

# Mid-size Nonprofits: Marketing Self-audit



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November 2018

# Definition of a mid-size nonprofit?

This audit applies to your nonprofit if you:

- claim over \$100,000/year to the CRA for fundraising expenses?
- have 1+ staff on marketing or fundraising?
- have a donor database?

If you claim less than \$100,000/year, only some audit questions will apply to you (questions 1,2,10,11,12,13).

If you claim significantly more, the same 15 audit questions apply to you. However, your answers will be more complex.

Surprisingly, revenue is not a predictor of marketing complexity (because of large or fluctuating in-kind donations and government grants.)

## Why do a marketing audit?

1. To examine marketing efforts to ensure efficiency and identify gaps.
2. As preparation for your Strategic Planning review, a marketing audit will identify marketing SWOTs and action plans.
3. To select marketing metrics to show to the Board annually.

## What are the risks?

A marketing audit can:

- **uncover non-marketing issues.** Marketing problems are rarely caused by marketing. If they were, marketers could fix them. Instead, many marketing problems are symptoms of deeper problems, usually in HR or governance. For example, a charity in decline because of Founder's Syndrome; a federated charity model where roles are unclear; a toxic work culture; difficult employees. It may be a better use of your time to fix your foundational problems first.
- **produce a range of emotion.** Audits are scary. Some employees will be open (new hires or lateral transfers from operations for career development). Long term employees will worry how the audit reflects on them.

# Marketing Self-audit

## The Art of Marketing

- #1 Is your brand clear, concise and consistent?
- #2 Does the time staff spend on activities reflect your non-profit's priorities?
- #3 Does the marketing department have a culture of creative experimentation?
- #4 Do you have a range of acquisition and retention activities per donor type?
- #5 Have you reviewed the risks to your brand?

## The People of Marketing

- #6 Do you have a combination of marketing generalists and specialists?
- #7 How is marketing's interaction with other departments?
- #8 How do you offer professional development?
- #9 How do you ensure your marketers thrive?

## The Science of Marketing

- #10 Do you track which are your most cost-effective revenue sources?
- #11 Do you track how concentrated each revenue source is?
- #12 Do you track the churn in your donor portfolio?
- #13 Do you connect marketing results to your marketing activities?
- #14 Have you customized your own nonprofit's Rules of Thumb?
- #15 Membership-based nonprofits: additional analysis for you.

Tips for the ED

Tips for the Project Manager

## Why MAS made this booklet

As a pro bono consulting charity, our mission is to build capacity. We want to help mid-size nonprofits do better marketing. This self-audit will answer:

Marketing staff: "How can we work smarter?"

ED: "How can I measure the effectiveness of our marketing?"

Board members: "What are the marketing questions I should ask?"

Consultants: "How can I add value?"

# The Art of Marketing

## #1 - Is your brand clear, concise and consistent?

Clear website?

- Does your main webpage answer who/what/where/when/why?
- Do you have pages that address the 3 donor questions? (Why should I donate to you? What was your impact last year? What will my donation buy, at different price points?)
- Does your navigation bar self-explain the work you do?
- How transparent is your website? (PDF financial reports, staff names, CRA#)
- Does your website portray the look you want? (established, youthful, caring)

Concise website?

- Can each page be understood in 8 seconds (lots of subheads, bolds, bullets)
- Does each page have a Readability Score at grade 9 level?

Are marketing tools consistent with website?

- Are the key messages in the text consistent across all marketing tools?
- Are the visuals consistent? Do you have a Brand Guide on fonts/colours?
- How do you ensure consistency between departments?

## #2 – Does the time staff spend on activities reflect your nonprofit's priorities?

- What does your nonprofit want more of? (donations, in-kind donations, volunteers, recipients, supporters, awareness of nonprofit, awareness of your cause) Is this priority reflected in your website navigation bar and all marketing tools?
- How do you track your marketing staff time (eg fundraising, mission, admin?)
- Can you track marketing staff time spent by donor type?
- Does your website receive the appropriate time and creative energy (vs annual reports and newsletters)?
- Is the time staff spend on social media/blog/content creation appropriate given your nonprofit's priority for awareness.
- What ratio of time is spent on creating content vs posting/tracking/analyzing? (80:20 seems to be typical)
- How do you balance program/advocacy messages with fundraising appeals?
- Do you have a pipeline that generates ideas for stories for publications?

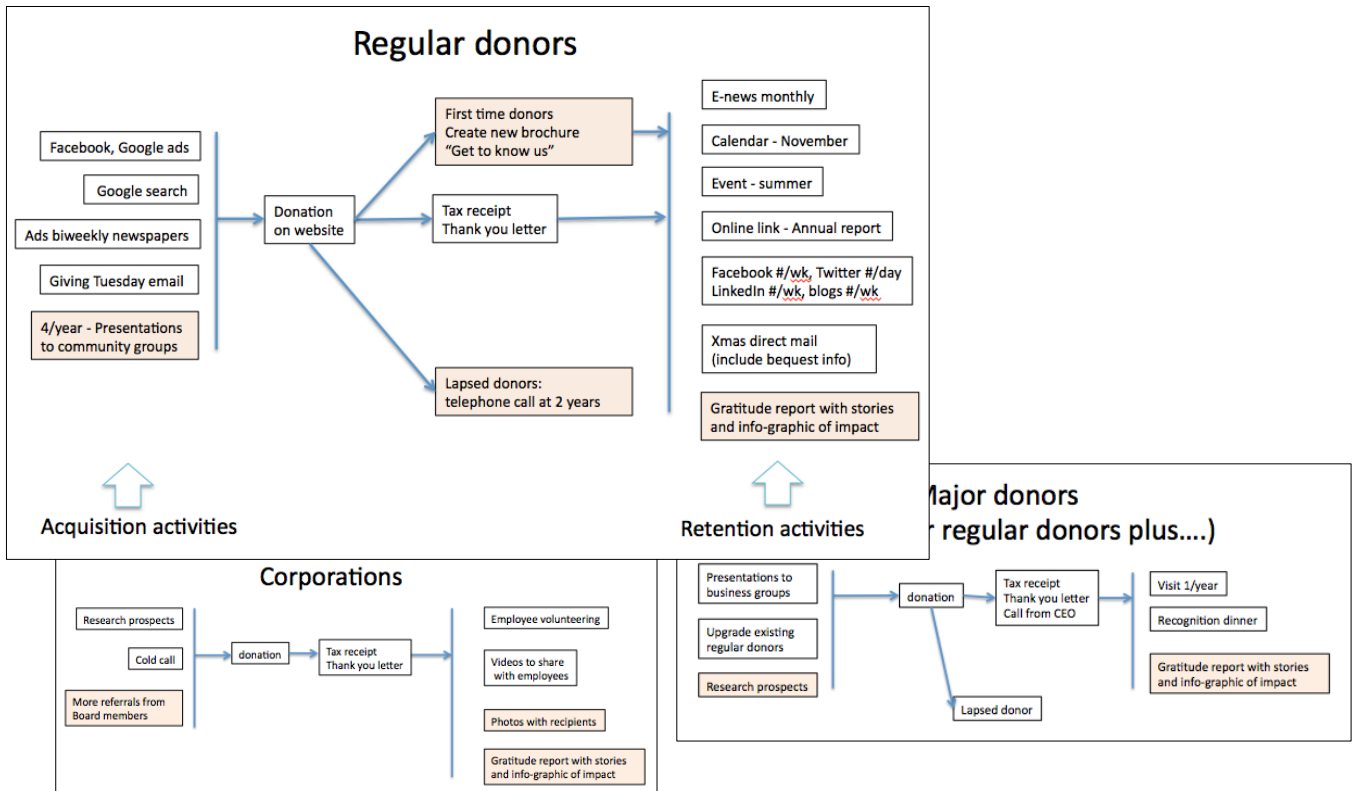
# The Art of Marketing

## #3 - Does the marketing department have a culture of creative experimentation?

- Is there an expectation to test every year a certain number of new ideas for marketing activities?
- Do you run concurrent tests on your direct mail? (eg A/B testing)
- Do you summarize conclusions in a final report (to add to institutional memory)?
- What are the emotional and career consequences to failure?
- Is there a culture of experimentation in the rest of the nonprofit?

## #4 – Do you have a range of acquisition and retention activities per donor type?

- Do you have a formal process to select new marketing activities, eg cost/benefit?
- What is the optimal number of solicitations and retention messages before donor fatigue starts?
- Have you reviewed from a donor’s point of view, every point of contact they have with you? All contacts, not just fundraising appeals. Make flow charts of touch points for each donor type. Here are examples for 3 donor types. The white boxes are existing activities; orange boxes are upcoming experiments; lapsed donors are included in each. You will need these flow charts for Question #12 where you will find that some donor types need more orange boxes under acquisition, other donor types need more retention orange boxes.
- Do staff regularly make small donations to test the journey and ensure messages are consistent, messages are personal, welcome emails sent immediately, unnecessary steps removed?



## #5 – Have you reviewed the risks to your brand?

### Risks that become public

- Have you reviewed external risks (your name is confused with others; another nonprofit has poor publicity)?
- Have you reviewed internal risks (employee fraud, board member conflict of interest)?
- Do you have a PR emergency plan?
- Have you reviewed and learned from how staff handled a recent crisis?
- How complete is your orientation for employees handling social media?
- Do you track donor complaints?
- Do you have enough spokespeople with media training?

### Risks of employee decisions

- Decision making (decisions made in a hurry, new employees who want to make their mark, employees who don't want to change)
- Have you built institutional memory (documented touch points per donor type, results of marketing experiments, Brand Guide)

### Financial risks

- Do you have diversity of revenue sources (see question #10)
- Do you have diversity within each revenue source (see question #11)

### Regional chapter risks

- Does the national office act as a gatekeeper for communicating with donors?
- Are roles clear? Are approval procedures clear?

# The People of Marketing

## #6 - Do you have a combination of marketing generalists and specialists?

- Strategy – messaging, budgeting, inter-department dynamics
- Financial analyst – cost effectiveness of revenue sources, donor churn
- Writers - produce newsletters, write stories
- Graphic designers – annual report, marketing tools
- Social media – promote events, manage website
- Public relations - create awareness of cause, AGM, press releases, PSAs
- Database – update donor data, tax receipts, produce management reports
- Fundraisers – research prospects, staff with assigned portfolios

There are risks to combining roles. The skills are different: some are creative, some analytical. Fundraising and public relations need people skills.

## #7 – How is marketing’s interaction with other departments?

### Fundraising

- Is there a balance of power between marketing and fundraising?
- How would you rate cooperation and trust between staff?
- Are marketing staff able to interact directly with major donors and corporations?

### Operations

- Is marketing regularly embedded in operations?
- Is time in operations included in marketing staff orientation?
- Do marketing staff attend other department meetings?
- Does marketing offer show’n’tells to other staff?
- Does marketing staff offer brand training to other teams?

### Senior team

- Do marketing staff get enough attention or the information they need to do their job?
- Do the senior team understand how long projects take? Your typical day?

### Board

- Do you need a Marketing Committee of volunteers and Board members?

### Federated charity model

- How aligned are the marketing priorities between head office and regions?
- Are HR issues getting in the way of resolving marketing conflicts?
- Do you think like a collection of mid-size nonprofits or do you combine your strengths and think like a large nonprofit?

## #8 – How do you offer professional development?

### Formal

- Do you have a budget to attend conferences and workshops?
- If no, do your staff attend on their own time?

### Informal

- Do marketing staff have internal/external peers with whom they can share ideas?
- Where do staff get inspiration from to improve marketing practices? (eg other nonprofits inside your cause, outside of your cause)
- How do your marketing staff grow in a mid-size organization? (vs large organizations that can offer lateral transfers between product lines)

## #9 – How do you ensure your marketers thrive?

- Does marketing staff have a quiet time each year for long term planning?
- How do you balance planned activities with ad hoc requests?
- Do your marketing staff have annual targets?
  - specific to tasks (# newsletters, social media)
  - general target for total fundraising revenue
  - target specific to donor type (eg revenue from regular donors)
- Do you have an orientation plan for new marketing staff?
- What is the typical career path for marketing staff?
- Have you thought about succession planning in the short term and long term?
- What are the top frustrations marketing staff have?



# The Science of Marketing

## #10 – Do you track which are your most cost-effective revenue sources?

Calculate the Revenue Efficiency Report (page 16) and discuss the results:

- Which are the most cost-effective revenue sources?
- Do some of the revenue sources that are cost-effective at the front end, have higher back-end costs, and are therefore not as desirable? (eg reporting government grants)
- Are you satisfied with the diversity of your revenue sources?
- Are there more risks associated with some revenue sources?
- Where do similar nonprofits obtain their revenue?
- Which revenue source has the most room to grow?
- Which revenue sources are more constant vs volatile? Predictable vs unpredictable?
- Do you have the right balance between cost efficiency vs other goals? (eg activities that raise general awareness, communications on mission, fundraising events that also thank volunteers, fundraising events that are more “friendraisers” in the long term)
- Is the allocation of staff time appropriate?
- What is your definition of a major gift? Is the \$1,000 threshold appropriate or should you lower it (eg to \$500) to give more donors individual attention?
- Do some donors have a higher “lifetime value”, eg monthly donors with automatic withdrawals vs annual donors where it is easier to not renew? How does the tenure of a donor on your database compare to the industry average of 1 year 9 months.
- Are you more successful asking corporations to donate (eg employee matching program) or to sponsor (eg logo to increase their profile)?

## #11 Do you track how concentrated each revenue source is?

Calculate the chart (page 17) and identify:

- How exposed you are if one donor in each revenue source did not renew.

## #12 - Do you track the churn in your donor portfolio?

Calculate the Donor Churn Report (page 18) and discuss:

- Are you better at acquiring or retaining donors in each revenue source?
- Which revenue sources are more loyal? (Compare renewal ratios. For regular donors, a renewal ratio over 40% is good. For major donors, a renewal ratio over 80% is good.)
- Review any gaps in the touch points within each revenue source (question #4) to identify any marketing experiments you can test.

# The Science of Marketing

## #13 - Do you connect marketing results to your marketing activities?

Complete the chart (page 19) after discussing:

- Can you re-align staff time to improve cost-efficiency of each revenue source?
- Can you re-align staff projects to address gaps in acquisition or retention?
- Can you compare year-over-year to show impact of previous marketing experiments?
- Can you compare year-over-year to identify real trends vs noise in your data vs random donor behaviour?

## #14 – Have you customized your own non-profit’s Rules of Thumb?

Complete the chart on page 20.

Consider setting up procedures to track your own ratios. Why?

- your staff can get better at predicting revenues.
- Educate your colleagues and Board members - some revenue sources take longer to gear up
- add to your nonprofit’s institutional memory for new employees.

## #15 – Membership nonprofits – additional analysis for you

Most of the questions above apply to you (except #10,11,13). Here are additional ideas:

- Activation of members

In addition to measuring acquisition and retention of members (similar to charity’s donors), you also measure activating your members. You need to measure popularity of your activities, partner discounts and partner benefits. Membership surveys are critical.

- Market share

You know how many potential members qualify, you can track your share over time.

- Rich data allows you to perform deeper predictive modeling

- Pricing membership

In addition to pricing annual fees, you can experiment with pricing individual activities. Offering discounts can be tricky.

Check out the 4 minute video that provides templates for reports customized to your needs at ([www.MasAdvise.org/](http://www.MasAdvise.org/) marketing mid-size).

# Tips for the ED

## Select a project manager

This self-audit is written for anyone with a business degree. Because of the “case study” approach to learning, business students learn theory from the textbook and apply the theory using a case study. Here, this self-audit is the theory, your nonprofit is the case. As well, the section on Science requires a basic understanding of cost accounting.

Select an employee who understands your entire organization, is comfortable crunching numbers and has an open mind. Pick from anywhere in your organization. Not necessarily from your Fundraising department (who may have vested interests in the results). Nor from your Marketing department (who may be more creative than analytical). Consider an up-and-coming employee who deserves an introduction to senior management.

Other options:

- Ask a board member on your Fundraising Committee
- MAS - pro bono consultants available by Skype. We can coach your project manager or be your project manager.

## Free up staff time

Project Manager – Expect 20 hours over the course of 8 weeks for meetings and writing the final report. Monitor your project manager’s time. It is enticing to spend too much time on these reports; stop when they reach a point where more information will not alter a decision.

The Art: 3 hours each for Project Manager and marketing staff

The People: 3 hours each for Project Manager and ED/Marketing VP

The Science: 6 hours each for Project Manager, database staff and ED/Marketing VP for meetings. Database staff will require 10 more hours for data retrieval. Since these reports should be produced every fiscal year end, next time the reports will be faster to produce. You will be looking at data in a new way and you may not have all the data. Treat this year as a trial run. Set up procedures to track more thoroughly, so next year’s reports will be more accurate.

## Expect resistance

Find a way to protect your project manager from employees who will create resistance:

- long term employees who have done marketing and fundraising in the past
- senior level fundraisers who may feel threatened by making their results more transparent
- employees who are motivated by your cause and resist attempts at a business approach

## Tips

- Review the efficiency of all revenue sources, not just the sources that marketing focuses on (eg regular donors). This creates an attitude that you are not singling out a department.
- Be careful who you show the results to. It is possible that the reports can identify poor performing employees.

# Tips for the Project Manager

## **How do I start?**

Send the list of audit questions (see MAS website for free one page summary) to each participant. Book an initial 2 hour meeting with each. Start with the section on Science, it takes the longest to complete.

## **Your role is to judge process, not content**

The questions are phrased to estimate the quality and time staff have spent on topics. It is not your role to debate individual points. For example, when evaluating risks in question #5, you need to measure preparedness. If your colleague has thought a lot about risks and handled one recently – assign a great rating. If your colleague has not thought about risks, assign a poor rating.

## **How to select a rating**

It is best to show a range of ratings. Even the best performing nonprofits have room for improvement. Even the worst performing nonprofits need something to feel good about. Most questions require a judgement about your own nonprofit, not a comparison with others. If you feel uncomfortable, reach a group consensus.

## **How accurate do I have to be?**

Unlike audited financial statements that require a high level of accuracy, these reports are for management purposes. Stop when you feel that you have enough information to make a decision and that further analysis will not change that decision.

## **Revenue Efficiency Report - How do I estimate the time staff spend on each donor type?**

Initially, an estimate from a supervisor is fine. Since the data reports should be produced annually, consider improving how your marketing staff track their time going forward.

## **What do I do if the data is not clean?**

If the data contradicts common sense, use common sense.

## **Beware the “illusion of accuracy”**

Initially, staff time may be an estimate. Initially, there may be noise in your database. Display results as words, not numbers, to avoid readers from getting hung up on the details or decimal points. The point of the self-audit is to measure trends over time, not individual statistics.

## **After the audit is done, what is next?**

Show your report to the Executive Director. Together decide on:

- Which staff receive your report and in which order. Be sensitive to the fact that some employees can feel threatened by the results.
- How to reach group consensus on which areas to select for improvement next year.

**SAMPLE**

**Marketing  
Self-audit**

Year ending December 2018

<b>The Art of marketing</b>	
#1 Is your brand clear, concise and consistent? <ul style="list-style-type: none"> <li>• changes are recommended to 7 pages</li> <li>• republish donor brochure</li> </ul>	ok
#2 Does the time staff spend on activities reflect your non-profit's priorities?	great
#3 Does the marketing department have a culture of creative experimentation? <ul style="list-style-type: none"> <li>• Set a target of 3 marketing experiments/year</li> <li>• Write formal post analysis</li> </ul>	poor
#4 Do you have a range of acquisition and retention activities per donor type	ok
#5 Have you reviewed the risks to your brand? <ul style="list-style-type: none"> <li>• More media training for senior staff</li> <li>• Review and formalize customer complaints</li> </ul>	poor

<b>The People of marketing</b>	
#6 Do you have a combination of marketing generalists and specialists?	great
#7 How is marketing's interaction with other departments?	great
#8 How do you offer professional development? <ul style="list-style-type: none"> <li>• Offer time in lieu</li> </ul>	poor
#9 How do you ensure your marketers thrive? <ul style="list-style-type: none"> <li>• Set targets that are tied to revenue results</li> <li>• Create a formal orientation plan for new employees</li> </ul>	ok

<b>The Science of marketing</b>	
<p>#10 Do you track which are your most cost-effective revenue sources?</p> <ul style="list-style-type: none"> <li>• most efficient – corporations, foundations, major donors</li> <li>• average efficiency – gifts in kind</li> <li>• least efficient – regular donors, fall event</li> </ul>	See page 16
<p>#11 Do you track how concentrated each revenue source is?</p> <p>Diversified revenue – foundations, regular donors</p> <p>Concentrated revenue – corporations, major donors</p>	See page 17
<p>#12 Do you track the churn in your donor portfolio?</p> <ul style="list-style-type: none"> <li>• More activities needed for retention – corporations, regular donors</li> </ul>	See page 18
<p>#13 Do you connect marketing results to your marketing activities?</p>	See page 19
<p>#14 Have you customized your own nonprofit’s Rules of Thumb?</p>	See page 20

## #10 – Do you track which are your most cost-effective revenue sources?

Note to Project Manager: Compare the revenue from each source with the variable costs associated with marketing and fundraising to obtain that source. Compare all sources of revenue so that you are not singling out one department. Additional tips are in the 2 minute video on the MAS website ([www.masadvise.org/marketing-mid-size](http://www.masadvise.org/marketing-mid-size)).

Remember that this analysis compares relative cost efficiency, not absolute cost efficiency. You need to compare year-over-year results to judge efficiency, in context with last year. For example, if yearly results are declining, you should judge more harshly.

Include activities for prospecting, maintaining and renewing

Customize to fit your department: one column for each staff?

revenue  
cost+time

**Revenue Efficiency Report**  
(year ending June 2018)

Source	Revenue	Marketing+ fundraising costs	Marketing staff time	Fundraising staff time	Efficiency
Corporations	\$30,000			20%	great
Foundations	\$200,000		10%	80%	great
Individuals \$1000+	\$20,000		5%		great
Individuals <\$1000	\$10,000	\$5,000	5%		poor
Fall event	\$90,000	\$45,000	20%		poor
In-kind	\$350,000		10%		ok
Gov't grants	\$500,000				
Operating revenue	\$500,000				
Mission activities: Recruit volunteers			25%		# volunteers
Awareness: Advocacy, PR			25%		# followers
Total	\$1,700,000	\$50,000	100% of \$50,000	100% of 1FTE	



## #11 Do you track how concentrated each revenue source is?

Note to Project Manager: What is your exposure if a major donor does not renew?  
 How does your ratio compare to the industry rule of thumb that 50-70% of funds raised comes from 10% of donors? (Giving USA Foundation 2009)

	<b>Corporations</b>	<b>Foundations</b>	<b>Individuals \$1,000+</b>	<b>Individuals &lt;\$1,000</b>
Revenue	\$30,000	\$200,000	\$20,000	\$10,000
# donors at year end	20	20	10	60
Top donation	\$10,000	\$40,000	\$5,000	\$500
Average other donation	\$1,000	\$8,000	\$1,600	\$160
Risk level	concentrated	diversified	concentrated	diversified

## #12 - Do you track the churn in your donor portfolio?

Note to Project Manager: Churn is the percentage of your donors who choose not to donate again. This report displays the churn within each revenue stream. It starts with a beginning balance, which donors left, who renewed, and who are new.

Without this report, if you compare balances year-end to year-end, you will not see the nuances within each revenue source during the year. For example, if you compare the two year-end stats for corporations, you would conclude the portfolio is loyal. In reality, 15 corporations left and staff are great at attracting 15 new corporations.

Additional tips are in the 2 minute video on the MAS website ([www.MasAdvise.org/](http://www.MasAdvise.org/) marketing mid size).

<b>Donor Churn Report</b> (year ending June 2018)				
	<b>Corporations</b>	<b>Foundations</b>	<b>Individuals \$1,000+</b>	<b>Individuals &lt;\$1,000</b>
Donors - last year	20	20	5	50
- not renewed #	15	1 (Bi-annual 8)	3	45
= renewed #	5	11	2	5
+ returned lapsed		(Bi-annual) 4	1	
+ new donors #	15	5	7	55
Donors - this year	20	20	10	60
Retention	poor	great	ok	poor
Acquisition	great	ok	great	great

Use # donors, since revenue data has more noise

Some foundations renew every 2nd year

## #13 - Do you connect marketing results to your marketing activities?

For inspiration on new activities for the Action Required columns, check the flow charts about donor touch points (from question #4). Use them to identify gaps in your relationships with each revenue source.

Fundraising and marketing strategies for next year					
Source	Efficiency	Retention		Acquisition	
	Revenue Efficiency Report	Donor Churn Report	Action required	Donor Churn Report	Action required
Corporations	great	poor	Introduce a mid-term report. Create videos for their staff.	great	Status quo
Foundations	great	great	Status quo	ok	Status quo
Individuals \$1000+	great	ok	Create annual Gratitude Report with stories and infographics	great	Status quo
Individuals <\$1000	poor	poor	Create annual Gratitude Report with stories and infographics	great	Status quo
Fall event	poor	na	Make an annual plan for post-event followup	na	Review cost/benefit. Perhaps scale back.
In-kind	ok	na	Create annual Gratitude Report with stories and infographics	na	E-blast list of items needed in spring

## #14 – Have you customized your own charity’s Rules of Thumb?

	<b>Corporations</b>	<b>Foundations</b>	<b>Individuals \$1,000+</b>	<b>Individuals &lt;\$1,000</b>
Renewal ratio	25%	80%	80%	10%
Acceptance:decline ratio - Events - Direct mail - Online	1:5	1:3	1:4	1:10 1:20 1:15
Lead time	6 months	4 months	1 year	1 month
# contacts/year	3	4	4	2
Ask cycle	1 year	1 year	3 years	1 year
Untapped potential	Lots of room to grow	Near maximum	Lots of room to grow	Lots of room to grow
Maximum cost- efficiency possible	great	great	great	ok

# About MAS Consulting

MAS is a pro bono consulting service, operating in Toronto since 1993. Completing 200+ projects per year, we help small and midsize nonprofits in governance, strategy, HR, marketing, fundraising, finance, IT, executive coaching and facilitation. As a volunteer-run charity, MAS is funded by donations from satisfied non profit clients.

Our 50+ Volunteer Consultants are professionals who give back using the skills we learned in our careers.

Our mission is to build capacity in the non profit sector.

If your nonprofit needs free consulting help, contact MAS

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## Other MAS publications:

Mid-size charities – Fundraising questions

Part 1 – How nonprofits can recruit and manage Skilled Volunteers

Part 2 – Orientation for Skilled Volunteers

Fundraising Bootcamp – for EDs of small nonprofits

Marketing Bootcamp – for EDs of small nonprofits

Common Governance Problems

Common HR Problems