

Mark Wilson: It’s a pleasure for me to again welcome you to our plenary session. This afternoon the topic is “Creating Vibrant Spaces for Civil Society Organizations on the Internet after E-Commerce.” You’ll be pleased to know that I’m not going to lead this, but I have the great pleasure of introducing Howard Tuckman, a person who I never have enough time to talk to, and I think you’ll find to be a wonderful host for this afternoon’s presentation

Howard is professor and dean at Rutgers University, and has long-standing interest and active engagement in the nonprofit sector – in its analysis and research. I’m pleased to present Howard Tuckman to you. He’ll be your host for the afternoon.

Howard Tuckman: Good afternoon, ladies and gentlemen. The story is told of the police sergeant who was on his way to work in the morning and saw a pig wandering down the street. Being very frustrated at the idea of this pig disrupting traffic, he picked up his radio and called into the station and said, “I’d like you to send an officer out here to take the pig to the zoo.” The next morning he got to the police station, and parked right across the street from the station was a van. And in the van was the pig with its snout hanging out and looking across the street. The sergeant, in some degree of distress, walked into the station and said, “I thought I gave instructions for this pig to be taken to the zoo.” The people in the precinct said, “Yes. And he had such a good time that today we’re taking him to the art museum.”

I always thought there was a message in that story. I think the message is that we take communication very much for granted as long as it works.

One of the very fascinating things about this session today is that we’re going to be talking about communication in a very different form. You really can’t live in a society like ours today without being barraged constantly with the notion of the Internet and what it can do for you and what it can do for society. And if that doesn’t bewilder you enough, along come the “dot-bombs.” And the dot-bombs are accompanied by all sorts of questions about whether we have put too much faith in the Internet.

I was asked about a year ago to contribute a chapter to a volume which is put out every 10 years called “The Handbook for the Nonprofit Sector.” I started out to do research on the effects of commercialization of the nonprofit sector, and the more deeply I got into it, the more I realized that it was a sector that was totally ignored, and that that was the commercialization that was going on over the Internet.

And so I began to almost arbitrarily visit nonprofit websites. As my research and my interest deepened with each excursion, I came to the conclusion that we have faced a revolution that’s gone on in front of our noses – just like those pig snouts – and we were not even realizing what was going on.

So when this conference came up, I thought it would be a wonderful opportunity, particularly for those who are doing research in the area, or those who are practitioners in the area, to do a reality check and figure out how much of this is hype and how much of this is very real.

INDEPENDENT SECTOR has done a marvelous job of putting together a very eclectic group, if I may introduce the group in that fashion. They come from very different backgrounds; they have very different perspectives. We spent the last hour culling through their presentations to make sure that they don’t overlap. And the question that I posed to all of these people is a question that I’ve heard from this group in the morning

and again at lunch. And that is not simply generalizations about what the Internet does, but specifics of what can you learn, what can you take away about the goods and the bads of participating in the Internet as a nonprofit.

We have an interesting order. We’re going to start first with Larry Kirkman, who’s the president of the Benton Foundation. Larry will give you a very interesting sense of the Internet as a portal for nonprofit organizations. I think he’ll share with many of you for the first time knowledge about a portal that actually gives you access in a very significant way to over 850 worldwide nonprofits.

We’ll switch from there to talk with Bill Galston. Bill is a professor and director of the Institute for Philosophy and Public Policy at the University of Maryland, and he will give you a theoretical perspective that I suspect will differ from Larry’s, and hopefully blend into what will become a very interesting discussion.

We’ll then hear from Vinay Bhagat, CEO of Convio. He indeed has worked with a number of nonprofits and will be doing a very interesting PowerPoint presentation that I think you’ll find will be well worth taking notes on.

And finally Edward Lang, who assures me that he has done this once or twice before and also has quite a fascinating PowerPoint presentation.

Let’s have our first speaker – Larry Kirkland, president of the Benton Foundation.

Larry Kirkman:

Thank you. Eric, who I hope many of you know is our great historian of broadcasting, of television and radio, has warned us over the years that the introduction of every new technology has brought with it the most extravagant claims for what it would do for education, culture and democracy – promises that have been recurrently undermined by commercial interests.

Over the last 30 years, I myself have worked in what is now known as “the old media,” video, cable and public television, and struggled to create and promote programming that is solutions-oriented, linked to action, invites interaction, and builds the capacity of social networks to solve community problems.

Is the Internet more hospitable to such experiments in democracy? In my own career, I think so. What was inert and analog comes to life in digital. Consider this premise. The knowledge and networks of nonprofit organization are more valuable in this new digital environment in a way that they never were in the analog, with its narrow formats and scarcity of channels.

I suggest that to you is a testable proposition. It has motivated our work at the Benton Foundation. We believe that the trust, the reach of civil society organizations, their information and analysis, their calls to action, and the voices they represent are assets that can be realized in numerous ways in communications for social change.

But as you’ve talked about, this new medium requires that nonprofits rethink and refashion their communications and information – for advocacy, for public education, for soliciting support, and for recruiting volunteers. It’s important that INDEPENDENT SECTOR has chosen to focus on new technologies. It’s critical to get them out of the back room and define them as leadership and CEO concerns.

We used to say that an organization didn't exist if it wasn't on television. That rings even more true for the Internet. Andrew Grove, founder of Intel, has said that all businesses are now Internet businesses. Nonprofit leaders are now faced with truth that all of their organizations are Internet organizations. How will they reorient staff and budgets, reinvent publications and other membership communications, and refashion annual conventions?

This new medium brings a new value to the knowledge and networks of nonprofits. It brings new potential for partnerships, for collaboration. It breaks down hierarchies and organizations and invites a qualitatively different relationship to members and donors.

In focus groups, usability studies and online evaluations, we have discovered that there is a tremendous appreciation for nonprofit information – it provides context and orientation, and is perceived as a trusted source. For example, users of Benton's Connect for Kids website, which now number more than one million unique users each month, feel inspired and empowered by the world of information on child-service advocacy. They are surprised that they can know more and do more than they thought. They appreciate the range and depth of the information, and migrate through it from volunteering to voting, from the personal to the political. They may come into Connect for Kids for very narrow purposes – volunteering to be a mentor and learning what the context is for mentoring, wanting to find childcare for personal reasons, learning what it means to struggle for a family-friendly workplace.

The value of trust in the Internet is enormous, and nonprofits can build on the trust they have earned with their constituencies. I think nonprofits are in many ways positioned to inherit the standards abdicated by what is increasingly a tabloid journalism, and which is increasingly inhibited by a concentration of ownership.

So I think the standards of journalism are up for grabs, and it's a question in our society who can rise to apply them in ways that will be meaningful.

We live in a world of information overload. Search engines are overwhelming and indiscriminate. The commercial portals, the mass-media portals, are bland – really television by another name. We believe there is an appetite for trusted intermediaries that map, digest and layer information and enable discussion and debate.

We've seen this appetite develop around the world in the centers of Oneworld.org. We've seen that Internet users have come to trust the web as a source of information. For example, 44 percent of respondents to a Pew questionnaire indicated that they believe the Internet provides a more accurate view of the world than daily newspapers or newscasts. Those who receive some of their news from the Internet told the Pew surveyors that they went online for three reasons: they could find information that was unavailable elsewhere, they could search for particular subjects, and it was convenient.

But this potential trust that users have placed in Internet information is quite fragile. If it is to be fulfilled, Internet producers must appreciate that Internet users value high-quality content – content that is clear, well written and easy to find – on specialized topics that matter to them.

So it requires, in fact, that nonprofit organizations think about themselves as information providers in quite a new way. Now even commercial media appear with these web trends. The executive editor of Cox Interactive Media said, “We're not gatekeepers

anymore. The city walls are down. We don't own customers; we don't control information. They need us as guides. They need to know what's important, what's true, and what's useful. Our new role is as a trusted guide.”

You hear this throughout the commercial sector. But can they deliver on it? For years, the problem of public-interest communications as we've defined it at the Benton Foundation and through the public-interest world, has been access to channels. Now, as many have argued, the problem has to be redefined as gaining the attention of users who are overwhelmed and underserved by the commercial services and by the sheer volume of content.

Websites now reportedly number more than one billion and growing. As Andrew Blau has said, “It's not about access to networks, but about access to audiences.”

So how do we carve out a public space on the Internet? We believe that it requires intermediary sites that aggregate nonprofit knowledge. Oneworld.net is an example of such a trusted intermediary site.

Oneworld was started six years ago with the mission to support and give voice to the struggles of the poor to better their lives. Oneworld.net aggregates and annotates more than 850 civil-society organization websites, from the big ones like the Red Cross, CARE and Save the Children, to hundreds of smaller organizations and networks.

It links the consumer to resources for information and action on global issues, on human rights, on sustainable development; and provides dynamic and timely content in more than 80 topics, from agriculture to youth. In addition to the automated functions of spidering these 850 websites, indexing them in the most sophisticated ways, and automatically summarizing them, it also uses this enormous database of resources to create editorial content.

Out of nine centers already that have developed around the world, they're creating daily news pages and thematic guides, presenting radio and video programs, and providing a forum for dialogue across borders of geography, issues and language with members that range from the World Bank to the group on the frontlines of fighting the Narmada River dam in India.

When Oneworld got started in 1995, its motto was, “The Good Guys Gang Up.” It created the first websites for UNICEF and Oxfam, for Save the Children UK. And it was that spirit of “united we stand, divided we fall,” you can't be left out, that has to drive the development of Oneworld and other nonprofit portals.

Delivering complex, systemic information on global issues in a manner that is easy to locate, understand and use is difficult under the prevailing commercial Internet models. Recent surveys have shown that the commercial search engines like Alta Vista and others only index less than 20 percent of what's on the web, leaving a majority of nonprofit site pages unfound and unvisited.

What's happening with the web is that it's developing into a multimedia service. And the opportunities for nonprofits in using multimedia are enormously powerful, not only to reach audiences here in the U.S. which increasingly have access to broadband and to the developed world, but also to use multimedia as a way to reach people in the last mile, in

the developing world. Oneworld in Africa and the Balkans is distributing radio programs through the Internet that are then used in community radio stations.

So our consumers here in the U.S. and around the world are facing lavish promises – competing technologies, a welter of consumer services from cable video on demand to Internet-based streaming media. And in this environment, the nonprofit sector has to assert a vision of public media. The future for nonprofits on the Internet lies in the distinction between the commercial marketplace and public space – the difference between selling a product and serving a nation. It is a distinction we have to honor and embrace.

Tuckman: We had agreed to follow the format of one question in between each speaker, then we will have a panel discussion, and then we will open it up to the audience. So in that spirit, Larry, let me ask you this question. I know that our next speaker is going to talk about social relationships across distances, among other things, so let me ask you this. Your organization has 850 members in it right now?

Kirkman: There are 850 partner websites. Many of them represent literally hundreds, and some thousands, of NGOs in their regions. There are, as we know, 600,000 nonprofits in the U.S., and the question of how we aggregate the content and annotate it is a real challenge. What this does is bring together those organizations that are working in some way on human rights and sustainable development. As I said, from large organizations like the UN agencies, multilaterals, to the small groups that are on the ground.

Tuckman: So if somebody is sitting in the audience and has an interest in affiliating with a network, either yours or one like it, is it difficult for them to do?

Kirkman: No, I think Oneworld makes it very easy for organizations to become part of the database because the work is done by tools that have been developed over the last six years that don't require any additional effort on the part of the organization that's spidered, indexed; whose work is automatically summarized. But the opportunity to be part of a community of practice that is inventing applications and use of the Internet is one of the other major features.

We did a study of 150 NGOs in the U.S. as part of our feasibility and development of Oneworld US, and what many of them said was they wanted to find alternative and effective means to reach the public. That was one of their most important concerns and efforts. But in addition, they said that there were two features that Oneworld provides that were not currently available elsewhere. One is to provide a forum for sharing research and analysis; to learn from one another's experiences. And the second was to highlight substantive program work – this ephemeral, fugitive material, program reports, gray matter – to balance the inevitable emphasis on resource development and fundraising that the Internet focused on.

So this community of practice, community of learners; the ability to share research and experience; in one that's quite critical and, I think, different than what you see on commercial websites.

Tuckman: So in the spirit of what we've called “the vibrant space,” what you see as the vibrancy here is the partnership with other organizations.

Kirkman: Yes, it is a network of organizations. And it's a human network as well as a search engine, and a spidering, and a technology service. That's an important mix to have.

Tuckman: Good. We'll come back to that.

Our next speaker is Bill Galston, who is a professor and director of the Institute for Philosophy and Public Policy at the University of Maryland.

William Galston: I want to begin by saying that to some extent I'm here under false pretenses, and it's important to dispel them. I probably know less about this topic than anyone else before you. I am not an Internet scholar by any stretch of the imagination.

I have done a little bit of thinking about the question from the standpoint of social theory, and what I'd like to do is use the intellectual resources of social theory backed by a certain amount of empirical social analysis to describe a problem that it seems to me the Internet is leading to. And then, rather than leaving you with a gloomy prognostication, to suggest a possible way forward.

I'm going to proceed very quickly, in very broad brushstrokes in the interest of time. I will present conclusions without evidence and without argument, and if you are interested there is going to be a question-and-answer period.

Let me sketch the theoretical basis for my concern. The first step in the argument is to say that during the past two generations, unfettered individual choice has become an increasingly dominant norm in American culture. And this is a development with consequences. In particular, as individual choice becomes more central in our lives, social bonds tend to weaken. This is a familiar point of empirical sociology as well as sociological theory, and there are reasons to believe that it is an important truth about contemporary American society.

We may, as theorists and as citizens, deplore this development, but the problems are not really problems of external judgment. They're also problems for our internal lives as we lead them as individuals.

The reason is this. Despite the manifest attractions of individual choice, the desire for meaningful attachments is a permanent feature of the human condition because of the kind of beings that we are. We will never be satisfied with a world in which attachments are weak, unsatisfying and even evanescent.

How do we try to square the circle between our holding fast to the norm of unfettered choice as perhaps the central animating norm of modern life on the one hand, and on the other hand our desire for social bonds?

I suggest that the effort to reconcile these two competing imperatives gives rise to a preference for a mode of association that I will call “voluntary community.” Voluntary community, as I understand it, has three defining conditions. First, entry is by choice. Second, barriers to exit are low. And third, intracommunity relations are shaped through mutual adjustment rather than through authority or coercion.

Sounds great. But, and this is one of the turning points in my presentation, despite the obvious attractions of voluntary community as a way of apparently squaring this circle –

you get both choice and social attachments – its rise, I believe, intensifies a range of existing social problems.

I want to pick out just one, namely the tendency of voluntary communities to organize around a narrow range of interests in which, and about which, the members of the community are in broad agreement. Let me make it very clear that I have no objection whatever to many of the focused associations that the Internet so obviously facilitates. Quite the reverse. Groups organized around specific diseases provide important emotional support and the rapid location and sharing of information about promising new therapies.

Similarly, groups can form around shared hobbies, and the Internet makes possible interactivities that transcend previous barriers of space and time. My point is only that in the contemporary social domain, single-interest organizations, whatever the interest may be, are deeply problematic.

And here is why. Voluntary communities tend to be homogeneous. When given a choice, most people tend to associate with others who are like themselves in the respects that they regard as important. Above a relatively low threshold, most people experience deep difference as dissonant and unpleasant. Even when these differences need not be reconciled through explicit collective decisions, they suffuse the shared social space and reduce its appeal for many of its denizens.

To be sure, many people experience differences of food, of culture, and even opinion as stimulating, so long as they can sample them and leave when they choose. For most people, in short, diversity is a nice place to visit, but they don't really want to live there.

Now, because Internet communities are voluntary communities, they are more likely to be homogeneous rather than heterogeneous. And group homogeneity can have negative consequences for society as a whole. If I had more time, I would go on to discuss a series of important papers that have talked, both theoretically and empirically, about the tendency of voluntary communities to be homogeneous communities. And the problem with homogeneity is that not only does it tend to create groups that are sealed off from one another, but there are well-known social-science findings to the effect that homogeneous communities tend to intensify agreement within the community around more and more extreme forms of the agreement than brought the members together in the first place.

Why is this a problem? My answer is that it is a problem because it is a problem for democracy. A vibrant civil space, to quote the animating phrase from this panel, is not just a place where different groups can engage in parallel play. A vibrant civil space is a place where meaningful dialogue, deliberation and decision-making take place across lines of deep difference. And so, a form of civil organizing that rounds up the usual suspects, that is very confident that it knows the difference between the good guys and the bad guys, is one that does not expand democratic deliberation and debate. It is one that narrows democratic deliberation and debate by defining a perimeter of like-mindedness as the perimeter within which discussion and information-acquisition is going to take place.

That, I submit, is not good for democracy.

What can we do about this? My argument, which I only have time to state, is that the architecture of the Internet is more egalitarian than it is democratic, if by democratic one means deliberative. It turns out that the architecture of the Internet is better suited for customer-style transactions than it is for democratic-style transactions.

What I want to suggest is that in order to turn the potential of this medium from a customer market model to a democratic model, it will be necessary through deliberative action to change the architecture that *leased a portion of this space that this medium creates.

Some colleagues of mine at the University of Maryland -- Peter Levine and Robert Walkright, in cooperation with scholars such as Harry Boyt from the University of Minnesota and *Lou Freedman from the University of Wisconsin – with a grant from the Ford Foundation are engaged in a project whose enterprise is to create what they are calling a public telecommunication service. One of the major functions of this public telecommunications service would be to define the parameters of a new domain, a dot-civ domain, that not only would be organized and run democratically, but whose internal rules and practices would be specifically designed to break through the boundaries that too often bring together hermetically sealed groups of the like-minded; and to foster robust democratic deliberation, debate and decision-making across lines of deep difference, because rounding up the usual suspects is not the path to a vibrant democracy.

Thank you very much.

Tuckman:

Bill, in this period of exploring this concept of democracy a bit further, we often hear the nonprofit sector both defended and lauded in terms of its representativeness of individual groups. When you go abroad and people talk about the nonprofit sector, particularly in countries like China where this is a difficult goal to achieve, we see envy of the fact that the third sector gives voice to many, many dissident opinions. Why wouldn't the Internet simply be an expansion of that? What is there magic about that vibrant space that would alter the role that the nonprofit sector plays now?

Galston:

Giving voice to the voiceless is a necessary condition for democracy, but not a sufficient condition for democracy. I guess that's the basic point I'm trying to make. If you are functioning in a very, very repressive society, where many of the voiceless have no outlet, then the Internet is a tremendous step forward toward democracy, and the envy of civic-minded people and democratic activists in China for the United States civil society, including our free access to the Internet is entirely understandable in those circumstances.

But I think the mistake that we make is to believe that if we have empowered groups to speak, we have done everything that is necessary in order to build a vibrant civil space for democracy. If we have not attended to the organization of speech in such a way that genuine debate occurs across differences, then we have not, in my judgment, arranged the constitutional architecture of information and debate in a very democratic way.

To put it slightly differently, there was in the 1950s a theory of political pluralism that was sort of a baseline when I was a graduate student. And that is, you have all these different special-interest groups – in the 1950s they were thought to be organized around economic interests – and out of the collision of those groups, through a process of mutual adjustment, you will get a result and that result will be democratic.

Well, there is something missing from that vision of pluralistic interest-group adjustment. In my judgment, it does not get to be a more adequate theory of democracy if you simply add nonprofit advocacy groups to the mix. You may redress an imbalance in the pluralist system, but you do not create democratic debate as those of us who think about democratic theory understand it.

Tuckman: Thank you. I have a suspicion we'll want to come back to some of those ideas.

Our third speaker is Vinay Bhagat, who is the chief executive officer for Convio.

Vinay Bhagat: I'd like to start with a question. How many of you here in the room today work as staff members or officers of nonprofit organizations? And of you, how many of you believe that the Internet is going to be strategic to your growth in the next two years?

Good. That's a friendly audience, then.

I'm going to talk about how I believe nonprofit organizations can apply Internet technology to create a sustainable support base.

I'm an avid reader of Peter Drucker, and he was quoted in August of last year saying that the Internet is going to have more impact on nonprofit organizations than for-profit organizations for the simple reason of capacity; that it really does give nonprofit organizations a tremendous new burst of capacity to do more with less.

When I started Convio a couple of years ago, I looked at the nonprofit sector as an outsider. I had worked with a number of Fortune 500 companies, trying to understand how to apply the Internet and e-commerce to their strategies. When thinking about the nonprofit sector, my outsider's viewpoint led me to see a few key points.

One was that there is increasing competition for support and dollars, for volunteers and donors. But those donors are changing. No longer are they old, multigenerational donors who bequeath their funds just because that's how they've been brought up. There's really a concept of a new breed of donor.

To give a very emblematic example here in this region of the country, someone like Steve Case. Someone who's new, the founder of AOL, someone who's very much new to money but lives on a different timescale where he operates 24/7, or needs to be interactive in a very convenient manner.

I also think that society in general is used to a more personalized and relevant form of communication today as a result of the Internet. But it extends beyond that. Nobody today actually orders coffee. When you walk into Starbucks, you get your skinny tall decaf double-whipped mochacino, and that's emblematic of the fact that everyone wants to have a more personalized experience in every aspect of their life.

I think that translates to how donors want to interact with a nonprofit organization as well.

But the fundamental point I'm going to be talking about today is one of capacity. Today, many nonprofit organizations we work with feel immensely constrained in terms of what they can do with their small staff. They find that they're spending almost 80 percent of their time on administrative work – be it pledge cards, *save the days, outbound mail

campaigns – and find that they have increasingly less time to do the work they need to do, focusing on stewardship, focusing on managing relationships, and focusing on trying to create a more sustainable support base for their organization.

Today, however, I’d have to say that there is pretty limited adoption of the Internet truly as an effective medium for nonprofit organizations. And that’s for a couple of reasons.

In my mind, there’s not a lot of clarity as to how one should proceed, and that’s causing inertia. Just to take one aspect of the adoption of the Internet by nonprofits, less than one percent of funds today are raised online, in general. There are some exceptions to that rule. In the public-radio sector, there are people like WAMU here in Washington who consecutively raised over 30 percent of funds online in their last three campaigns.

There are people like the Planned Parenthood Federation of America, who we work with, who raised 66 percent of funds online in their most recent campaign.

There are also limited metrics. Twelve months from now, if I speak again at a forum like this I’ll be able to present a lot more metrics about how the Internet has changed in terms of bringing advocacy and fundraising online, how it’s impacted volunteerism, how it’s impacted retention rates of donors. But today there are limited metrics.

But there should be optimism. The reality is that nonprofits today have a tremendous opportunity ahead of them to use the Internet. My thesis is that there is a tremendous opportunity cost to not acting today. Really fundamentally, because it does afford you a tremendous capacity.

In terms of creating a sustainable support base, there are three elements to how nonprofits can embrace technology. One is prospecting, attracting new forms of support to your organization. The second stage is engaging those supporters so they become activists or donors for your organization. And the third stage is retention.

Again, as an outsider coming into the sector, I was surprised to learn that the average donor-retention rate in the nonprofit sector is somewhere in the range of 50 to 60 percent. It varies by sector, but that’s a good rule of thumb.

Think about that for a second – a 55 percent retention rate. If you were not to do any prospecting or acquisition-type activities for donors or volunteers or activists, within about 3-1/2 years your support base would have reduced to zero.

So anything you can do to increase retention rates has a significant impact on an organization. In my early research, we interviewed a public radio station in Boston who had a 56 percent member-retention rate. They calculated that changing their retention rate just four points would translate to a 30 percent delta in performance improvement. So it’s a very significant point.

How does technology really help, specifically the Internet? I often get asked about how to drive people to a website. It’s all well and good having a phenomenal web presence, but it’s no good unless you can drive people to your sites.

Traditional media, be it your newsletters, your communiqués, et cetera, are the primary mechanism today by which you are going to attract new traffic and new visitors. But when you do drive people to your site, it’s essential that you are doing as much as you

can to get them to register and give you their email addresses so they don't remain anonymous constituents who visit your site, but they actually become active prospects, or active people that you can communicate with.

We are speaking with another organization here in this part of the country that has almost a million unique visitors to their website. But they have no form of registering them, so those million visitors per month are lost on them when they could be actively added to their prospect file.

Another concept that sounds pretty unpleasant, but actually is a very, very powerful form of marketing is viral marketing. It has nothing to do with computer viruses; if any of you have been victims of those, don't fear. It's a very good thing. The notion is essentially how word-of-mouth marketing, or chain-type marketing, can be leveraged by a nonprofit organization to spread word very quickly electronically.

So you attract someone to your website. Then what? It's no good unless you can engage them and get them active and interested in your organization. Here are a few techniques you can get them to do that.

Have much more frequent and personalized communications. In a paper-based world it's very expensive to communicate, so what often happens is that organizations spend money on fundraising or activism-type communiqués, as opposed to communiqués around stewardship, or education, or things that may be of interest to a constituent.

Another concept that's really important is starting to use personalization. Do any of you shop at Amazon.com? Does anyone like shopping at Amazon.com?

Sir, what do you like about the experience at Amazon.com?

Attendee: It's easy.

It's easy. They have a concept called “one-click” shopping, which I'll talk about in a second. Are you a registered user at Amazon.com?

Attendee: Yes.

OK, what do you see as a registered user?

Attendee: (Garbled)

They greet you by name and they recognize you. People have studied the impact of personalization on commercial websites like Amazon.com versus organizations that don't use it. They've found that they're approximately five times more effective in terms of net revenue generated. And the principle is to treat someone as an individual. You show them books on wine if they're interested in wine, or books on dogs if they're interested in dogs. There's a propensity for them to spend more, or do more, with you.

And the same concept applies fully analogously to the nonprofit sector.

It's also about using tools like petitions and surveys and online community-building tools to engage people to your organization. And again, bringing in another concept from the

commercial world, make it easy and make it convenient. If Steve Case happens to visit your organization’s website, I hope it’s easy to navigate. I hope he can give very simply.

So if you’ve got someone who’s coming back to your website for a second time, make it a “one-click” giving experience.

Retention. People visiting your website can give you a whole host of information about themselves. Each time they interact or transact with you, be it they give, they sign up for an event, they fill in a petition, you’re learning more and more about them. You’re learning about their interests, and you’re learning about why they’re active in your organization.

So it’s important to capture that information, and then use it effectively

Once people are involved in your organization, they should become ambassadors. There are plenty of ways to use the Internet to enable those constituents to become ambassadors of your organization.

Here are a few examples of viral marketing. Again, it’s not a bad thing; it’s a good thing. Many of you may have been recipients of an email from Planned Parenthood Federation of America about their recent Presidents Day campaign, where they were basically trying to raise capital and also awareness of their cause by allowing people to donate in memoriam or in honor of President Bush because of his position.

Historically, Planned Parenthood had raised about 0.2 percent of its funds online. Through this campaign, they raised two-thirds of their campaign contributions online, raising over a half-million dollars in just a few weeks. And interestingly, this was a net-new contribution. Over 90 percent of the contributions were from people who’d never donated before.

Another pretty well-known organization is MoveOn.org, a grassroots organization started by two people, on a kitchen table basically, who decided they wanted to mobilize around the notion of censorship and moving on the political debate to the next level. They sent out an email to 300 of their closest friends, and within 60 days the email had reached 500,000 people who had actively voiced a voice of support.

That gives you a sense of how quickly viral marketing can take off.

They raised two million dollars through this campaign. And they also managed to build a database of active constituents. So on the issue of handgun control, they were able to get 40,000 people to sign a petition within 24 hours.

At the other end of the spectrum, a children’s museum based in our hometown, Austin, Texas, started an active online presence in August of last year. They found that people who supported their organization started to forward messages to their friends to say, “Why don’t you come join up,” “Why don’t you at least register and subscribe to the email newsletter to understand when the museum has interesting exhibits?” They found that 90 percent of the people coming to their museum’s website, or registering, had never given to the museum before, and they garnered new forms of support.

So it’s a very powerful concept.

Another concept: email. Email truly is the killer application. It's very powerful. Firstly, in the university sector, we've seen 2X response rates to email versus direct mail. Stanford University did a study where they compared two 500-person test cells. They looked at the response rates for email and direct mail and found a double response.

Harvard did another study where one of the recipients sent them a \$10,000 gift online and said, “Do not ever solicit me by paper again.” Maybe that's an extreme example, but it's emblematic, I think, of a lot of people's reactions. They would much rather interact electronically.

Another very important point is that it's very hard to mobilize a paper-based campaign. Say you have something timely that needs to happen quickly, the Internet and Internet technology allows you to take action within 30 or 45 minutes, whereas it may take you several weeks to do something by mail or paper.

And, of course, cost. If the average personalized email costs around three to thirteen cents to send versus a direct-mail piece of 50 to 60 cents, you can obviously do a lot more communication with your constituents than just doing the once-a-year ask.

If you are going to send out email to people, there are a few important concepts to think about. One of them is thinking about them as being “closed loop.” What that means is that half the email drives to some form of action. Here's an example of a constituent of a museum fine arts who receives an email saying, “We thank you for your contribution last year. It's time to renew. Here's how we spent your funds, and we'd really like you to come back and make a renewed contribution.” So you drive that person to the appropriate campaign page, or giving page, that's relevant to their interest and to their previous level of support.

Again, it's applying a very simple concept that works in the commercial sector about driving someone to specific content that's relevant to them.

Talking about this concept of personalization a little further, there have been some successes online with personalization across the nonprofit sector. The World Wildlife Fund has found success with a part of their website called “My Panda,” where people sign up for specific alerts on the subject of ecology and announcements that are relevant to their interests.

In the university sector, the University of Dayton, Ohio, found that they had very high response rates to an email newsletter to their alumni base. Historically, they'd seen response rates of around 2 to 3 percent. But they saw response rates on their electronic medium of about 30 percent by sending out content that was relevant to alumni.

In the old world, you're all used to collecting a lot of data about your constituents, the people who support your organization. Taking a fundraiser's view of constituent relationships, you've traditionally kept information on affiliations, on contact history, on membership history. The Internet allows you to capture a lot more information. That may be interactions that they have with you on your website, it may be online gifts, or online registration for events.

But it's really important that you start to embrace the concept of having a unified view of constituents. If you have offline data that's been captured, and online data, how can you

use this data in a collective pool to do more intelligent and more segmented relationship-management and marketing?

One of the questions that was asked today was that the Internet is being used by a number of large organizations – the World Wildlife Funds of this world – who are able to spend millions of dollars on technology, but how can smaller organizations embrace this medium?

The Internet truly does democratize technology. It brings the type of technology that historically has only been accessible to the largest organizations to the very smallest. We work with groups ranging from Planned Parenthood at the largest end of the spectrum down to very small and regional nonprofit organizations. There are a number of businesses that are positioning themselves as application service-providers, where they essentially lease their services to organizations versus selling them. In that scenario, a small nonprofit organization can benefit from economies of scale when somebody else manages the technology.

We also hear a lot about the difficulty of managing technology in-house, and that you have to provision for upgrades and for keeping up to date. This new breed of service provider will allow you to keep pace with technology on a very dynamic basis, so you're always using the latest form of technology.

But as was alluded to earlier, the technology market is pretty unstable, so it's important to pick a partner who you know will be around for the long haul, and who's reliable.

What should you look for when considering a technology partner? Look for how they intend to use your membership, or your donor or constituent list. Are they going to re-market to them or are they yours to own? How stable are they as a company? How much are they investing in future product-development so you know that you won't be left with a solution that's current today but not tomorrow?

To summarize, it's my thesis that the Internet and Internet technology in particular will have a significant impact on this sector. I believe as per Peter Drucker that the fundamental gain that will be solved is an increase in capacity, where an investment today will yield a many-fold return in terms of helping to create a sustainable support base.

The cost of inaction is too high. If you don't want to spend a lot to start your Internet efforts today, there are options in the form of application service-providers that can allow you to get going at an affordable price. This will allow you to start to develop metrics, start to move paper-based relationships online, and start to enable you to learn how to use this new and powerful medium.

My advice and counsel is, start today. Partner. Take strategic baby steps that are aligned to how you think your long-term strategy for using the Internet will shape.

Thank you.

Tuckman:

Vinay, I'm thinking of a question that was asked in the morning session. Somebody in the audience said, "We're running on 386 technology," which, as you know, is a wee bit primitive at this point. Supposing you are a company, you've got maybe two or three very weak PCs in there, you don't have a lot of technical support. Realistically, if a

nonprofit comes to you, what can you give them? What can they expect from you or a consultant?

Bhagat:

The new breed of application service-providers such as us starts with the premise that nonprofits should not be in the technology business themselves. That means they don't need to have a lot of infrastructure in-house, they don't need to have a large technical staff to be able to operate their systems.

It's an outsourcing model where all that's needed to access the technology is a computer with access to the Internet. In other words, a browser and a connection.

Obviously, their experience is going to be a lot better on a more modern machine than a 386, and with a fast Internet connection. Two years ago when I started Convio, it would be fair to say that most organizations did not have a fast Internet connection and had outdated machines. I interviewed about 500 nonprofits before I started the company.

Most of the organizations we work with today have some form of high-speed connection in their office and at least one or two modern machines. If not, we're finding that if it's a smaller organization then maybe the executive director has a home PC with Internet access, maybe a cable connection, where they can operate on line at home.

*END OF TAPE

Edward Lang:
*(IN PROGRESS)

This graph is to show that if you really want to scare an IT department, go back and say, "I need this." Demand it right away. They'll probably pretty quickly come back to you and say, "You know what? There are probably some people out there I should be talking to to help us along."

This shows all the different things that organizations like yourselves could attempt to do, both from a collaboration as well as an e-business strategy perspective... everything from being able do donor management, to volunteers and advocacy. It would be very easy to overwhelm an IT staff immediately.

The Internet is a great leveling field, because as long as you can move data electronically it's very easy to take a business solution like this and put it into an overall platform or strategy.

Here are some key solutions to consider. The idea of customer-relationship management, that's one of the most important trends that we see happening, as well as e-service. We did mention personalization; that's very important. It is very critical to get more than "Dear Ed Lang." It's more important to figure out who Ed Lang is as an individual.

So whether you read the recommendations off an Amazon.com site (and I appreciate your candor that you don't), the idea that technology exists out there to be able to focus in the target segment that you're going after, as well as the message, is very important.

You should be able to recognize the fact that I've donated to your organization in the past. Thank me for that, show me the types of things that you've done with my money, and come back around and ask for it again.

Being able to integrate it with processes you already have in place is going to be very important, as well as being able to serve up the resources that you already have in your organization.

As I finish this list of some of the key applications, hopefully it will encourage you to see that there are some challenges out there, being able to do everything from taking money and making sure that you don't become like a retail mall. But there are types of applications and tool sets specifically designed for smaller organizations, so you shouldn't walk out of this room assuming that if you don't have a million-dollar IT budget, you can't get started. That's simply not true.

I'm going to go through partnering very quickly. You do have some very valuable assets out there that you can leverage, things like a strong brand name as well as a lot of domain expertise. What I would say is leverage that in the negotiation. If you have tech partners that you want to work with, you should be showing what your assets are and using them very strategically in the types of relationships that you're able to forge.

The most critical thing is to make sure that you align the business directives of your organization and the partnership. Trust me, because strategic partnerships are my fulltime job now, it's amazing to me how many people get that kind of “velocity” mentality going and think it's important to partner, and don't ask the correct questions to make sure that you similarly align the your group's mission statement with that of the partner. It's very important to make sure you do that.

The people who have partnering strategies, how often do you meet with your partners? Throw out a number or two.

In my own personal practice, we have monthly conference calls and I force a quarterly meeting with my partners to make sure that we're constantly status-checking the missions and principles so that the relationship continues to make sense moving forward.

You don't have to go for the grandest partnership. A lot of times people feel like that have to cut that great big relationship that requires a 35-page document with the lawyers to figure out that that's not true. There are all types of partnerships that you can forge with other companies. And remember, from its most strategic nature all the way down to referral-type relationships, you should definitely be pursuing all different kinds of avenues.

Evaluating them is going to be very important. Aside from making sure you're compatible, there are some things that you should do. Most importantly, do a lot of due diligence. I would agree with Vinay on choosing an ASP; ask certain questions like what their technology is and how financially stable they are.

Make sure the technology is delivering a lot of value to you. Make sure it's empowering you and it's delivering the e-business strategy that you're interested in having.

Here's a quick little list of negotiation tactics. It's very easy to get an agreement in place. What is the typical cycle that it took some of you to cut your partnership? Just a quick answer. A year?

I can joke about this because in my former life I was an attorney. I wear my bus-dev hat at CVENT and I cut the deal very quickly, then I take eight months to actually paper it.

The idea is that you don't have to do that. Being able to forge a partnership or relationship is very important, but being able to take it in small steps sometimes is more critical to the success factor, because you can figure out exactly how to work the relationship for the long run.

Some final thoughts. Here are the 10 lessons learned from e-business. Hopefully, you won't encounter many of these, or at least these will be good words of wisdom to remember that there are different approaches to Internet-related implementations. Design, thinking about it, strategizing is always going to be the most important.

But the single biggest one is to make sure you have the right people and the right buy-in. I can't stress it more than Vinay – you have to be sure you have the right metrics in place and that you're happy with the types of things you're striving for. The truth of the matter is that when you walk out of here, it's not necessarily going to be about money for the next 18 months to two years. A lot of it is going to be about relationship, acquisition, branding, and having a general strategy, and making sure people know how to find you in an electronic, digital age.

Tuckman:

We are running distinctly short on time, and we do have a cocktail party coming up, so let me wrap up with a slightly different perspective than we had originally planned.

One of those buried set of words that's critically important to the discussion today is the term, “business model.” As I listened to these various presenters with their various solutions, what came back to me is that we in the nonprofit sector tend not only to be mission-driven, but also to be very heavily dependent upon being able to persuade our board. If you look at this in terms of a spectrum, at the simplest level you're basically talking about that 386 and some local technician who you've hired for \$40,000 and you're chugging along and you hope to get by.

If you go across that spectrum, there is a range of alternatives, particularly for those of you who go, as I do, to many of the nonprofit conventions. In the last few years, more and more services are appearing online to allow you to contract out. These are people who say in essence, “I'll do your books for you online,” “I'll do your fundraising for you online.” Many of you are now familiar with the Fidelity Vanguard line, “We'd like to replace your investment committee, or at least augment it by investing your assets online.”

This whole notion of contracting plays in because if you're going to go to a board of advisers or a board of directors of a nonprofit, one of the things you're going to have to be able to say is, “Here are the alternatives, and here is what they're going to do for the nonprofit organization.”

And I thought you did a very important service for us as our last speaker, Edward, in terms of talking about the compatibility of the partners in the buy-in.

In terms of parting words for the audience, what would you want to say about various alternatives, and when they're right for the nonprofit community? And since there are a lot of researchers in the audience, one of the most important things for the researchers is for all of us to try and catch our research up with the pace of change so that we can supply some additional data in this area.

What parting words would you have on the alternative business models and when they're used, Ed?

Lang: The critical thing is to track the business models that are evolving. There are a lot of organizations from a technology perspective that will bring an application in-house. These are companies that are split between product and service. A lot of you are probably familiar with buying everything from Microsoft Office to much more proprietary-type systems. Those organizations are going to continue to exist, and it's kind of exciting from the perspective that they're going to architect their solutions to be more Internet-compatible.

The other thing to do is to go to the other end of the spectrum, which is this application service-provider model, but to keep in mind that you can have a blueprint. The main thing to do is to make sure that as an organization internally; that you have the right strategy moving forward with your platform. It's less important to be very solution-oriented today as it is to make sure that you're putting the correct money in the strategic places that you need moving forward. And that's more of a platform basis.

It's amazing to me how the United States in particular is so caught up when they buy software to buying solutions. The biggest advice I can give is to make sure you're buying software that fits a business requirement you have. You don't know how many times I can throw great solutions in front of someone and they say, "That's a very important thing. I would love to have it." And then I ask the very important question, "But is it something you need to have?" And not understanding the difference between those two questions is sometimes where internally a lot of the struggle comes when you're trying to implement these solutions.

What I would recommend is to make sure you have a general blueprint in place. Go out and examine some of the models that are being discussed today and to make sure that you're buying solutions that actually meet the business needs and requirements you have internally.

Tuckman: Vinay?

Bhagat: I'd have a strategy in place first of all, which is not just thinking about what you would like to accomplish today, but where you want to be 24 months from now. And lay out a practical, pragmatic path of how you may get there. Look for different options. Look for alternatives in outsourcing and prioritize.

Think of it as a long-term initiative. I've seen too many organizations break down and stumble by taking a short-term approach to a solution that in the long run leaves them with the pain of having to integrate.

When I asked national group that we're speaking to how many different constituent databases do you have today – you normally think of three or five – they had 652 different databases which don't talk to each other. And that's because they did this incremental strategy, and they didn't think about the long run.

Tuckman: Bill, would you like to venture in on this one?

Galston: It would be difficult to do so without starting a big fight that nobody wants, so let me just say that I don't know of a business model that gets you to democracy. It is not clear to

me that organizations that spend a lot of time on strategies three and four are really going to be, in any real sense, a civil sector distinct from the private sector.

If the point is to make INDEPENDENT SECTOR organizations more businesslike, then you’ve heard some very good ideas for making that happen. If the point is to make them contributors to democracy within a vibrant civil space, then I think we need to go in a different direction.

Tuckman: In the finest traditions of the third sector, we may invite both agreeers and dissenters to meet with you at the end of this meeting?

Galston: Absolutely.

Tuckman: Wonderful. Larry, your view?

Kirkman: I’ll split the difference. I think that it’s critical that independent civil-society organizations leverage their assets, which are the rich and deep knowledge they have for social solutions; their human networks, which are enormously valuable and powerful; and that they have to learn new ways to organize that knowledge online and to realize those human networks through new communities of learners and new communities of practice.

The message I’ve got is, “Don’t go it alone.” There are shared solutions, shared assets. If we’re going to create an informed, democratic process we have to rely on a civil-society sector to take responsibility for helping to shape that and anticipate it.

Not that we shouldn’t have broader, dot-civ-like environments to work in, but that if we’re going to bring people to what they really want, which is trusted sources, then we have to aggregate our knowledge and reach out to those audiences together.

Tuckman: Let’s have a warm round of applause for the panel, please.

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