

The Importance of Market Research

When nonprofit leaders employ market research, the results are often dramatic

by Richard Tollefson

The Best Research and Consulting Firms?

Reputable third-party consulting organizations:

- Have proven experience in conducting market research that is adapted to the nonprofit's specific needs — whether it be a feasibility study, general research, a positioning study or a customized combination of all three;
- Encourage nonprofits to complete internal assessments to ensure there are no surprises related to capacity and readiness when a campaign commences;
- Have the ability to deploy multiple staff for market research interviews, providing a truly objective analysis taken from various perspectives;
- Know the nonprofit's industry/field — and if they don't, are willing to commit the time, energy and resources to studying it;
- Look beyond the nonprofit's operations to also understand its culture and embody it when meeting with prospects and constituents; and
- Can effectively represent the nonprofit with the most important constituents.

Nonprofits may also wish to consider firms that are part of the Giving Institute, the professional association of fundraising consulting firms.



Richard Tollefson is president of The Phoenix Philanthropy Group, an Arizona-based international consulting firm serving nonprofit organizations as well as institutional and individual philanthropists. phoenixphilanthropy.com

► It's no secret that corporations reap great dividends by conducting market research. They use facts and figures and focus-group results to develop products, explore new markets, test messaging and establish brand positioning.

Nonprofits, however, haven't typically been as quick to embrace market research, often relying instead on tradition, assumption, staff experience and "feel."

Myra Garcia, vice president of university advancement for California-based University of La Verne, argues that market research offers the same, if not more, benefits to nonprofits. "For social services organizations, market research is essential to understanding what kinds of services, hours and locations constituents need," she says. "In the arts world, market research reveals what kind of programming is desired to increase audience size. In higher education, it's important to know which 17-year-olds are most likely to apply to the institution and why."

Yet when a major fundraising campaign arises — or the need for funds to support capital projects, endowments, services or operations — nonprofits often balk at the investment necessary for third-party firms to conduct the research. And these critical studies *do* require the insight of unbiased, external organizations.

"Our market study experience reinforced both the realities of what we had hoped, and revealed what we were afraid to scrutinize," admits Charles Cannon, vice dean for University of California's Irvine School of Law. Only a third-party perspective allowed for that scrutiny, he says of the positioning study conducted for his institution, which, due to its young age, lacked fundraising history, an alumni base and proven donors. "It is immeasurably valuable to be forced to face hard truths — even if we must pay someone for the privilege of the assault."

Where to Begin with Market Research

It is the role of the executive board member, first, to encourage nonprofit leaders of the value of market studies and to educate them about the different types before entering into fundraising campaigns:

Feasibility Study	Positioning Study
Assesses the organization's readiness for a campaign	Provides perspective on priorities, goals, themes and outcomes of an already-approved campaign
Determines potential campaign goal	Determines the appropriate scope, scale and pace of the campaign
Develops initial statement of intent	Tests proposed campaign messaging concepts and the strategic/competitive positioning of a campaign
Recommends timeline/plan for campaign completion	Gauges public opinion of the organization's long-term vision and the campaign to fund it

Well-executed research can shape the direction, scope and pace of a campaign and provide a significant opportunity to cultivate and positively influence prospective donors and key decision makers through a strategic, confidential interview process.

Interviewees, identified by members of the board and leadership staff, should represent a diverse mix of constituents: individuals familiar and not-so-familiar with the organization, industry and non-industry players, established and new donors, and other key influencers or stakeholders.



The questions asked during feasibility and positioning studies collect opinions from constituents about:

- The organization's mission, vision, strategic plan and role in the community;
- The institution's leadership (the board, CEO and executive leadership teams);
- Fundraising priorities and their alignment with the strategic plan and mission/vision of the organization;
- Donor satisfaction and confidence;
- Volunteer engagement and commitment;
- Investment worthiness of proposed campaign initiatives; and
- Expected Return on Investment (ROI) from donations.

When the research results are interpreted and formally presented to the nonprofit, board members play an additional critical role: They must ensure that the recommendations are embraced — even in cases where operational changes are suggested, such as the need for new branding or a revised strategic plan, the hiring of additional staff, adjustments to the roles and responsibilities of the board of directors, or even clarification of fundraising priorities.

"Market research gives nonprofits insight into their communities' perceptions of the nonprofit's strengths and weaknesses, as well as the amount of support available for an ambitious campaign," says Ashley Coffield, president and CEO of Planned Parenthood Greater Memphis Region. Her organization used market research to test the size of a strategic growth campaign that would be achievable and acceptable in its community. "I would not invest in a major new campaign or initiative without market research."

Adds Garcia of the positioning/feasibility study conducted at her university, "For our upcoming comprehensive fundraising campaign, we gained answers to the questions that were top-of-mind: How much will we be able to raise over an eight-year period of time? For which projects? How many donors can we count on for support, and how many more will we need?"

And that is precisely what market research is designed to do: provide analytical insight that drives fundraising success. ■

