

The Diversification Game

by Craig Swistun

Whether your experience with investing is personal or you've been on an investment committee, you know the importance of a diversified portfolio. Portfolio managers help define your goals and assess your tolerance for risk before creating a diversified strategy, employing a variety of investments that



react to changes in financial markets in different ways. This ensures success is not tied to the performance of a single investment. Putting all eggs in a single basket may not be the best approach. Diversification is a way to reduce overall risk.

One of the biggest risks facing nonprofits may be irrelevance. If they aren't being heard, they'll naturally fail to complete their mission, attract new audiences, or raise the funds required for them to thrive. So how are nonprofit leaders diversifying their marketing and communication strategies? Like a good

portfolio manager, are they assessing their organisation's tolerance for risk and combining a variety of different strategies to tackle the changing fundraising landscape?

Unfortunately, many continue to play it safe, taking familiar paths instead of actively diversifying. They tie their success or failure to "what they've always done". By not innovating, they hope for superior returns from safe, conservative strategies. Why aren't more organisations balancing tried-and-true methods with more risky, innovative ideas?

Way back in 2003, Retool's Rob Ferguson wrote about the ubiquitous practice of non-profit fundraisers trolling the same-old contact and donor lists time after time, and the benefits that could accrue to them if they only expanded their reach.

"Charities need to be re-tooled so they can tell their stories to a wider audience. Donors and volunteers are more likely to pitch in if they understand the role charities play and the challenges they face. But first, they have to learn how to tell a story that can hit the reader's strike zone."

Wash. Rinse. Repeat.

Take fundraising galas, for example. If this is a nonprofit's main method of connecting with donors, it is past time to consider diversifying. That's because galas are geared to luring-in people and separating them from their cash. Do galas benefit nonprofits over the long-term? With all that dining, dancing, and dashing after dessert, did guests really build a meaningful connection with a cause? Were they just there for the speaker and dinner? Will they come back to support subsequent galas or mission-building activities?

Similar events have lost their power to command attention. There are too many 10K races, lotteries, and ribbon sales. Worse, the public image of nonprofits is of organisations perpetually cap-in-hand. No wonder: desperate for money and scrambling for attention, the dogged pursuit of an audience through formulaic and unmemorable events works against the broader goal of establishing meaningful connections with those who may truly be interested in supporting their work.

Michael Kaiser in *The Art of the Turnaround*, writes *“too few... spend the time or effort in marketing the entire institutional image required to get people excited about supporting”* the organisation. The prevailing assumption, Kaiser maintains, is that “charming and professional fundraisers” rather than a dynamic and diversified marketing program will provide sufficient returns for the institution.

Without a clear communication plan, how can nonprofits convert public interest or goodwill into actual, sustainable support? After all, their primary mission is not new buildings, galas, or celebrity fundraisers. In a fragmented marketplace, ongoing, substantive communication is one of the few dependable ways nonprofits can improve their chances.

AOL founder Steve Case told the *New York Times* in 2006 that he believed that traditional philanthropy had become ineffective. He pointed to the National Geographic Society and claimed storytelling through its magazines, books, television, and the Internet means the Society *“doesn’t have to focus on collecting money or holding black-tie balls to raise money because its sales are sustaining its mission of educating the world about the world.”* A risky and diverse communications strategy has made the National Geographic Society’s crusade sustainable .

But what about other nonprofits? If they are struggling to grow, perhaps it is because they are not sufficiently diversified and are telling the same story, to the same people, the same way, which amounts to no story at all. Either way, it’s time for a change.

From “Who You Are” to “How You Act.”

A diversified approach does not require nonprofits to change who they are or what they do. It does, however, require them to change how they do things. It’s about finding new angles to tell existing stories to new people, and distributing those ideas to new audiences through new channels. That doesn’t mean dispensing entirely with tried and true strategies, but to consider them in the context of a broader plan.

Consider the question “does advertising really work?” Many believe that conventional advertising and traditional fundraising activities are all that is required to raise awareness and funds. It turns out John Wanamaker’s old adage from the early 20th century – *“Half the money I spend on advertising is wasted; the trouble is I don’t know which half”* – is optimistic. According to a study from Northwestern’s Kellogg School the return on investment related to running ads on traditional US television networks was dismal: *“It’s this big investment with questionable returns,”* according to Professor Anna Tuchman. No firm in the study profited from the advertising after accounting for the expense of buying the ads, so *“It looks like the vast majority of firms are over-advertising or spending too much”* and they should consider cutting TV commercial budgets in favour of other ideas.

Conventional approaches will persist, but nonprofits would be wise to balance them with unique and innovative ideas.



Team Rubicon Canada, an organisation that unites skilled military veterans with first responders to serve disaster-affected communities, is already doing this. In 2021, Team Rubicon volunteers have been active on multiple operations in northern Canada, providing assistance and relief to communities that have been hit hard by the COVID-19 pandemic. Their mission stipulates *"If a community needs help, we mobilise a team of volunteers, establish a forward-operating base in the community, and work alongside the local authorities to assist in any way we can."*

Ashley Pardy-Serre is the Director of Development. She recognizes that Team Rubicon Canada's primary message is about disaster response and preparedness. Their recent COVID-relief operations give them updated stories to share, which they eagerly tell to a wide range of people. *"This isn't just a disaster or community service story,"* she says. *"It's also a public health story, a northern Canada story, and indigenous people story."* By telling the stories that are adjacent to their primary mission, they are able to talk about what they do in a different way to entirely new audiences.



Sometimes organisations simply need to diversify the way their content is distributed. Caitlin Bailey, Executive Director of Vimy Foundation understands this. Vimy Foundation works to preserve and promote Canada's ongoing legacy of leadership as symbolised by the First World War victory at Vimy Ridge in April 1917, a milestone where Canada came of age and was recognised on the world stage. In 2020, as a way to increase their reach, they added *Beyond the Ridge*, a six-part series bringing together Vimy Foundation program alumni and experts from academia to examine how the First World War relates to the Canadian experience today.

They continue to work on co-branded events with other organisations where their work overlaps. For example, they have worked with the Toronto Zoo to examine the environmental impact of the war on wildlife not just in Europe but also here in Canada.

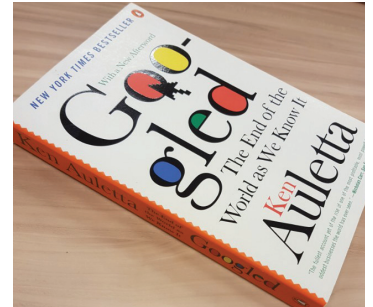
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In March, 2021, the Foundation announced a new partnership with Veteran Affairs Canada and the National Film Board. In 2022 they will launch “*Vimy: A Living Memorial*” to coincide with the 105th Anniversary of the Battle of Vimy Ridge, using digital media to ensure the Vimy story reaches even more people.

Moving away from well-worn marketing strategies only appears to be risky. It isn't. It's just uncomfortable – change is never easy. Good portfolio managers know diversification is about managing risk, not taking risks.

Your Next Move

If nonprofits rely solely on well-worn tactics for attracting attention and donations, they may be playing it too safe. To achieve better balance, consider the road less taken. Failing to experiment and innovate if others around you are, is, wrote Ken Auletta in *Googled*, like “committing suicide by neglect.” Instead of believing audiences “should already know us,” or that their existing story is sufficiently interesting, nonprofits need to be more aggressive about drawing people to new, appropriately-packaged content – especially as the marketplace of ideas proliferates and focusing becomes more of a challenge. Nonprofit survival depends on securing new audiences, holding their attention, and continuing to earn their trust, not taking it for granted.



The only group capable of creating a diversified strategy for a nonprofit is the nonprofit itself. Leadership teams are the keepers of the tacit knowledge that will become stories worth telling. As stewards of the mission, writing and expanding a nonprofit's reach is critical for continued success. Every nonprofit has something to share. So start sharing. Then you'll really have something to celebrate at your next gala.

Craig Swistun is an Associate Portfolio Manager with Raymond James Investment Counsel. The opinions expressed are those of Craig Swistun and not necessarily those of Raymond James Investment Counsel which is a subsidiary of Raymond James Ltd. Statistics and factual data and other information presented are from sources believed to be reliable but their accuracy cannot be guaranteed. It is furnished on the basis and understanding that Raymond James is to be under no liability whatsoever in respect thereof. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. Raymond James advisors are not tax advisors and we recommend that clients seek independent advice from a professional advisor on tax-related matters.