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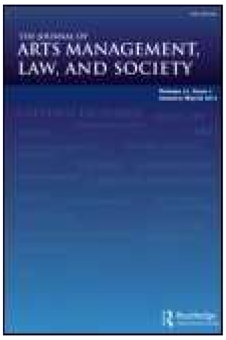

Alternative Resources: Revenue Diversification in the Not-for-Profit USA Symphony Orchestra

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Abstract

This article investigates revenue diversification in order to verify if it is advantageous for nonprofit *creative entrepreneurs* to improve their price and product marketing, fundraising, and other financing. The article also focuses on U.S. symphony orchestras that cope with Cost Disease (Baumol and Bowen 1965) thanks to the revenue diversification. Today these creative nonprofits are targeting several stakeholders and rent holders. In this article, they are clustered according to performances of their marketing, fundraising, and investing. As seen in 2008, U.S. symphony managers diversified and maximized total revenues of contributions, program service, interests, dividends, sales of assets, special fundraising events, etc. Thanks to the Ward cluster analysis (1963), two main profiles emerge: the *Fundraiser* and the *Marketing Expert*. The *Marketing Expert* is the most developed profile, but contributions are always exceeding program service revenues, and fundraising is more profitable than marketing.

Keywords

- cluster,
- fundraising,
- marketing,
- not-for-profit,
- revenue diversification,
- symphony management

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Alternative Resources: Revenue Diversification in the Not-for-Profit USA Symphony Orchestra

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This article investigates revenue diversification in order to verify if it is advantageous for nonprofit *creative entrepreneurs* to improve their price and product marketing, fundraising, and other financing. The article also focuses on U.S. symphony orchestras that cope with Cost Disease (Baumol and Bowen 1965) thanks to the revenue diversification. Today these creative nonprofits are targeting several stakeholders and rent holders. In this article, they are clustered according to performances of their marketing, fundraising, and investing. As seen in 2008, U.S. symphony managers diversified and maximized total revenues of contributions, program service, interests, dividends, sales of assets, special fundraising events, etc. Thanks to the Ward cluster analysis (1963), two main profiles emerge: the *Fundraiser* and the *Marketing Expert*. The *Marketing Expert* is the most developed profile, but contributions are always exceeding program service revenues, and fundraising is more profitable than marketing.

Keywords *cluster, fundraising, marketing, not-for-profit, revenue diversification, symphony management*

LITERATURE REVIEW

Rent-seeking behaviors are usually directed toward the government, and they suggest that an organization is lobbying in order to gain support and resources (Tullock 1989). Either price-makers or for-profits compete thanks to price discrimination; in doing so, they gain the market surplus (or rent) and strengthen their market leadership. The surplus exploitation of the government and the market is the ultimate goal of rent seekers. For-profits are, as a consequence, rent seekers when they exploit both the surplus of the government and the surplus of the market.

Nonprofits do not aim at maximizing profits, though imperfect competition may be a feature of the market of social goals. Also, nonprofits are not usually rent seekers. These organizations are usually engaged in the supply of merit goods such as culture, research, social housing, etc., and the rent-seeking behavior often conflicts with social goals. Revenue diversification is, nevertheless, implemented in order to collect resources for the merit cause from different stakeholders, whose rents are, as a consequence, exploited by nonprofits (Carroll and Stater 2009; Chang and Tuckman 2006; Fischer, Wilsker, and Young 2007; Machedo and Pinho 2004; Thornton 2006).

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Details

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