

Business Ventures on the Web

While most nonprofits initiate business ventures for the purpose of generating new revenue, some have other goals as well. One of the most important of these is to provide work opportunities for the people they serve. Organizations that deal with the homeless have been particularly active in this regard. Besides housing and drug or mental health treatment, the most pressing need of homeless individuals is employment. That's why an increasing number of homelessness groups are creating their own business enterprises -- to produce a mechanism for returning their clients to the workforce.

Examples of these enterprises have been assembled on the World Wide Web under the rubric of Homeless Economic Development (HED). Impact Online, which describes itself as the first Web-based nonprofit, has launched the site as part of its ongoing effort to assist other nonprofits in using the Internet for outreach and communication.

The site can be accessed on the World Wide Web at the URL <http://www.impactonline.org/hed> (now <http://www.redf.org/>.) The examples gathered there cover a broad spectrum of business venture opportunities. They also suggest the range of business partnerships that are being formed between nonprofit agencies and for-profit firms.

Currently, all the organizations with pages on the site are grantees of the Roberts Foundation's Homeless Economic Development Fund. Jed Emerson, director of the Fund, sees the Web site as a good vehicle for educating the public about the problems of homelessness. "It's also a way for practitioners to find out more about the kinds of social entrepreneurship that are out there," he says.

Emerson emphasizes that the site is not intended as a tool for "selling" the idea of business ventures. "Obviously, we believe in the value of nonprofit entrepreneurship," he says. "But it's not for everyone." And it isn't easy.

When you really become a social entrepreneur, everything changes. The whole process involves a radical change in the way nonprofits behave, so it can be extremely disruptive for an organization. But that's also one reason we like it. To succeed, you have to think outside the box."

Emerson notes that in its first three years of operation, the Homeless Economic Development Fund came in under budget because he couldn't find enough organizations with the capacity to execute enterprise development successfully. "Most nonprofits have a poor grasp of financial accounting, don't understand the markets they are entering, misread their consumers, haven't anticipated staff/board opposition to the idea of creating a business, and so on," he says. In other words, they simply aren't prepared to enter the commercial marketplace. From a funder's standpoint, those organizations' business plans aren't worth investing in.

"For the most part, we award planning grants -- from \$10,000 to \$15,000," Emerson explains. "We don't expect an organization to have a fully formed idea of what they're going to do. But they do have to have the capacity to carry through on an idea. We help them plan, and supply the capital they need to get started. I'd rather lose that seed money, if an organization comes to the conclusion that a particular venture isn't right for them, than have them lose an even larger amount and jeopardize their other programs as a result of poor planning.

"Even if the business venture doesn't come to fruition, the process can lead to a whole new level of sophistication on the part of a nonprofit," he says. "It gets to be smarter about how it manages other aspects of its work."

Later this summer, the Roberts Foundation will publish a book-length report on the Homeless Economic Development project. An excerpt from that book, about why nonprofit business ventures often fail, appears on page 14.

To find out more about the successful enterprises collected on the HED Web site, we spoke with representatives of several of them. In addition, we asked about the impact that their exposure on the World Wide Web has had -- and what role they think the Internet can play for nonprofit business ventures in general.

Ashbury Images

The impetus for Ashbury Images, a supplier of silk-screened T-shirts and other garments, came from a homeless-shelter resident who had once worked as a screen printer. Founded in 1990, the business grew in its first three years to take in more than \$75,000 in revenue and employ four formerly homeless individuals at full production. Today Ashbury employs people from several Bay area shelters. Operating as a business rather than a social

service agency, its goal is to instill a sense of self-sufficiency and accountability by providing meaningful employment at a "livable wage."

"Our best marketing tool has been word of mouth," says Marc Coudeyre, Ashbury Images' enterprise director. "People who know us tell their friends, and so far that's generated all the business we can handle. But we'd like to be able to move and expand, and when we do, we may be in a better position to make use of the Web site."

Rubicon Programs

Of all the pages at the HED site, the ones for Rubicon Bakery and Catering, a division of Rubicon Programs, Inc., in Richmond, Calif., are easily the most attractive. They were professionally designed by the I SPOT Design Group, which also maintains them. Rubicon Programs trains homeless and disabled people to work in the food services industry. Rubicon Bakery and Catering gives them a chance to gain hands-on skills in a real workplace environment. During their training, participants in the program work alongside professional bakery staff to "prepare specialty desserts for the wholesale market, cafeteria-style lunches for the Rubicon Day Center, and high-quality meals for catered events.

"Mainly we sell premium desserts to Bay area grocery chains and restaurants," explains Carrie Portis, business enterprises manager at Rubicon Programs. "Since we don't ship outside the area, we don't really need to advertise our products around the world."

But now that her organization is in the process of revamping its promotional materials, she is trying to figure out how to use the Web site more effectively. "One thing I learned is that designing a good Web site is relatively easy," she says. "Things like retail packaging and house displays are a whole lot harder."

Larkin Business Ventures

Larkin Business Ventures (LBV) is an outgrowth of Larkin Street Youth Center, a San Francisco agency that helps homeless youth find viable alternatives to life on the streets. LBV seeks out innovative business opportunities that can employ young people with limited job skills. Its first two ventures are a Ben & Jerry's ice cream shop in San Francisco's Marina

District and another Ben & Jerry's franchise that puts vending carts at various locations around the city, including Candlestick Park. All of the young people employed in the two operations have completed the Larkin Street Vocational Training Program and participated in Ben & Jerry's own training program, "Scoop U." Profits from the two businesses are directed back to LBV to build additional companies and support further training and employment initiatives for homeless youth in San Francisco.

The LBV pages on the Homeless Economic Development Web site provide basic information on the organization, and illustrate the scoop shop with a couple of color snapshots. So far feedback has been minimal. "An ice cream store is a neighborhood business," says Sharon Wurtzel, LBV's president "As a marketing vehicle for the shop, the Web isn't necessarily right. But as a marketing vehicle for the organization, I think it can be quite effective."

Hospitality House

Hospitality House has served San Francisco's Tenderloin district since 1967, when a huge influx of young people migrated to the neighborhood during the so-called "Summer of Love." A coalition of local churches, universities and businesses formed the organization as an alternative to traditional agencies that were deemed unresponsive to the needs of this new population. The organization uses the venerable "settlement house" approach, which has been assisting newcomers since the turn of the century, to provide direct services and encourage inter-agency cooperation. Hospitality House's Web page describes it as "the only local agency offering immediate survival assistance and transitional support services to both homeless youth and adults." In addition to emergency shelter and housing, the agency offers job placement, computer training and other vocational development activities, individual counseling, and mail/messages services.

Its commercial arts program provides free access to instruction, materials, studio space, and exhibitions. ArtStart, the enterprises arm of the program, functions as the artists' agent. Half the revenues generated by this operation become commission payments to participants in the program.

ArtStart produces litho-offset and one-of-a-kind handmade holiday cards, 300,000 of which have been sold since 1988. Homeless and low-income participants are also employed in printing, mail-order distribution, and sales of the cards.

The Hospitality House Web page tells visitors that they can "choose from our exclusive selection or talk to us about incorporating original designs or your company logo." It also urges visitors to support the program: "When you send Hospitality House cards, you are not only giving festive and distinctive greetings to family, friends, clients and colleagues, you are giving an opportunity to homeless and low-income men, women and youth..."

Unfortunately, the page includes no e-mail response form. There's mention of a "cyber store" to complement the operation's retail outlet in downtown San Francisco, but neither the address of the retail outlet nor the URL for the "cyber store" is listed on the page, which makes it difficult for anyone to follow through with an order.

Pioneer Human Services

Seattle-based Pioneer Human Services is the oldest and largest organization represented on the HED Web site. Founded in the early 1960s, Pioneer serves more than 3,000 clients, employs approximately 350 people, and produces \$16 million worth of goods and services annually. Its core program integrates residential treatment with vocational education. Residents receive on-the-job training at one of four Pioneer-owned businesses. These include a nonprofit real estate holding company, a light metal fabrication facility that produces aircraft parts for Boeing Corp., an institutional food service that prepares 300,000 meals annually, and a wholesale food distribution business that operates in five western states.

Sales and services from these enterprises account for two-thirds of Pioneer's \$25-million annual budget. The rest comes from government contracts and residential and treatment fees.

According to Cameron Fellows, senior vice president of Pioneer Human Services, their HED Web page has yet to generate much response. "But we really didn't expect any," he says. "We're happy to be there and tell our story. But we're not trying to get anything out of it. We're a totally self-sustaining 501(c)(3), so we don't have to chase contributions."

Lost in Cyberspace

Marc Coudeyre wasn't just some casual Net cruiser when he tried tracking down the Ashbury Images site on the World Wide Web one day. Coudeyre is

the enterprise director of Ashbury Images, and the site identifies him as the person to contact if someone wants to place an order. But Coudeyre had a hard time finding himself on the Web. "The truth is, I'd never even seen the site," he says. "We don't have Internet access at the office, so I decided to go looking for it at my sister's. I tried Yahoo and some other search tools, but it didn't show up on any of them."

Coudeyre's situation may seem ironic, but it's not unique. Many of the organizations represented on the Homeless Economic Development Web site report that they don't have Internet access -- and therefore haven't been able to make much use of the pages posted for them by Impact Online and the Roberts Foundation.

Without an online connection, and the ability to send and receive e-mail, the interactive nature of the Web -- which most experts believe is what makes electronic marketing effective -- is lost. So are potential customers.

Web wanderers who do manage to find the Ashbury Images site are told to telephone Coudeyre if they want to place a T-shirt order. "The response hasn't exactly been overwhelming," he admits. "So far we've gotten one call."

Operating with scarce resources and tight budgets, nonprofit enterprises like Coudeyre's are in a bind. They aren't really prepared for a Web presence, and even when someone else gives it to them, they can't make the most of it.

"I'm not Web savvy at all," confesses Sharon Wurtzel of Larkin Business Ventures, which operates a Ben and Jerry's franchise in San Francisco. "And this organization isn't Web savvy, either. So going on the Web is certainly not something we would have done at this stage."

Nonetheless, Wurtzel does see a definite benefit to the experience of being on the Web. It has heightened her organization's awareness of electronic communication, and the need to keep pace with advancing technology. "I'm much more sensitive now to the new opportunities that all this technology can create for our employees," she says. "The biggest problem is that they don't have any way to access it. If we can become an access point for them, that would add a significant tool to our repertory."

Wurtzel thinks there's a lesson in this for all nonprofits: "They need to do the same thing that their clients need to do -- gain access to what is becoming a very mainstream way of doing business."

Carrie Portis, the business enterprises manager of Rubicon Programs, Inc., also feels that the HED Web site has had a positive effect on her organization, despite the fact that it hasn't generated much in the way of new business. "There really isn't any point in advertising our bakery to consumers in Dallas, since we only sell our products in the Bay area," Portis says. "But I do think it's an opportunity to sell ourselves. A foundation in New York can look at our site and find out who we are and what we do."

Soon Rubicon will be opening a mail-order department. "That's when we'll make a real push to promote the Web site with the public," Portis says. "In the meantime, it doesn't seem to have any downside. It's attractive and does a good job of advertising what we are as an organization, which is just as important as advertising what we sell."

Jed Emerson is director of the Roberts Foundation's Homeless Economic Development Fund, which developed the HED site with Impact Online. He agrees with Portis that increased sales aren't the only benefit to be derived from exposure on the Web.

"We really don't see this as a commercial site, though I suppose it could develop into one eventually," Emerson says. "Right now, we're more interested in reaching practitioners in the field. I know there's a lot of hullabaloo around the subject of commerce on the Web, but that's not why we did this. We view it more as an educational vehicle than a sales vehicle."

Of course, as Emerson suggests, there's no reason why it can't be both. But before that can happen, the organizations themselves will have to be online, and take a more active role in creating Web pages that serve their own specific needs.

One of the most exciting aspects of the Homeless Economic Development project has been its success in getting nonprofit business ventures to compete with their for-profit counterparts. As more and more for-profit companies start using the World Wide Web to market products and services, nonprofit ventures like these will inevitably face the challenge of competing on that front as well.