

# How To Identify Income Streams For Your Route (311)

Setting up, managing and promoting a route all takes money, so each route needs to find ways to pay for this important marketing function. These methods can include:

- Raising funds from the route members (after all, it is the members who should be benefiting directly from route activities).
- Applying for grants from government and private sector funding agencies.
- Getting sponsorship from companies who have a brand, product or service that they would like to publicise along your route.

The important thing about an income stream is that it should be regular and reliable. Sadly, grants are not generally regular or reliable, since they depend on what the funder thinks of your project and whether they have the budget to support it.

Sponsorships can be more reliable, as they represent real value that a sponsor hopes to gain by exposing their brand to the community associated with your project or route.

But what the route should be looking for is using its own resources, expertise, products, services, people, community, ideas, connections and uniqueness to generate cash – from members, the broader community, visitors, government and other stakeholders.

This Guide will describe some of the ways that Open Africa routes have raised money for their operations and projects. It will also suggest other income streams that can be considered by Route Forums, and how these can be implemented.

The main message of this Guide is sustainability: every route needs to aim at self-sufficiency, since this is the only guarantee that the work that the members' hopes and plans can be realised. It is great to get assistance from outside funders, especially at startup stage – before a route's activity has started to bear fruit through extra income for members. But if the route is really serious about the plans it wants to implement, it cannot always be waiting for outside help to make these things happen.

## **Why is it important to identify income streams?**

The main reasons for trying to find different income streams is to put the route on a solid financial footing, so that it can plan ahead and know that the money will be there to meet the basic costs of running the route. It is disheartening to make plans and raise members' expectations about what the route will do, only to have everything come to a halt when your funding proposal is turned down.

Rather keep your plans more modest so that they can be internally funded by members; then grow this income as the route's work starts to bear fruit.

## **What is an income stream, and how do we generate them?**

An income stream is simply the flow of money that a business can generate; your route is essentially a business – although it does not aim to make a profit, it does have costs so it needs an income to meet them. As noted, grants are not a very reliable or sustainable income – so this Guide will look at income streams that can make the route more independent and self-reliant. This will allow it to do things that the members want to do, rather than what funders think you should do.

Open Africa routes have already put the following ideas into action, and they can work well under the right conditions:

## **Membership fees**

A number of routes charge its members (the businesses or participants on the route) a membership fee, in return for some valuable benefits. Every route needs to be clear about what benefits it will offer, and then deliver these! Don't overpromise, but make sure that there is value to be found in the fee, or you will struggle to keep and grow your membership base.

Start off by minimising the costs of running the route, so that the fee can be kept small. Raise the fee only when you can show that the benefits are real and that the route can deliver more value if it is better resourced.

## **Route levies**

Some routes charge their members a route levy – a percentage of each sale that they make. For instance, accommodation providers would pay a levy per room; the levy may even appear on the customer's account, and may be added to the accommodation, food and drink items. (The provider would have to show the total fee per night when advertising so that it is not an 'extra item' that the customer is not aware of.)

Activity operators would pay a levy per activity, and a similar arrangement could be made for crafters, restaurants and other members.

## **Competitions**

A number of routes have been successful at raising funds through competitions. These competitions raise money from people paying to enter and can be run in local media or further afield to draw new visitors to the route. Route

members are then asked to sponsor accommodation and activities as prizes.

## **Marketing projects**

Many of the route's management activities will be marketing projects that aim to raise the profile of the route and its members. While these can be funded by member contributions, they can also become income streams – if you think creatively.

- Can you charge customers for the material? The Drakensberg Experience route, for instance, wanted to produce and distribute 10 000 brochures with an area map and information on its members for circulation at selected points on the N3 highway. They charged R10 per brochure, ensuring that they covered their cost and had a surplus towards the next print campaign.
- Can sponsors be brought into your marketing material? If there are larger stakeholders in your area that are also looking for publicity, they could sponsor the production costs in return for branding on the brochure. For instance, your local/district municipality, the franchisor of petrol stations on your route (Shell, Engen, Caltex, etc.), or the owners of mines in your area could be approached.
- By charging a sponsorship fee that covers more than just the costs of the design and printing, the route can earn a surplus that can be ploughed back into its operations.

## **Other possible income stream ideas**

- The route's members are each involved in specialised areas of activity. The route – through its links with stakeholders such as government and big business – may be able to facilitate contracts to larger customers on

behalf of its members (for instance, a provincial government department may require craft items for a special event). If the member is unable to negotiate the contract itself, and the route management makes it possible, then the route should be able to earn a commission or some portion of the income for arranging this.

- Arrange special events for the towns in your route (harvest festivals, fruit-picking, children's activities, historical tours, etc.), and look for ways that visitors could pay an entry fee or members could earn extra income that can be levied by the route.
- Trade shows add value to your members by exposing them to possible customers in new markets. The route can arrange these on a regular basis, and can add a small management fee to be paid by each attending member. These will add up, especially if you can grow the number of members in your delegation and make it a regular event.

## **Who is involved with identifying income streams?**

The Route Forum's Treasurer is usually responsible for managing the route's finances, but this is mainly a control function, and the person doing this might not be the sort of person who is good at fundraising or developing income streams. The Route Forum may therefore want a separate portfolio for fundraising, which would require someone skilled in sales and marketing. That person could also drive the search for income streams that generate regular cash flow for the route.

This person would need to work closely with the Route Forum's Treasurer and Chairperson and may require a subcommittee to

help with the workload. When trying out various projects that could earn an income, the fundraising portfolio could even appoint a project manager (perhaps a route member) for each project. This would help spread the workload and ensure regular involvement by members.

## How should your route manage its income streams?

The Route Forum needs to keep a close eye on how it earns income. Whether it is the Treasurer, the fundraiser or a project manager that is running an income-generating project, they need to present clear plans to the Route Forum and have those plans approved before embarking on the work. The Route Forum should also present a financial summary at each AGM (or general meeting).

A timetable should be in place to show what will be done when, and by whom; importantly, the plan must show how much a project expects to earn, and when that income should reach the route's bank account. The route administration needs to help manage the invoicing and control of cash flow as this will help the Route Forum to check that money is being properly handled (especially if there is cash involved in the transactions). Similarly, this should be presented and approved at the AGM (or general meeting).

## Practical tips

- **Encourage members** to come up with ideas that could lead to income for the route.
- **Keep members involved** in this process, so that they can offer their services or products from time to time.
- **Task the treasurer** to keep track of costs and benefits of each income stream. Those running the project might not be fully aware of what the full costs are to the

route; it is vital to know that income is more than expenditure.

- **Make full use of the visual beauty of your area** – while you may take it for granted, the images you see around you every day may be regarded as spectacular, unusual or special by potential customers elsewhere. Consider calendars, posters and cards as products your route can sell at retail outlets throughout your region (as long as the route is not competing with a member!).

## Use of this Guide

The Route Forum can use this Guide as a thought-starter, as it explores ways of making money to cover its running costs and activities. In particular, the Route Forum's fundraising portfolio can use it to help brainstorm possible income stream ideas; this can be done by bringing enthusiastic and creative members of the route together on a regular basis – to share ideas and begin the process of trying out various options.

Routes should also talk to their stakeholders to see what services and products they regularly require, and assess whether the route and its members are able to supply any of those as an income-generating activity.

## Other Guides

Here are some other Guides that will help you on the topic of income and finances:

- Guide: [How To Write A Funding Proposal](#)
- Guide: [How To Develop A Project Budget](#)
- Guide: [How To Develop And Manage A Route Budget](#)
- Guide: [How To Develop A Marketing Plan](#)
- Guide: [How To Attend Travel Shows](#)