To fee or not to fee, that is the question. Ok, I'm not Hamlet, but the question still persists – should a nonprofit charge for its goods and services? And if so, how much? Fee income can serve as another revenue source for nonprofits, helping them to cover their operating costs as well as expand their services to reach more people. On the surface, this all seems reasonable; yet, the inherent danger of fee income (and commercial ventures that yield fee income) is that it can cause a nonprofit to lose its identity. The ultimate goal of a nonprofit is not price maximization but mission fulfillment. However, the pursuit of money can be quite consuming and revenue-generation can dominate its decision-making. Not only that, as nonprofits provide important public/community services that can be construed as necessities, I would pose: Is it ethical for nonprofits to charge money to the people they serve? What if someone doesn't have the funds to pay for a particular good or service? What if the pursuit of fee income reduces the amount of communal access and sours public trust? And when it's all said and done... what if the money simply isn't worth it?

One of the tenants of the supply/demand theory purported by Estelle James and David R. Young in *Financing Nonprofits* is that, in order to garner fee income, nonprofits must sell goods and services that are private and excludable, otherwise "everyone would consume [them] but expect others to cover the cost" (James & Young, 2007, p.107). Essentially, if it's free and available, you're going to make no money. While price discrimination models can be an effective route to go for a nonprofit, especially if they're designed to meet people where they're at, I'm not convinced that that's the grand answer, nor do I want the words "discrimination," "exclusivity," and "private" to dominate the discussion. I'd suggest that more attention needs to be paid to the interactions that can exist between fee income and donations.

Think of a grocery store or your local bakery (Amaranth Bakery in Washington park comes to mind for me); during checkout you're likely to be asked if you'd like to round up your transaction to donate to a cause or to leave a tip. And there are strategies that exist that can up the likelihood of donations/tips. For instance, a 2019 survey conducted by Software Advice found that the presence of a "no tip" button can actually increase the likelihood of tipping and that "46% of customers [say they would] tip 20% (the middle option) if given the option to tip 15%, 20% and 25%" (Stubbs). Nonprofits can use similar strategies by increasing the frequency and ease of their donation ask during transactions. Imagine if nonprofits charged a standardized, nominal fee for their goods and services while simultaneously leveraging this lower fee charge as a means to solicit donations. Not only would they lower the barriers to access for consumers, they would also encourage greater giving by creating a situation where fee income and donations coexist, supplementing each other.

Now, the next step in this example would be an element of social enterprise for the nonprofit: owning the theoretical grocery store and/or the bakery. While this would be labeled as a commercial venture, a nonprofit could still maximize its tax-exempt status by drawing a connection to its mission statement, especially if it fulfills a community need and raises awareness of the organization's cause. Come to think of it, Washington Park (a food desert) could really use a grocery store...

References

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