

PART I

INTRODUCTION

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CHAPTER 1

A New Way of Doing Business for the Nonprofit Organization

Whereas the nonprofit sector used to be regarded as a sort of backwater to the business world, as a poor cousin to the formidable public sector, it is now increasingly becoming a destination of first resort. Not only is talent flocking there—giving the other sectors a run for their money in terms of employees—but with its emerging blend of businesslike discipline and government-like compassion, the nonprofit sector may yet arise to be the one the others look to.

Penn, Mark J. and Zalesne, E. Kinney, *Microtrends*
(New York: Twelve, 2007), p. 232

Could anyone have predicted some of the cataclysmic changes that have occurred in the nonprofit marketplace during the past 10 years? Nonprofit practitioners today face social, governmental, and economic changes of an unprecedented magnitude and variety. Such changes are based on the following facts:

- A global donor community has become a reality for many nonprofit organizations as advertising platforms have multiplied.
- Increased media fragmentation has led donors to demand that nonprofit organizations change their methods of communication or suffer the consequences of their nonparticipation.

4 Successful Marketing Strategies for Nonprofit Organizations

- Even though the world's superrich are growing numerically, fund raising has become a battlefield as nonprofit organizations compete for scarce resources.
- Data base fund raising changed the way nonprofit organizations have conducted business during the past 10 years; now the challenge is to use what agencies know about their stakeholders to customize their nonprofit experiences.
- The growth in the number of nonprofit organizations causes competition for the same audiences, and in many causal fields has led to commoditization among causes.

Not only have these changes forever altered the way nonprofit organizations must operate—requiring innovative responses that practices of the past simply cannot accommodate—but marketing and media considerations in particular have arrived at an evolutionary convergence. The ideas and actions associated with “marketing,” central to many nonprofit institutional actions and counteractions in the past, are now being challenged by newer, vibrant, and groundbreaking alternatives. In this chapter, the developments that have brought marketing to this transition point are discussed, as are preliminary marketing concepts and definitions in order to lay a good foundation for a more in-depth discussion of marketing analysis, planning, and implementation.

The Need for a New Marketing Orientation

Traditionally, marketing has not been a popular subject in nonprofit circles; competition even less so. Marketing issues tend to lay our organizational souls bare and put them on trial. However, with flourishing competition in the nonprofit world, marketing and its attendant strategies *must* be taken into account to ensure the success—even the survival—of most nonprofit organizations. Today, nonprofit organizations are operating under more changes and pressures than ever before. Without closely monitored and implemented marketing strategies designed to take the organization through a particular course of action, and without the ability to change that course should the need arise, an organization risks being lost in the throes of internal and economic upheaval.

At one point in our history, it may have been possible for a nonprofit organization to achieve competitive success despite having

A New Way of Doing Business for the Nonprofit Organization 5

diminished resources, increased constituent reticence, changing societal needs, and unflagging competition. Today, however, the combined difficulties associated with these “four horsemen” are leading many nonprofit agencies into financial distress. Traditional marketing responses have often contributed to these problems by being neither sufficiently precise nor innovative. How can these missteps be averted? This book explains in subsequent chapters how marketing principles can be used to develop a strong market and constituent orientation for any cause by providing a series of rational steps and arguments aimed at nonprofit practitioners who, traditionally, have not considered themselves as being part of the “marketing” team.

Dealing with Nonprofit Organizations in Flux

Consider the state of most nonprofit organizations in operation today. Many are experiencing both internal and external turbulence. Internally they are weighed down by a top-heavy hierarchy of executives; they offer little opportunity for subordinate employee advancement and are beset with numerous other human resource inequities. Externally, these same organizations are dealing with the need to reorganize, cut costs, improve collaborative communications, and involve their constituencies in more profitable ways. The need in most agencies is for their marketing units to drive change and create efficiency and stakeholder engagement within their causal ecosystem. Sadly, this is often not the case.

A Changing Domain: Constituents and Supporters Want More Control

In today’s climate of clutter and fragmentation, nonprofit organizations must serve at minimum four distinct groups: *clients, constituents, volunteers, and donors*. Clients are the individuals whom the nonprofit organization serves directly and who are the immediate beneficiaries of its output. Constituents represent the consuming public that purchases some output from the organization—perhaps a book or another product. Volunteers and donors (also called *supporters* by some organizations) supply or lend the nonprofit organization various types of resources: time, money, knowledge, encouragement, or facilities.

Although each of these groups is distinct, it is not unusual to observe some overlapping of roles. A friend of a nonprofit organization may take on the role of donor, volunteer, or constituent during

6 Successful Marketing Strategies for Nonprofit Organizations

that person's tenure, receiving benefits from the organization at some time, providing a volunteer service at another time.

Although stakeholder insights are now more important than ever, most nonprofit organizations struggle to know how to use this information to leverage and activate their constituents. This problem in serving these groups is compounded because of their increasing lack of sustained loyalty to causes, as well as the perceived and increasing similarity of causal offerings. Given the vast number of worthy causes an individual can choose to support, volunteer for, or seek services from, nonprofit organizations can no longer assume that today's constituent, volunteer, or donor will be theirs forever. In addition, organizations can no longer assume that the primary concern of their constituency is simply to see the organization "continue as usual." Nonprofit "friends" not only want to know where their dollars are going but are also more concerned about realizing value benefits as a result of their participation. In some cases, this concern translates into asking for, or expecting, more control over or at least more say in agency operational matters.

Networking Systems Are Less Reliable

Traditional nonprofit networks are changing as well. Nonprofit organizations can no longer assume that certain individuals or corporations will supply volunteers, money, and publicity for their causes and activities just because they've done so in the past. Time, money, and the "good name" of an individual or business have become premium possessions in our society, and individuals and corporations are no longer willing to part with them easily. For example, church donations can no longer be counted on to fund many activities and causes outside of the church. Clerics of all faiths typically shy away from fundraising; as a result, many houses of worship are not in good financial condition. Organizations must look elsewhere for support. A new client has historically gained almost 50 percent of its funding from events; now individuals are less likely to attend, stores are less likely to sponsor, and loyal "friends" of the organization are harder to come by.

Hyper-Competition and the New Stakeholder Dialog Contribute to the Turbulence

External changes are also generating this growing uncertainty at an alarming rate. New restrictive policies imposed by the state and

A New Way of Doing Business for the Nonprofit Organization 7

federal governments concerning tax deductions, postal subsidies, and what constitutes appropriate nonprofit activity continue to be a “nuisance” factor, affecting every organization, and are now routine. But two changes have affected the function of marketing and the very survival of nonprofit agencies far more than anything else in recent memory. First, the dialog with stakeholders has changed in ways unimaginable 10 years ago, upsetting the balance of power between agency and stakeholder. Second, hyper-competition among institutions in search of charitable dollars now threatens almost all agencies and has forced changes in the way they operate as they compete for dollars and time.

This environment and the turbulence within it have also had a negative impact on long-range planning. How does one plan effectively given these changes? Some organizations are confronting them with innovation and a renewed marketing spirit; others are floundering as work patterns, marketing platforms, and communication styles used for years no longer seem to fit. Unfortunately, marketing must constantly reinvent itself within many of the organizations in trouble. The goal of finding stakeholders and attracting them with a proposition that aligns with their values has not changed, nor has the need to retain them over time. Marketing tactics, however, often need to change, as does the role marketing plays within organizations.

The Need to Go Beyond Change Management

Nothing has prepared most nonprofit agencies for what they are facing today. With a future that looks remarkably different from what it appeared to be even three years ago, the changes being faced by executives require them to think in categories they have often dismissed and rationalized away in the past. For example, many institutions are going to see their causal business reduced, even though the needs and numbers of those they are serving may increase simultaneously. Taking action to keep their causes and relationships vibrant—in spite of circumstances—has now become “job one” for many organizations.

For some, vibrancy may mean quickly making their organizations as strong as possible, and this may necessitate off-loading parts of one’s organization that no longer function at a high level. *Every* agency has this problem and needs to do something about it soon. You simply cannot become the strongest institution you desire to be

8 Successful Marketing Strategies for Nonprofit Organizations

and still carry underperforming units along with you. Of every part of your organization you must ask the following questions:

- Is it core to where we are going as a causal organization?
- Is there a growth demand for it?
- Are we as an institution committed to delivering value to those who will support us in this venture—particularly our most important stakeholders—as well as to those we will serve—particularly the most important segments of our service clientele?

In going through this exercise with a client, we soon realized that his causal competitors has changed in very real ways: some had disappeared and gone out of business, some were retrenching their work into certain sectors, and others were doing nothing. The client rethought both his marketing and causal service strategy in light of the circumstances at hand and what they might be in the future. In a nutshell this is what resulted from the rethinking:

- Some service areas were earmarked for more aggressive activity.
- A couple of programs were shelved to be rethought or completely disbanded.
- The marketing team was charged to reframe the organization's communication program with more aggressive analytics.

Finally, we tried to “blue sky” the organization's future. We looked at the organization's reactions when things got hard and tried to imagine what we would do if they got harder. Opportunistically, we looked at the agencies in serious trouble and wondered if there were parts of their causal business—as well as stakeholders—that we could pick up with some work. In all of this we asked how vulnerable we were in what we were planning to do, realizing that we had every reason to expect more turbulence in our path.

There are, as Peter Vaill says, “Lots of changes going on at once.” Much of the way nonprofits work today, as compared with what they did 10 years ago, must be revitalized. This is no more apparent than in the way a nonprofit organization analyzes its circumstances and develops, evaluates, and implements its strategies of solicitation and service.

A New Way of Doing Business for the Nonprofit Organization 9

Every agency today has some degree of positive or negative momentum. It is going somewhere, and its mission is being decided implicitly, either through organizational drift, or by individuals and forces inside or outside the cause. A marketing strategy can play a significant role in transforming that momentum into an organization's productive direction. To accomplish this, one must relate an organization's marketing strategies to the surrounding competitive environment, melding the external world into the organization's internal operations, rather than waiting for new programs and new donors to solve all ills. Market and competitive realities can no longer be viewed as an embarrassing undertaking or an unfortunate consequence. Strategy must be set through taking into account the current reality and integrating it with purposeful research and planning to take a weak or strong organization to the next level.

Adapting to the New Reality

In light of what we see happening today, nonprofit organizations must change the way they operate, the way they view themselves, and the way they manage their resources. Rather than create programs internally and introduce them to unsuspecting publics (as has been done by many in the past), a nonprofit organization must now first orient itself to this new environment and its stakeholders and then market for the environment. The organization should first build its programmatic, volunteer, and solicitation strategies by assessing and evaluating constituencies and markets and then build its marketing strategies. This allows the organization to align its programs with values and interests of its natural constituencies, creating a mutual bond.¹ This kind of competitive marketing strategy is a broad formula for

1. How a nonprofit organization is going to undertake concentrating on its core business.
2. How it will rethink and deliver its services in a manner that gets the organization positively noticed and supported.
3. How it will identify its goals understanding the potential dangers in the marketplace.
4. How it will outline new protocols—along with as the recovery systems and policies—needed to carry them out.

10 Successful Marketing Strategies for Nonprofit Organizations

Marketing to the External World

Critical to this discussion of marketing is the intended audience's point of view, which must be a part of the quality of service and attitude a nonprofit delivers. Successful nonprofit organizations should be able to bring resources together quickly after recognizing new audience needs or values. Constituent, volunteer, and donor wants, expectations, and perceptions, taken seriously, can create a competitive edge in the field in which the nonprofit organization operates.

Unfortunately—even in light of hyper-competition for resources—external points of view do not always seem important, rational, or necessary to many organization executives. Many years ago, W. Edwards Deming, the American management genius, sadly noted that American industry had become too stubborn to make the changes necessary to boost production, improve quality control, and test new management practices.² Today there is little choice for many agencies; they must change and adapt to the current reality. To not do so is to risk not moving an agency ahead by not focusing all of its assets and energies on the task at hand.

The financial and managerial pressures facing nonprofit organization directors in the next years will magnify these problems many times in intensity, more than any previous generation ever experienced. The nonprofit world must prepare itself for those pressures and for the competitive environment that will result. The badly needed first steps in this preparation are to

1. Define marketing and marketing strategy.
2. Define how a strategy operates in today's causal markets.
3. Ask why a nonprofit organization needs a marketing strategy.

Marketing Defined

Marketing has “grown up” in the nonprofit world. In most quarters there is little need to hide the title “marketing” behind older catch phrases such as development director or membership director. The nonprofit world, in fact, is in desperate need of good marketing directors. And though the definitions of marketing have not changed noticeably, the tactics used for developing strategies and carrying them out have changed enormously.

A New Way of Doing Business for the Nonprofit Organization 11

Philip Kotler, author of *Strategic Marketing for Nonprofit Organizations* as well as many other books on marketing, is an internationally renowned expert on marketing and is the S.C. Johnson & Son Distinguished Professor of International Marketing at Northwestern University. In the fourth edition of Kotler's text, nonprofit marketing is defined as, "the function of a nonprofit whose goal is to plan, price, promote, and distribute the organization's programs and products by keeping in constant touch with the organization's various constituencies, uncovering their needs and expectations for the organization and themselves, and building a program of communication to not only express the organization's purpose and goals but also their mutually beneficial want-satisfying products."³

This definition's underlying assumption is that if an organization does an adequate job of researching and understanding the needs and wants of its constituents, and designs programs and products to meet these needs, the selling job is greatly reduced. The ease of selling is directly proportional to the internal make-up of the constituent—his or her needs, wants, and values. To arrive at such a point in today's dynamic and convoluted markets, however, requires innovation, smart strategy creation and implementation, and a willingness to change organizationally.

Breaking the Status Quo

Unfortunately, the notion of nonprofit marketing for some has come to mean aggressive promotion or new web site design, as opposed to aggressive listening to constituent needs, leading in turn to strategic analysis. In the face of competition, many agencies have concentrated primarily on communicating the nonprofit's needs to the public, rather than listening to its constituents. While promotional programs are a part of marketing strategy, the strategy must first move away from the point of sale and ask these questions: *Who are our constituents, what are their needs and wants, and how do we predict what the right marketing moves will be?*

Defining the Constituents' Needs

Today's nonprofit stakeholders are more aware of what good performance means, more aware of what they want from an organization, and more concerned about realizing their own values through their support. It is here that marketing must function as the

12 Successful Marketing Strategies for Nonprofit Organizations

organization's "ear" in an ever-changing environment. As such, the organization moves from a "we need" philosophy to a "they need and we can provide" philosophy, based on both groups' participation in arriving at an agreed-on goal. At its most elementary level, nonprofit marketing takes place when an organization and an interested party come together for a mutually beneficial exchange or a service, resource, or idea. This is known as *exchange theory*; it is discussed further along in this chapter.

Exhibit 1.1 contains a list of questions that can help to define "marketing" as it relates to all aspects of a nonprofit organization.

Research, in the form of listening to constituents, donors, customers, and clients, allows the organization to uncover what is perceived to be special about its constituents, in both the way they think and the benefits they want from the nonprofit organization. In

Exhibit 1.1 Defining Marketing Tasks

The nonprofit organization's initial marketing plan should answer the following questions concerning markets:

1. What are the targeted markets?
2. What are the key segments within these markets?
3. What are the identified values and needs of each market segment?
4. What "business" do constituents think the nonprofit is in?
5. How much interest or awareness do the organization's activities generate?
6. How satisfied are the current constituents with the organization's output?

Concerning resources:

1. What are the major strengths or weaknesses that could either limit growth platforms or enable expansion?
2. What opportunities are being presented that will enable an expanded resource base?

Concerning business orientation:

1. What is the organization's mission?
 2. Who are the key constituents?
 3. Who are the major competitors?
 4. What benefits does the organization have that will allow it to take a position different from its competitors?
 5. Are there market segments "open" from competition that would allow the organization to excel?
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A New Way of Doing Business for the Nonprofit Organization 13

Exhibit 1.2 Benefits of Research

Research allows an organization to

1. Assess new or emerging marketing opportunities.
 2. Furnish information for developing marketing plans, both short and long term.
 3. Provide information needed to solve problems that arise within an organization's constituencies.
 4. Know which marketing decisions have been correct and which are in need of change.
 5. Develop new promotional appeals and assess their success vis-à-vis competitors in the light of marketplace activities.
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addition, listening to constituents produces more than just information on promotional tactics. Organizations discover whether their "product mix" (comprising an organization's causes, style of activity, or ministry) and "hard" product offerings (e.g., literature) should be maintained, increased, or phased out.

The *product mix* of an organization is the sum total of all of the organization's service outputs on behalf of particular constituencies. Research allows an organization to discover trends affecting its constituents (and ultimately the nonprofit organization), the values of different market segments, whether constituents are satisfied with the organization's goals, and the benefits they are seeking. Exhibit 1.2 lists the benefits of research.

Develop an Outline of Marketing Strategies

Most nonprofit managers will agree that marketing must become as intrinsic to the nonprofit sector as it is to the for-profit sector. However, many institutions find themselves in a marketing "pre-culture," where they have adapted the terminology of for-profit marketers without incorporating any of the commensurate systems of evaluation and procedures. This pre-culture often negatively impacts the following five arenas of thought and action in the nonprofit world:

1. The *business* or *mission* the nonprofit organization is in and the corporate values and philosophy that are transmitted through its same mission.
2. *Exchange theory*—the notion that each party in the transaction should sense they are receiving more than they are giving up; the notion of *self-interest* as it relates to the exchange.

14 Successful Marketing Strategies for Nonprofit Organizations

3. The actual *marketing task* itself, which stresses the importance of meeting consumer needs.
4. The *tools* the nonprofit marketer uses (sometimes called the *marketing* or *product mix*) such as social media, advertising, fund raising, pricing, and channels of communication and distribution.
5. The nonprofit organization's *distinctive competencies*, in which the organization concentrates on doing what it does best in order to minimize any weaknesses it might have.⁴

The marketing task is fundamentally a transaction in which the self-interest of both parties is critical. The promotional tools and marketing mix available to the nonprofit practitioner has only one purpose: to satisfy efficiently and effectively the practitioner's *half* of the transaction. By further identifying the areas in which a nonprofit excels, it can strive to better serve individuals seeking competence in those same areas. The five items in the preceding list are explained in the sections that follow.

The Organizational Mission

The marketing process begins with a definition of the mission or "business" the nonprofit organization is in. The mission is important for various reasons, not the least of which is that it is the foundation on which all other marketing planning is built. An organization's mission is its purpose and reason for being, and it may also serve to determine accurately the types of services it can provide.

The task of determining the mission is especially important, because many nonprofit organizations shift their focus as the environment changes. A clear and simple mission statement composed several years ago may or may not still apply. In any case, the mission needs to be defined and redefined, or at least reconsidered.

Although "mission" can be hard to define, it must be addressed to properly develop all of a nonprofit's marketing goals and its plan(s) to meet those goals. Ultimately, mission has ramifications in three important areas:

1. *Definition of the constituent groups (sometimes called "stakeholder groups") that will be served as well as a determination of those who won't be served is essential.* If there is agreement on the

A New Way of Doing Business for the Nonprofit Organization 15

organization's mission through an analysis of constituent perceptions and feelings, the effect can be a powerful catalyst for the organization to achieve its goals. If agreement has not been reached—or if it has not been sought after by leadership—then issues regarding allocation of resources, the scope of those served, and the conservation of resources (achieved by not making errant “scope of work” decisions) can all come back to haunt an organization.

2. *Identification of the needs of new and existing constituents that will be satisfied by the nonprofit organization is also required.* Typically called the “stakeholder value proposition,” what a nonprofit agency offers in the way of service elements and relational care helps to differentiate how it operates from others. The organization must know what criteria stakeholders are using to judge the success of its performance and how its value proposition successfully—or unsuccessfully—answers these needs.
3. *Absent a well-thought-out value proposition, an organization's strategy seldom achieves resiliency.* Taking into account the real and defined assets and competencies an organization offers, its strategy becomes a set of imperatives that are supported by marketing programs augmented by tactical considerations. In short, what is the strategy by which the needs of the constituency will be satisfied? The strategies and philosophies used by the institution must be in keeping with its core set of values; otherwise there is little chance of achieving stakeholder satisfaction.

In essence, a nonprofit's mission, when well defined, can be translated into a plan that will enable the organization to meet its goals.

The Self-Interest Aspect: Exchange Theory

A nonprofit organization is often consumed with its need for more outside involvement in order to harvest the additional resources it constantly requires. Marketing must answer the problem of how to get the desired response from those groups the organization has targeted for involvement.

Imagine a simple two-sided scale. One side of the balance is weighed down by the needs of the organization. The other side is weighed down by the benefits that a person receives by being

16 Successful Marketing Strategies for Nonprofit Organizations

involved with that organization. Which side is heavier? Which side is heavier in your organization? The two sides should basically be in balance, if not skewed towards the stakeholder.

The key to success for an organization is to bring about a certain level of satisfaction among its various constituents. This can be accomplished surreptitiously through what is commonly called an “exchange.” Under the *exchange theory* an individual gives up something (e.g., time, money) in exchange for something else. The individual should perceive the return to be of greater value than what he or she has given up. *The receiving is thus the motivation for the giving.* The following explanation is offered as an example.

A sense of prestige often plays a major role in convincing people to serve on boards. Similarly, donors are often motivated not only by the feeling that they are a part of an exclusive group but by being made to feel generous, important, and central to an organization’s success or failure. For a volunteer, the self-image of being essential, being needed, and belonging is often what explains why they work for no compensation.⁵ Successful exchanges involve several factors:

- Activities
- Markets
- Prospects
- Costs
- Benefits
- Associated costs
- Nonfinancial benefits

Exchanges are *activities* that are engaged in by at least two parties. Each party has a goal. The organization initiating the exchange is the *marketer*, and the individual is the *prospect*.

In a pure subsistence economy, each family produces all the goods that it consumes over a period of time. There is no need to look further for other goods or services, because each family unit is self-sufficient. Marketing does not occur in this instance, because marketing involves two or more parties wanting to exchange something for something else. A *market*, then, consists of a group of buyers and sellers bargaining in terms of exchange of goods and services.

A *prospect* is someone who is likely to want to be involved with an exchange of some kind. For example, a volunteer prospect might be

A New Way of Doing Business for the Nonprofit Organization 17

someone who is willing to give his or her time in exchange for the satisfaction of knowingly helping out a worthy cause.

There are *costs* as well as *benefits* for each party. The individual's costs may be money or time. These are relatively easy to calculate. There may also be costs that are more difficult to assess. In the case of a nonprofit client it may be asked, "What are the psychic costs of admitting one's inadequacy, the presumed reason for seeking help?"⁶ A donor may also worry about supporting an organization with a defined or potentially controversial point of view. The organization also has *associated costs* in mounting its marketing efforts, in managing the client process, in dealing with governmental regulations, and in dealing with the positive or negative aspects of personalities in the process.

Exchanges are not always financial in nature; they can also be social or economic. Social rewards may be internal and not easily delineated or calculated. For example, by being a part of a particular nonprofit and its programs, I may reaffirm particular belief systems I maintain as to how people should be treated or how a cause should be advanced. Economic rewards, on the other hand, are usually clearly spelled out and may have some extrinsic value leading to benefits outside the exchange relationship. For example, a donor participating at a certain financial level may receive name recognition, networking possibilities, or invitations to prominent events, all of which have an indirect economic impact.

The exchange process is not always simple; it can be complex. Armand Lauffer is a professor of social work at the University of Michigan and author of *Strategic Marketing for Not-for-Profit Organizations*. Lauffer cites the following example:

*When you make a contribution to the United Way, you do not expect thanks from the agencies that are the recipients of the funds raised or from their clients who are the ultimate beneficiaries. You may, however, experience a sense of well being at having met a social obligation.*⁷

Therefore, a less clearly defined "exchange" can still prove beneficial to all concerned.

Exchanges assume that each participant is involved voluntarily. Each participant is free to accept or reject any part of the offer. Successful nonprofit organizations view exchanges as either singular

18 Successful Marketing Strategies for Nonprofit Organizations

Exhibit 1.3 A Simple Listing of Exchanges Sought between a Nonprofit Organization and Its Constituents

Exchange Partners	Type of Exchange Sought
A. Donor Nonprofit organization	Recognition, involvement, gratitude Resources, growth potential, service
B. Volunteer Nonprofit organization	Service, community, worthiness Cheap labor, lowering of costs
C. Board member Nonprofit organization	Significant contribution, access to leadership Wisdom, leadership, access to knowledge
D. Client Nonprofit organization	Personal benefits, services, friendship Fulfillment of mission, success, contribution

events or a series of events over time. For example, in relationships with donors, nonprofit organizations ultimately assign someone to manage the exchanges in order to maintain the right types of associations with donors over extended time periods.

Exhibit 1.3 lists exchanges between a nonprofit organization and various constituents that might be involved with the organization, as well as each party's reason for involvement.

The Marketing Task

For-Profit versus Nonprofit

The marketing function in the for-profit sector assumes that good marketing management creates truly satisfied consumers and, ultimately, company profitability. The world assumes a profit motive, a primary constituency (donors, clients, etc.) for the company to work with, and the ability to allocate resources based on the viability of a product or service and its acceptance within a constituency. There are intrinsic characteristics that are unique to nonprofit marketing, however.

First, nonprofit organizations do not seek to make a “profit” but often find it necessary to generate surpluses of revenue over expenses to fund unpopular or non-fundable parts of the organization.

Second, some causes do not lend themselves easily to performance evaluation. For example, a university may want to provide education for all classes of people. Although these organizations may create a psychological or social “profit,” actual performance measurement is difficult.

A New Way of Doing Business for the Nonprofit Organization 19

Third, it is difficult in a nonprofit organization to determine how a nonprofit manager allocates resources without an accurate assessment of previous performance levels. Many nonprofits do not charge for services rendered. How does a nonprofit director gauge the correctness of decisions to enhance some programs and curtail others?

Finally, if the essence of the marketing task is meeting the needs of the constituent, how does a nonprofit organization do so if its mission is inconsistent with the desires of at least some of its constituents, as in the case of an anti-tobacco organization? Finally, if the essence of the marketing task is meeting the needs of the constituent, how does a nonprofit organization do so if its mission is inconsistent with the desires of at least some of its constituents, as in the case of a spiritual order with one constituent group wanting to build a grade and junior high school and another constituent group wanting to give the constituent donated money away to feed the poor?

The differences between for-profit and nonprofit organizations as they relate to the marketing task are most pronounced in the following three areas:

1. The profit motive
2. The nature of a nonprofit organization's constituency
3. The methods of resource attraction

The Profit Motive

A nonprofit organization, by definition, does not operate to produce a profit. In other words, nonprofit organizations do not have a *profit motive*. However, the profit motive gives for-profit managers a control tool that is far superior to most nonprofit control tools. The nature of the profit motive allows managers to better measure their efficiency and effectiveness in reaching their objectives. For example, relatively simple mathematical calculations will reveal what percentage of income is actually profit. The nonprofit manager must deal in the area of "services rendered," which, in most nonprofit organizations, is a nebulous concept not easily measured or evaluated. Nonprofit managers try to measure intangibles such as services provided and numbers of large donors, not the "bottom line." In essence, a nonprofit manager must establish a financial model that delineates money spent and services rendered.

20 Successful Marketing Strategies for Nonprofit Organizations

The Nature of the Nonprofit Organization's Constituency

To further complicate matters, a nonprofit organization usually deals with two principal constituencies:

1. Clients for whom the nonprofit exists and to whom goods and services are provided
2. Donors, customers, and volunteers who provide the majority of resources that allow the nonprofit organization's service to take place

This dual constituency makes the marketing task even more complex.

The profit-motivated company has one marketing function—to facilitate a direct two-way exchange, which includes both resource allocation (providing goods and services) and resource attraction (obtaining revenue). By contrast, the nonprofit organization must approach these two tasks separately, because they involve separate constituencies.⁸ (See Exhibit 1.3.)

A fairly common example of this difficulty is the real-life scenario many nonprofit organizations face today. The services the organization is providing, whether the client likes them or not, may not meet the expectations of the organization itself. Similarly, nonprofit organizations may also face a situation in which the resources provided by the donor or volunteer do not meet with the expectations or satisfaction of the recipient.

Nonprofit organizations may provide services to clients because of donor or volunteer pressure that the services be offered and not necessarily because management feels this is the best for either the nonprofit or the clients served. For example, one can easily give money to feed the hungry in parts of Africa without knowing *how well these services are being delivered by the nonprofits to the people who are in need of them.*

Resource Attraction

Resource attraction is the attraction of funding and other resources to nonprofit organizations. An organization's resources are typically obtained by the communication of its needs through one or a combination of the following four paths:

1. A "keep quiet about our needs" approach
2. An advertising and public relations approach

A New Way of Doing Business for the Nonprofit Organization 21

3. A mass media solicitation approach where the need is made known along with a “hard ask”
4. A strong personal selling approach

Each path, or a combination of the paths, requires a different marketing strategy, and each leads to a different outcome. This text does not attempt to cover all the possible marketing and sales approaches; there have been volumes written about what works and what does not, and “what works” for one industry may not work for another. (See the End Notes for a listing of books that may prove helpful to the reader in this endeavor.⁹)

There are typically six issues that a marketer must deal with as he or she plans their resource allocation strategy:

First, there is the remarkably important issue of determining whether the cause being promoted is viable financially. This means addressing the following questions: (1) Are the operating costs excessive for the organization to bear? (2) Does the organization expect to run this program over a long period of time, necessitating the ability to lock out competitors and to be able to demonstrate some sort of competitive advantage to ensure program viability? (3) Does the program fit with what the agency is already doing, and does it provide synergy to the other programs already running?

Second, marketers must learn everything they can about the stakeholders that will be involved in the cause. This involves online research, demographic research, research on attitudes, interests, and lifestyles (also known as psychographic research), and face-to-face involvement.

Third, can the program be sold? Chief executive officers, along with program officers in particular, generally assume anything can be sold. This is simply not the reality in the marketplace. Some programs are both important to the cause and still hard to discuss and sell because of their level of complexity. Others may not have widespread “appeal” and fail to ignite the interest of the constituents.

Fourth, many nonprofit organizations are under pressure to be *democratic* in their fundraising, trusting that every stakeholder is vitally interested in all that the organization does. In

22 Successful Marketing Strategies for Nonprofit Organizations

countless donor and customer interviews, the participants invariably identify their favorite parts of the organization as well as the parts that they are not vitally interested in.

Fifth, most nonprofit agencies do not talk about “dollar handles” or the pricing that is going to be involved in the marketing effort. While it’s not an exact science, there is still a lot to learn about smart dollar amounts to ask for. Nonprofit organizations have less variability in pricing than do for-profit organizations. The problem is amplified by nonprofit organizations that rely solely on donations and give their services for free. The agency must realistically assess how much money can be raised and how much can be charged for services.

Sixth, nonprofit organizations need to develop a resource allocation strategy. The way funds are distributed in an organization ultimately defines that organization. Some agencies undertake causes that are tangential to their mission; others undertake causes that constituents perceive as being “outside” the organization’s scope of expertise. A clear definition of “mission” enhances an institution’s ability to raise funds and solicit volunteers.

Marketing Tools

The marketing tools (or *marketing mix*) with which a nonprofit attracts resources, accomplishes constituent persuasion, and executes appropriate program allocation encompasses

1. The nonprofit organization’s communication program
2. Its pricing policy
3. Its causes or products
4. Its distribution channels

In 1992, authors Houston Elam and Norton Paley, in their book *Marketing for Nonmarketers*, suggested that marketing can be viewed as a *systemic philosophy and approach to doing business*. It is equally important to recognize that marketing requires interacting business activities, reinforcing the premise that each area of management has a stake in the successful operation of the company and depends on every other area if it is to do its part properly. In

A New Way of Doing Business for the Nonprofit Organization 23

essence, marketing tools are connected with all other aspects of doing business.¹⁰

The nonprofit organization's marketing mix can be expressed in two organizational formats. First, marketing can take the form of a *marketing campaign*. A campaign is usually an extended effort by an organization to reach specific financial, membership, or other resource goals within a particular time period. A marketing campaign is often evidenced by a concerted effort on the part of the organization and its supporters.

This specific effort on behalf of a unique organizational goal is in contrast to the second type of marketing, which has to do with an agency's day-to-day marketing operations and its ongoing relationship with its donors, customers, volunteers, and clients in their joint undertakings and interactions. Marketing, in this sense, is the attempt by the organization to accomplish short-term, day-to-day goals. The lines differentiating "marketing campaigns" and "marketing" can appear to be indistinct because the activities involved in both are similar. They include the following:

- Both marketing operations take into account and target appropriate audiences to accomplish goals. Similarly, target audience members (donors, volunteers, and members) are empowered to achieve their individual goals through personal involvement.
- Messages of encouragement, solicitation, and benefit are sent by those inside the organization to those outside, and messages of acceptance, displeasure, and encouragement are sent from outside the organization to the inside. These messages allow action by both parties.
- Individuals targeted by the nonprofit organization as key to the success of its efforts are given a way to respond appropriately to the offers or causes being presented by the nonprofit.
- Both the nonprofit and the individual receive adequate benefits in order to be or at least feel successful.
- Day-to-day marketing operations and more intensive marketing campaigns have clear, concise goals and objectives; the individual's partnership with the nonprofit is clearly stated.
- In every marketing effort, there is a group that fails to respond to whatever is being presented.

24 Successful Marketing Strategies for Nonprofit Organizations

Appealing to the Constituency

“Marketing campaigns” and “marketing” can appear to be similar, but each must be considered separately for purposes of planning and execution, for the following reasons:

- Most people want to see evidence of some degree of current interest in the subject matter to respond affirmatively to what is being said or asked for by an organization.
- The information presented by an organization must usually be compatible with an individual’s prior attitudes for that individual to be receptive.
- People respond in different ways to the same material, and their response depends on their belief and attitudes.

The Importance of a Communication Program

A nonprofit organization’s marketing campaign and daily marketing operations depend on its communication program. (See Exhibit 1.4.) Most communication efforts by nonprofit organizations rely heavily on advertising media (direct mail, social media, space advertising, electronic advertising, etc.) often augmented by personal selling to accomplish specific marketing mix goals. These goals typically range from fund raising to client recruitment to volunteer enrollment.

Exhibit 1.4 Elements of a Typical Online and Off-Line Communication Program

1. Annual report designed for donors, volunteers, customers, and friends
 2. A fact and/or photo book to provide a mid-year update on the organization’s operation
 3. Some type of routinized newsletter to discuss subjects of importance to the constituency
 4. Press releases to communicate fast-breaking news of significance
 5. Specialty brochures to promote different aspects of a nonprofit organization’s program and to identify opportunities for involvement
 6. Public meetings or gatherings to give managers and supportive constituents a chance to interact
 7. Mass marketing efforts (e.g., direct mail, advertising, space ads, telemarketing and radio and television specials)
 8. Highly targeted events for purposes of conveying special information to preselected audiences
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A New Way of Doing Business for the Nonprofit Organization 25

Pricing

One of the principal goals of a communication program is to relay information about the nonprofit organization's *pricing* policies. "Pricing" is defined as the amount of resources demanded by a seller.

In a for-profit company, price is the direct link between resource allocation and resource attraction. A company's product price allows it to attract more resources than expended for the product's production. Some nonprofit organizations seek to emulate this system by charging for services. In undertaking such a move, a nonprofit organization relies on a single constituency—its clients—to ensure financial viability through the price it charges for its services.

Other nonprofit organizations use more than one constituency—donors and clients—in their day-to-day operations. Two constituencies usually imply two pricing considerations. Donors provide different dollar amounts—some are asked for higher amounts and others for lesser amounts. (Technically, donors in this situation are paying different fees.) Clients are also not always charged the same "price." Some nonprofit organizations have different categories of clients, charging different "prices" for services rendered.

For example, a halfway house for drug addiction might offer walk-in treatment at one price, a methadone program at another, and ongoing care at another. Other nonprofit organizations do not charge a fee *per se* for their services; nevertheless, a psychological "fee" is exacted through a "commitment" to the organization and its goals. This outward working of an organization's goals is expressed to the general public through its programs or "products."

Viewing the service as a "product" within the nonprofit context is a relatively new concept. And yet the programs—or products—offered by a nonprofit organization are its most important elements. Programs are what clients and donors accept and help fund. Program goals shape a nonprofit organization's mission.

For most organizations with two primary constituents (donor and client) "two-product" policies should also be in place. In the previously mentioned halfway house example, donors most likely feel the "product" they are buying is both helping men and women overcome a serious problem and contributing positively to a local or societal problem. The client, on the other hand, is usually buying immediate help for an urgent situation. What is the product

26 Successful Marketing Strategies for Nonprofit Organizations

provided to a donor? Broadly defined, a donor looks at the cluster of benefits surrounding his or her involvement—intangible items such as being a part of something being sought out or a feeling of satisfaction and pride—as the “product.” The client, on the other hand, looks at the actual services provided and the clients’ level of satisfaction with those services as the “product.”

Program and Product Distribution

Finally, how does a nonprofit organization deliver or distribute its programs or products to the right audiences? Usually, the following key questions apply to a nonprofit organization’s distribution system:

- Where is the best place for a nonprofit organization to sell its services?
- Where and how will the nonprofit organization collect its donations?
- Will the nonprofit organization place its programs in the same areas from which it is raising funds, or in different areas?
- How will the nonprofit organization access information from its distribution channels in order to improve its services?

Use Distinctive Competencies to Assess the Competition

In another effort to define nonprofit marketing practices in terms that would relate to the for-profit world, the term *distinctive competency* arises. Basically, a distinctive competency is an area of operation in which a nonprofit organization does better than its competitors. The fundamental reason to look at a nonprofit organization’s distinctive competencies is to assess the presence of “competitors” offering the same or similar services to the same constituency.

In the for-profit world, competition theoretically forces an organization to better serve its consumers. How, then, does a nonprofit organization distinguish itself from competitors in order to be rewarded by strong consumer confidence and financial viability? This is done by evaluating the organization’s role in terms of how it serves its clients and donors and by comparing the programs and services it offers with the offerings of other nonprofit organizations. In this way, an organization can begin to pinpoint the tasks it performs best.

A New Way of Doing Business for the Nonprofit Organization 27

To unlock a nonprofit organization's areas of competence and then "sell" those competencies, an organization undertakes an internal and external analysis of its organization, its delivery systems, the way it charges and raises funds, and the way it promotes itself to publics at large. The goal of this external and internal examination is to "audit" every system in light of the organization's mission and the service it provides to its constituents. With this information, the nonprofit organization can set its goals and develop marketing strategies to meet them.

Summary

Chapter 1 has presented an overview of how the concept of marketing functions in the nonprofit world. Chapter 2 details for the reader why a marketing strategy is important to both the nonprofit organization and the philanthropic community, providing each with a sense of purpose and movement towards the achievement of organizational and personal goals.

