

# The New York Times

NOVEMBER 11, 2008

## Seeking Profits in Nonprofits

By DEBORAH L. JACOBS

DESPERATE times in the fund-raising world call for innovation. While some solutions may come from within nonprofits, others are emerging from a new crop of social entrepreneurs operating for-profit ventures.

Though committed to serving charity, they make no apologies for their devotion to the bottom line: they want to do well themselves as they introduce new fund-raising options.

The following start-up businesses draw on consumer buying habits and Internet traffic patterns to provide charities with much-needed cash.

### PUBLIC-PRIVATE PARTNERSHIP

Jon Carson, 51, chief executive of cMarket, a company in Cambridge, Mass., that helps charities run online auctions, sees himself as “the guy in the middle between the for-profit and nonprofit worlds.” Most recently this has involved brokering what he calls “product placement partnerships” between charities and retailers that donate items to be auctioned.

The problem, as Mr. Carson perceived it, is that many such donations were not formally planned or well organized. Retailers might donate merchandise they wanted to unload; arrangements often depended on personal contacts — a friend from school, a neighbor — that could change from year to year.

His goal has been to convince retailers that such donations are a form of targeted marketing that can drive sales.

Early this year, Mr. Carson hired a full-time employee to solicit donated goods and services that charities could auction. He then offers them at no cost to nonprofits that agree to sign up for cMarket’s online auction service, Bidding for Good. That service costs \$595 a year, and the charity pays cMarket a commission of 9 percent on the first \$10,000 received, and lesser fees

thereafter.

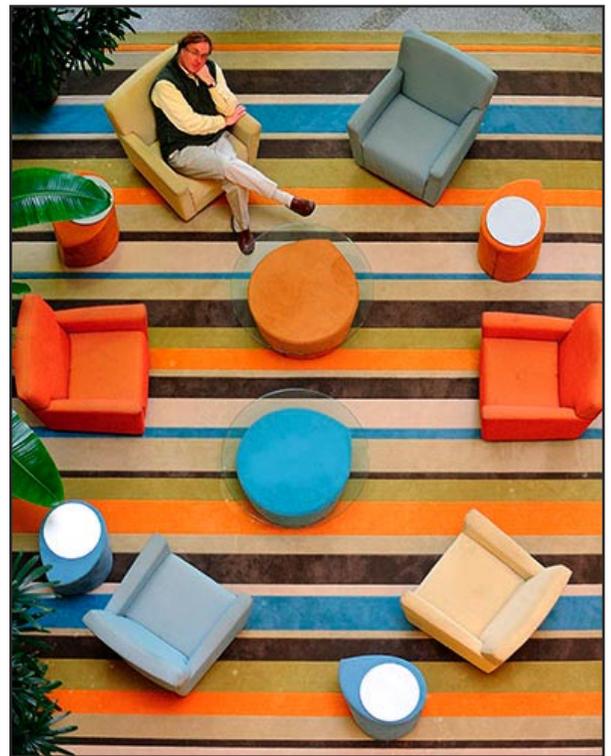
During the last 10 months, product placement donations, including 300 travel packages to Cancún, have generated \$2 million for charity. “It’s a win-win, because charities are glad to get the donated items,” Mr. Carson said. For marketers, every winning bidder is a potential customer. Those who never used the product or service are essentially paying to try it, except that the money is going to charity.

This strategy evolved from a much simpler business concept. Two years after selling his previous company, Family Education Network, to Pearson Education in 2000 for \$175 million, Mr. Carson met a team of people working to put charity auctions online. He invested \$250,000 in the enterprise and helped raise \$3 million more from investors in Family Education Network, who asked that he oversee the new entity. In 2006, he determined that opening an online auction to the general public, as well as to the charities’ supporters, would drive up demand and, with it, the bids for auctioned items. That, in turn, generated more money for charities and gave him a selling point with which to seek goods.

Mr. Carson said 80,000 shoppers, mostly affluent baby boomers, had registered to bid on his site ([biddingforgood.com](http://biddingforgood.com)); the goal for 2009 is to increase that to 300,000. Although cMarket is not yet profitable, Mr. Carson said he hoped it would be next year.

### CELEBRITY APPEAL

When Kelly Fiore, 31, started Charity Folks in 2004 as an online auction



**MIDDLE MAN** Jon Carson, whose company, cMarket, helps charities run online auctions, at his office in Cambridge, Mass.

company serving nonprofits, she was not deterred by cMarket’s presence. Her idea was to carve out a separate niche, featuring the celebrity-driven experiences typically offered at live auctions during charity galas — like a round of golf with John Daly or a “master class” with Billy Joel.

Knowing that such auctions had raised significant sums, she sought to use the Internet (at [charityfolks.com](http://charityfolks.com)) to broaden the market for them from a single roomful of people to a worldwide audience, including fan clubs and message boards.

Ms. Fiore had worked as a portfolio analyst at Lehman Brothers, and a former colleague there provided \$100,000 in seed money. Angel investors contributed an additional \$2.2 million in 2006.

Ms. Fiore started the enterprise in her TriBeCa apartment, making cold calls



**GOOD SEARCHERS** On JJ and Ken Ramberg's Web site, charities profit from visitor's Internet searches.

to celebrities' publicists, seeking access to music tours, album releases, movie premieres and athletic events. She was prepared to handle one-shots, in addition to annual auctions of charities with celebrity supporters, whether from nonprofits that didn't want to wait for the next gala or from high-profile individuals raising money for their own nonprofits.

She has found that shoppers are generally drawn by the item rather than the charitable cause, so Charity Folks can be searched by charity, category or celebrity. A recent offering included all 400 tickets to Billy Joel's Oct. 27 "master class" at the Hard Rock Cafe in Manhattan, where he sang and took questions from the audience. Two stage seats that included a meet-and-greet with Mr. Joel fetched \$27,500, and the event brought in \$300,000 for Mr. Joel's nonprofit, Charity Begins at Home.

Also in October, John Daly, the golfer, donated a trip for three to the 2009 British Open in Turnberry, Scotland, including travel with him on his private jet, accommodations at his villa, socializing

and a round of golf with him. The package sold for nearly \$100,000 through Charity Folks, to be split equally by St. Jude's Children's Research Hospital in Memphis and an autism education program at Western Kentucky University.

Last year, Charity Folks entered into a \$1 million partnership with Sony BMG Music Entertainment to publicize the company's artists and raise money for charity at the same time.

For example, a Grammy Awards package in February included a chance for two people to fly from New York to Los Angeles with the singer **John Legend** on his private plane, three nights in a hotel and tickets to the event. It raised \$10,000 for Mr. Legend's charity, the Show Me Campaign. The successful bidder had to pay for the required background check (de rigeur for Charity Folks' celebrity offerings) and the flight home.

Charity Folks charges a 20 percent commission on all sales. Interspersed with what Ms. Fiore described as "ridiculous, over-the-top items that cost a ton of money" are more mundane offerings on the Web site, like cosmetics-filled train cases and autographed movie posters. Amid the recent financial uncertainty, she has had to adjust expectations — both about when her own company may become profitable and about how much bidders are likely to pay.

### GIVING WITHOUT GIVING

In today's troubled economy, Ken Ramberg's recipe for fund-raising is simple: give people at all income levels a tool for benefiting charity without spending a dime. GoodSearch, the Los Angeles-based company that he and his sister JJ founded in 2005, tries to do just that.

Their vehicle is an Internet search engine called GoodSearch ([goodsearch.com](http://goodsearch.com)), powered by Yahoo. A visitor to the site can both initiate a search and specify a charity;

GoodSearch donates a penny to the charity for each search. A charity with 1,000 supporters searching the Internet twice a day will receive \$7,300 in a year.

Since the company started, users have chosen to benefit more than 68,000 nonprofits and schools. The American Society for the Prevention of Cruelty to Animals, for example, has received \$18,800 in donations, Mr. Ramberg said. GoodSearch adds 100 charities each day, drawn from users' request, after vetting them to make sure they are legitimate, Mr. Ramberg said.

The charities pay nothing to participate, and at first thought "it was too good to be true," said Ms. Ramberg, 38, who was previously a television reporter. "In the beginning they vetted us, too."

Mr. Ramberg, 43, was already a successful entrepreneur when he started GoodSearch. The founder of Jobtrak — a job listing and résumé database for college students — he presumably made his fortune (he would not discuss financial matters) in the dot-com era when he sold the company to Monster.com in 2000.

Like other search engines, GoodSearch generates revenues from display ads that visitors may click on after they see the search results. Yahoo and GoodSearch split these fees, and GoodSearch, in turn, donates half of what it receives. Mr. Ramberg said his company was profitable.

A year ago, a sister site, GoodShop, was added. It donates half the commissions the company receives when it links visitors to online retailers. Visitors to GoodSearch remain anonymous, and they get the same results as if they had initiated the query from [Yahoo.com](http://Yahoo.com), Mr. Ramberg said. So far, the biggest challenge is getting people who rely on other search engines, like Google, to use GoodSearch instead.