

Earned Income & Service Fees

Challenge : Sustainability of
the Code NGO Networks

Fund Raising/Resource Building

- Endowment building
- Earned Income/ Service Fees
- Individual Philanthropy/ Diaspora Philanthropy
- Small Grant Funds/ Embassy Grants
- Philippine Foundations/ NGO Funding Mechanisms
- Corporate Foundations/ Businesses as Funders
- 1% Law: Taxpayers' "Contribution" to NGOs

First steps to sustainability . . .

- Identify minimum basic network services
- Keep operating expenses extremely low
- Define minimum budget required
- Diversify revenue streams

Earned Income/ Service Fees

- Earning income can be as simple as taking a workshop you already provide and figuring out how to expand its scope and make a profit while doing it.
- Or perhaps your stakeholders tell you they need a certain product or service, which you can develop and “sell”.

Pros

- There are no strings attached to the money you earn. You may use it however you wish.
- It allows you to be self-sufficient, not dependent on donors who may change their priorities anytime.
- It strengthens your organization by diversifying your offerings.
- It can help improve your organization's image and visibility.
- It forces you to be sensitive to your customers, which will improve the way you serve your clients.

Cons

- It's time-consuming to do market research, prepare the business plan, and come up with financial projections. But it's vital that you do all these things before you start an earned income venture.
- All must be committed to the idea of entrepreneurship. You may have to educate board and staff members about what earned income is and what its advantages are.

Cons

- You must have top-quality, business-minded people.
- In most cases, you'll need some money up-front.
- You need a cushion of cash on hand, or the ability to get a quick loan, to help you through inevitable down turns in the market.
- For-profit businesses may feel you're competing unfairly and may challenge your tax-exempt status.

TIPS TO REMEMBER

- To be successful at earned income ventures, you must be willing to take calculated risks. Before you start a venture, do a risk-taking assessment.
- Part of being entrepreneurial is being able to make quick decisions. The time from a proposed idea to a yes-no decision should be no longer than 90 days.
- Know your financial goals.

Tips to Remember

- The key to successful ventures is to be extremely responsive to your customers. You should also have mechanisms in place to poll your customers.
- Aim to do fewer ventures with larger payoffs rather than many ventures with smaller returns.
- Be sure your venture makes the best use of your staff time, expertise, and program strengths.
- You need to continually monitor the marketplace. You must be ready to adapt quickly to a fast-moving, constantly changing world.

7 STEPS TO EARNED INCOME

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- Write a business plan - a comprehensive description of the proposed venture, including a detailed budget.
- Raise the capital needed to launch the venture. (Here's where corporate partners are helpful.)
- Market the enterprise to your targeted audience.
- Gradually expand the business as it proves itself.

1. Choose an idea

- Think about the services/products you have been giving to your members, government, donors, broader civil society, etc.
- What do you have that is of value to others
- Pick something related to your organization's mission. (Better to stick with your mission!)

2. Gain the support of your staff
and board

3. Do a market survey

- Be sure there is a need for this new venture.

4. Write a business plan

- a comprehensive description of the proposed venture, including a detailed budget
- most challenging aspect of the process is establishing the fee
- Direct costs & indirect costs
- What can the market afford?

5. Raise the capital needed to launch the venture.

6. Market the enterprise to your targeted audience.

- Invest time in relationships
- Be consistent with your pricing and information
- Educate your client base. You have to establish the value of your "product" as thoroughly and as early as possible.

7. Gradually expand the business
as it proves itself