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# An Evaluation of the Nonprofit Marketplace Initiative

**PRESENTED TO:**

**The William and Flora  
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## Executive Summary

### **NMI AND THE EVOLVING NONPROFIT MARKETPLACE**

The William and Flora Hewlett Foundation (Hewlett) has played a pivotal role in driving the emergence and early development of an online marketplace for nonprofit information<sup>1</sup> through its Nonprofit Marketplace Initiative (NMI). Over the past five years, this information marketplace has expanded and evolved rapidly, with an increasing number of online platforms providing more and better data to donors. In the context of this expansion and evolution, Hewlett now has an opportunity to carefully examine its current strategies, look for opportunities to increase its impact, and address emerging changes in the broader landscape that present potentially significant challenges.

To contextualize progress to-date, it is useful to examine it in light of Hewlett’s long-term goal for the marketplace – that, by 2015, a critical mass, or 10 percent of individual philanthropic donations in the United States (approximately \$20 billion per year), would be influenced by high-quality performance information. This evaluation explores three main questions, all related to this long-term goal:

1. Is the Nonprofit Marketplace Initiative succeeding?
2. How far along is Hewlett toward developing a critical mass of supply and demand for high-quality information on nonprofits? How can Hewlett improve on its current efforts?
3. What should Hewlett do next?

### **HEWLETT’S IMPACT ON THE MARKETPLACE**

Over the past five years, Hewlett has made crucial financial and intellectual investments in several organizations and tools that have played important roles in the marketplace. However, these organizations and tools (which we refer to throughout this report as Hewlett’s “cluster”) ultimately represent a small segment of the total nonprofit marketplace. While some of Hewlett’s grantees have generated outsized impact, the marketplace growth that can be directly attributed to Hewlett’s investments is relatively limited, and Hewlett’s grantees and other stakeholders still consider the marketplace itself to be an “infant” industry.

Though this “infant” industry has evolved and made progress over the past five years, it has yet to achieve the critical mass Hewlett envisions. Of course, changing an entrenched infrastructure is inherently challenging, and many of the ideas, systems, and stakeholders involved in the nonprofit marketplace have been around for decades. As such, Hewlett did not expect to achieve critical mass in this five-year period, but it did hope to achieve visible progress related to the three core components of its strategy: 1) building the supply of meaningful information, 2) investing in architecture to improve this information’s accessibility, and 3) supporting efforts to increase demand for this information.

*Building the Supply of Meaningful Information:* Hewlett has built the supply of information by investing in a core set of grantees and, in particular, by funding and supporting GuideStar and its efforts to make

<sup>1</sup> We will refer to “online marketplace for nonprofit information” as the “nonprofit marketplace” or “marketplace” throughout this document.

nonprofit data public. Access to this data has allowed innovation to flourish, and new entrants into the marketplace have created novel ways to analyze and disseminate information about nonprofits. While this progress should be recognized, Hewlett's "supply-side" grantees as yet provide a limited amount of high-quality data on nonprofits relative to the size of the entire sector.

*Creating architecture to improve this information's accessibility:* Hewlett's investments in technologies and standardized structures, such as technical standards to improve collaboration efforts (e.g. APIs), have led to improvements in the accessibility of information. However, limited progress in developing taxonomies and reporting standards contributes to a lack of quality information available within the marketplace and has impeded progress in expanding a customer base. Although information is more accessible, it is still often fragmented across numerous platforms in the overall marketplace, many of which do not communicate with each other effectively.

*Supporting efforts to increase demand for this information:* Hewlett grantees have made important strides in this area. Hewlett's investment in the Money for Good research has led to a much better understanding of donors and their segmentation, including a clearer picture of potential demand and the marketplace's target customers. However, donor demand for high-quality information remains limited: only 19 percent of individual donors indicate that they are interested in conducting research before making giving decisions. Moving donors along a "ladder of engagement"—capturing them with legitimacy data and leading them to performance data and, eventually, to outcomes and impact information—can help overcome these challenges. To put such a ladder in place, suppliers and vendors will need additional research to better understand donors' information needs and long-term potential for moving more dollars to high-performing nonprofits.

## **LOOKING FORWARD**

As a recognized intellectual leader and funder in the nonprofit marketplace, Hewlett is well-positioned to seize on opportunities to advance it. Toward that end, it should consider both adjustments to the work it does within its current Theory of Change and the possibility of taking more dramatic steps to broaden or narrow its strategic focus.

More dramatic strategic changes for Hewlett could include shifting its focus from donors to other types of paying customers, broadening or narrowing its definition of high-quality data, shifting to a focus on demand, or investing in building social incentives into the marketplace to change donor behavior.

While the nonprofit marketplace has made significant advances over the past five years, it is still far from the critical mass Hewlett seeks, and reaching that critical mass will require more resources than Hewlett alone can provide. As Hewlett moves forward, it will need to determine whether to increase its financial and time commitments to the marketplace, how to bring more partners into this space, and where it can most strategically focus its efforts.