

Executive Summary

Online donors are a key growth segment for nonprofit organizations. On average, they give more initially and have a longer lifetime giving rate than conventional donors. To establish new relationships and move current constituents to interact and give online, nonprofits must shift from a static, marketing-centric website to a dynamic, interactive, and constituent-centric website.

Nonprofits’ Next Step Forward on the Internet

Internet-enabled Innovation

The Internet has transformed how we learn, live, and engage with each other. It has become a foundational enabler of our culture.

The Internet era, which began in 1995 with the introduction of Netscape’s Mosaic browser, has been a continuing enabler of innovation. While marketing drove the earliest web activities, e-commerce soon followed with the development of new channels for interacting with business partners and consumers. As business models matured across industries, organizations learned to integrate Internet channels with brick and mortar channels. This successful integration created the environment consumers and business people now embrace and expect.

How many website variants are enough? One, five, fifty, or one for each constituent?

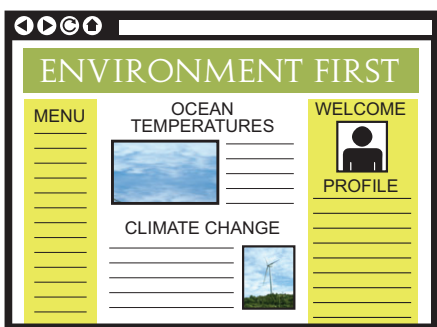
Behind the scenes, the next generation of Internet-enabled productivity gains has already been developed. The underlying structure that drives network and software applications has undergone a radical transformation. Infrastructure is now separate from content, which provides greater control over what appears on a website and how visitors interact with it. The Internet has become a more dynamic environment, where social networking, blogs, threaded conversations, and user-contributed content are turning websites into destinations for engagement rather than static portals for messaging or commerce.

Messaging-Centric



Of the approximately 60,000 501(c) (3) organizations that receive annual donations of one million dollars or more, over one thousand have already moved or are in the process of moving from static websites to interactive websites that provide dynamic content designed to engage prospects and constituents.

Constituent-Centric



Characteristics of interactive websites include:

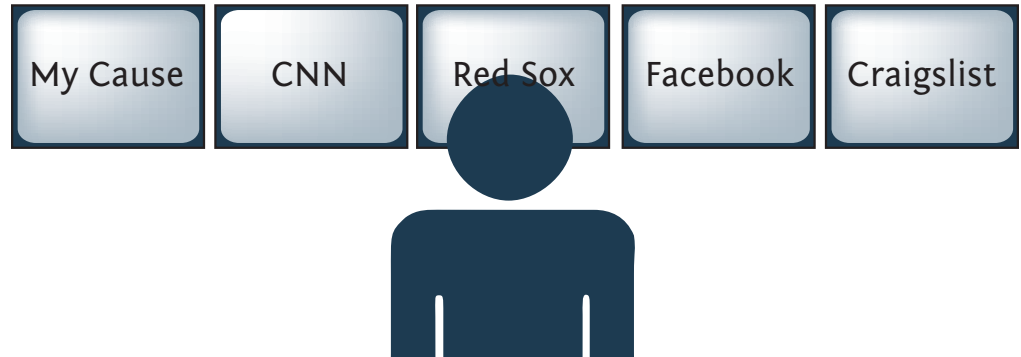
- A collaborative atmosphere where people opt-in to be a part of a community
- Public sharing of personal profiles
- Ability for users and constituents to add content, including comments, photos, or video
- Threaded conversations between community members
- Opinions and thought-generating content added by blogging contributors
- A mechanism that enables activism so constituents can engage the political process in support of their cause
- Personalized content based on historical tracking of a constituent’s interests
- Extended fundraising capability that enables current constituents to solicit members of their social networks
- Use of tools that engage across websites to create new content objects or ways of communicating content, for example, widgets, gadgets, RSS feeds, and podcasts

Dynamic websites are positioned to actively determine what donors are interested in by tracking their interests in site content, allowing donors to articulate their own preferences, and enabling donors to add content.

Creating Donor Affinity

The ongoing process of acquiring, engaging, and retaining donors is the most important challenge a nonprofit faces. To help meet this challenge, an organization's website should be the heart of its marketing strategy. Donors take the active step to visit a site based on interest and a desire to learn more. If the website is interactive, the donor is more likely to become engaged, which potentially leads to a greater commitment through donations, volunteering, and contributions to the online community. The more a website moves beyond static messaging, the better its chances of engaging donors.

Prospects and donors also come to a website with expectations. They live in a world where the commercial websites they use on a regular basis provide consistent and compelling, even rewarding, experiences. They pay bills, make investments, shop, and consume media all online. Many of these commercial companies have moved away from costly mail-based interactions and engage customers through a dynamic web presence. The resulting online experiences provide a time-saving benefit to the customer and are personalized, based on previous history and user preferences. As a result of these interactions, donors know what a good web experience is and expect the same from nonprofits. To build donor trust and affinity, nonprofit organizations must provide the same level of consistent and compelling interaction that donors experience on commercial websites.



Another way to generate donor affinity is by providing a website that gives donors transparency into how donations are spent, as well as opportunities to support the cause through volunteering or means other than donating money. This may involve supporting an online advocacy initiative or enabling people to tell their own personal stories about the cause. It could also involve providing a mechanism that enables people to personally invite their network of relationships to join in a giving campaign. Websites that provide these involvement opportunities enhance donor affinity.

The Value of Online Donor Affinity

A research study by Target Analysis Group in 2007 showed that online donors average both a higher initial giving amount and a longer lifetime giving rate. This study reinforces the importance of driving increased online giving and keeping online donors engaged. In addition to

Deciding to create an interactive website is strategic and should be supported by a disciplined value justification that addresses the many ways the new site will impact the organization. Increased donor affinity, lower operating costs, increased flexibility, and the investment required should all be reconciled in the decision making process.

“Multiple-channel donors have higher revenue per donor and higher retention rates than single-channel donors.”
 Source: Target Analysis Group 2007

A total solution provider delivers an integrated solution of products and services that enable and support a unified online and offline fundraising strategy.

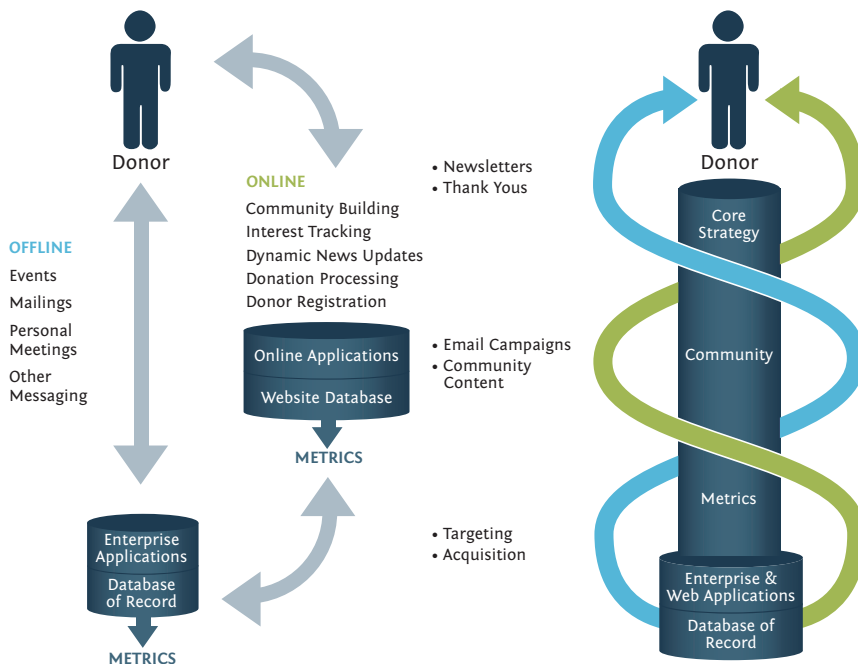
the study, many organizations that have developed a dynamic web presence report that online giving represents a high growth segment within their total fundraising strategy.

Online giving campaigns have other attractive attributes. They operate in much shorter time cycles and provide greater opportunities to collect and use valuable data. Offline campaigns take weeks to complete and even longer to assess. During that time, there's limited information available regarding who actually received the donation request, opened it, and took action. With online campaigns, the entire effort can be completed in just days and provides an almost constant flow of data about email delivery, visits to the website, actions taken, and direct feedback through comments. Both the speed and data-intensive nature of an online fundraising strategy creates opportunities for innovation and experimentation. Online campaigns are still in the early adopter phase and many of the best practices for leveraging them have yet to be created.

The low cost of contact with donors is another compelling attribute of a dynamic online presence. As donors opt-in to receive new messaging via email, subscribe to RSS feeds, or regularly visit the site to access new content, the cost of communication goes down as less printing and postage is needed.

Site maintenance is another area that impacts cost. The fact that site content can be maintained by users and not just the technology staff reduces certain maintenance costs. However, some costs for acquiring content feeds may rise, such as daily briefing reports from service bureaus. Once a site is up, it has to be maintained constantly or it could become a liability.

Finally, the cost of scaling a solution as the online channel grows is small and getting smaller. Hardware and software advances continue to make the process of scaling solutions easier to manage. These same technology advances also enable organizations to quickly scale solution capacity as needed. This is particularly important if unforeseen events trigger a surge in site visits.



Solutions with 'industrial strength' technology are reliable, resilient, flexible, and secure. Look for a solution provider that uses a trusted core platform, tested development tools, and has disciplined development processes.

Tools supporting dynamic websites might include user interface templates that enable community members to easily upload and share photos or capture threaded discussions. Such tools enable users to manage dynamic content without requiring technology team support.

Another important value proposition of a dynamic online strategy is the positive affect it can have on a traditional offline strategy. In the commercial marketplace, this has been proven in retailing, financial services, and other industries. For nonprofits, successfully planned and integrated online and offline strategies provide multiple-channel options that strengthen affinity with donors. Conversely, a lack of integration can possibly damage donor relationships. Imagine an online donor being sent an offline request for a donation shortly after making a significant gift. Donors expect multiple-channel offerings to be seamless.

Developing a Dynamic Web Presence

Developing a dynamic web presence is a strategic initiative. To support this process, an organization must select an experienced solution partner who provides software and services that will speed the time to results and produce a high quality solution. Selecting the right partner is the first step. Here are some solution partner attributes that should be considered when making this selection.

Integrated Total Solution Approach

A total integrated solution is one that successfully integrates both online and offline fundraising strategies. A solution provider that specializes in one or the other will need to address how the integration process works and how it will be maintained. Although managing integration is not as complex as it once was, it is still an area that needs to be clearly understood. Integrating two components that were not designed with the other in mind is a common point of failure and may limit growth. To minimize risks, select a solution provider that offers both online and offline competencies in a total integrated solution.

Beyond the impact on integration, there are other reasons for selecting a total solution provider. A single partner can provide unified training, solution hosting, and professional consulting that covers both online and offline strategies. Additionally, a single partner can minimize the need for custom development and supporting materials because their internal knowledge and expertise spans the entire solution.

A total solution provider can also be a valuable strategic partner who helps reduce the need for staffing a full technology department and provides opportunities for enhanced knowledge sharing and co-development of innovative functionality.

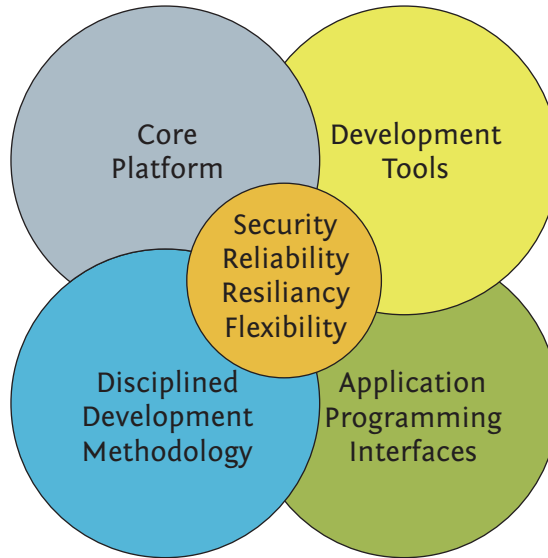
Finally, a total solution partner provides a single contact point for issues or concerns should they arise. Having multiple solution providers can be a stressful situation that often leads to non-productive finger pointing and a more costly resolution.

'Industrial Strength' Technology

Websites that are designed to be dynamic go well beyond conventional websites in complexity. The need to frequently change content, allow personalization, enable collaboration, and integrate with other websites or applications requires both a strong core development platform and development tools that can deliver these features. Making a solution 'industrial strength' means that reliability, security, and flexibility are all designed into the solution using the platform and tools selected.

The prevailing definition of on-demand solutions incorporates **Software as a Service (SaaS)**. SaaS is a software pricing and operating model that allows customers to purchase and use software via a hosted solution. The pricing may involve a subscription period, paying by transaction, or both. License investment and maintenance fees are not required. Software moves from being an investment to an operating expense aligned with the operational drivers of the customer's organization.

Industrial Strength Technology



Companies like Microsoft, IBM, and Oracle provide core platforms that allow developers to efficiently align the major architectural components of a solution. The infrastructure provided through these platforms reduces the number of possible points of failure and enhances the 'industrial strength' attributes. However, this is just the starting point. Extending the platform to provide rich functionality involves both the use of development tools and disciplined development processes.

Companies that provide core platforms usually provide many of their own development tools. To extend the platform's capabilities, they may also encourage an ecosystem of supporting tool providers to innovate and create platform extensions. When it comes to selecting the best combination of tools and deciding how they are used during solution development, it is up to the solution provider. The tools they select and how they use them provides some insight into the solution provider's vision of future technology evolution.

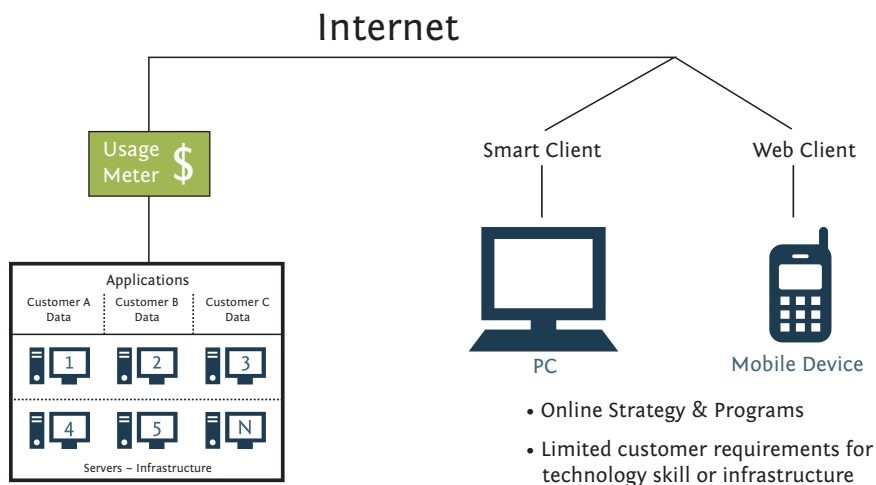
Disciplined solution development is the most important factor in creating 'industrial strength' solutions. Without it, the strengths of the platform and the development tools are meaningless. Experienced companies know that disciplined development processes provide the most cost-effective way to bring solutions to market. It is not uncommon for less experienced companies to learn this lesson the hard way.

One final aspect to be considered when assessing the 'industrial strength' of a solution involves its ability to integrate with other solutions. Many companies claim to offer open Application Programming Interfaces (APIs) to support integration, which is generally a good thing as they provide repeatable structures for passing data or logic. However, open APIs mean different things to different companies and the degrees of "openness" are often not the same. It is also important to point out that "openness" should not be confused with compatibility. Regardless of APIs, it is always important to truly understand the strengths or limitations associated with a solution that has to be integrated with other applications or databases.

Strategic alignment with a solution provider creates opportunities for a synergistic partnership.

On-Demand Solutions

There is a growing trend in the software industry to offer solutions on-demand or based upon usage. The concept is similar to how telecommunication companies sell voice and data services. The trend is enabled by economies of scale in centralized hosting and the proliferation of high speed networks. Most buyers of software are either already using or considering using on-demand applications within their enterprise architectures.



Providing quality solution support is where software companies build customers for life.

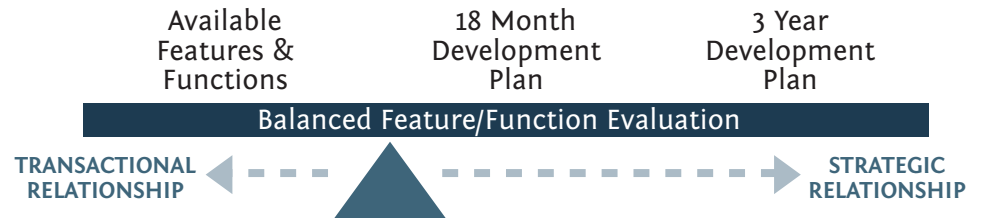
The pricing structure for on-demand software is the most obvious difference that exists between it and the conventional practice of purchasing software licenses. Paying for use versus investing in licenses is an economic decision that is usually based on several factors, including the intended use, the impact on related technologies, and the depth of the technology group within the organization tasked with managing solutions. A thorough value analysis should scrutinize the alternatives rather than just assuming one option is better than the other.

Because on-demand software is both a pricing model and an operating model, not all software companies can offer pricing model alternatives. The on-demand operating model involves how the solution is hosted, integrated, and delivered to end users. Along with the on-demand operating model come very real economies of scale. Some companies that provide on-demand software offer only use-based pricing. Others can offer use-based pricing or licenses along with the option to host the solution. By hosting the solution, a company can deliver the operating economies inherent in on-demand business models to license buying customers.

On-demand business models shift financial risk to the solution provider and away from the organization purchasing the solution. The on-demand model is also much more investment-intensive for the provider because revenue recognition is extended over the period of use instead of a one-time license fee. Due to these model characteristics, it is important for customers to research a solution provider's stability and financial viability before purchasing their services. Should a solution provider have financial difficulty, the customers of the solution bear the operating risk. Recovery from problems is much different in the on-demand model where licenses are not owned and the solution is hosted in the cloud. The customer's operating risk of losing a vital component of day-to-day operations could put the organization and the mission in jeopardy. If a solution provider's financial viability is in doubt, put operating contingency plans in place or find another vendor.

Solution Development Roadmap

Change is the constant for both solution providers and organizations looking for solutions. This fact has driven buyers of strategic solutions to down play simple feature function comparisons and place more attention on long-term strategic alignment. When considering a solution, review the provider's development roadmap. It should clearly show how they intend to keep their solution competitive and help organizations effectively achieve their missions.



Solution providers grow by expanding to new regions, investing in new markets, or enhancing features and functionality in their current solutions to win more business in existing markets. They can do this through partnerships, acquisitions, or organic development. These contextual strategies of a solution provider have a direct impact on its solution development roadmap. They drive the timing and content of future deliverables. Examining the solution provider's strategy is the starting point for assessing opportunities or possible disconnects in the roadmap.

The next step is to understand the foundational technologies used in the solution and whether there are any significant changes planned. A shift in core technologies may start the countdown on existing solutions becoming obsolete. Since there have been significant information technology advances every three to four years, it may be disconcerting not to see any changes. Major technology shifts are visible years in advance and the impact on a solution provider should be visible or at least discussed in the solution provider's roadmap.

Assessing new features and functionality can be the most challenging aspect of reviewing a roadmap. High value features easily stand out. Wow-factor features designed to create hype for selling and competitive differentiation often create confusion and provide limited value. Disciplined value analysis should be used to separate the hype from what is important.

Solution Support

The transition from selling to supporting a solution is a major milestone for a provider. Unfortunately, it's also a point where customers may notice a significant personality change by the provider. Good solution providers avoid transition issues by taking time to understand the customer's needs during the sales process and correctly setting support expectations both for the customer and internally. This accurate and complete communication practice should result in a support plan with aligned responsibilities that lead to a successful implementation and deployment.

Solution support actually begins in solution design. The interface and features of the solution that make it easy or difficult to use and manage are components of design. A well-designed and usability-focused solution, along with templates, wizards, embedded training, and other

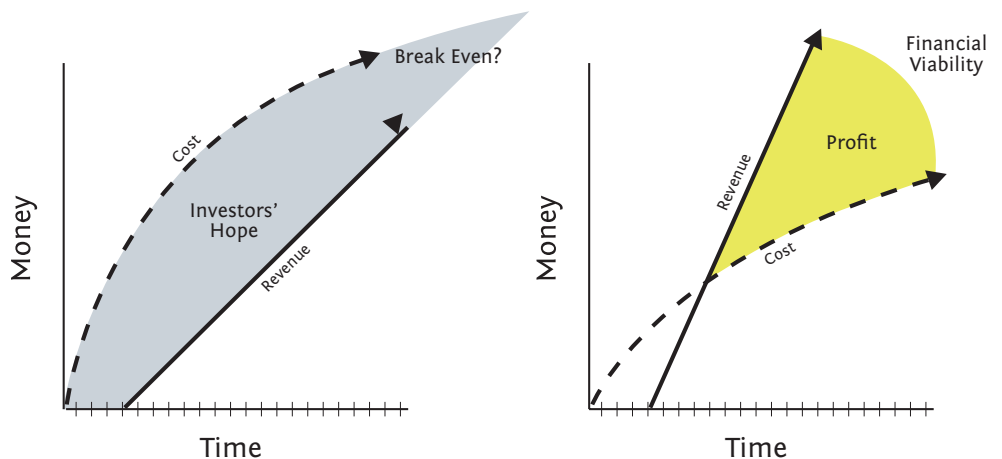
integrated help content can reduce the need for more costly second level support.

Achieving high customer satisfaction and retention rates requires going above and beyond simply being responsive to problems or questions. Knowledge sharing is one of the most valuable customer support functions. Providing performance benchmarks, best practice assessments, user forums that foster collaboration, and recognition of innovative uses of the solution all bring value to customers. This knowledge sharing is particularly important in a dynamic web solution that is still early in its best practices life-cycle.

Financial Viability

The discussion of selecting an Internet solution provider would not be complete without touching on financial viability. The barriers to entry into the market are quite low and require no intellectual property development. A good idea can be turned into a fairly robust solution in a relatively short period of development time using the platforms and tools of major software providers. Outsourcing basic development and support systems means that companies can minimize investments in people and infrastructure and get a solution off the ground quickly. However, achieving sustainable financial viability with proven solutions is a much higher bar to reach.

Once a company is launched, sales and marketing become the major areas of investment. At the same time, products are never complete and require continuous investment. Thought-leading developers are often pressed into sales or solution support roles and getting deals through low-ball pricing becomes common practice. Eventually, established competitors respond by enhancing their value propositions to incorporate the good idea that created the initial competitive advantage. Without another differentiating idea, financial viability remains an elusive goal.



The primary test of financial viability is profitable growth. Sustainable viability means that profitable growth has been achieved for at least one year. Business models that have growth without profits are trading on hope. Once investors' hope runs out, their money does too and customers are left working with a poorly supported solution with no future development plans.

Conclusion

Nonprofits' next step forward on the Internet has already begun. Organizations that move beyond static messaging to provide a dynamic and interactive website are giving donors a place to engage and expand their relationship. These donors give more the first time and tend to give more over an extended period of time. Nonprofits that integrate online and offline fundraising strategies experience an even greater value from their interactive websites.

The technologies that support dynamic web destinations are well established and becoming more mainstream in nonprofit industries. Solutions that provide the same quality dynamic web presence for nonprofits are available and up to the task. Selecting a solution provider to develop an effective online presence is a strategic decision. The first step is identifying a total solution provider with 'industrial strength' technology and a full range of products and services to deliver an effective fundraising strategy. When making the decision, it is important to fully understand the value that on-demand solution offerings provide as an alternative to conventional solutions.

Donors have expectations of quality web experiences that have been set and driven by the competitive environment in the commercial marketplace. Nonprofits that meet or exceed donor expectations will earn their loyalty.

Sponsor:

Blackbaud Interactive is proud to sponsor this advisory paper on the Nonprofits' Next Step Forward on the Internet.

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About Blackbaud Interactive:

Blackbaud Interactive is a newly formed division within Blackbaud. It was developed to bring alignment and focus to the multiple products and services that comprise Blackbaud's Internet solutions. With this alignment the Blackbaud Interactive division becomes the largest solution provider for on-demand Internet solutions to the nonprofit marketplace.

Blackbaud Interactive is a total solution provider with products and services that are aligned in purpose and development with the rest of Blackbaud's products and services. Blackbaud Interactive delivers industrial strength technologies leveraging its deep relationship with Microsoft, as well as world class design, strategy, and implementation services.

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