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## Introduction to Nonprofit Marketing

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### Learning Objectives

On completion of this chapter, the reader will

- Understand the definition and aims of nonprofit marketing
- Understand the variety of purposes of nonprofit marketing
- Understand the importance of the nonprofit sector to our society
- Understand the various types of nonprofit organizations
- Understand the challenges faced by the nonprofit sector
- Understand how the nonprofit sector has adopted a marketing approach
- Understand some of the emerging issues faced by nonprofit marketers

## Opening Vignette: Ty Hafan

Ty Hafan, founded in 1999, is a small nonprofit organization located near the town of Barry, in Wales, United Kingdom. This nonprofit is a 10-bed children's hospice. It offers comfort and support for dying children and bereavement counseling for family members. Its services are free. Ty Hafan's costs are about £2 million per year. Funding is provided by charitable contributions.

Ty Hafan actively raises funds in order to cover its operating expenses. Currently, it is offering a wristband for sale (£2 each) that bears the slogan "Live the Moment." It offers a variety of ways people who wish to support its mission can contribute or volunteer. Ty Hafan also actively uses its website to communicate with the outside world.

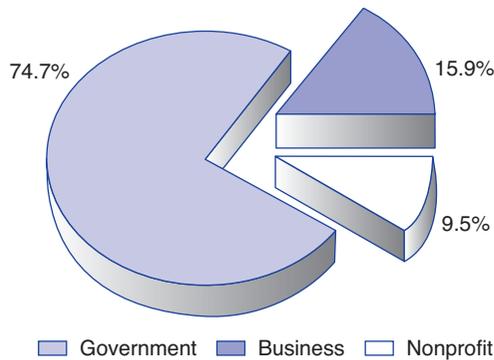
Like many nonprofit organizations, Ty Hafan has had to adopt a marketing approach to its administrative system. The need to build its public image, raise funds, and recruit volunteers demanded a systematic process to focus its various activities on prioritized goals.

Managers in many nonprofit organizations have adopted a marketing approach. In nonprofit organizations, marketing tactics are used to build the organization's image and reputation in society and help the public remember the organization and its cause. Marketing tactics help differentiate one nonprofit from another nonprofit that is offering similar programs. Marketing tactics are used to attract and retain donors and volunteers.

We define **nonprofit marketing** as the use of marketing tactics to further the goals and objectives of nonprofit organizations. Although advertising, public relations, and fund-raising are examples of nonprofit marketing tactics, nonprofit marketing also includes a broad array of other activities. Gathering and processing information for decision making are considered components of nonprofit marketing. Relations with governments, board members, donors, and volunteers are part of nonprofit marketing.

In a broader view, nonprofit marketing is a management orientation that helps the nonprofit organization expand its horizon beyond its internal operations and programs to also encompass the external world that affects the organization. A nonprofit organization that has a marketing orientation is able to focus its various activities and external communications to project a consistent image of itself and influence the way the external world perceives it.

In this book, we use the term *nonprofit organization* broadly to refer to a variety of related nonbusiness and nongovernmental organizations (NGOs). As illustrated in Figure 1.1, using employment figures, we distinguish between the nonprofit, government, and business sectors of society. The relative size of each sector will vary from country to country. It is also possible to have hybrid organizations resulting from intersectoral collaborations. We will also use the term **nonprofit sector** to refer to that portion of a society that includes all nonprofit, charitable, and nongovernmental organizations. The nonprofit sector thus includes religious congregations, universities, hospitals, environmental groups, art museums, youth recreation associations, civil rights groups, community development organizations, labor unions, political parties, social clubs, and others (Boris and Steuerle, 1999). The nonprofit sector is sometimes called the voluntary sector, the civil society, or the independent sector in various countries.

**❖ Figure 1.1** Three Sectors of a Civil Society

SOURCE: Independent Sector Facts and Findings online at [www.independentsector.org/PDFs/npemployment.pdf](http://www.independentsector.org/PDFs/npemployment.pdf)

While nonprofit organizations have different names in different parts of the world, and while they encompass many different types of these organizations, from activist groups to zoological societies, we will standardize our terminology to a degree, sometimes abbreviating *nonprofit organization* as NPO in this book. We may also drop *organization* and simply refer to a nonprofit organization as a nonprofit. These uses are all commonly accepted among nonprofit professionals.

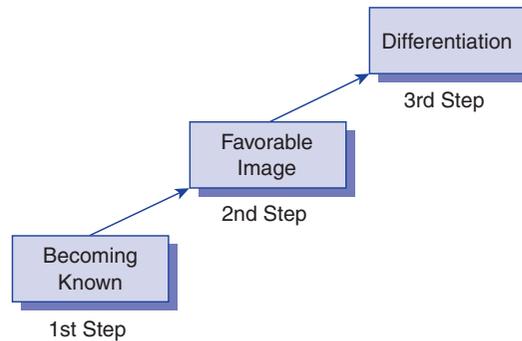
## Dimensions of Nonprofit Marketing

In the previous section, we provided an overview of the nonprofit marketing concept. In this section, we will be more specific in delineating some of the various dimensions of nonprofit marketing. We will discuss planning, positioning, communicating, and attracting resources.

**Planning.** Marketing professionals in nonprofit organizations, or nonprofit marketers, develop plans to help the nonprofit achieve its strategic goals; that is, to fulfill its mission.

**Positioning.** Nonprofit organizations usually benefit from being widely known in society. There are many nonprofit organizations and many opportunities for people to contribute to a worthy cause. A nonprofit's first task in competing for donations is becoming well-known to the community it serves. People are bombarded with commercial marketing messages throughout the day. Nonprofit marketers must define their organizations in this clutter of information.

Once the NPO is known, the next task is to influence the public's perception of the organization. Do people have a favorable, unfavorable, or neutral attitude toward the

❖ **Figure 1.2** Positioning Tasks

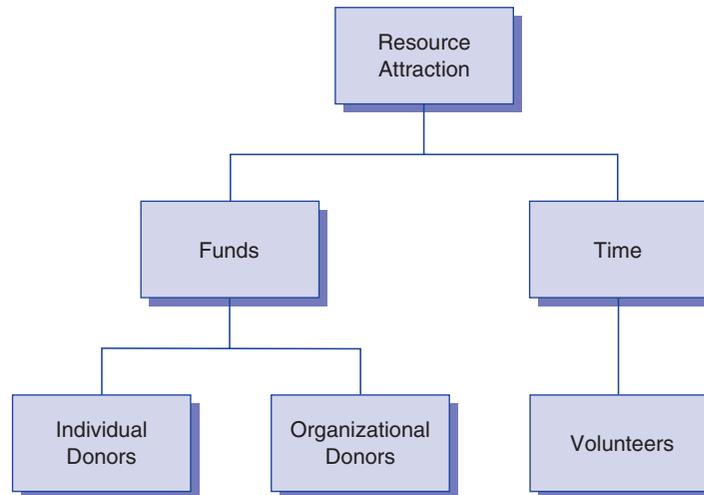
NPO? Do people know what the organization does? How do people think of the NPO in relation to other NPOs? **Positioning** refers to implementing marketing activities aimed at influencing the public's perception of the NPO, that is, developing a specific image of the NPO in the mind of the public. **Brand** refers to the name, logo, and symbols that uniquely identify an NPO and distinguish it from other organizations. Figure 1.2 shows the three progressive positioning tasks for a nonprofit. The foundation begins with getting the organization known. Then the image and the public perception of the organization become a greater concern. Last, the emphasis shifts to framing how the public perceives the organization in relation to other similar organizations, the task known as differentiation.

**Communication.** Communication is a key marketing activity that enables the organization to achieve many of its marketing goals. The NPO directs its communications to its various stakeholders. **Stakeholders** are groups that have a meaningful interest in the nonprofit organization. Generally, these include the organization's clients, board members, employees, volunteers, donors, granting organizations, government, other nonprofits, and the communities served by the NPO.

A nonprofit's clients are the people to whom it provides services. There must be effective communication for the exchange between client and organization to be successful. Board members must be recruited and retained. Employees need to understand the NPO's goals and objectives. They need to have a voice in the development of plans. Volunteers must be recruited and retained. Donors must be acquired and nurtured. Nonprofits often communicate with government officials to represent their causes and interests. The communities served by a nonprofit need to know about its services.

Successful nonprofit organizations establish bonds with their stakeholders and develop relationships with them. Nonprofits' communication programs are an important resource for reaching out and maintaining contact with stakeholders.

**Resource Attraction.** Nonprofit marketers have a very important **resource attraction function**. This generally refers to attracting donations of time and funds, as depicted

❖ **Figure 1.3** Resource Attraction Function

in Figure 1.3. *Donations of time* refers to the recruitment and retention of volunteers. *Donations of funds* refers to contributions from organizations and individuals. These contributions can be in-kind donations, such as products a company manufacturers, or monetary donations. Attracting contributions requires more discussion because it covers several topics. For example, individual donors are categorized in terms of contributed amount (large vs. regular donors), frequency (regular donors, annual campaign donors), events (special events or capital campaigns), and longevity (which includes bequest giving). Collaboration with the business sector is varied also.

### Importance of Nonprofit Sector

The nonprofit sector exists to benefit society. Within the nonprofit sector, there is a rich and dynamic diversity of causes and organizations. Without the many thousands of nonprofits, with their many millions of volunteers, society would lack valuable services, diversity, and civic participation.

The nonprofit sector is important because it provides services that would not be performed by the business sector. Many services needed by a society do not generate a profit and are, therefore, unattractive to the business sector. Boys and Girls Clubs of America, for example, offers a variety of beneficial programs for youth. Examples include programs that foster conflict resolution skills, communication skills, improved homework performance, recreation and team sports, gang prevention, drug prevention, and prevention of teen pregnancy. Businesses are not interested in providing these services because, in most cases, the clients cannot afford to pay for them. Nevertheless, because nonprofits are available, these services are provided, and many individuals benefit, as well as society in general.

❖ **Table 1.1 Charitable Giving in the United States, 2003**

Segment	Giving Level (\$ billions)	% Change From 2002 Giving	% of Total
Individuals	179.36	+2.5	74.5
Requests	21.60	+12.8	8.2
Foundations	26.30	-2.5	10.9
Corporations	13.46	+4.2	5.6
Total	240.72		99.2

SOURCE: Adapted from Giving USA Foundation, 2004.

Nonprofits are important because they allow citizens to participate in their communities collectively. One of the hallmarks of a free, vibrant society is a strong nonprofit sector that activates citizen participation.

In 2002, there were about 1.8 million nonprofits in the United States (Lee, 2004). In terms of charitable giving in the United States, individuals, estates, foundations, and corporations gave an estimated \$240.72 billion to charitable causes in 2003, according to "Giving USA 2004," a study released by the Giving USA Foundation. Table 1.1 shows how various segments contributed to this sum. In addition to charitable contributions, Americans generously donate their time. The Independent Sector (2004) estimates that Americans donated \$266 billion of volunteer service to the U.S. nonprofit sector.

Statistics Canada sponsored a study of Canadian nonprofits in 2003. (The full report is available via [www.nonprofitscan.ca](http://www.nonprofitscan.ca)). Canada had 161,000 nonprofits that year, and Canadians donated \$8 billion to their nonprofit sector.

According to the Charity Commission for England and Wales, England had 166,129 nonprofits and revenues of £34.567 billion (U.S. \$ system) in 2004. In addition, approximately 27,000 nonprofits exist in Scotland and 7,500 in Northern Ireland.

According to the Australian Bureau of Statistics, Australia had approximately 380,000 nonprofits of various types in 2000. About 35,000 of them had paid staff.

Although just a sampling of the scope of the nonprofit sector in various parts of the world, these figures illustrate that the nonprofit sector is substantial. It provides a variety of services and benefits to large portions of society.

## Types of Nonprofit Organizations

**Formal Versus Informal.** Nonprofit organizations can be formal or informal. An **informal nonprofit** organizes for an event or project and disbands on completion. Informal nonprofits are volunteer operated, having no paid staff.

**Formal nonprofit** organizations usually, but not always, have one or more paid staff. They are usually chartered or registered with the government in their country.

In terms of relative size, formal organizations are usually larger than informal organizations. As a nonprofit grows, it hires more staff, separates its managerial tasks into functional areas, and hires professional staff to manage the functional areas. A small nonprofit may have only one marketing professional, who manages all the nonprofit's marketing activities. A large nonprofit is more likely to have marketing professionals directing the activities in subspecialty areas. For example, in a large nonprofit, there might be a marketing professional responsible for major donors, another responsible for corporate relationships, another for public affairs, another for advertising, another for volunteers, and so forth.

**Categorization of NPOs.** Countries may provide slightly different labels for some of the nonprofit categories, but nonprofits generally fall into the following groups:

- Religious organizations
- Education and research organizations
- Health-related organizations
- Social welfare organizations
- Art and culture organizations
- Business, professional, and membership organizations
- Youth development organizations
- Other types of nonprofits

The proportion of a population's charitable giving going to each category of nonprofit will vary by country, a reflection of cultural and governmental differences. For example, in the United States, religious organizations received the greatest share of charitable contributions (Giving USA Foundation, 2005). In Canada, arts organizations get about 20 percent of contributions, the most of any nonprofit category (Statistics Canada, 2004).

## Challenges Faced by the Nonprofit Sector

Nonprofit organizations exist in a dynamic, continually changing culture. Nonprofit managers, to be effective, must anticipate changes. They must be aware of social, economic, technological, and political influences in society that also impact the nonprofit sector. NPOs must change and adapt along with society. In this section, we will discuss some challenges nonprofit managers currently face.

### Governmental Shifting of Responsibility to Nonprofit Sector

Government has been shifting a growing proportion of human services to the nonprofit sector (O'Connell, 1996; Snavely and Desai, 2001). In many nations, a growing political conservatism seeks to reduce social welfare provided by government. For example, in countries as diverse as the United Kingdom and Chile, government has shifted social security from the government sector to the private sector. In instances in which providing social services is not profitable, society is looking to the nonprofit sector to take responsibility (Brock, 2005).

In intergovernmental service delivery, such as in international aid, governments typically rely on nonprofits. International aid is often provided to an international NGO, which will use the aid to deliver services to the targeted areas.

### **Reduced Government Financial Support of Nonprofit Sector**

Ironically, while governments are relying more on the nonprofit sector, they are providing less funding to nonprofits (Johns Hopkins University News Releases, 2003). For example, U.S. President George W. Bush, in his proposed 2006 budget, has drastically cut government funding of nonprofits, as well as tax incentives to encourage individual donations (OMB Watch, 2005). The federal government, under a politically conservative majority, has proposed legislation to reduce tax incentives for individual charitable giving and to increase NPO taxation (Association of Fundraising Professionals, 2005). This phenomenon is also occurring at the state level. For example, in a manner parallel to the federal government, the state of Virginia (a) reduced taxes, which (b) reduced government income, which (c) created a budget deficit, which (d) necessitated budget cuts, which (e) resulted in sharply reduced government allocations to the nonprofit sector, across all types of NPOs, as well as to government social welfare programs (Venture Philanthropy Partners, 2003).

The trend toward governmental shifting of social responsibility to the nonprofit sector while concurrently reducing public funding is not limited to the United States. For example, the same phenomenon is occurring in Canada. Although on a smaller scale than in the United States, the Canadian government is undergoing an ideological shift, placing less emphasis on providing social services and funds for the nonprofit sector and greater emphasis on individual responsibility (Phillips, 2005). Government funding for the nonprofit sector has been reduced in Australia as well (Moore, 2004).

In the United Kingdom, the level of government funding of NPOs has remained about the same, but another change has occurred. U.K. NPOs more often receive funding on contract from local and central governments to provide public services rather than as grants for the nonprofits to do as they wish. Furthermore, members of Parliament have attempted to provide more scrutiny and tighter regulation of the nonprofit sector through measures such as the Charities Bill, the first such measure against U.K. charities in 400 years (Smithers and Carvel, 2004).

### **Reduction and Elimination of Estate and Inheritance Taxes**

One goal of the conservative movement in federal and state government in the United States has been the redistribution of wealth in favor of very wealthy individuals. In 2001, President Bush and a conservative Republican Congress passed into law massive tax cuts, amounting to almost \$2 trillion, that favored the most wealthy in society (Citizens for Tax Justice, 2002). In addition, the government reduced and then eliminated the estate tax, which was levied only on wealthy estates. Formerly, many wealthy individuals preferred to bequeath money to their favorite nonprofits rather than pay the entire tax to the government. The nonprofit community is waiting to learn what effect the elimination of the estate tax by the federal and some state governments will have on their bequest contributions (American Voice, 2004). North

❖ **Table 1.2** Growth of U.S. Nonprofits

Year	Number
1940	12,500
1950	50,000
1967	309,000
1977	700,000
1989	1,000,000
1995	1,600,000
2002	1,800,000

America, Western Europe, and Australia have large populations who are at a stage in their life when they are drafting a will and considering how their estate will someday be distributed. Their decisions represent a major challenge for the nonprofit sector, which is increasingly dependent on bequest giving (Havens and Schervish, 2003).

### **Increasing Number of Nonprofits**

The international nonprofit sector has been steadily growing (Salamon, 1996). This growth is occurring in areas of the world like eastern Europe (Yancey et al., 2002). Indeed, the growth of the nonprofit sector appears to be nearly a global phenomenon (Anheier, Kaldor, & Glasius, 2004). Although different countries may emphasize different dimensions of the nonprofit sector (for example, education and health in one country, social welfare in another), the sector is a growing, dynamic force (Homewood, 1998). Table 1.2 provides an example of the continuous growth of the nonprofit sector in the United States.

### **Increased Reliance on Business Sector**

As the reader can anticipate from the preceding discussion, many nonprofits are facing substantial challenges. The number of nonprofits is growing, both internationally and domestically. Many governments are shifting the provision of social services to the nonprofit sector, all the while reducing governmental funding to nonprofits. NPOs are being asked to do more for society while competing with a growing number of other nonprofits for funding.

Nonprofits are looking to the business sector for additional funding. Businesses, on the other hand, are facing increased competition in their own industries and are supporting worthy causes as a means of enhancing their images and differentiating themselves from competitors. Business relationships with nonprofits is the topic of the final chapter of this book.

## Collaboration for Capacity Building

As the number of nonprofits grows, foundations and other funding bodies, including umbrella organizations such as the United Way, are faced with requests from many more NPOs than they can possibly fund. If a foundation's mission is to alleviate child deprivation, it must decide which NPOs having relevant programs should be funded. The growing trend among funding bodies is to take a broader approach. Instead of working to improve child welfare by funding multiple nonprofits in a piecemeal fashion, foundations and other funding organizations are requiring related nonprofits to collaborate so as to manage their programs in a coordinated and more efficient manner.

## Economic Cycles

National economies cycle through upswings and downturns, good times and bad times. The good times (economic growth and prosperity) usually benefit nonprofits. Individuals give more because they are more secure in their employment and because their investments are increasing in value. Foundations' endowments are earning healthy returns, providing greater amounts to be distributed to nonprofits. Businesses are profitable and sales are increasing, making collaboration with nonprofits more attractive.

Economic downturns are generally not good for nonprofits. Individuals are less secure about their employment, and their investments do not do well, so they are less generous in their contributions to charities. Foundations' endowments earn less income, providing a smaller pool of funding for the nonprofits requesting grants. Corporations' sales and earnings are weak, making corporate support of NPOs more difficult to justify.

Nevertheless, when economic times are troubled, nonprofits still need funding. In fact, for social service nonprofits, the need for funding very well may increase as the negative social effects of a weakened economy increase the demand for social services. Nonprofit managers are challenged to find stable sources of revenue to provide a predictable, consistent resource stream to maintain their nonprofit's operations. Because attracting resources is such an important challenge in the modern environment in which nonprofits exist, the second half of this text is largely devoted to ways of attracting funding and volunteers.

## Getting Through Communications Clutter

The business sector bombards individuals with marketing messages incessantly. The number of advertising messages the average American is exposed to increased from 560 each day in 1971 to more than 3,000 each day by 1997 (Shenk, 1997). American businesses spend more than \$200 billion annually to put their brands before individuals (Kilbourne, 1999). Globally, the amount spent on advertising is expected to grow from \$358 billion in 2004 to \$477 billion in 2009 (Newcomb, 2005).

**CHAPTER INSIGHT****Getting Through the Noise**

- Some 700 new products are introduced every day.
- In 2004, 26,893 new food and household products were introduced, including 115 deodorants, 187 breakfast cereals, and 303 women's fragrances.
- There are about 2 million brands in the world.
- The average American adult is bombarded with as many as 3,000 advertising messages a day, up more than fivefold in less than 30 years.
- Children are presented with about 40,000 commercials annually.
- By the age of 10, children have memorized 300 to 400 brands.
- The average adult can recognize thousands of brands.

SOURCE: Hotz (2005)

Because individuals are exposed to numerous marketing messages every day and because the media are saturated with commercial advertising, the nonprofit marketer's task of communicating to various target audiences is made ever more challenging.

**Ethical Issue****The Next Competitive Battlefield: The Brain**

The U.S. Food and Drug Administration has recently given its approval for Cyberkinetics to test its BrainGate system on humans. A small hole is cut into the skull. A tiny computer chip is inserted onto the brain. Its electrodes are inserted into various parts of the brain. BrainGate is designed to read electronic signals from the brain, understand what thoughts the signals represent, and take the appropriate actions. At this early stage, a person using BrainGate can operate a computer and its applications by thought. The system is designed to allow people who have lost the use of their hands to use a computer. A computer interface detects brain signals and activates the appropriate robotic controls, substituting for the impaired human brain-to-nerve-to-muscle system. Research is currently under way to develop a system, called electroencephalography, that will use a device that attaches to the skull instead of the brain. People with spinal cord injuries could benefit from this developing technology (Pollack, 2004).

At the same time the BrainGate study is progressing, two researchers from the California Institute of Technology's social cognitive neuroscience laboratory have received millions of dollars in grants to also study the human brain. A 12-ton magnetic imaging scanner is studying the effects of marketing messages and images on the brain. The researchers are learning which marketing signals are most effective and how the brain assembles belief. Advertisers who can manipulate the human brain into forming beliefs favorable to their company's brands and products will have a strong competitive advantage (Hotz, 2005).

❖ **Table 1.3** Nonprofit Marketing Functions

Function	Examples
Attracting funding	Submitting grant proposals to government agencies and foundations, conducting annual campaigns and capital campaigns, organizing planned giving, seeking corporate donations, holding special events, etc.
Attracting volunteers	Understanding where to reach potential volunteers, what message will appeal to them, how to deliver appeal, etc.
Building relationships	Developing and maintaining relationships with board members, corporations, volunteers, clients, donors, funding agencies, government, media, public, etc.
Communicating	Advertising, publicizing, conducting public relations, reaching clients, maintaining government relations, carrying out advocacy and education

## Adoption of Marketing Approach

To respond effectively to all the challenges facing nonprofits, nonprofit administrators (especially in larger organizations) have adopted a marketing orientation to managing their NPOs. This section discusses what is meant by a marketing orientation and how nonprofits use marketing tactics to achieve their goals and objectives.

### Nonprofit Marketing Orientation

A nonprofit organization has a **marketing orientation** when it relies on marketing tactics to achieve its goals and objectives. An NPO that has a marketing orientation employs the array of marketing functions to attract resources and build vital relationships. Table 1.3 presents nonprofit marketing functions.

When an NPO has a marketing orientation, its various operational units and programs work in a coordinated fashion to (a) further the organization's mission, (b) achieve the organization's goals, and (c) communicate a consistent and focused message to groups of interest (clients, volunteers, donors, public, etc.).

When all parts of the organization are working toward common goals, all members of the organization can work with purpose, unity, and focus. This results in greater efficiency and consistency, reducing divergences of purpose all the while. Furthermore, when all parts of the organization are working together and communicating a consistent message outwardly, important constituencies obtain a clearer understanding of the organization's distinctiveness and value.

A marketing orientation helps the nonprofit focus outwardly. Staff persons naturally tend to concentrate on their functional areas of responsibility or on their programs. A marketing orientation helps to broaden their ability to take into account

how their decisions affect other parts of the organization and how their statements and other messages influence the outside world's perception of the organization and its purpose.

A marketing orientation provides systematic means of coordinating activities designed to attract resources. When different areas of a nonprofit are focused on its direction and priorities, efforts to attract contributions, grants, volunteers, corporate support, and the like reflect organizational priorities rather than those of a program director or individual board member, for example. The energies of valuable staff are concentrated in areas likely to offer the greatest benefit to the organization.

Finally, a marketing orientation provides an organized approach to planning. The overarching strategic goals and objectives of the organization, guided by the nonprofit's vision and mission, reflect a consensus of the board and executive staff on the direction for the nonprofit. When strategic goals and objectives at the organizational level are clear, consistent, and focused, staff members in operational units have guidance in arriving at their own planning. Tactical planning in lower levels of the organization will help the organization achieve its strategic goals.

## Current Issues in Nonprofit Marketing

### Branding

Branding is a topic of major importance for nonprofit managers. Nonprofit managers think of a nonprofit's brand as its image or reputation: the way the organization is perceived by the public. A strong, favorable brand provides advantages for the nonprofit. The most widely known organizations have greater credibility because people already know about the organization and its mission.

When the tsunami disaster struck Asia in December 2004, the American Red Cross was able to raise millions of dollars of relief aid because people knew of the organization (brand awareness). Americans felt sending their donations to the American Red Cross was safe, and they believed the funds would be used responsibly (brand image). The American Red Cross is perceived by Americans to be a well-established, highly regarded, trustworthy disaster relief organization (brand personality).

Nonprofits that are most widely known (brand awareness) have a larger pool of potential donors. Through positioning activities, mentioned previously, a nonprofit helps the public understand its purpose and how it differs from other nonprofits (differentiation) and how the nonprofit is remarkable (brand personality). Through consistent public relations communications to various audiences, nonprofits establish favorable reputations (brand image).

### Social Marketing

**Social marketing** refers to the use of marketing tactics in the creation, execution, and control of programs designed to influence social change. Many nonprofits desire to improve public health or social conditions. In doing so, they must find ways to increase public awareness of an issue and help a society or a subgroup of society change to a more healthful set of behaviors.

Changing human behavior is challenging, even when the change is beneficial. Teenagers receive immediate social rewards from smoking and discount the long-term consequences. The same can be said of drug use, teen pregnancy, sexually transmitted diseases, and drug or alcohol use.

In some important areas, corporations' interest in selling products and earning profits works against social marketers. Corporations spend billions of dollars encouraging unhealthy behaviors like smoking, drinking alcohol, eating processed and fast foods, and following sedentary lifestyles. Social marketers' resources for bringing their messages to groups of interest are often dwarfed by corporate advertising budgets.

### **Use of the Internet**

Nonprofits use the Internet. The ways the Internet can be used are limited only by the prevailing technologies and the creativity of nonprofit managers. Websites are used to communicate with external groups. A professionally designed website reflects the professionalism of the nonprofit. Nonprofits use their websites to communicate a consistent message of the organization's purpose, mission, and cause.

Nonprofits raise funds online. They recruit volunteers online. E-newsletters and e-mails are sent to supporters. Online surveys obtain marketing information. Educational materials are distributed online. Products are sold online.

## **Organization of This Book**

This text is organized to address the fundamentals of marketing in nonprofit organizations as well to address more advanced topics of special interest. The first half of this text (Chapters 1 through 6) surveys the breadth of nonprofit marketing. It is intended to familiarize the reader with the basic principles of nonprofit marketing. The second half (Chapters 7 through 12) deepens the reader's knowledge of important nonprofit marketing topics.

In Chapter 2, we will look more closely at the nonprofit and its cause, that is, the product part of the marketing mix. Chapter 2 will discuss in detail the nonprofit's mission and the importance of mission-focused management. We will examine how a nonprofit distinguishes itself (positioning) and communicates its value (unique value proposition).

Marketing managers, in order to make effective decisions, must have useful and timely information. Chapter 3 will discuss how nonprofit marketing managers obtain and use information to help them make marketing decisions.

With good information, nonprofits can develop their marketing plans. Marketing plans are descriptions of annual marketing activities and accompanying budgets. Developing marketing plans is the topic of Chapter 4.

In developing their plans, nonprofit marketing managers make numerous decisions. These may involve adjustments to programs, changes in public relations, advertising, collaboration with partners, and so forth. Marketers make decisions on those elements within their control (such as the amount of their budgets to allocate to advertising). These elements are called controllable variables (i.e., elements that can be

changed by a marketing manager). Many other forces operate outside a manager's control, however (such as a new law, the economy, and so forth). These are known as uncontrollable variables. In marketing planning, managers decide which controllable variables to manipulate to achieve organizational goals.

Controllable variables are generally referred to as the **marketing mix**, the assortment of variables marketers use in achieving organizational goals and objectives. The controllable variables, or the marketing mix, are classified into one of four categories: product, place, promotion, and price. These four categories are known as the 4 P's of marketing and are the topics of Chapters 5 and 6.

With nonprofit marketing fundamentals presented in Chapters 2 through 6, a more in-depth coverage of specific topics begins in Chapter 7. The resource attraction function of nonprofit marketing, discussed earlier in this chapter, is the focus of Chapters 7 through 10. Direct marketing, the topic of Chapter 7, deals with marketing appeals targeted to specific individuals. For example, many nonprofit organizations have annual fund-raising campaigns in which letters are sent to current and prospective donors asking for their support. A large number of smaller donations are typically obtained by this means.

Special attention is usually given to individuals having the potential for giving disproportionately large donations. Whereas a large number of small donations are obtained through direct marketing techniques, a small number of large donations are usually obtained through personal marketing techniques. Chapter 8 addresses topics involved in attracting large donations.

To supplement the activities of direct marketing and marketing efforts to attract large donations, many nonprofits also conduct special events to raise funds, to increase public awareness of the nonprofit, and so forth. A special event may be the centerpiece of some nonprofits' fund-raising activities. Because of the importance of these events, this text includes a chapter on special events (Chapter 9).

The reader may recall that the resource attraction function of nonprofit marketing included both fund-raising activities and volunteer recruitment activities. Many nonprofits rely on volunteers. Recruiting and retaining volunteers is the topic of Chapter 10 and concludes our coverage of important resource attraction activities.

The final unit in this text devotes special attention to important emerging topics in the nonprofit sector. Chapter 11 discusses social and issues marketing, that is, bringing important issues to public attention and potentially changing public policy or public behavior. People are often reluctant to change their individual behaviors, even when the change would result in positive outcomes for them or for society in general. There are many such desirable changes, such as recycling, environmentally friendly gardening, quitting smoking and substance abuse, practicing safe sex, controlling one's weight, building physical fitness, and so forth.

This text concludes with a chapter devoted to cause marketing. Cause marketing, which is business sector support of nonprofits and their causes, has become common in many countries. It began to emerge in the United States in the 1980s, and its use has grown steadily since. Chapter 12 discusses cause marketing and how nonprofit managers can use it effectively.

## Summary

**Scope of Nonprofit Marketing.** Our concept of nonprofit marketing includes the broad array of marketing tactics and activities that nonprofit organizations use to reach their goals and objectives. We will use the term *nonprofit organization* in this text to refer to all types of voluntary-sector organizations.

**Dimensions of Nonprofit Marketing.** Marketing professionals rely heavily on communicating with outside groups, or **publics**, in conducting marketing activities. A nonprofit organization becomes better known, helps others understand its mission, and influences public attitudes toward it through marketing activities like publicity, public relations, advertising, or special events. Nonprofit marketing professionals recruit volunteers, board members, and other supporters through communication vehicles like public service announcements, flyers posted in public spaces, and personal recruitment appeals. Funding is attracted through communication vehicles like the nonprofit's website, direct mail, telephone soliciting, e-mail appeals, and interpersonal contacts.

**Nonprofit Sector.** The nonprofit sector is an important component of a civil society. Nonprofit organizations provide important services that are not suitable for the government or business sectors to provide to a society. The number of countries with growing nonprofit sectors is large and getting larger. The regions with the largest nonprofit sectors include North America, western Europe, Australia, and New Zealand. Less-developed countries undergoing economic growth are also experiencing growth in their nonprofit sector.

**Types of NPOs.** There is a large variety of nonprofit organizations that comprise the nonprofit sector of a civil society. Nonprofits can be **formal**, having paid staff and officially registered with the government. Nonprofits can also be **informal**, existing to serve a very specific or temporary purpose, and these are usually comprised of volunteers. Some nonprofits provide services to an international community, whereas others serve in their host countries. There are many different types of nonprofit organizations.

**Nonprofit Sector Challenges.** The sector faces several challenges. Some governments (such as the U.S. government) are adopting a more conservative ideology, shifting the responsibility for providing some public services to the nonprofit sector. These governments are also reducing grant funding to nonprofits and reducing tax incentives for citizens to donate to charities; the gradual elimination of the inheritance tax in the United States is one example. The number of nonprofits available to meet societal needs is growing. However, this also means that nonprofits must pay greater attention to attracting and retaining contributors who have a growing number of alternatives vying for their donations.

**Marketing Orientation.** Nonprofit administrators are responding to many of their challenges by becoming marketing oriented. They are adopting a marketing perspective and applying marketing tactics to their communication activities, attracting funding, recruiting volunteers, and managing relations with individuals and publics outside the organization.

## Glossary

**4 Ps of marketing.** See *marketing mix*.

**Brand.** The name, logo, and symbols that uniquely identify an NPO and distinguish it from other organizations. A brand reflects a nonprofit's image or reputation, in other words, the way the organization is perceived by the public.

**Formal nonprofit.** A type of nonprofit organization that usually, but not always, has one or more paid staff members. Formal nonprofits are usually chartered or registered with their government. Formal organizations are usually larger than informal nonprofits.

**Informal nonprofit.** A type of nonprofit organization often created for an event or project and disbanded on completion. Informal nonprofits are operated by volunteers.

**Marketing mix.** The assortment of controllable variables marketers use in achieving organizational goals and objectives. The controllable variables that make up the marketing mix are classified into one of four categories: product, place, promotion, and price. These four categories are known as the 4 P's of marketing.

**Marketing orientation.** An approach to managing an organization that relies on marketing tactics to achieve the organization's goals and objectives. An NPO that has a marketing orientation employs the array of marketing functions to attract resources and build vital relationships.

**Nonprofit marketing.** The use of marketing tactics to further the goals and objectives of nonprofit organizations. In this book, we use the term *nonprofit organization* broadly to refer to a variety of related nonbusiness and nongovernmental organizations (NGOs).

**Nonprofit sector.** That portion of a civil society that includes all nonprofit, charitable, and nongovernmental organizations. Outside the United States, the nonprofit sector is sometimes called the voluntary sector, the civil society, or the independent sector.

**Positioning.** Implementing marketing activities aimed at influencing public perception of the NPO.

**Publics.** External groups of individuals of interest to nonprofit organizations.

**Resource attraction function.** Attracting donations of time and funds. Attracting donations of time refers to the recruitment and retention of volunteers. Donations of funds refers to contributions from organizations and individuals. These contributions can be in-kind donations, such as products a company manufacturers, or monetary donations.

**Social marketing.** The use of marketing tactics in the creation, execution, and control of programs designed to influence social change.

**Stakeholders.** Groups that have a meaningful interest in the nonprofit organization. Generally, these include the organization's clients, board members, employees, volunteers, donors, granting organizations, government, other nonprofits, and the communities served by the NPO.

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## QUESTIONS FOR REVIEW

1. What is nonprofit marketing and what are its functions?
2. What are the different types of nonprofit organizations?
3. What is the nonprofit sector?
4. What is the relationship between positioning and branding?
5. What are the challenges faced by nonprofit organizations?

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## QUESTIONS FOR DISCUSSION

1. How can marketing professionals in nonprofits effectively respond to the challenges presented in this chapter?
2. What types of nonprofit organizations are most likely to adopt a marketing orientation?
3. How are nonprofit organizations using the Internet and related information technologies?
4. What types of nonprofits are most likely to attract corporate support? What types of nonprofits are likely to be avoided by the business sector? Why?
5. How are the fields of communications and marketing related and differentiated?

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## INTERNET EXERCISES

1. Visit the website of a large nonprofit organization. How is the nonprofit using its website? Which marketing functions are being addressed? What are other marketing activities the nonprofit could use on its website?
2. Conduct an Internet search to learn more about the nonprofit sector in a given country. How many nonprofits are in the country? What are the sources and levels of nonprofit funding in the country?
3. Visit the websites of some well-known corporations. Which are publicizing their support for a nonprofit on their websites? Why do you think the corporations chose the nonprofits they did?
4. Visit the websites of some well-known nonprofits. Which are publicizing their corporate supporters? What are the advantages and disadvantages of corporate sponsorship?
5. Visit the website of two or three nonprofits in your local area. Do the websites encourage you to donate? Do they allow you to donate online? Do the websites encourage you to volunteer? Do they provide details about available volunteer opportunities?

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## TEAM EXERCISES AND ROLE PLAYING

1. Have a class debate in which one side takes the conservative position on government funding of nonprofits and another side takes the progressive or liberal position.
2. In teams, interview nonprofit managers in your community. Each team should report the answers to the following questions: Does the nonprofit have a marketing orientation? Does the nonprofit develop annual marketing plans? What proportion of the nonprofit's budget is allocated for marketing activities?
3. In teams, choose a type of nonprofit organization (e.g., political organization, youth development, health). Choose two or three corporations that you believe would be a good fit as a corporate supporter and explain your choices.

## MINICASE: The Society for the Prevention of Cruelty to Animals

The Society for the Prevention of Cruelty to Animals (SPCA) is a nonprofit organization working to reduce abusive treatment of animals. It investigates reports of animal cruelty and operates rescue shelters where abandoned pets can be temporarily housed pending adoption or euthanasia. The SPCA operates in the United States, the United Kingdom, Australia, and New Zealand. In each country, there is a national SPCA, which is primarily an advocacy and administrative organization, and local SPCAs, which operate animal shelters.

All SPCAs accept donations from supporters. In New Zealand, no government funding is provided to the SPCA. In the United States, local government funding is provided to some local SPCAs. One local SPCA in the United States attracts individual donations and local government grants. It generates additional funding through adoption fees, retail sales, and admission to its petting zoo.

During the past year, the city government disputed the SPCA's accounting procedures. A conflict ensued. Articles about the city's concern over the SPCA's accounting practices appeared regularly in the local newspaper. The city contracted with the local SPCA to operate the city's animal control services, providing the SPCA with its largest source of revenue. As a result of the failure of the city and the SPCA to resolve their conflict, the city failed to renew its contract with the SPCA.

The SPCA now finds itself in need of new funding sources. It must rely more heavily on donations from individual contributors. Once concerned chiefly with operating an animal shelter, the executive director now has to focus on fund-raising activities. Before the loss of city funding, very little attention was given to marketing.

As a result, even after its years of operation in the community, people know little about the SPCA. They think of it as "the shelter," a place people take unwanted or abandoned pets. Residents are generally aware of the dispute over the SPCA's accounting practices.

The executive director finds herself leading an organization that is not well-known but is in immediate need of donations from area residents. She must decide how to get the SPCA's name before the public more often, how to counter bad publicity from the dispute with the city, and how to find potential donors.

People who care about the treatment of animals have numerous donation alternatives. There is a range of animal activist organizations, from People for the Ethical Treatment of Animals to activists who protest the treatment of circus animals to activists who protest the use of animals in the testing of consumer products. There are animal rights organizations concerned about specific species and breeds. Animals of concern are chimpanzees, parrots, cats and various cat breeds, dogs and various dog breeds, and so forth.

### Questions for the Case

1. If you were the executive director of this SPCA, what are the short-term (1- to 4-month) and longer-term (5- to 12-month) marketing tactics you would perform?
2. To whom would you direct your fund-raising appeal?
3. Would you take actions to improve the name recognition and image of the SPCA? What would you do?

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