Pair turning a profit with nonprofits

By Todd Nelson
(MINNEAPOLIS) STAR TRIBUNE

MINNEAPOLIS — Keeping nonprofit organizations in touch with supporters is a personal mission and profitable business for entrepreneur-activists Chris Hanson and Mark Paquette.

Their Minneapolis software company, thedatabank, makes customized, Web-based relationship-management software. More than 800 nonprofit groups in Minnesota and across the country use it to communicate with donors and spur members to action.

Hanson, the CEO, and Paquette, president and chief technology officer, have extensive experience starting and running companies. They also have lengthy track records of working and volunteering with nonprofit organizations involved in issues such as social justice, peace and human rights.

Today, clients use the company's "technology for change" on behalf of causes related to the environment, education, immigrant and refugee rights, and, in this election year, getting out the vote.

"Basically, we're saving the world through data-management practices," Paquette said. "We have a lot of clients that rely on us to keep their fundraising and volunteer opportunities going smoothly."

Hanson and Paquette started thedatabank 10 years ago. The dot-com boom was in full swing, but some questioned whether a for-profit company could stay in business working with nonprofit groups.

They proved that it could. Revenue has risen 15 percent to 20 percent a year, Hanson said, and is expected to reach $1 million this year for the first time.

Despite the sputtering economy, the first half of this year has been the company's best for adding clients.

"If there is an industry that's recession-proof, I think fundraising is one of them," Hanson said.
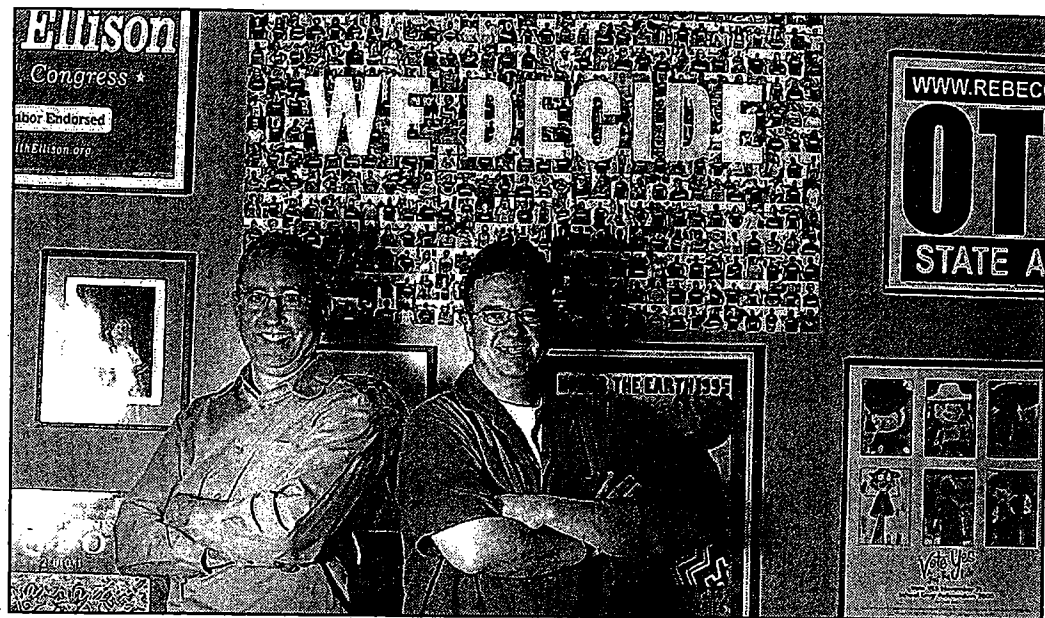
Even before they started thedatabank, Hanson and Paquette knew they would have built-in demand for the technology.

Hanson, whose background is in fundraising and direct marketing, was a principal at a St. Paul agency that began managing data for nonprofit clients in the early 1990s.

The nonprofit groups needed to track direct mail and marketing but didn't have the resources to do it themselves, Hanson said. The agency split in 1997, with Hanson taking the data-management portion.

Hanson eventually contacted Paquette, whom he had met working on a Democratic gubernatorial campaign in 1993.

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Mark Paquette, left, and Chris Hanson founded thedatabank 10 years ago to help fundraisers better communicate with and keep track of donors. They've continued to add new clients in the struggling economy, and revenue is expected to reach $1 million this year for the first time.

education software, including the bestselling Oregon Trail. Creating databases and other data-management systems for nonprofit organizations where he volunteered had become routine.

Hanson and Paquette financed the start-up themselves and received $250,000 from four angel investors in 2000, Hanson said. Since then, the company has self-financed through growth.

At that time, the idea of Web-based data management was a new one for many prospective clients. The ability to access and manage it in a familiar way, through a Web browser using an intuitive, easy-to-use interface, made them more comfortable with their system, Paquette said.

Another innovation was the company's business model, which provided a regular income stream in the form of monthly subscription fees that clients pay.

The company also charges a one-time fee for setup, customization and data migration. Support, training and upgrades are free.

"So many dot-coms went into business without having any idea how they were going to make money," Hanson said. "We didn't have to get up every day and say, 'Where's the money going to come

from?' "

The company has been handling database functions — member lists, member e-mail and action alerts, and fundraising campaigns — for the Progressive Democrats of America, a virtual nonprofit group, since September, communication director Laura Bonham said.

"We had very complicated needs, and (they) did an exceptional job working with us to meet those needs," Bonham said. "They were highly responsive. It appears to me they've organized themselves in a more progressive way, where they solve a client's problem by coming at it from a team perspective."

Working with thedatabank system the past four years has enabled the Minnesota Senior Foundation to get action alerts to members quickly, said Tom McGrath, membership information manager.

"It's an important part of our advocacy program, being able to get out in very short notice information about issues and getting people to take action," said McGrath, who was tailoring a fundraising mailing to suit donor preferences.

The market potential is huge, Hanson said, with about 8,000 nonprofit organizations operating nationally.

He and Paquette have discussed expanding their sales and marketing staff to New York, San Francisco and Washington, but they have no immediate plans to do so.

Such an expansion likely would require outside financing. "It's not critical to the business as far as its survival," Hanson said. "We're in a position where we can decide not just based on money but based on what comes with that investment."

Avinash Malshe, marketing professor at the University of St. Thomas' Opus College of Business, said thedatabank has a novel idea but that promoting the company and creating greater awareness will be critical for growth.

Malshe's suggestions included leveraging the company's expertise in working with nonprofit groups to move into other segments of the market.

He also recommended going beyond just managing data. "Basically they could morph into a value-added services area," Malshe said.

One way to do that would be to begin analyzing client data, offering insights and creating marking campaigns.

"In many companies, a lot of data comes in and there's hardly anybody to look at what the data tells you," Malshe said.