

# Revenue Diversification

Revenue Diversification refers to a plan or strategy to increase the number of revenue streams available to your Social Purpose Organization (SPO) to successfully fund your operations, growth, and also manage risk.

Ultimately, the goal is to improve your SPO's financial stability and secure reliable sources of revenue and/or impact investment that are aligned with your mission and create a portfolio of different income sources. The result of a successful revenue generation strategy is that the SPO becomes less reliant on any one source of revenue leading to enhanced sustainability and greater social impact.

LIFT Philanthropy Partners is a national, non-profit organization working with social leaders across Canada, helping them build their capacity to do more through improved efficiency and effectiveness, and by applying an adaptive and innovative business mindset and resources to the social sector.

The Canadian Women's Foundation is a national leader in the movement for gender equality in Canada. Through funding, research, advocacy, and knowledge sharing we work to achieve systemic change.



## Key Benefits of Revenue Diversification

- Diversifying your revenue sources dramatically improves chances of securing impact investments and more funding opportunities.<sup>1</sup>
- Investing in revenue diversification demonstrates your ability to repay social investors.
- Diverse funding leads to greater capabilities for improving fiscal sustainability without compromising social mission.
- New funding streams can create opportunities for creative, new solutions.
- Reduces the impact on your operations by mitigating the risk should one of your funders reduce their funding.

## When should you diversify your revenue?

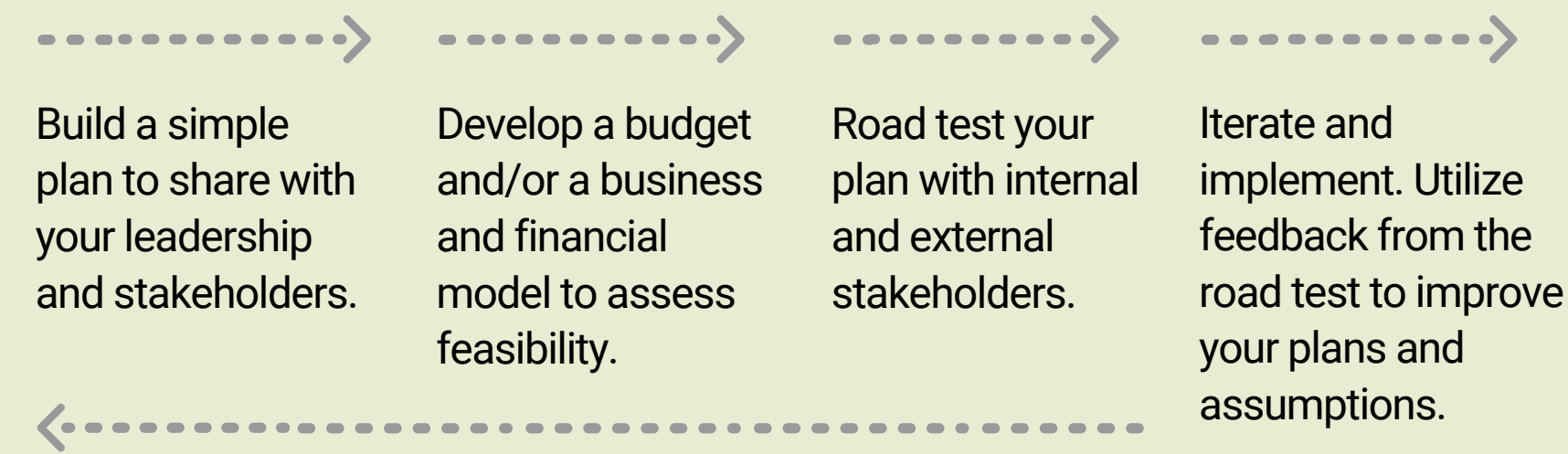
- ✓ Your SPO is looking to improve your investment readiness to successfully secure an impact investment.
- ✓ Your SPO has become reliant on one or few revenue sources.
- ✓ Your SPO is looking to reach more people, broaden its mandate, or scale programs beyond your current region.
- ✓ Your existing funders are showing signs that they may be looking to reduce their funding or change their funding objectives in the foreseeable future.
- ✓ Your SPO would benefit from more unrestricted funding to improve operations, enhance financial stability, and develop innovative programming.

<sup>1</sup> Gregory, D., Hill, K., Joy, I., & Keen, S. (July 2012). Investment Readiness in the UK. Big Lottery Fund | ClearlySo | New Philanthropy Capital.

## What are some important revenue and finance sources to consider pursuing?

|                         |   |
|-------------------------|---|
| Grants & Contributions  | Funds provided with the intention that they will help bring about a common social benefit and are not intended to be repaid.                                  |
| Fundraising & Donations | Financial contributions to help further your social impact, with no expectation of return beyond a tax receipt.   |
| Earned Income           | Revenue earned by an SPO in return for providing goods or services to a customer or client.   |
| Corporate Partnerships  | Financial support for an SPO linked to the corporation's commercial aims and objectives.  |
| Outcome Contracts       | A contract between an 'outcomes buyer' and SPO which includes a payment based on outcomes achieved, e.g. Social Impact Bonds.                                 |
| Impact Investment       | Investments made into SPOs with the intention to generate measurable social and environmental impact alongside a financial return. These funds are repayable. |

## Getting from Idea to Implementation



## Top Tips

- Clarify your SPO's needs and capabilities as not every funding opportunity will be a good "fit" for your SPO.
- Your SPO's size, skills, capacity, risk appetite, and social and economic benefits should drive your revenue diversification strategy.
- Be crystal clear on who you serve, why you do it, and how you achieve your social impacts before building a revenue diversification strategy.
- Engage your stakeholders. Most revenue diversification efforts are reliant, in many ways, on the support of community stakeholders at all levels.
- Assess mission alignment. Pursue revenue opportunities that advance your social vision and mission while bringing in new funds to your SPO versus 'chasing the money.'