

ARCA National Resource Center for Respite and Crisis Care Services

Factsheet Number 7

Marketing for Charitable Nonprofit Organizations

Contents

[Definition](#)

[Application to Operations](#)

[Broader Use of Marketing](#)

[What Marketing is NOT](#)

Other Factsheets in this Series

[Some General Principles of](#)

[Charitable Nonprofit Fundraising](#)

[How Fundraising Flows from Strategic Planning](#)

During the last decade, competition between charitable nonprofits for diminishing financial resources has inspired them to embrace new skills that will improve their fundraising ability while also serving their constituents better.

Although fundraising results are tied to the capacity to communicate to donors and persuade them to give, they are also tied strongly to functions that occur much earlier than the actual request for funds. In particular, they are tied to the level of satisfaction with the organization's services that is expressed by its primary constituents, i.e. those served by the organization's mission. A philanthropy positions itself best to compete for *all* kinds of support, including funds, by doing the following:

- carefully defining who its constituents are
- measuring the needs of its constituents
- designing programs to suit those needs
- measuring the constituents' satisfaction with those programs
- using those results to fine tune its services regularly
- communicating the above to potential donors (and others) clearly and simply

This process is easily recognizable in the commercial business setting; it is called marketing. Transferral of marketing principles to the nonprofit community happened about 1975 when business marketing genius Philip Kotler wrote *Marketing for Nonprofits*.

Definition

Kotler defines marketing as the *analysis, planning, implementation, and control* of a charitable nonprofit's programs, which have been carefully designed to bring about voluntary *exchanges of values* with target markets for the purpose of achieving organizational objectives.

Application to Operations

Management

Analysis, planning, implementation, and control are managerial functions performed by the board and staff (usually through a strategic planning process) for a term of years. [Note: See Factsheet 8 for more information on strategic planning.] The group first measures the needs of its primary constituents (clients, users, etc.) and then designs (or redesigns, or reaffirms) services to suit those needs. Asking focus groups of constituents regularly to review

programs and react to them is the charitable nonprofit world's version of market testing. It is a variation of what happens when you walk through a shopping mall and someone asks to you drink a sample of orange juice and react to the taste, color, consistency, and smell of the product. *The ability of a charitable nonprofit organization continually to adjust its services to suit client need is key to ensuring the organization's survival and its financial support.* **Tip: The existence of a Market Evaluation Committee within the board is a sure sign that the organization is seeking a maximum fit between programs and constituent need. Potential funders look for that sign.**

Exchange

The organization and the constituent each seek something from each other. The constituent needs specific services. The charitable nonprofit has two needs: (1) maximum use of its service so as to justify its existence; (2) financial resources. Each voluntarily seeks a response from the other, and when those responses happen, it is called an exchange of values, or a *market exchange*.

So there are really *two* kinds of market exchanges that result from the aforementioned management processes: (1) enhanced appreciation and use of programs and (2) financial support.

To focus on the second exchange, financial support, let us acknowledge that there are really two *sources* of financial support: (a) donations from those who actually *use* the programs, and (b) *contributions* from others who approve of the programs and who want to facilitate that exchange with their own money on behalf of the constituents.

The first (a) is easy to understand. A hospital patient who is happy with the services he got during his stay is likely to respond to the annual fundraising appeal from the hospital with a generous donation. He has also paid his hospital bill, thereby providing the hospital with another kind of exchange fees. So the patient has *used* the program and *paid* fees and a donation to the organization. He has made two market exchanges with the hospital.

The second source (b), the non-constituent who wants to help, is more complex in motivation. Here is where many organizations make a serious mistake. They fail to recognize *who* the potential donor represents. That donor really is paying the bill on behalf of the indigent hospital patient. Yet, when the hospital approaches a foundation, corporation, or individual donor for contributions, it usually couches its request in terms of money for the hospital, not the indigent patient. In some respect then, funders are surrogates for primary constituents, and they usually indicate which populations they represent in their guidelines. When a donor gives money to an organization for the benefit of a third party, the donor and the organization have entered a partnership which results in a market exchange.



Target Markets

Some charitable nonprofits stop at defining their primary constituency, i.e., that target market for which their programs are designed. For example, an adult day care center might define the *caregiver* of a family member with dementia **and** the *care receiver* both as primary constituents, or a crisis respite program may define the primary constituency as the children receiving respite. As organizations begin to see the connections between their needs (community support, technical skills, money, etc.) and the groups which could supply those needs, the organizations

begin to define and prioritize a secondary constituency. That list can include board, staff, advisory committees, special friends of the organization, former board members, policy-makers, government agencies, regulatory agencies, professional associations, mass media, competitors, suppliers, and the whole gamut of financial contributors. It catalogs any population of people that can influence or be influenced by the charitable nonprofit. The list of target markets is often sub-divided between those for program development and potential funders. It is not unusual for the same targets to appear on both lists. Theoretically, when the two lists become identical, the organization has maximized its potential for fundraising and program development.

Each market is cultivated by the organization for a specific purpose. Those assignments start within the board and involve staff support. The orchestration of those exchanges is done by a marketer (board or staff or both as a team), who *designs and manages the exchanges*.

The board member who chairs the Marketing Committee usually earns a living in marketing; the staff member who partners with that board member is the Director of Development. **Tip: We begin to see that "development" means more than fundraising; it includes market planning and finance as well.**

A Broader Use of Marketing by Charitable Nonprofits

The charitable nonprofit which tests the acceptance of its programs by its constituencies often derives a second benefit from that test...an assessment of its image with a wide variety of target markets. An attempt to determine the strengths and weaknesses of the organization in the mind of the constituent(s) may uncover a false impression, or an unmet need. The organization then can take steps to send targeted communications back into the community to correct the organization's image or to design a new service component. Many a group has been grateful to learn of such problems before they reach the media, or before beginning a fundraising campaign that might otherwise fail.

What Marketing is NOT

Marketing is *not* public relations or publicity. Those are communications techniques to establish and circulate an image. Marketing is *not* sales. The sale is the exchange between the organization and the constituent or the organization and the donor. Marketing is *not* forcing a constituency to accept a pre-designed program.

*Instead, marketing is the assessment of constituent need and the management of the response process to achieve best utilization of programs and optimal financial support. Board and staff work as a team to achieve this goal. The primary manifestation of that teamwork is the **strategic organizational market plan**. [See [Factsheet 8](#).] Reference: *Marketing for Nonprofit Organizations*, Philip Kotler, 1982, Prentice Hall.*

About the Author: *Beverly R. Hoffmann has taught nonprofit management and fundraising at The New School for Social Research, Seton Hall University, Princeton, Rutgers, George Washington University and the Foundation Center of Washington, DC. Updated by Terri Whirrett, ARCH Coordinator.*

ARCH Factsheet Number 7, May, 1992; rev. January, 2002.

This fact sheet was produced by the ARCH National Resource Center for Crisis Nurseries and Respite Care Services funded by the U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Children's Bureau Cooperative Agreement No. 90-CN-0121 under contract with the North Carolina Department of Human Resources, Mental Health/ Developmental Disabilities/ Substance Abuse Services, Child and Family Services Branch of Mental Health Services, Raleigh, North Carolina. The contents of this publication do not necessarily reflect the views or policies of the funders, nor does mention of trade names, commercial products or organizations imply endorsement by the U.S. Department of Health and Human Services. This information is in the public domain. Readers are encouraged to copy it, but please credit the ARCH National Resource Center.

