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Marketing in non-profit organizations : an international perspective

Sara Dolnicar

University of Wollongong, s.dolnicar@uq.edu.au

Katie Lazarevski

University of Wollongong, katiel@uow.edu.au

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Abstract

Purpose – This study tests three hypotheses: (1) that non-profit organizations follow a customer-centered approach to marketing, (2) that marketing is run by marketing-trained staff and (3) that cross-continental differences in the adoption of marketing in the UK, the USA and Australia exist due to differences in the operating environment. **Methodology** – A survey study was conducted with non-profit managers. The sample contains 136 respondents; 36 from the UK, 33 from the USA and 67 from Australia. **Findings** – Non-profit managers indicated that the most important marketing activities are promotional in nature. The importance of market research and strategic marketing was acknowledged only by a small proportion of non-profits, supporting Andreasen and Kotler's (2003) assertion that non-profit organizations have an "organization-centered" mindset. Only one fifth of marketing staff are trained in marketing. Non-profit organizations in the UK, USA and Australia did not differ in their use of marketing and marketing operations, suggesting that the similarity of market pressures may be more influential than the differences in operating environments. **Practical implications** – Shifting from an "organization-centered" to a "customer-centered" approach to marketing represents a key opportunity for non-profit organizations to increase their competitive advantage and improve their outcomes in terms of the organizational mission. The primary strategy to achieve this aim is to make increased use of formally trained marketing staff. **Originality** – To the authors' knowledge, this is the first study to assess the state of marketing practise in non-profit organizations since Kotler (1979, 1982), the first to test the organization-centered hypothesis and the first to test differences across countries.

Keywords

Non-profit marketing, international comparison, Theory/Practice divide

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Marketing in non-profit organizations – an international perspective

Sara Dolnicar* and Katie Lazarevski

Marketing Research Innovation Centre (MRIC)

School of Management and Marketing

University of Wollongong, Northfields Ave

2522 Wollongong NSW Australia, Phone ++61 (2) 4221 3862

*Corresponding author: sara.dolnicar@uow.edu.au

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AUTHOR BIOS

Sara Dolnicar is a Professor of Marketing at the School of Management and Marketing at the University of Wollongong and the Director of the Marketing Research Innovation Centre (MRIC). Sara has completed her PhD at the Institute for Tourism and Leisure Studies at the Vienna University of Economics and Business Administration. Her research interests include market segmentation, measurement in marketing, tourism marketing and social marketing.

Katie Lazarevski is a doctoral candidate from the School of Management & Marketing at the University of Wollongong in Australia. Katie is a member of the Marketing Research Innovation Centre (MRIC), and her research interests include tourism marketing and non-profit marketing. Her PhD dissertation is focused on improving the managerial usefulness of market segmentation solutions.

Marketing in non-profit organizations – an international perspective

ABSTRACT

Purpose – This study tests three hypotheses: (1) that non-profit organizations follow a customer-centered approach to marketing, (2) that marketing is run by marketing-trained staff and (3) that cross-continental differences in the adoption of marketing in the UK, the USA and Australia exist due to differences in the operating environment.

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CLASSIFICATION: Research paper

INTRODUCTION

Non-profit organizations have started to adopt business-like techniques (Goerke, 2003) used in the for-profit sector as they are becoming increasingly confronted with market pressures typical of for-profit organizations, like competition for funding and the need to earn money to fulfil their mission (Andreasen and Kotler, 2003; Alexander and Weiner, 1998; Dolnicar et al., 2008). These techniques and approaches have been recognized as important to non-profits by the academic field (Gonzalez et al., 2002); one in particular is especially important – the marketing concept – which advocates an understanding of the customer (Day, 1994). It appears, however, that the competitive advantages that could be gained from using the full portfolio of the marketing toolbox are not harvested as successfully as they could be (Bruce, 1995). Instead of embracing the marketing concept and beginning the marketing process with the customer and investigating what the market actually needs and wants (Gonzalez et al., 2002), non-profit organizations have an “organization-centered” marketing mindset and may falsely believe that their product or service is needed by the market (Andreasen and Kotler, 2003). A number of other researchers agree with this viewpoint in emphasizing the importance of market orientation for the non-profit sector (Kara et al., 2004; Macedo and Pinho, 2006; Padanyi and Gainer, 2004; Sargeant et al., 2002).

The first research aim of this study is to test whether there is empirical support for the call for greater market orientation through a “customer-centered” mindset and to gain detailed understanding of the nature of marketing operations undertaken by non-profit organizations internationally. The second aim of this study is to compare whether differences in marketing operations exist across countries on different continents which differ significantly with respect to the environment in which non-profit organizations operate. Differences especially in the competitiveness of markets (the number of non-profit organizations per capita of the population) can be expected to have a significant impact on the extent to which the marketing toolbox is harvested to survive in the marketplace and gain competitive advantage.

Although a significant amount of research has been undertaken in the area of non-profit marketing, there is a lack of agreement regarding the use of key terms. The non-profit 'customer' is one of these terms. Bruce (1995, p. 77) classified non-profit customers into two groups: (1) end customers who may include "clients, patrons, patients, donors, volunteer workers, advocates, trustees, committee members, local government inspectors, the local community" and (2) intermediary customers who are involved in the process but are not the prime customer group (for example, government agencies who refer patients to non-profit organizations). However, Bruce preferred the term "beneficiary" to represent customers from non-profits as the word signifies those who receive a benefit from non-profits; beneficiary is also the preferred term of Gonzalez et al. (2002). Alternatively, others address the customer/client issue by stating there is a difference between the non-profit market for customers and the market for resources (Kara et al., 2004; Padanyi and Gainer, 2004). From this aspect, different audiences require different marketing campaigns. Similarly, the non-profit sector lacks a generally accepted definition. Gonzalez et al. (2002, p. 56) define private non-profit organizations as "any organisation without a financial objective, under private control, which aims to generate a social benefit for a specific sector of society". The unique characteristics of non-profits pose challenges for them. These characteristics include non-financial objectives, mission-driven, multiple 'customers', and a competitive-cooperative relationship with their competitors (Gallagher and Weinberg, 1991). In this paper we adopt the definition proposed by Gonzalez et al. (2002) for the term non-profit organizations, with the only difference that we do not prescribe for them to be in private control, thus also including public sector based non-profit organizations. We use Bruce's (1995) definition of end consumers when referring to consumers.

THE ADOPTION OF MARKETING BY NON-PROFIT ORGANIZATIONS

Although researchers appear to largely agree that the adoption of a market oriented perspective as well as marketing tools is important for non-profit organizations (Andreasen and Kotler, 2003; Gonzalez et al., 2002; Kara et al., 2004; Macedo and Pinho, 2006; Padanyi and Gainer, 2004; Sargeant et al., 2002), it can be argued that market orientation is not a relevant concept for non-profit organizations because their mission (product) is defined in advance and cannot be changed in dependence of market needs. However, there is a wide range of other marketing strategies and instruments available to non-profits that can be implemented without changing or denying their true mission. Such strategies include the identification of customers who are most interested in supporting their mission (market segmentation), ensuring an image is built that is attractive to those people (product positioning), the development of communication messages most attractive to these people (advertising) and communicating with them through channels these people regularly use (place). Consequently, the assumption underlying the present study is that – despite the fact that non-profit organizations are distinctly different from for-profit organizations – market orientation can significantly increase the effectiveness of non-profit organizations in achieving their mission.

Although many non-profits may view marketing as a business activity, Kotler and Levy (1969) believe that marketing plays a very important role in the lives of non-profit organizations. They argued that all organizations undertake marketing whether they know it or not, therefore they must possess a satisfactory understanding of it. Furthermore, the non-profit sector has characteristics of marketplace problems (Kotler, 1979) where memberships decline, costs soar and competition is fierce. Due to these indicators, it was suggested that marketing had a great deal to offer the third sector in order to “survive, grow, and strengthen their contributions to the general welfare” (Kotler, 1979, p. 44). Complicating characteristics of non-profits’ organizational structure include non-financial objectives, multiple stakeholders (Bruce, 1995), a competitive-collaborative

relationship with other organizations in the field, and the balance between financial pressures and the mission (Gallagher and Weinberg, 1991). These characteristics make it very difficult to ascertain success and may lead to their disregard of marketing.

The emphasis on applying marketing to non-profits has been shaped by the work of Kotler and Levy (1969), Kotler and Zaltman (1971) and Shapiro (1974). Their support of the application of marketing techniques to the non-profit environment has created a shift in the mindset from realizing the advantages of applying marketing concepts and tools in the non-profit arena to the emphasis of a more systematic approach through the help of strategic planning (Andreasen and Kotler, 2003).

In 1979, Kotler posed some questions in order to assess the state of marketing acceptance in non-profit organizations. He asked about the response of non-profit administrators to marketing, whether they are interested, aware or enthusiastic, and whether they know how to use marketing in their organizations. Results indicated that marketing lagged dramatically in adoption by non-profit organizations, compared to other business practices like accounting, financial management, and formal planning. Even when adopted, the term “marketing” was primarily used to mean hard promotion, where many non-profits “rushed into marketing with more enthusiasm than understanding” (Kotler, 1979, p. 40).

Over the past decades, non-profit organizations have slowly been introducing marketing into their activities, realizing that it may help them achieve their organization’s mission and as non-profits are challenged by more complicated decisions than for-profit organizations survival is dependent on careful application of marketing management tools (Bendapudi et al., 1996). It has also become necessary to adopt a marketing orientation where marketing begins and ends with the customer (Gonzalez et al., 2002).

When Kotler (1982) posed a question about the meaning of marketing to college administrators, 61 percent saw it as a combination of selling, advertising and public relations, 28

percent said it was only one of the three activities, and only a small proportion suggested it had to do with needs assessment, marketing research, product development, pricing and distribution.

Misconceptions about marketing still appear to abound, with many thinking that marketing is equivalent to selling and promotion (Akchin, 2001) and that it is used to sell “people things they do not need” (Bruce, 1995, p. 84). More than two decades after Kotler’s (1979) initial investigation of the state of marketing acceptance by non-profit organizations, Akchin (2001) endeavoured to determine the state of marketing in non-profit organizations. The study, conducted with marketing, public relations or communications officers of the Maryland Association of Non-profit Organizations in the United States of America (USA) reported some alarming news about marketing in non-profit organizations. The study highlighted a trend to perform one or more marketing functions instead of the adoption of a comprehensive marketing strategy. The study questioned each respondent about the size of their organization, the type of organization, how they would rate the following marketing functions, which included fundraising, public relations, and marketing to the success of their organization. When asked about the responsibilities required of them, the most cited were fundraising, event planning, public relations strategy, media relations, marketing strategy, and publications. Ranking these responsibilities saw marketing strategy as the top choice for only 10 percent of the participants, whereas 53 percent of respondents chose fundraising as their top priority. In order to gauge the acceptance of a marketing approach, the assessment of the individual’s skills with marketing functions was undertaken. Individual assessments indicated high ratings on ability to write press releases, produce publications, and write grant applications. A low interest in learning more about focus groups and surveys in order to conduct their own market research was indicated. The author expressed an opinion that educational background may play a part. As suspected, 37 percent had formal training in business or communications; the others were from an assortment of educational backgrounds and had “on the job” experience in marketing.

More specific guidelines to formal strategic marketing for non-profit organizations have been developed by Andreasen and Kotler (2003). It is evident that these recommendations are based on the belief that marketing for non-profits entails applications of fundamental marketing techniques and principles to new and challenging settings, not new principles (Kotler, 1982). In their recommendations for strategic marketing for non-profits, Andreasen and Kotler (2003, p. 49) emphasize the adoption of a marketing mindset, termed a “customer-centered” mindset, which focuses on understanding the customers’ needs, wants and perceptions, as opposed to an “organization-centered” mindset. A “customer-centered” mindset means the organization places the customer at the centre of everything the organization does. The authors stress the importance of market research in order to understand the needs of non-profit customers in order to better satisfy these needs.

Five years after the recommendations of Andreasen and Kotler (2003), we conducted this review of the state of non-profit marketing in order to reassess the adoption of marketing principles, methodologies and techniques in the non-profit sector. In addition, an international comparison is conducted to assess whether distinct differences in the regulatory and market structure in which non-profits operate in different countries effect the adoption of marketing in the organizations. We expect a shift towards a customer-centered mindset, away from the organization-centered mindset. Inherent in a customer-centered mindset is the realization that marketing research is crucial in understanding the customer, that the market consists of smaller sub-segments which can be used for more targeted campaigns, a more inclusive marketing campaign other than just promotion or communication, and an awareness of the fact that the customer cannot be changed to suit the offering. The following two core hypotheses, implying improved professionalization of marketing in the non-profit sector, are investigated in the study:

H1 Marketing in non-profit organizations is guided by a consumer-centered mindset.

- H2 The marketing portfolio of non-profit organizations is run by staff members who are formally trained in marketing.

NATIONAL DIFFERENCES IN NON-PROFIT ENVIRONMENTS

Non-profit organizations operating in different countries are exposed to different environments: first and foremost, the United Kingdom (UK), the USA and Australia differ significantly with respect to their population. Currently about 60 million people live in the UK (National Statistics (U.K.), 2006), 299 million in the USA (U.S. Census Bureau, 2007) and 21 million in Australia (Australian Bureau of Statistics, 2006). In addition to this significant difference in size, the socio-demographic composition of the populations differs as well: the UK has one of the largest ageing medians in the world (National Statistics (U.K.), 2006) and Australia's population is also ageing. In Australia, the median age (the age at which half the population is older and half is younger) is rising and at June 2006 was 36.9 years, which is leading to problems with many issues such as housing and health (Australian Bureau of Statistics, 2006). The USA is experiencing slightly less population ageing on average (U.S. Census Bureau, 2007). In the UK, the population aged over 65 years grew by 31 percent, from 7 to 9.7 million, whilst the population aged less than 16 years declined by 19 percent, from 14 to 12 million (National Statistics (U.K.), 2006). In the USA, people aged 65 years and over increased from 31 million in 1990 to 35 million in 2000, however, their proportion of the total population dropped from 12.5 percent in 1990 to 12.4 percent in 2000 (U.S. Census Bureau, 2007).

The USA has the largest amount of non-profit organizations (contributing 9.6 percent of GDP), followed by the UK (contributing 6.7 percent of GDP) and Australia (contributing 4.3 percent of GDP). The total number of non-profit organizations in the USA in 2006 is approximately 1.5 million (National Center for Charitable Statistics, 2006) of which about 59,000 are private non-profit organizations (National Council of Non-profit Organizations, 2006) compared to 700,000 in

Australia (Philanthropy Australia, 2007), and 190,439 charities in the UK (Charity Commission, 2007). Due to the large number of non-profits in the USA, competition has intensified (Johns, 2004). The structure of the UK non-profit system is centralized through the Charitable Commission of England and Wales. This promotes less competition and focuses more on equitable distribution when it involves government funding for non-profits.

In terms of community participation in non-profit organizations, almost 84 million people volunteer in the USA each year (Independent Sector, 2007), in comparison to the UK where 23 million people volunteer each year (European Volunteer Centre, 2006) and Australia where approximately 6 million volunteer each year (Volunteering Australia, 2006).

The taxation structure in the three countries differs. Tax deductible contributions in the USA apply to all charity status organizations defined as any non-profit organization under section 501c of the internal tax code, meaning all non-profits except for those with political ideology agendas receive these contributions (Internal Revenue Service, 2007). In Australia a non-profit must fall under 'Gift Deductible Recipient' status, which restricts the number of non-profits who can claim on tax deductible donations (Australian Government, 2007). In the UK all non-profits can apply for gift contribution tax deductions (Her Majesties Revenue and Customs, 2007). Australia has fringe benefits tax exemption for non-profit organizations that fall under ATO guidelines. The USA has no exemption and non-profits must withhold employment taxes, and also no exemptions on Medicare or social security taxes. The UK is similar to the USA with employment taxes but also tax benefits received by employees. The USA has no Goods and Services tax, whereas the UK and Australia do. The Australian Taxation Office (2007) website states that the Australian GST level has been stable compared to the UK GST which, since its implementation, has risen by several percentage points.

In terms of regulation, Australian non-profits are mainly regulated by the three layers of government including local, state and federal regulation (National Roundtable of Non-profit Organizations, 2007). The UK manages the non-profit sector through a third party body called the

Charity Commission of England and Wales. This body regulates charities activities and charity status within the UK. The commission implements standards of operation and accountability with the non-profit sector in the UK. This body is closely tied to the UK government and controls most programs and funding allocated to the non-profit sector (Charity Commission, 2007). In the USA the main regulators of the non-profit sector are the Internal Revenue Service, which control taxes, financial transparency and accountability of the non-profit sector. All other regulatory controls are managed by the states and congress through the implementation of legislation (Bothwell, 2001).

The accounting and reporting requirements are much more complex in the USA: a very specific type of system must be used to make IRS reports if the non-profit organization is tax exempt (Internal Revenue Service, 2007). In Australia, income tax exempt non-profits are not required to file income statements; they only need to release disclosure information to keep their income tax exempt status (Australian Government, 2007). In the UK public disclosure is mandatory if a non-profit is to keep its income tax exemption. This includes income and expense reports which are filed with Her Majesties Revenue and Customs department (Her Majesties Revenue and Customs, 2007).

Non-profit organizations around the world have grown considerably since the 1980s (Ebrahim, 2003). While the public sector is increasingly adopting practices of the for-profit sector, these changes are permeating the non-profit sector (Eikenberry and Kluver, 2004). Non-profits are adopting the practices and values of the for-profit sector. Non-profits exist within environments that are dictated by institutionalized rules and regulations and if they are to receive support and appear legitimate they must conform to these rules (DiMaggio ad Powell, 1983; Meyer and Rowan, 1977; Scott, 2001). Thus, organizations are obliged to adopt practices within their field imposed by governments or customer (for example, donor) demands. In addition, the influences of globalization mean that practices, such as economic restructuring, accounting practices and increased accountability standards, are not only being adopted within national fields but also across borders

(McDonald, 1999). An example of the spread of institutional practices as part of the process of globalization is the adoption of Western accounting standards in developing countries facilitated through regulatory bodies like the World Bank (Cooper et al., 1998).

Consequently, two alternative hypotheses can be formulated with respect to expected differences in operations of non-profit organizations in the UK, the USA and Australia:

H3 There is no difference between the marketing operations of non-profit organizations across these countries (because they all face similar market pressures and institutional practises are increasingly global).

H3alt There are differences between the marketing operations of non-profit organizations across countries (because of country-specific differences in external environments).

METHODOLOGY

Managers of non-profit, charitable and religious organizations in the UK, the USA and Australia were surveyed using an international permission-based Internet panel which provides research services only (as opposed to selling email addresses for direct marketing purposes). Panel members were recruited through a range of avenues (including telephone and mail) in order to reduce panel bias towards heavy Internet users. The panel population was maintained in a way to represent the basic socio-demographic characteristics of the countries in which survey services are provided.

Invitation emails were sent to 1451 people who had declared that they were managers of a non-profit organization. The total sample size was limited to 140 respondents due to budgetary restrictions for the study. The panel company was instructed that at least 30 respondents were required from each of the three countries. Two screening questions were used to determine if respondents qualified to participate in the study. The first screening question asked respondents

“Does your organization engage in marketing activities?” Respondents were offered four answer options: not at all, not much, a fair bit, and very much. The second question investigated whether the respondent was familiar with the marketing work of the organization with only a “yes” and a “no” answer available to respondents. Only respondents who worked in an organization which did at least some marketing and who were familiar with the organization’s marketing activities were allowed to continue. This pre-screening means that no conclusions can be drawn from this study with respect to the proportion of non-profit organizations which use marketing. This, however, is not the main focus of the study. The main focus is to understand the way in which marketing is used and whether systematic differences exist across countries.

The questions included in the questionnaire were developed on the basis of non-profit marketing literature in order to ensure that the key hypotheses posed could be tested. In addition, several questions were asked which were not directly related to the hypotheses but instead provided a more detailed insight into the respondents and the organizations included in the sample. Questions included the extent to which respondents are familiar with the organization’s marketing activities, their position title, the number of years they have worked for the organization, whether they are trained in marketing, the name of the organizations (optional), the sector in which the non-profit is operating (for example, environment, culture and recreation, health, etc.), the primary mission of the organization, ownership and reporting relationships, and sources of funding.

The survey was taken offline when a minimum of 30 responses were available for each of the three countries under study which occurred after two days. The final sample consisted of 36 UK respondents, 33 US respondents and 67 Australian respondents.

The questionnaire included questions directly related to the research hypotheses. Questionnaire items and answer formats are described in detail in the results section. All questions are single item measures.

RESULTS

Sample characteristics

Respondents were asked several questions to describe the type of organization they belonged to and their marketing background. Respondents were initially asked whether they “engage in marketing activities”. Of the non-profit organizations represented in the dataset, 49 percent use marketing “a fair bit”, 39 percent “not much” and 13 percent “very much”. The answer options were deliberately formulated in the respondents own language because it was impossible to identify an objective benchmark for classifying the extent of engagement in marketing activities across a wide range of diverse non-profit organizations. An optional question was included which directly asked “what is the name of your organization”. Although half of the respondents preferred not to state the name of the organization, it is clear from the remaining 68 responses that a wide range of non-profit organizations were represented with organizations in the social area as well as religious organizations representing approximately half of the sample. The distribution of included organizations across the non-profit categorization proposed by Andreasen and Kotler (2003) is provided in Table 1.

----- Take in Table No. 1 -----

Table 1: Areas of operation

	Frequency	Percent
Religion	39	29
Social services	32	24
Education and Research	11	8
Health	10	7
Culture and Recreation	6	4

Development and Housing	5	3
Philanthropic Intermediaries and Volunteerism Promotion	5	3
Law Advocacy and Politics	4	3
International activities	2	2
Business	1	1
Business and Professional associations, unions	1	1
Other	20	15
Total	136	100

To understand the environment the organizations operated in, respondents were asked to indicate which organization they were required to report directly to out of the categories “United Nations”, “Other international body”, “National non-profit body”, “State/Local Government”, “Board of trustees”, “Industry group”, “other” and “none of the above”. No organization indicated that they report to the first two categories and 26 percent stated that they report to an ‘other’ industry group not included in the list. A total of 23 percent of the sample report to state or local governments, 42 percent to a board of trustees and 3 percent to an industry group.

Respondents were also asked to specify their funding sources. On average 32 percent of the total funding for the organizations sampled came from private donations, 22 percent through government funding, and 12 percent through grants. All other funding sources (service fees, corporate donations, revenues from sales, revenues from unrelated enterprises and investment income) contributed less than eight percent each to the average total funding of non-profit organizations.

In addition to questions about the organization, questions about the respondent were also included: respondents were asked to state their role in the organization. Positions represented ranged from “volunteer” to “CEO”. When asked to self-classify the level of their position in one of

five categories, about a third stated that they were working in a management role, another third classified themselves as administrative staff, 18 percent as senior management and seven percent as senior executive. Respondents had worked an average of 6.5 years for the organization. This was derived from questions which asked them to enter the number of years they have worked for the organization. Although all respondents stated that they were familiar with the organization's marketing activities, the level of participation in marketing activities varied between three levels of involvement: only 16 percent stated that they had very much to do with marketing activities, 54 percent had a fair bit to do with it and 29 percent not much.

Respondents were asked to state (using a "yes" - "no" scale) whether they felt their organization faces competition. Two thirds of the respondents agreed. From the list of competitors, derived from an open-ended question, it was evident that the main kind of competition perceived was with other organizations with similar missions and the two main objects of competition listed included funding and volunteers. One third of respondents stated (using a "yes" - "no" scale) that action had been taken by the organization to protect their market position against competitors. Such actions listed in the following open-ended question included the use of strong, understandable core messages, marketing, pricing, diversification, specialization, improvement of tender writing skills, offering the best service, developing collaborative relationships with competitors, competition analysis, and building of reputation. One respondent put it very passionately: "Marketing is our life-blood - as all charities who want to survive, it is essential that we publicize our work through photos, talks, editorial, TV".

Two interesting insights can be drawn from these responses. Firstly, that the majority of the non-profits sampled are acutely aware of the competition they are facing in the marketplace. Secondly, that the non-profit organizations sampled are acutely aware of their competition and the need to optimise their operations to stay competitive.

Marketing philosophies of non-profits

Before asking respondents questions which offered answer alternatives they were asked to state in an open-ended manner how they would personally define marketing. This approach was taken to ensure that answer options would not bias the results. The resulting definitions provided qualitative insight into the way in which marketing is viewed by the included non-profit organizations, indicating a highly promotion-focused view of marketing. A few examples of definitions provided by managers include “Anything with a company logo displayed to the public”, “Exposure to the public through the use of various types of media”, “Presenting our organization in an appealing way”, and maybe most illustratively for the typical view that marketing is a one-way street from the organization to the market: “Telling others what we do, how we do it and how it can help them”.

When asked whether marketing helps an organization achieve its mission, the vast majority of respondents (70 percent) stated that “it contributes”, only 26 percent stated that it “is crucial” for success, and only 4 percent selected the “not at all” answer option. These personal views of respondents appear to reflect their evaluation of top management’s attitudes towards marketing. Considering that the support of top management is a necessity for a transition to a market orientation (Narver and Slater, 1994), respondents were asked to describe how supportive top management is of marketing in their organization. A total of 18 percent of respondents stated that top management sees it as a “necessary evil”, 58 percent stated that marketing is seen as an “important part of operations” and 24 percent stated that their top management believes that marketing represents a “central success factor”.

Figure 1 depicts which areas of marketing non-profit organizations viewed as part of marketing as well as which they perceived as the most important area.

----- Take in Figure 1 -----

This figure reports the results of two separate questions, each containing a list of the same marketing areas. First, a question was asked to assess respondent beliefs of the most important marketing activity. Respondents were asked to select only one marketing area they believed was the most important. Fundraising, public relations and advertising were the top three most important marketing activities. The second question asked respondents what they believe marketing contains. Respondents could select as many options as they thought appropriate. The top three activities that marketing contains were, once again, advertising and public relations and also the activity of image building / positioning. Amongst the least important marketing activities was market research. However, 60 percent of respondents indicated that they believed that marketing does contain market research.

Respondents were asked to state (using a “yes” – “no” scale) which of a list of strategic marketing tools they use. The first of these questions asked: “does your organisation work with different market segments?” to which 67 percent agreed. Only slightly more than one third of respondents (36 percent) stated that their organization has clearly specified marketing objectives, 34 percent stated that their organization has a formalised marketing strategy. One third of the non-profit organizations represented in the sample stated that they use key performance indicators to monitor their success. Of those, only one fifth uses marketing key performance indicators (KPIs). Forty two percent of respondents stated that their organization has performed a SWOT analysis, and 42 percent stated that they measure the success of their marketing strategy or actions. An open-ended question was used to determine what types of measures of success were used by the respondents. Responses to this question included an increased number of funding of one kind or another (for example, donations, T-shirt sales).

Only 29 percent of respondents stated that the non-profit organization they work for undertakes market research. When asked about the frequency of use, 10 percent of respondents

stated that market research is undertaken “every few years”, 2 percent stated that market research is undertaken “less than once a year”, 10 percent research the market “once a year” and only seven percent “more than once a year”. Respondents were asked in an open ended format “what kind of market research do you undertake?” Responses were heavily dominated by two kinds: focus groups and surveys.

Based on these empirical findings, H1 has to be rejected. It appears that the marketing operations and strategy of the sampled organizations are still heavily dominated by an organization-centered mindset. Marketing appears to be primarily defined by these organizations as promotion, including activities such as advertising, fundraising and public relations. According to Andreasen and Kotler (2003) this is one indicator of an organization-centered mindset. The minor role given to consumer research is another indicator of an organization-centered mindset. In fact, the empirical results derived from the multi-country non-profit survey conducted in October 2007 mirror the findings from Kotler (1982) and Akchin (2001) to a large extent. Kotler found the main emphasis to be on selling, advertising and public relations. The results of the present study indicate that non-profit organizations still focus on fundraising, advertising and public relations some 25 years later, despite the calls for non-profits to adopt a more market-oriented approach. Also in line with Kotler’s early findings is the fact that a very small proportion of non-profit organizations view needs assessment and market research as crucial, a finding supported by Akchin (2001). Although 60 percent of respondents correctly identify market research as being part of the marketing toolbox, only one percent stated marketing research as the most important area of marketing and less than one third engaged in any kind of market research. Additional evidence for the focus on marketing tactics rather than strategies is provided by the analysis of strategic marketing activities undertaken by non-profits: except for market segmentation, none of the strategic tools available to managers were used by more than 42 percent of the sampled non-profit organizations.

Training of marketing staff

The second hypothesis relates to the training of those people within non-profit organizations who are responsible for marketing. In line with the assumption that non-profits have improved their operations and have gone through a period of increased professionalization we expect that marketing is run by staff members trained in marketing.

In order to understand the qualifications and background of marketing personnel, respondents were asked whether or not the organization employs a “marketing manager or one or more people who are specifically dedicated to doing marketing?” Results indicate that 29 percent of non-profits sampled employed one or more staff members who are specifically dedicated to marketing activities. In terms of their qualification, 19 percent can be classified as trained in marketing in the broadest sense: 15 percent studied marketing at university, four percent at high school, and 10 percent were trained on the job. In an effort to determine whether the employees of these organizations have the opportunity to further develop their marketing skills, respondents were asked: “does your organization offer any internal training on marketing?” – ten percent of respondents agreed.

These results lead to the conclusion that H2 needs to be rejected: the marketing portfolio in sampled non-profits was generally not run by staff members who were trained in marketing. The proportion of marketing-trained staff working in marketing in this sample was in fact alarmingly low with approximately only one fifth of marketing staff having formal training. This may well provide an explanation for the fact that marketing operations have not improved significantly since 1982 and that the marketing mindset remains one of organizational rather than market orientation.

Differences across countries

An open-ended question asked respondents whether they thought there were different conditions in which non-profit organizations in the UK, the USA and Australia operate. Sixty-nine percent of all respondents believed that such differences exist. A wide range of differences was listed by respondents: the first, noted by a total of 44 respondents, included the fact that there are very different regulatory systems, especially in the context of tax laws and government regulation, with one respondent stating “The US has so much red tape and political rhetoric sometimes agencies don’t want to do the work because of this”.

The second way in which respondents felt the three countries differed was the culture of donation giving and community attitudes towards donating and volunteering, stated by 15 respondents. Funding attainment was also seen to differ across the three countries, with 18 respondents stating that funding structures and sources vary from country to country. One respondent noted “I think Australia has a lot more backing and encouragement from our Government”. Accountability and reporting was another theme detected in the open-ended responses. Nine respondents stated that accountability and reporting standards are dissimilar.

Respondents were also asked whether or not they believed that differences in the external environment effect the way non-profit organizations work in each of these countries; 77 percent of those respondents who believed that differences between countries exist also believed that these differences effect the operations of non-profit organizations. When describing ways in which they expect these differences to effect the operations in an open-ended manner, six respondents stated that increased reporting would occur. Another seven believed the type and level of funding support would be effected, one comment explaining “other countries...larger than the UK will receive more funding”. Surprisingly, four respondents believed marketing would be affected, while others noted differences in the degree of customer support (for example, individual donor support), government support, competition for funds, and their mission and the type of work they do.

Contrary to the expectation of the majority of respondents, no significant differences in the marketing operations were found when comparing the quantitative data for UK, USA and Australian non-profit organizations. Consequently, H3 cannot be rejected. Although the precise reasons why no differences in marketing operations were found cannot be directly derived from the conducted survey, it appears that the regulatory differences may have less effect on marketing operations than the market pressures. With respect to market pressures, non-profit organizations in all three countries appear to face very similar challenges: increased competition from other non-profit organizations for both volunteers and funding.

CONCLUSIONS, LIMITATIONS AND FUTURE WORK

The work of non-profit organizations is essential to maintain much needed services typically not provided by the for-profit sector or the government. Given the increased market pressures non-profit organizations are facing and given that marketing as one of many operational business areas has been adopted by non-profit organizations some decades ago, the two core hypotheses of the present study were that (1) non-profit organizations of the 21st century have managed to make the transition from an organization-centered marketing philosophy to a consumer-centered or market-oriented philosophy and that (2) the increased use of marketing has led to a professionalization of the marketing workforce in non-profit organizations.

This empirical study, based on 136 respondents from three continents, leads to the conclusion that both hypotheses have to be rejected: firstly, many non-profit organizations still demonstrate a distinct lack of understanding of what the principles of marketing are and largely focus their efforts on sales and promotional activities. Only a small proportion in this sample engaged in any kind of strategic marketing, including market research. Secondly, and this may in fact be the explanation for the way in which marketing is implemented, only a small proportion of staff members of the sampled non-profit organizations who work in marketing are actually trained

in marketing. Only 18 percent have studied marketing at university level. Using the broadest possible definition of training (by including training on the job) only about one fifth of marketing staff in the sampled non-profit organizations are trained.

The third question of interest was whether or not systematic differences in marketing operations could be determined between the three countries under study: the UK, the USA and Australia. Results indicate that this is not the case, suggesting that the increased market pressures faced by non-profit organizations in all these countries weigh stronger than national differences in rules and regulations affecting to non-profit organizations.

The results of this study are practically significant as they indicate that many non-profit organizations are far from having reached the full potential through marketing. This could be due to a number of different reasons: (1) It could be that the limited use of marketing tools and the heavy dependence on promotion by non-profits is based upon the perception that many of the marketing mix elements are not under the full control of the non-profit organization (for example, the product cannot be changed, the price is often voluntary and distribution channel decisions can rarely be made). Alternatively, (2) it is possible that non-profits have been reluctant to adopt marketing strategies and instruments because they perceive marketing is a bad thing which aims at manipulating people and that it therefore is not compatible with the honorable work they are doing. As a consequence, non-profit organizations could have been slower in accepting the benefits of marketing to achieve their mission and adopting marketing strategies and techniques.

There is significant potential for improvement through the adoption of a customer-centered, market oriented approach that does not attempt to sell what is believed to be a perfect service to the market but instead attempts to understand which service the market really requires. Many possible strategies could be taken to initiate such operational improvements, and one key factor may well lie in hiring formally trained marketing staff that have a clear understanding about how the marketing toolbox can most effectively be applied.

Like most previous investigations (Kotler, 1979, 1982; Akchin, 2001), the present study is limited by the fact that the sample of non-profit organizations studied is unlikely to be representative of the national population of non-profit organizations in the UK, the USA and Australia. Yet the consistency of the data collection approach ensures that the comparison across three countries could be safely performed. Optimally, it could be attempted to derive a truly representative sample by using registries of non-profit organizations in all three countries (if publicly available) as a starting point for a true random sampling procedure.

It would also be very interesting to try to map changes in the non-profit marketing mindset and professionalization over a longer time period using a true longitudinal survey design. Finally, barriers to the acceptance of marketing practices, especially reasons why many non-profit managers believe that market research is unimportant or too difficult, would form an interesting qualitative follow-up investigation to the present study.

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FIGURES

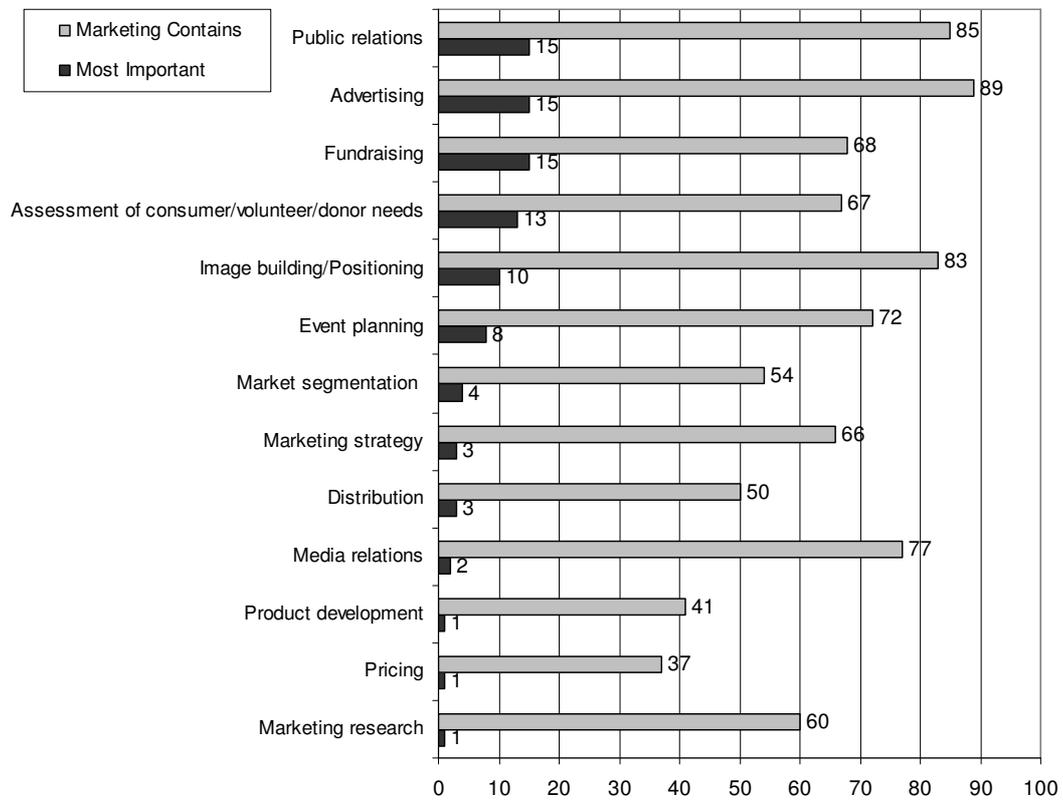


Figure 1: Marketing areas and most important task in marketing as assessed by non-profit organizations