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MARKETING STRATEGIES
OF NON-PROFIT ORGANIZATIONS
IN LIGHT OF VALUE-BASED
MARKETING

Summary
This paper presents the analysis of strategic decisions made by non-profit organizations in the context of value-based marketing. In the process of formulating and realizing the strategy non-profit organizations should always think in terms of value for their customers. The share and structure of the value for various groups of stakeholders are created by means of marketing instruments.

1. Introduction

Marketing strategy is defined as “a system of medium and long-term principles and guidelines which determine the framework for operational decisions and marketing activities[1]” [Leksykon... 1998, p. 238]. Marketing, broadly analyzed, concerns not only business entities. “True marketing begins and ends with careful understanding of the needs that customers served by a particular organization have. The concept of marketing then refers to all types of organizations, irrespective of whether they are profit-oriented or not [Sargeant 2004, p. 26]. In the process of formulating and realizing the strategy non-profit organizations should always think in terms of value for their customers. The share and structure of the value for various groups of stakeholders are created by means of marketing instruments.

This paper presents the analysis of strategic decisions made by non-profit organizations in the context of value-based marketing.

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1 definition by R. Niestrój
2. The essence of non-profit organizations

The term “non-profit organization (NPO) has various definitions in subject literature. The idea behind NPO operations, however, remains the same. Their driving force is to perform particular social missions. A. Sargeant emphasizes that these are organizations whose aim is to improve the living standards of the society. They conduct their activities collecting and redistributing resources and providing their services to those in need [Sargeant 2004, p. 17]. They do not function to generate profits for their members or shareholders. They can only take up profitable activities if the profits they generate are allocated to fulfill their missions and related objectives [Sargeant 2004, p. 17]. Non-profit organizations are expected to allocate their financial surplus to improve the services they offer or to reduce their prices [Wheelen, Hunger, 1998, p.307]. A characteristic feature of non-profit organizations is significant dependence on financing from external entities.

Specialist literature and everyday language bring us various terms which are often identified as equivalents and used interchangeably. We talk of non-profit, non-commercial, non-governmental, independent or social organizations, public (social) benefit institutions, third sector organizations, organizations of voluntary, independent or social sector, etc. It should be emphasized, however, that not all these terms are identical. Figure 1 brings an attempt at systematizing selected terms and classifying non-profit organizations.

**Figure 1. Classification of non-profit organizations**

- **Non-profit organizations**
  - (unprofitable organizations, non-commercial organizations)
    - **Public institutions**
      - (public non-profit organizations, organizations of public non-profit sector)
    - **Non-governmental organizations**
      - (private non-profit organizations, organizations of private non-profit sector, third sector organizations, social sector organizations, independent sector organizations, alternative organizations)
        - Public benefit organizations
        - Organizations without the status of public benefit organizations

Source: own elaboration.
Among non-profit organizations we can distinguish public institutions and non-governmental organizations. Non-governmental organizations create the so-called third sector\(^2\) (independent or social sector).

Non-profit organizations, both private and public, play a vital part in the society, performing services in various areas. Depending on the type of conducted activities, we can distinguish the following areas in which non-profit organizations function\(^3\) [Sargeant 2004, pp. 17-19]:

- culture and recreation,
- education and research,
- health care,
- welfare services,
- environment,
- residential housing and housing management,
- rights spokespeople and politics,
- philanthropy and promoting voluntary work,
- international activities,
- religion,
- business, trade associations and unions,
- others.

3. Value-based marketing as a sphere of creating value for interest-holders

Analyzing the concept of value-based marketing as a sphere of formulating and realizing the strategy of a non-profit organization, we should first of all consider such terms as value and value-based marketing. M. Szymura-Tyc defines value for the customer as: “the surplus of benefits subjectively perceived by the customer over subjectively perceived costs connected with purchasing and using a given product” [Szymura-Tyc 2005, p. 74]. Marketing of non-profit organizations generates value for a wide range of interest-holders: clients, donors, certain social groups and even the whole society. The shape and structure of these values are created for various groups of stakeholders by means of marketing-mix instruments and largely depend on possessed resources.

The concept of value-based marketing may be understood as the management of “the process of creating and delivering value to clients” [Szymura-Tyc 2005, p. 90]. Marketing in this approach is a management and social process, thanks to which a mutually beneficial exchange between the client and the organization is possible. The process of managing value

\(^2\) The other two sectors are: private sector and public (state) sector.

\(^3\) International Classification of Nonprofit Organizations (ICNPO).
for the customer consists of several consecutive stages: defining, shaping, communicating and offering value [Szymura-Tyc 2005, p. 90].

P. Doyle claims that “the aim of marketing is to support actions which maximize value for stakeholders”, and marketing activities of enterprises should be assessed with the criteria of creating value for investors. Maximization of shareholders’ benefits should be achieved through building customer satisfaction and taking advantage of opportunities appearing in the market [Doyle 2003, pp. XV, XVII, 29, 35]. Non-profit organizations also generate value for their stakeholders. Their aim, however, is not to increase owners’ profits but to act towards achievement of vital social objectives. The realization of these objectives is hindered by the fact that they are largely dependent on external finance. Building stable relations with stakeholders plays a significant part in the value creation process. J. Otto determines the long-term partnership with key clients as “strategic equity” [Otto 2004, p. 204].

The issue of “value-based marketing” has also been considered by Ph. Kotler, H. Kartajeya and I. Setiawan, who claim that people dealing with marketing “must identify fears and desires of customers in order to reach their minds, hearts and souls. In times of globalization paradox the fundamental desire customers have is to make their own community – and the whole world – a better or even ideal place to live. Therefore companies which want to become icons should share the same dream and try to change the world” [Kotler, Kartajaya, Setiawan 2010, p. 58].

Non-profit organizations cooperate with various groups of stakeholders, offering them differentiated values. Undoubtedly, the greatest beneficiaries are people to whom the organization’s offer is directed. However, the organization’s mission offers broader social benefits – for customers families, local communities or even for the whole society. Examples of values which non-profit organizations may offer selected groups of interest holders are presented in Table 1 below.

<table>
<thead>
<tr>
<th>Groups of stakeholders</th>
<th>Values</th>
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| Customers              | • obtaining basic help related to organization mission and objectives, for example psychologist’s support, obtaining meals  
• making contacts with people with similar interests/problems  
• better self-esteem  
• expanding knowledge  
• changing attitude to particular problems |
<table>
<thead>
<tr>
<th>Groups of stakeholders</th>
<th>Values</th>
</tr>
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</table>
| Individual sponsors   | • feeling of self-fulfillment  
                      | • possibility of obtaining tax deductions |
| Institutional sponsors | • promoting sponsor’s institution  
                      | • building donor’s credibility in eyes of potential customers  
                      | • winning trust  
                      | • improving image  
                      | • obtaining tax deductions |
| Volunteers             | • gaining experience  
                      | • the feeling of being needed  
                      | • establishing valuable contacts  
                      | • possibility of demonstrating one’s skills  
                      | • possibility of expressing gratitude for received help |
| Employees              | • possibility of working in an organizations with ambitious, pro-society objectives  
                      | • possibility of participating in trainings  
                      | • upgrading qualifications  
                      | • expanding knowledge  
                      | • remuneration |
| Society, in general    | • drawing attention to serious social problems  
                      | • awakening sensitivity  
                      | • warning against threats  
                      | • solving social problems  
                      | • shaping proper social attitudes |

Source: own elaboration.

4. The mission and objectives of the non-profit organization

“Mission is a clear and explicit self-determination of an organization. It determines the state to which an organization aspires, the values it wants to preserve while realizing its goals” [Rogoziński 2000, p. 227]. Ph. Kotler, H. Kartajaya and I. Setiawan define mission as the “reason why an organization exists” [Kotler, Kartajaya, Setiawan 2010, p. 59]. Mission is a specific role which a given organization performs or intends to perform [Stabryła 2000, p. 48]. In case of non-governmental organizations, formulating and believing in the mission is of particular importance, as such organizations act in the name of superior social values [see more in Iwankiewicz-Rak 1997].

J.-J. Lambin points out that the mission should cover [Lambin 2001, pp. 368-369]:
- reference to the history of an organization,
- definition of activity in terms of benefits provided for customers,
- objectives and constraints, and also
fundamental strategic choices of the company.

„It would be ideal if the formula of the mission was narrow enough to provide practical direction, and wide enough to stimulate imagination...” [Lambin 2001, pp. 369-370].

All organizations operating in the market perform particular missions in their environment. Missions, objectives and methods of their realization differ considerably in case of business and non-business entities. Undoubtedly non-profit organizations should have a very strong sense of performing their mission. All operations and values which they can offer their interest-holders stem from the mission and are subordinated to it. „Peter Drucker claimed that formulating mission statement is the first lesson that enterprises can learn from observing non-profit organizations” [Kotler, Kartajaya, Setiawan 2010, p. 59].

The mission of an organization should constitute a foundation on which it formulates its goals. The operational goals are determined by development direction of an organization, its priorities and constraints [Lambin 2001, p. 369]. „The main problem in determining strategic goals in operations of non-governmental organizations is to compare benefits, costs and risk connected with realization of particular activities or projects” [Kafel 2006, p. 122].

M. Huczek claims that as early as in the stage of formulating strategic goals (and mission as well) work should be conducted in two directions [Huczek 2003, p. 80]:

1) to satisfy the customers’ needs,
2) to satisfy the needs of donors and the society in general.

The characteristics of objectives realized by non-profit organizations, especially charities, accounts for the influence on the whole society or its groups. Organizations deal with issues which affect the general situation of civil society, they draw our attention to major social problems, help develop educational, health and other types of services, etc [Sargeant 2004, pp. 20-21]. As a result of non-business organizations activities the values professed by the society change and social sensitivity to misfortunes grows. However, the mission and ambitious objectives are not sufficient to reach success. Effective performance of missions, resulting in superior values for various groups of interest-holders, also calls for professionally prepared management and marketing plans and effective cooperation with the environment.

5. Identification and selection of target market segments in the process of developing marketing strategies

Just like enterprises, non-profit organizations cannot perceive their clients as one large market in which everybody has similar needs. In order to reach success quickly in the changing environment, it is necessary to learn this
market – to identify the so-called segments\(^4\), to choose the target group and design proper operational strategy [Kaniewska, Leszczyński 2002, pp. 42-43]. The market segmentation process is the process of dividing customers into relatively homogenous groups with analogical needs [Michalski 2007, p. 81]. These groups should have similar expectations not only towards the product but also to other marketing instruments [Jonas 2006, p. 65]. The aim of the segmentation is to single out homogenous groups of customers and, above all, groups reacting in a similar way to particular marketing programs [Jonas 2006, p. 65]. Segmentation allows better learning and understanding of the market structure and preparing an optimal offer for particular groups of customers [Kaniewska, Leszczyński 2002, p. 44]. The segmentation process in non-profit organizations should be considered and conducted with reference to two main groups of interest-holders – customers and donors. Donors, though in a different sense than customers, are also clients of non-business organizations. The division of donors into homogenous groups allows us to prepare and conduct a more effective strategy of obtaining resources for the organization. Moreover, skillful segmentation and choice of target markets (customers and donors) brings the following benefits [Krzyżanowska 2000, pp. 92, 94; Jonas 2006, p. 95]:

- better knowledge of conditions in which organizations function,
- focusing on the customer who need help most and greater probability of satisfying their needs,
- limiting the number of competitors,
- better use of resources,
- meeting donors’ expectations more effectively.

The applied segmentation criteria may vary a lot. We can divide them into four main groups [Jonas 2006, pp. 67-68]:

- general and objective (demographic, social and economic, geographic),
- general and subjective (lifestyle, personality traits, professed values),
- specific and objective (frequency, time and place of using the offer, involvement in the service process),
- specific and subjective (desired benefits, reactions to marketing activities).

Non-profit organizations may segment their customers taking into account a single criterion or any set of criteria. The choice of segmentation criteria depends largely on the type of offered social services and possibilities of a particular organization. Properly conducted segmentation procedure allows us to assess reliably particular segments. Segments of customers and donors must be assessed using totally different criteria. Business organizations (enterprises)

\(^4\) Relatively homogenous groups singled out as a result of segmentation [Krzyżanowska 2000, p. 92].
evaluate their potential and present customers taking into account potential profits. Non-business organizations will evaluate their potential and present donors analyzing what resources they may gain from them, while segments of potential customers will be considered bearing in mind how essential and urgent the need is and whether it can be satisfied with the resources the organization has. A. Pomykalski points out that when evaluating segments, we should pay special attention to their size and growth potential, structural attractiveness and resources of a given unit [Pomykalski 2001, p. 90].

As a result of segmentation we select the target group\textsuperscript{5}. It should be carefully singled out, possibly internally homogenous and at the same time heterogeneous in comparison with other segments [Düssel 2009, pp. 45-46]. We should also monitor characteristics of the target group to see if it does not change in time [Düssel 2009, p. 45]. An organization may choose one or more segments to serve. Focusing only on one segment is known as concentrated marketing (market niche strategy) [Marketing na rynku ... 2003, p. 135]. Another used strategy is the so-called individualized marketing. This concept consists in formulating marketing programs for individual clients. Such strategy is recommended with reference to the most important donors. It allows us to strengthen the ties between partners and in consequence increases the probability of long-term cooperation. To complete the presented options we should also show the mass (undifferentiated) marketing strategy, which consists in preparing one marketing program for all potential clients. It is a simple but rather ineffective strategy (wasting resources) [Marketing na rynku... 2003, pp. 132-133].

6. Marketing strategy tools used by non-profit organizations

Organizations realize their marketing strategy using appropriate tools. The choice of strategy realization tools is another stage, after segmentation and selection of target market, of formulating marketing strategy in a non-profit organization.

Marketing-mix is a set of marketing elements used by managers to realize their marketing strategies in a particular target market [Mullins, Walker Jr., Boyd Jr., Larreche 2005, p. 18]. M. Huczek emphasizes that marketing-mix is „an internally integrated structure” providing an opportunity to influence market phenomena [Huczek 2003, p. 83]. Over the years, various marketing mix formulas have been created, consisting of a various number of elements. The most popular formula is that of 4P’s (product, price, place, promotion).

\textsuperscript{5} „The target group consists of all real and potential individuals and groups to whom particular marketing activity is directed” [Düssel 2009, p. 45].
This classic formula of marketing-mix (4P) concentrates on the perspective of an organization. R. Lauterborn is the author of the 4C concept [Lauterborn 1990, p. 26], which looks at marketing tools from the point of view of a customer. The marketing mix in this case consists of [Lauterborn 1990, p. 26]:

- customer value – value for the customer (product),
- cost – costs incurred by the customer (price),
- convenience – convenience of purchase, conditions of making the offer accessible (distribution),
- communication – communication with the environment (promotion).

All marketing strategies are based on the above-mentioned elements. The customer perspective seems to be especially important in case of non-profit organizations, which act to fulfill some important social missions.

Non-profit organizations usually conduct service activities, therefore the role of the personnel is essential in creating value for interest-holders. However, it is not necessary to single out personnel as a separate instrument of marketing mix as its role is closely related to the process of providing services, that is the product (and also its distribution). Thus product in non-profit organizations will be treated as a combination of the offer (of provided services) and service quality (personnel). This approach is also accepted by B. Iwankiewicz-Rak, who, emphasizing the role of the personnel and the significance of quality and tangible aspects of the process of providing services, points out that these additional elements of marketing mix (people, process, equipment) are “a necessary element of each process of providing services; they also constitute elements of the service product or distribution. Therefore they are not new elements exceeding the scope of basic 4P’s, but they are the effect of its disaggregation” [Iwankiewicz-Rak 1997, p. 97, on the basis of: Altkorn 1994, Payne 1996].

The choice of marketing tools is affected by numerous factors. These are mainly objectives of the organization, resources it possesses and conditions of the environment While constructing marketing strategies, organizations face a lot of dilemmas, such as whether they should [Kafel 2006, p. 123]:

- offer complex services to a small number of customers or provide many people with little support?
- fight the causes of problems or alleviate their effects?
- concentrate on providing services or campaign for changes?
- specialize in a narrow area or diversify services?

The answers to these questions have tremendous impact on the marketing instruments used. The basic decisions which must be taken concern [Niestrój 2004, p. 394]:

- function and brand of product and product range,
- forms and financial conditions of making the offer available,
• distribution channels, places of providing services,
• composition of promotion-mix.

Creating the marketing mix composition we should always take into account the wealth of interest-holders, the usefulness of the offer they desire and additional values they can expect.

7. **Implementing and controlling the strategy realization**

While realizing their marketing strategies organizations may encounter many obstacles. The main barriers in the process of implementing the strategy are [Kalpan, Norton 2001, p. 175]:
• unfeasible vision and operational strategy,
• tactic, not strategic type of feedback,
• no relation between the strategy and objectives of particular units,
• mechanisms of allocating resources unrelated to the strategy.

While realizing planned marketing ventures we should most of all pay attention to the following aspects [Niestrój 2004, p. 396]:
• finding a proper person who is able to manage the implementation process professionally,
• determining objectives and requirements and communicating them to contractors,
• precisely formulating single tasks and appointing people responsible for their realization,
• delegating decision power to contractors and providing them with sufficient means to perform their tasks,
• properly motivating to involve in realization of plans,
• creating favorable climate for revealing problems and irregularities and finding ways to eliminate them,
• thoughtful decision-making.

The skills needed to effectively implement marketing programs can be divided into the following types [Kotler 2005, pp. 689-699]:
• *diagnostic* (answering the question whether lack of expected results stems from badly formulated strategy or the process of its implementation)
• *determining the level* (on which level – function, program or marketing policy – problems appear)
• *implementation* (allocation – how to allocate resources, organization – how to organize work, cooperation – how to motivate to work)
• *evaluation of activities*.  

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In the process of implementing marketing strategies in non-profit organizations, of vital importance are: selecting and motivating employees, involving donors and organizing work properly [Huczek 2003, p. 82].

The controlling process is an essential element of the operational strategy in non-profit organization. Controlling, as one of fundamental managerial functions, consists in such regulation of organization activities which causes that the assumed element of the organization’s result remains within the acceptable limit [Griffin 2004, p. 654]. E. Michalski distinguishes three groups of criteria for the evaluation of marketing strategies: costs, efficiency and effectiveness [Michalski 2007, p. 464].

The major goals of controlling are [Griffin 2004, p. 655]:
- adjusting to changes,
- dealing with complexity of the organization,
- reducing the number of mistakes,
- minimizing incurred expenses.

The controlling process should be properly organized. J. A. F. Stoner and Ch. Wankel determined the main elements of the controlling function. These include [Stoner, Wankel 1996, p. 34]:
- determining measures of effectiveness,
- measuring current effectiveness and comparing it with determined measures,
- taking up corrective activities if effectiveness does not match accepted measures.

Figure 2 shows the process of planning and controlling the management function, consisting of four elements [Pomykalski 2005, p. 166]:
- defining standards,
- locating responsibility,
- evaluation, and
- correction.
Measuring and determining the effectiveness of activities in a non-profit organization is not an easy task. There are difficulties with assessing the quality of offered services, which is due to problems with separating the market and no possibility of financial presentation of organization’s operations [Foremniak 2001, pp. 103-109]. The controlling process may also be hindered by lack of quantitative definition of objectives [Huczek 2003, p. 82]. Observation and control are necessary, though, as they allow us to find out whether the strategy is realized properly and, if necessary, to verify it [Huczek 2003, p. 82].

8. Conclusions

Summing up, the idea of marketing is deeply rooted in the operations of non-profit organizations. The fundamental principles of marketing (marketing research, market segmentation process, designing marketing mix instruments, the need for creative, strategic thinking and innovations) are universal and can be applied regardless of the type of offered product [Brassingron, Pettitt, 2000, p. 939]. Differences can be discerned in detailed design and implementation of marketing tools [Brassingron, Pettitt 2000, p. 939].

Marketing of non-profit organizations generates value for a wide range of interest-holders. In the process of formulating and realizing marketing strategies, organizations should always keep in mind that they should provide their customers with value in the most effective way. This is not possible without
a strong sense of the social mission performed by the organization. The mission shows the sense of organization’s activities and reflects the values it professes [Hudson 1997, p. 72]. The mission should constitute the basis for formulating objectives, singling out the target group and selecting tools to realize the strategy.

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