INTRODUCTION

UNDERSTANDING NONPROFIT MARKETS

The environment in which nonprofit organizations operate is constantly in flux. Shifting political landscapes and funder priorities have led to calls for more collaboration and mergers, “collective impact,” and self-sustaining nonprofits. Add to this the changing needs of constituents and the shifting demographics of both constituents and donors, and it is easy to see how nonprofit leaders can feel overwhelmed when thinking about their communities.

Boards and staff often react to the complexity of their communities by resorting to the question, “What do we want to do?” Unfortunately, this approach doesn’t build the support and engagement necessary for success. Nonprofits need a structured way of understanding the communities in which they operate to inform a different, more important question: “What does our community need us to do?”

For nonprofit leaders to begin to answer that question, it is crucial they listen to the broader community—in other words, understand the market. A deeper understanding of the needs and values of different segments of a community may influence program design, leading to greater impact. And knowing the values and motivations of current and potential funders may open up new revenue strategies to increase sustainability.

Our previous work has focused on helping organizations visualize their business model using the matrix map, analyzing how mission-specific and fund development programs work together to achieve exceptional impact in a financially viable manner. Just as a boat moving through water is affected by the current, tides and wind, an organization’s portfolio of programs is buffeted by external forces which must be taken into consideration for sustainable strategy.

Doing so can be challenging, as nonprofit markets are complex systems. They include not only constituents who benefit from the programs, but also funders who pay for them. For some organizations, constituents are also funders, but, for most nonprofits, these are two different sets of stakeholders with different needs and motivations.

A holistic view of a nonprofit’s market also needs to include more than just the constituents who benefit from and fund an organization’s efforts. A nonprofit’s market also consists of other for-profit, nonprofit and public organizations working side-by-side, including those whose approaches differ and who compete with the organization for resources, talents and impact. Likewise, an organization’s mix of programs, their effectiveness, and their sustainability can be influenced by the availability of skilled labor and the political and social environment. A true market analysis needs to explore all of these influences at some level.

The author would like to thank Kate Barr (President & CEO, Propel Nonprofits, www.propelnonprofits.org) and Ruth McCambridge (Editor in Chief, Nonprofit Quarterly, www.nonprofitquarterly.org) for their thoughtful feedback on earlier drafts of this piece.
To capture these influences, we segregate the nonprofit market into five components:

1 **DIRECT BENEFICIARIES**: The primary pool of people using the organization’s services or directly benefiting from the organization’s efforts.

2 **OTHER BENEFICIARIES / FUNDERS**: Beyond the direct beneficiaries, nonprofit organizations benefit multiple other groups by furthering their ideals, values or shared beliefs, supporting their businesses and complementing efforts in a systemic way. Drawing on Dennis Young’s work on benefits theory, this component looks beyond the traditional beneficiaries to include any group of the population that may benefit from an organization’s efforts.

3 **OTHER ORGANIZATIONS**: No organization operates alone in a community. This component of the market examines other organizations, both for-profit and nonprofit, which share the community. Other organizations may be competitors or potential collaborators and — depending on the programs offered — both.

4 **INPUTS / LABOR MARKET**: Providing effective services or benefits for the community requires a pool of qualified, talented and compassionate individuals. Nonprofits compete for human capital every day in the form of staff, volunteers and board members. Understanding the trends of talent and other resources is essential to having a complete picture of the nonprofit market.

5 **POLITICAL AND SOCIAL ENVIRONMENT**: Nonprofit organizations and those that fund their missions don’t operate in a vacuum. Philanthropic and public funding are both subject to influences of political and social trends, which can dramatically influence an organization’s ability to accomplish its mission. Therefore, understanding and working to shape the environment is essential to knowing how to craft an organization’s strategy.
Determining Your Market

Understanding markets is challenging for organizations in part because they intersect and influence so many different aspects of their community, turning a straightforward task into a multi-faceted challenge. Milwaukee Youth Symphony Orchestra (MYSO), for example, often speaks of itself as an arts and culture organization. However, with a mission to “empower young people from diverse backgrounds to joyfully pursue musical excellence while building crucial life skills” MYSO is easily seen as a youth development organization, placing it in a different market. Defining an organization’s market may seem like a matter of semantics, but it plays an important role when articulating the value of the organization and pursuing funders.

Different programs within an organization may have different markets, but for purposes of understanding the overall context in which the organization operates, it is helpful to agree on one primary market. A statement of intended impact is a useful first step in providing this overarching context. The statement articulates the organization’s purpose by defining the primary audience the organization serves, the desired outcomes it seeks and the process by which it demonstrates and monitors progress toward its goal. It offers a long-term beacon about what the organization aims to accomplish and thereby helps to define the organization’s primary market by placing its identity in relation to other organizations seeking the same goals.

Finding the right definition of the marketplace is more art than science, and the connected nature of issues nonprofit organizations seek to address means they may serve more than one market. The Milwaukee Youth Symphony Orchestra, for example, could claim three markets:

- Performing arts organization
- Youth performing arts organizations
- Youth development organization

Each description has its own list of potential constituents, collaborators and competitors. Focusing on one market description allows the organization to spend the time necessary to deeply understand it, as opposed to having a shallow understanding of multiple spaces. Along with the statement of intended impact, leadership should consider how constituents— including funders—view the organization’s market. For example, many funders of MYSO debate between funding their efforts or those of the Boys and Girls Clubs. Likewise, the youth that participate are choosing among music, sports and other academic interests. With these considerations in mind, leadership of MYSO will find it most beneficial to view their organization as a youth development organization and claim the corresponding market. This market definition will allow the organization to better understand all the influences on their ability to accomplish their mission.

Each component of the marketplace can influence a nonprofit’s business model differently, with some being more important than others at times. They also all require a slightly different analysis. In the following pages we explore each aspect of the market in more detail, and offer a framework to conduct a market analysis that considers each component by asking questions and gathering information to better understand how it is changing. Finally, we introduce a tool to help leaders prioritize which market forces require strategic attention. Through this analysis nonprofit leaders, board and staff together will be able to assess the elements collectively and paint a complete picture of the nonprofit’s market. Then, using the internal assessment, they can engage in discussion and decision making about strategic priorities and how best to structure the operations of the organization to achieve impact and strengthen sustainability.
To understand an organization’s market, leadership must start by engaging with and better understanding those constituents who benefit directly from the organization’s efforts. For social service organizations, these may be clients, for arts organizations they may be audience members, for advocacy organizations they may be people for whom they advocate, and for some organizations they may be all three.

While the efforts of nonprofits often benefit many segments of the community, narrowing down those that benefit most directly from the organization’s activities gives leadership increased clarity on and power to navigate their market. Direct beneficiaries can be defined by:

- Age or demographics
- Socioeconomic status
- Geography
- Specific needs
- Other distinguishing characteristics

Many organizations struggle with identifying just one group on which to focus. The statement of intended impact, a specific statement identifying the change the organization seeks to create, who the organization serves and how progress is measured, may be useful here as that process typically defines a target beneficiary of the organization’s desired impact. Another way to consider direct beneficiaries is to think of groups in concentric circles, with a specific group in the middle (see graphic A). The innermost circle reflects constituents who are core to the organization — individuals who would either benefit most from the organization’s services or those whom the organization wishes to serve most. Answering the question, “Who must the organization serve to accomplish its mission?” helps identify the core direct beneficiary in the center circle.

Moving outward, the other circles reflect groups also benefiting from the organization’s efforts but less directly. Identifying distinct groups of the market in this manner acknowledges that different groups that benefit from the organization may have different needs and that, at times, trying to reach and satisfy the entire range of different needs is difficult. Concentric circles enable prioritization, which proves useful in setting strategy after the completion of the market analysis.

Some organizations find the concentric circle prioritization challenging as they have multiple subgroups of direct beneficiaries that are equally served by the organization’s efforts. In these cases, a table of two to four subgroups with equal weight can be created. Larger organizations with multiple programs may find, for example, their programs have distinct core beneficiaries. To truly understand the influence of this market component all direct beneficiaries need to be understood.
How to Get The Info

Census information found online and additional research can provide a lot of data, but the easiest and best way to get this information is by talking with constituents. Conduct a survey – paper or online – to determine if they’re satisfied with services. Hold a series of focus groups to ask the question and get people talking. Invite constituents into the process by providing a place for them to give input and take the time to truly listen to their needs, what is working and where there are gaps.

A market analysis of direct beneficiary groups helps leadership better understand how relevant the organization is to each group. Once the focused groups have been identified, a table can be set up to answer these questions:

<table>
<thead>
<tr>
<th>Description</th>
<th>Focus A Beneficiary</th>
<th>Focus B Beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>How do we describe this group?</td>
<td>How do we describe this group?</td>
</tr>
<tr>
<td>Demographics</td>
<td>What are the demographics of this group?</td>
<td>What are the demographics of this group?</td>
</tr>
<tr>
<td>Demographic Changes</td>
<td>What is happening with the demographics of this group? Is the group growing or shrinking? Are its members moving?</td>
<td>What is happening with the demographics of this group? Is the group growing or shrinking? Are its members moving?</td>
</tr>
<tr>
<td>Needs</td>
<td>What common needs does the group have?</td>
<td>What common needs does the group have?</td>
</tr>
<tr>
<td>Interests</td>
<td>Are there common interests beyond the mission of the organization the group shares?</td>
<td>Are there common interests beyond the mission of the organization the group shares?</td>
</tr>
<tr>
<td>Changes</td>
<td>Have the needs and interests been consistent over time or have they changed over the last five years and, if so, how?</td>
<td>Have the needs and interests been consistent over time or have they changed over the last five years and, if so, how?</td>
</tr>
<tr>
<td>Access</td>
<td>As a whole, does the group have access to institutions (public, private or nonprofit) to meet its needs and interests? What are the barriers to access, if any?</td>
<td>As a whole, does the group have access to institutions (public, private or nonprofit) to meet its needs and interests? What are the barriers to access, if any?</td>
</tr>
<tr>
<td>Other Organizations</td>
<td>Are there other organizations (for-profit or nonprofit) the group turns to for their needs or interests?</td>
<td>Are there other organizations (for-profit or nonprofit) the group turns to for their needs or interests?</td>
</tr>
<tr>
<td>Gaps</td>
<td>Are there gaps in services to meet the needs of the groups?</td>
<td>Are there gaps in services to meet the needs of the groups?</td>
</tr>
<tr>
<td>Level of Involvement</td>
<td>As an estimation, what percent of this focus beneficiary is engaged with the organization?</td>
<td>As an estimation, what percent of this focus beneficiary is engaged with the organization?</td>
</tr>
<tr>
<td>Traits or Characteristics of Organizations</td>
<td>What traits or characteristics of the organization do they value most?</td>
<td>What traits or characteristics of the organization do they value most?</td>
</tr>
<tr>
<td>Satisfaction with Services</td>
<td>How satisfied is this group with the organization’s efforts? What does the group like? How could the efforts be improved?</td>
<td>How satisfied is this group with the organization’s efforts? What does the group like? How could the efforts be improved?</td>
</tr>
<tr>
<td>Length of Tenure</td>
<td>How long have members of this group been involved with the organization?</td>
<td>How long have members of this group been involved with the organization?</td>
</tr>
<tr>
<td>Overall Perception</td>
<td>Overall, how do members of this group perceive the organization and how has this changed over time?</td>
<td>Overall, how do members of this group perceive the organization and how has this changed over time?</td>
</tr>
</tbody>
</table>

Market forces may affect beneficiaries differently. For example, beneficiaries who receive services funded by a third party may be impacted differently than those who pay directly. For this reason, it is important to understand the different segments and how changes within them may affect the organization’s ability to accomplish its mission.

Additionally, for organizations where board, staff and constituents come from different parts of the community, it is important to make sure there is a shared understanding of the needs and perceptions of direct beneficiaries. This empowers constituents to be a true part of the organization, having a say in the future direction and building an organization that maximizes impact by meeting their needs accurately.
Beyond direct beneficiaries, there are many other groups that benefit from the efforts of nonprofit organizations. These may include public agencies such as school districts or police or housing authorities. Another example might be businesses which benefit when an organization provides opportunities for employee community engagement; or homeowners in a particular neighborhood which might benefit from the nonprofit’s presence. Other beneficiaries also include foundations and funders who further their missions and interests by supporting nonprofit organizations. We consider all these groups to be “other beneficiaries” and, similar to direct beneficiaries, seek to understand their demographics, needs, and motivations for supporting the organization.

This is an opportunity for leaders to think broadly about the benefits the organization’s work brings to segments of the community it may not normally consider. Understanding this segment of the market helps organizations in not only honing their impact but also in strengthening their revenue strategy and remaining relevant to funders.

Dennis Young’s normative theory of finance offers four different types of benefits organizations may provide to various segments of their community:

GROUP BENEFITS Subgroups of communities with shared values may be interested in supporting an organization’s mission that aligns with their values. For example, people who like animals may be supportive of a dog rescue organization, and those who were in New York on 9/11 may support an organization that assists 9/11 victims. Identifying common values that align with an organization’s mission can help identify groups that might support the organization.

PUBLIC BENEFITS When a large segment of the community is supported or strengthened as a result of an organization’s efforts, the organization is said to have public benefits. Types of organizations that may benefit the public in this way include, for example, health and wellness programs, juvenile mental health programs or other employment-based programs. When an organization can demonstrate specific public benefits resulting from its work, this presents an opportunity to pursue public funding.

PRIVATE BENEFITS Individual consumers may also benefit from an organization’s efforts. By identifying individuals who benefit from an organization’s efforts through market analysis, the organization may discover some willing and able to pay for the services and benefits they receive, presenting another revenue opportunity.

TRADE BENEFITS Institutions and businesses can benefit from associating with a nonprofit and its mission. For example, cause-related marketing, when a business publicly displays their support of a nonprofit, benefits the business by associating them with the positive brand of the nonprofit organization they support.
Once an organization’s leadership understands which segments of the community are benefiting from their efforts, there may be an opportunity to explore different sources of revenue, for instance by asking those who benefit to contribute to the organization through program fees or philanthropic support.

To identify other beneficiaries, leadership should think expansively about the following questions:

- Who benefits from the results of our work?
- Who else’s missions are more successful because of our work?
- Do corporations or small businesses gain by being associated with us and, if so how?
- In what ways are homeowners or property owners better off because we are in their neighborhood?
- Are there other initiatives which are less costly because of our work?

For an example of other beneficiaries, consider an organization that provides environmental education for school children in a public park. The direct beneficiaries are the school kids. However, by hosting programs in neglected parks, local crime drops and property values rise. Additionally, by providing experiential learning opportunities, educational outcomes improve – a favorite cause of the local business community. Lastly, by engaging volunteers from corporations in park clean-up and other events, the organization provides a way of involving corporate employees in the community, one of many factors contributing to employee satisfaction.

In this story, we’ve identified several beneficiaries including:

- Local property owners
- School districts
- People interested in educational outcomes
- The police department
- Local businesses
- Larger corporations
- People interested in environmental science for youth
- The general public

Each of these beneficiaries can be examined in more detail not only to maximize impact but also to discover possible revenue sources.

The analysis should answer:

- What is the motivation or goal of the beneficiary in supporting your organization?
- How aware are the beneficiaries of the organization’s efforts?
- How much do they care about the organization’s efforts?
- Is their awareness of the organization and concern about the issues growing or declining?
- What else is this particular group interested in?
How to Get The Info

Board members, as representatives of the community, are well positioned to engage in the discussion around beneficiaries. Again, having identified beneficiary groups to inform your analysis, it is helpful to host discussions with representatives of each group to learn firsthand their knowledge of and interest in the organization’s mission.

A table like the one below may be helpful to capture answers to these questions:

<table>
<thead>
<tr>
<th>Other Beneficiaries</th>
<th>How does the group benefit?</th>
<th>Is the group aware of the organization?</th>
<th>Other interests?</th>
<th>Emerging or declining concern?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Organizations</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Foundations / Community Involved Organizations</td>
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<td></td>
<td></td>
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<tr>
<td>Government Agencies</td>
<td></td>
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</tbody>
</table>

There’s a direct link between other beneficiaries and an organization’s revenue strategy. Understanding this market component, the motivations of other beneficiaries and how they’re changing will help leadership stay close to those funding the organization’s impact, explore potential new revenue sources and build organizational sustainability.
The competition and cooperation that nonprofits encounter from surrounding organizations is one of the more dynamic and confusing components of market analysis. On the one hand, there is intense pressure from funders and other beneficiaries for nonprofits to cooperate with other organizations and form strategic alliances. On the other hand, fierce competition for funding presents a challenge – whether for philanthropic or earned revenue. These realities of the nonprofit landscape make it difficult to determine which organizations are competitors and which are complementary and thus ripe for cooperation or potential collaboration.

Nonprofit executives shouldn’t spend too much time worrying about this as it is often a false distinction; an organization may pose both competition as well as opportunity for collaboration. Similarly, in the private sector companies frequently both compete and cooperate. For example, restaurants compete with each other for diners, but also gain business by locating near each other and collaboratively providing parking and other amenities. Likewise, internet providers compete for subscribers, but might work together to fight the NSA.

Blurry boundaries between the nonprofit and private sectors are another consideration when thinking though other organizations in the market. It is important to consider both other nonprofit organizations and for-profit businesses when analyzing the competitive landscape. In some cases, it may also be wise to include government agencies or quasi-government service-providers.

Leadership also needs to consider substitutes for an organization’s services. For example, while other restaurants may be direct competition to a dining establishment, a bicycle delivery service is a substitute. For an art museum, a direct competitor might be the science and technology museum across the street or an art gallery located across town. However, thinking even more expansively, a movie theater or bowling alley might also be a substitute. To fully understand how other organizations affect a nonprofit’s business model, leadership needs to think broadly about how they define competition.

A laundry list of other organizations can be daunting to analyze. Listing the organizations and then prioritizing based on a task force’s perceptions makes the analysis more manageable. Once prioritized, briefly understanding demographics and geography served, services provided and revenue streams will be helpful. The table below captures the foundational understanding.

While the chart on the following page will provide leadership with a list and some characteristics to compare organizations, there are other methods that can be used. Peter Frumkin and Suzi Sosa in their Nonprofit Quarterly article “Competitive Positioning” offer one such model that creates a matrix of characteristics of similar organizations allowing leadership to compare and contrast.
How to Get The Info

One of the best ways to identify competitive and complementary organizations is to ask your constituents directly, “Which other organizations do you think offer similar services?” and “Which other organizations do you turn to for services?” This can be done through surveys or focus groups, for example, at the same time we learn about their needs and perspectives as direct beneficiaries.

Board members and funders are also great resources for identifying similar or complementary organizations in a community. Who else are they talking to? Which organizations do they see as offering similar services? Which organizations do they see as offering services that are complementary or go hand-in-hand with our services?

Furthermore, staff can provide a unique perspective on which organizations they see providing competitive and complementary services. Staff that are engaged in the community are particularly qualified to provide information about who else participates in community-wide discussions relating to the mission.

Revenue streams can be determined by looking at the organization’s IRS Form 990 using GuideStar (www.guidestar.org) or by reviewing the organization’s annual report or website. Alternatively, for a fee, GuideStar and Nonprofit Finance Fund’s Financial SCAN product allows for comparison and benchmarking of revenue streams and financial health using 990’s.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Constituents Served #/ Demographics</th>
<th>Geography Served</th>
<th>Services Offered</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Similar Service Providers (Perceived Competitors)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Complementary Service Providers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Substitutes (if any)</td>
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</table>

Putting the organization in context and understanding how it does or could interact with other nonprofit organizations in the community provides an opportunity for greater collaboration as well as focus on the distinct advantages an organization brings to its beneficiaries and mission.
There is no question that Steve Jobs intuitively understood what people really craved given his brilliant idea for the Apple computer. But, without the engineering expertise of Steve Wozniak, the Apple might have just remained a dream. Understanding the customer is not enough – leadership also needs to be mindful of the resources and skills necessary to meet their needs. For nonprofit organizations this means not only understanding how those who benefit from their services or programs are changing, but also being mindful of the inputs necessary to generate impact. The biggest input for nonprofits is people. To have a sense of the market, leadership needs to understand an organization’s competitive position in attracting and retaining quality talent. This is especially true if an organization’s mission requires specialized skills.

In his excellent monograph, “Good to Great and the Social Sectors,” Jim Collins talks about having the “right people on the bus” as a critical first step to accomplishing greatness. Unfortunately, most nonprofits in the spirit of trying to serve as many constituents as possible short change their staff with low compensation or poor benefit packages. This mentality is one of the reasons why the nonprofit sector has a higher turnover rate than the for-profit sector leading to shortsighted budget decisions in which the cost of recruiting and training employees is often uncalculated.

The accessibility and objectivity of salary surveys turn the focus of many discussions on staffing and satisfaction to compensation. However, today’s employees want more than just monetary compensation – they want a meaningful work environment that engages and develops them over time, valuing their opinions and professional perspectives. Therefore, when assessing the state of the labor market, leadership needs to look beyond compensation to the overall work environment and ability to attract, develop and retain key talent.

Just as leadership conducts surveys, interviews and focus groups with constituents and stakeholders, an employee satisfaction survey is a useful tool to assess this part of the market. Questions focused on whether employees feel they have the tools necessary to perform their jobs, are provided opportunities for development and feel they are valued can be helpful in determining how significantly job satisfaction may influence the organization.

Additionally, a vibrant discussion around some key questions will help surface concerns in this area:

- What is our turnover rate and why are people leaving?
- How long does it take to fill open positions and are there particular positions which are harder to fill?
- What is the ratio of our lowest to highest salary?
- How much do we invest in or provide professional development?
- Do we partner with and empower our staff to lead, valuing their experience and input in guiding the organization?
How to Get The Info

The answers to many of these questions are data points which can be tracked through payroll. Many of these indicators trend over time and collectively will reveal how challenging it is to find the necessary skillsets. These metrics may also be included as part of an organizational dashboard. Additionally, conducting exit interviews when employees leave will provide a good indication as to why the organization is having turnover and surface the perception employees have of the organization’s culture.

Too often nonprofit staff are taken for granted, but compensation is typically the largest expense for an organization and employee skills are among the biggest drivers of impact. Beyond the cliché of saying “people are our most important asset,” leadership needs to understand the market for attracting, developing and retaining talented employees and the effect that may have on the organization’s ability to continuously deliver deep impact and generate financial resources.
The last element of the nonprofit market that can affect an organization’s ability to accomplish its mission while remaining financially viable is the political and social environment in which the organization operates. Public policy affects every nonprofit organization. For example, organizations that rely on government contracts are affected by the debate over the role of public funding in our country. The debate may happen in Congress, but the ramifications are local and the social and political environment in each organization’s community helps to inform the discussion. Similarly, on the impact side, public policy is an important tool for environmental organizations to achieve their mission-related goals such as protecting wetlands or improving air and water quality. Regardless of the organization, the level of political and societal support for an organization’s values and mission affects its business model. Nonprofit leadership and staff often deeply understand this aspect of the market, although they may not take time to articulate their knowledge or educate the board. Holding space for discussion of key questions and reviewing research interviews or survey data can bring this aspect of the market to light and provide context for strategic decision making. Key questions for discussion and research include:

- Is there public awareness about the importance of the organization’s mission?
  - Has that awareness increased or decreased over the last five years?
  - Is the issue controversial in the public’s mind? How and why?
- Is there support for the organization’s strategies to accomplish impact? While many people may want the same outcome, the “devil is in the details,” and people may not support the organization’s strategies for accomplishing impact. Having clarity on specifically what about the organization the public supports is important.
- Who are key voices on the organization’s issue in the local, state and federal government and does the organization have a contact or direct connection to these people?
  - Is there an association or network that provides lobbying or information on the organization’s issue and is the organization connected with it?

It is important to note we’re not saying there needs to be universal support for an organization’s mission or theory of change. However, knowing the importance and level of public support and how it is evolving will provide guidance to leadership in setting organizational strategy. For example, if the organization relies significantly on public funding it is imperative that it engage in an appropriate level of advocacy and perhaps lobbying of elected officials – either on its own or through an association. BoardSource also has an excellent resource, “Stand for Your Mission,” which advises boards of directors on how to engage in advocacy. This market analysis discussion will help the board understand the importance of this role.
Organizational sustainability is an orientation, not a destination, because organizations must continually evolve to be sustainable. When making strategic decisions to strengthen sustainability, leadership must understand how the market affects their business model. Tactics for sustainability must constantly evolve as constituent needs, programmatic best practices, revenue and talent availability, the landscape of competitors and collaborators, and community perceptions change. Market analysis enhances sustainability by giving leadership a clearer understanding of how all components of the market are changing, and how their evolution might influence the organization’s business model.

The amount of influence each aspect of the market has on a nonprofit’s business model varies. For example, changing constituent needs or the labor market may drastically affect an organization’s ability to accomplish its intended impact, whereas a change to other beneficiaries or increased competition may affect an organization’s financial viability somewhat less drastically.

Analyzing the market won’t, on its own, dictate a fool-proof strategy for an organization to cope with its changing market. However, understanding how the changing market is influencing the organization will give leadership an idea of how their mission-specific and fund development activities could be altered to be more responsive to market trends. Some programs may be well positioned to seize partnership opportunities or meet the changing needs of constituents, while others may need to be redesigned or even phased out.

Exploring each aspect of the market individually can be insightful, but putting the segments of the market together to obtain a comprehensive look at the forces influencing an organization yields the most useful information. After analyzing each market segment individually, leadership can ask the following questions to prioritize which market aspects are currently impacting their organization’s business model most:

- How quickly is each market component changing relative to the others?
- In relative terms, how significantly would a change impact the organization’s sustainability (impact and financial viability)?

One way to prioritize the relevance of different market forces for an organization is to rate the speed at which each is changing and the significance with which each impacts the organization on a scale of 1 to 5. Leadership can then compare the results to determine which market aspects need immediate, strategic attention.
In this example, the market wheel would be color-coded to reflect the urgency of strategically addressing different market influences.

<table>
<thead>
<tr>
<th>Market Aspect</th>
<th>How quickly is the market changing?</th>
<th>How significantly would a change impact the organizations sustainability?</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Beneficiaries</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Other Beneficiaries</td>
<td>4</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Other Organizations</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Inputs / Labor Markets</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Political and Social Environment</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

To help depict how strongly each market aspect is influencing an organization’s business model, the market wheel graphic can be color-coded in the following way:

**Red:** Score 8 or 10 “High Priority” - These aspects of the organization’s market are either changing rapidly or having a significant effect on the organization’s business model. They must be addressed when setting strategy.

**Yellow:** Score 5 to 7 “Bears Watching” – These aspects are on the edge, perhaps not as a high a priority as other aspects of the market, but should be watched to understand better how they may influence the organization’s business model.

**Green:** Score 2 to 4 “Stable Influence” – These aspects are relatively stable and not in need of in-depth monitoring.
Nonprofit organizations are vehicles for community engagement – groups of individuals coming together to make their community a better place. However, when it comes to setting strategy, nonprofit leaders often don’t consider all the aspects of the community that influence their ability to achieve the mission. Nonprofit markets are more complex than for-profit markets because the payers for programs are typically different than the consumers of the programs or services. A strategic imperative of leadership is to be continuously ready to adapt to changes in the market. To do so, leaders must understand not only how their own programs deliver impact and financial viability, but also how the market is influencing their programs ability to do so.

This framework provides a holistic method for leadership and boards to explore their market and prioritize which aspects need strategic attention. Additionally, it sets up a conversation about how ready an organization is to change and whether it truly has the capacity to respond to market influences. Having an engaged and committed board and staff that reflect and represent the organization’s core constituents can dramatically expedite this process. While it may seem intense, by undertaking a market analysis, an organization will become both more aware of its position in the community and more empowered to build a stronger community.

A Faster Way: Starting At The End

We warned you – nonprofit markets are complex, and when leadership looks holistically at all five segments it is easy to feel overwhelmed. So where to start? A faster approach might be to start at the end.

Boards and staff tend to have pretty good instincts from a high-level perspective about what is happening in their market. Boards understand through their roles as community ambassadors, while staff gain insight from their day-to-day work with constituents and partners. To simplify the process, start with the survey on how quickly the market components are changing and how that change would impact the organization’s sustainability. A board and staff task force can take the market prioritization survey and discuss their results. Discussion of how individuals scored the two prioritization questions will yield new information and unknown areas for exploration. Lastly, based on perceptions the survey uncovers, the task force can efficiently prioritize which aspect of the market needs exploration first.
Market Analysis and Starting a New Program

Similar to starting a new organization, every potential new program has its own market. When considering whether an organization should begin a new program, the market wheel can be used to explore whether there is truly interest and need in the community. The answers to the questions offered in each segment begin to build the case for support: What are the needs of the target beneficiary? Who else is providing these or similar services with whom the organization will compete or collaborate? Does the organization have the skillset to deliver the program or will it be able to hire the skills? How does this align with funders’ needs? Answering these questions will help refine the idea, increasing the likelihood of success for programs that move forward.

Market Analysis And The Matrix Map

The matrix map is a visual depiction of how an organization’s programs work in concert to deliver exceptional impact in a financially viable manner. By plotting the performance of both mission-specific and fund development programs on the dual-bottom line of impact and profitability, leadership can make strategic decisions in a holistic manner to strengthen the organization’s business model and sustainability.

The map reflects a snapshot at a moment in time, but the impact and profitability of programs are constantly moving in response to organizational strategy and execution as well as market influences. The market wheel, showcased in this article, highlights the five segments of the market influencing the map.

The market analysis allows for a deeper understanding of the messages from the matrix map. The shifting of programs over time affects the organization’s sustainability and the market analysis helps dissect the external versus internal causes of the programs’ movement, enabling leadership to make strategic decisions and adjustments to strengthen the business model. For example, a high impact job training program may have shifted lower on impact and profitability over the past two years. Using the market wheel framework to examine relevant influences, leadership may realize that both movements are related to increased competition from the largest employer in the city starting their own job training program, and therefore a significant portion of their constituency no longer has this need. However, the need may still exist with a different population, which means a refinement of their program could increase impact and secure additional funding. Similarly, healthcare related nonprofits are facing increased pressure from the labor market. By exploring the market wheel and focus on the labor market, leadership may realize the importance of continuing to invest in retention and development of their nurses as an important strategy for delivering high impact programs.

This exploration can be done first by examining and understanding the market segments and then seeing how those might affect the programs on the matrix map, or, if you’ve done the map before, revising the map and then exploring which programs are most likely to be influenced by market forces. The latter is particularly useful if the programs serve different markets.

The market wheel does not seek to provide a strategic answer, but instead offers a systematic method of exploring the external forces shifting key programs. Such analysis allows leadership to ascertain the severity of those pressures and to identify strategic priorities to strengthen the organization.