Like other associations, we have limited resources,” says Vallina. “Products have to align with our strategic plan and fit squarely within our mission.”

In today’s hyper-competitive content world, advertising should be an element of your publication strategy. Debbie Bates, president of Bates Creative, says, “Your publication strategy must include all media, including the website, apps, and social media. How does one piece feed the other? That’s why you need collaboration.”

OVERCOME THE OBSTACLES TO CHANGE

Developing a culture of collaboration is just one of the challenges faced by associations seeking to change long-held patterns of operation (see sidebar, “To Be for Profit or Not to Be — That is the Question.”) Hartin says, “Ideally, you’d want to have one team handling ad, exhibit, and sponsorship packaging, but many associations don’t operate that way. If that’s not the case, understand how exhibit and sponsorship sales work and find opportunities to collaborate. It takes more time but yields greater financial outcomes and better vendor relationships.”

“This type of organizational shift in thinking has to come from the top,” says Vallina. “To get that buy-in, leadership must understand the resources used to produce the publication and the potential to increase revenue.”

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— KATIE BUTLER, INDEPENDENT INSURANCE AGENTS & BROKERS OF AMERICA

“That involves research and honest accounting on your part,” adds Butler. “Change can take longer than you want. It helps to have a few champions who understand what you’re trying to do.”

The biggest challenge for ANA was instituting the for-profit mindset. In the past, if a board member had an idea for a book, they’d publish it and sell 50-100 copies. “Frankly, those days are gone. If someone has an idea for a new product, they have to do a business case to see if it’s financially viable before moving forward,” says Vallina. “You can take a loss with a product if it serves the mission, but you have to take a holistic view to make sure the money is there to pay for it.”

Running a publication like a business means being nimble. “You have to evaluate your decisions much more quickly and revisit your budget more frequently,” says Bates.

At NAFSA, Murphy says they’ve learned “what we need to do to compete and make sure the magazine no longer loses money.” Butler approaches her responsibilities in the same way. “As the editor in chief, I can’t have a purely editorial mindset. I need to look at my job

as running a business. You need to know the financial implications of editorial decisions, but you don’t have to sacrifice content quality because of that.”

FIND PROFITABLE WAYS TO MEET MEMBER NEEDS

Associations continue to investigate and experiment with new revenue models to see what members will accept. “Those associations that won’t bend outside strict lines will find it much harder to compete,” says Hartin.

IIABA, for example, developed a tablet app to meet their readers’ needs. “It was something two of our competitors already offered,” says Butler. “The app will provide interactive editorial and advertising, and generate additional revenue by providing new advertising opportunities.”

Advertisers are seeking business solutions that help them build credibility and enhance their brand. “Companies are creating their own content for brand marketing and thought leadership,” says Hartin. “They’re looking for places to leverage that content to create awareness and drive lead generation.” Association publishers can provide opportunities for companies to bring valuable company



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— CHRIS MURPHY, NAFSA: ASSOCIATION OF INTERNATIONAL EDUCATORS

research and intelligence to members’ attention — for the right price.

“Educate advertisers about reaching your audience with content marketing, especially on digital platforms,” says Bates. “There’s more space on digital platforms for advertisers to provide more information, tell a story, and gather data. With digital, they can get more bang for their buck.”

How can you help your members with their content needs? NAFSA was losing money by publishing books for a university market composed of many niche audiences. Chris Murphy realized it would take 15 to 30 years to sell much of their stock to these tiny niches. However, every year, member universities needed brochures for their students. NAFSA slowly weaned itself off books to focus on publishing packages of these informational brochures — a steady revenue stream that supports the production of the few books they continue to publish.

“Associations have many assets that can be effectively packaged to bring in more revenue,” says Butler. “For example, one of our issues features a survey of industry trends. Advertisers like being in that issue and our competitors cover it.”

LIKE TO HEAR MORE ABOUT NAFSA'S NON-DUES REVENUE SUCCESS STORY?

Plan to attend the Association Media & Publishing Lunch & Learn on this topic:
December 3, 2013
National Guard Association
1 Massachusetts Ave.
Washington, DC
Register at www.associationmediaandpublishing.org.

MAKE AN IMPACT ON MEMBERS

“When you change your approach to publishing and make improvements to your magazine, like we did, advertisers wake up, take note, and start investing in it,” says Chris Murphy. “In the first year, we increased ad sales more than 100 percent. Since then, we’ve had more than a 1,000 percent increase in ad sales.”

Because the publishing department now contributes a higher percentage of revenue to ANA, Joe Vallina says he’s in a much stronger position for budget

requests, like an additional fulltime employee. Additional revenue can be reinvested to improve content quality and depth, experiment with new content delivery methods, and provide additional staff training, or it can be used to develop or expand other association programs.

“Associations that have a more for-profit way of thinking aren’t struggling as much today because they’ve found ways to package marketing opportunities and monetize their website and publications,” says Bates. “They’re working across silos and rethinking how to leverage their different communication vehicles for the benefit of the whole association.”

Publishers who have a for-profit mindset are responsible stewards of association resources. They make it possible for the association to deliver on its promise to inform and educate members and provide thought leadership to the industry or profession. “Some people mistake profitability for sacrifice in mission,” says Joe Vallina. “You use the money you make to further the mission — that’s the whole point of making money in a nonprofit. The better you are at creating profitable products, the better off your constituents will be.” ■



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