**NARRATOR** Although a charity is always a non-profit organization, a non-profit organization isn't always a charity. And there can be considerable differences between the two. In recent years there's been a lot of debate among experts about whether marketing a non-profit organization is really different from marketing any business, and it doesn't seem like either viewpoint is particularly dominant today. Maybe the difference doesn't lie in whether it's a non-profit or a for-profit but rather whether it's a charitable or a non-charitable organization. It may be that the goal of the organization drives its marketing strategy and not its tax status. The Augusta National Golf Club is a non-profit organization but I don't think its marketing strategies parallel non-profit organizations like the Red Cross or the United Way. It seems logical that an organization like the Augusta National would have more in common with profit-making businesses than it does charities. And would therefore develop marketing strategies more like any other business. Maybe the difference isn't non-profit versus for-profit but rather, whether it's a 501(c)(3) non-profit organization like the Red Cross or a 501(c)(4) non-profit organization like a tennis center. A 501(c)(3) non-profit organization is a tax-exempt charity or a private foundation. And a 501(c)(4) organization is created to satisfy a social function. Hopefully, by the end of this program, you'll see that non-profit is merely a designation that determines whether an organization pays taxes or does not pay taxes and may have very little impact on its marketing strategies. The critical differences may actually lie in the relationship between the organization and its clients. Whether buyers directly benefit from the exchange or indirectly benefit may be the most important factor driving the marketing strategy. For example, the typical exchange relationship in a market economy involves a producer and a consumer. The producer provides need satisfaction and the consumer pays a price. The relationship is really quite simple. If the benefits exceed the costs, the consumer will pay the price. If the costs exceeds the benefit, there won't be an exchange. For a large part of the non-profit sector, this relationship is considerably different. The buyer is often a proxy customer. She pays the price, but doesn't directly receive the benefits. There is no tangible experience that allows the buyer to evaluate the cost-benefit relationship. In the profit sector, the buyer says, 'I'm willing to pay the price because you're providing me with what I need. However, in the non-profit sector the buyer is often saying, 'I'm willing to pay the price because you're providing someone else with what they need.' Obviously transparency is a critical issue for a non-profit organization. If the buyer isn't directly experiencing the benefit, he is dependent upon the organization to demonstrate that the benefits exceed the costs. Hospitals are 501(c)(3) organizations and receive charitable donations, endowments, and in some cases tax support. But, the bulk of their revenue comes from the provision of services. So they're marketing services to customers who receive a direct benefit from the exchange relationship. On the other hand, an organ donor organization, say that three times fast, like Share Your Life, has a primary marketing strategy that focuses on marketing to people who don't directly benefit from the exchange, the donors. Talk about unique. We don't want your money, we want your body parts. Both of these organizations are charitable but there are considerable differences in their marketing strategies. Although a hospital may be charitable, its buyers receive a direct benefit from the exchange. So the relationship is reflective of a profit-based organization. Let's listen in and see what the CEO of a highly regarded hospital has to say on the topic.

[music]

DONALD C. BRAY PRESIDENT/CEO UNIVERSITY HOSPITAL AUGUSTA, GA

I Insist.

INSIST ON UNIVERSITY.

**Donald Bray** Uh, we're gonna be running our commercials on television, uh, magazine ads, newspapers, and, and billboards. Uh, this, uh campaign will begin in August and run through about Thanksgiving and then we'll start it back up after the first of the year January for an additional certain phase. The theme is 'insist on university' and that is a, a tag-line that we're using because we want people to think of university and insist on university when they have a choice. We thought, the, because of the, the really competitive nature of health care we need to let people know what we're about, who we are, remind 'em who we are and to make sure that our name is very, very prominent in their minds when they think about health care. And that is so important for us to approach our work with a belief that we're not only offering quality care and caring service but, but a needed service to the community.

Sources of Revenue 1.Donations and grants 2.Payments from users 3.Commercial ventures

**NARRATOR** What's University's goal here? Differentiation and brand identification. Sound familiar? A pretty traditional strategy right? There are a lot of charitable organizations that have been very successful at marketing to donors, plus merchandising a wide assortment of products directly to buyers. So they have buyers who have an indirect benefit from the exchange and buyers who receive a direct benefit. Is there anyone in the universe who hasn't had a Girl Scout cookie? What a great strategy. The cookies provide a direct benefit to the buyer and brand identification with potential donors is enhanced tremendously. So what can we conclude at this point? There are three primary sources or revenue available to non-profit organizations. One, donations and grants. Two, payments from service users. And three, commercial ventures. Each is unique. Each with dissimilar market characteristics. Each requires a different marketing strategy. Here's a unique orientation.

CUB SCOUTING It's not just for kids

[music]

**Marty** Hi there. I'm Marty, a parent just like you. And I'm a cub-master of a cub scout pack. My son Tim is in one of the dens. You know, as parents, I think we all want the same things for our children. We want them to have high self-esteem, and to be self-reliant, dependable, and caring. And that's why I got involved in cub-scouting, because it has these same goals to weave lifetime values into fun and educational activities. Scouting is meant to help us parents in the job of strengthening the character of our kids, helping them develop good citizenship and personal fitness, not to mention having fun. Now if you'll excuse me, some of the people have arrived a little early for our meeting.

$230 billion annually!

Major Areas 1.Nonprofit marketing process 2.Keen competition 3.Developing brand loyalty 4.Cause related marketing 5.Internet marketing 6.Direct mail marketing

Marketing Process 1.Define your market 2.Define your outcomes 3.Determine needs 4.Design programs 5.Implement programs 6.Efficiency effectiveness 7.Modify, reinforce,extinguish

**NARRATOR** While it's selling, it's not selling in the same sense as University Hospital. What the Cub Scouts are selling is involvement, participation. 'We don't want your money, at least not right now. We want your time.' Generating volunteers is a primary focus of most charitable organizations. In fact, it's estimated that the value of donated time to non-profit organizations is about $230 billion annually. Plus, people who volunteer their services also give three times more money to charities than people who don't volunteer. Okay. Let's talk about some major areas of interest. One, the non-profit marketing process. Two, the keen competition for the charitable dollar. Three, developing brand loyalty. Four, cause related marketing. Five, internet marketing. And six, direct mail marketing. The marketing process. From a process perspective, developing a marketing strategy for a non-profit organization is about the same as it is for a profit-making enterprise. First, you begin by defining your target market. Non-profits always use the term constituents rather than targets. Second, define the outcomes you want to accomplish by your marketing efforts. Third, determine the needs of your target market. Keep in mind what I said earlier about multiple constituents with multiple needs. Fourth, design programs to satisfy those needs. Fifth, implement the programs. Sixth, evaluate the efficiency and effectiveness of those programs. And seventh, modify, reinforce, or extinguish you actions.

Competition for the Non-profit Dollar

750,000

900,000 individuals

Obviously a two wage-earner home!

"Chugging"

"20+ percent"

"Indirect Brand Loyalty"

**NARRATOR** The strategic marketing process may be very similar but the variability between clients and the non-profit sector is far greater than most profit-making industries. For example, the needs of a compact car owner and the needs of a luxury car owner are different. But there are a lot of commonalities when marketing to each of them. However, there isn't a whole bunch that a donor to Save the Children's fund has in common with the beneficiaries of the fund. The differences between proxy-buyer and buyer in the charitable arena, is substantially greater than the difference between buying segments and the profit-making sector. Going out to buy a wrench doesn't generate negative thoughts for us unless we're going to play golf. But just think of the negative images that many non-profit organizations have to overcome. We're all interested in supporting the less fortunate but none of us wants to think about how they got that way. What about the Ronald McDonald house? It's a wonderful support system for parents, but it's very painful for us to think about the unfortunate children. So, we frequently avoid being exposed to the situation. Okay. Let's move on to our next topic, competition for the non-profit dollar. The non-profit sector for the economy is huge. There are over 1.5 million 501(c)(3) and (4) organizations operating today with about 750,000 of them being charities. In fact, about 70% of all households in the U.S. donate annually with annual contributions exceeding $1000. While the United States may exceed the world norm in giving, it is by no means, unique, in its desire to support charities. The proliferation of charities world-wide is certainly a testimonial to the global desire to help the less fortunate. While the numbers are impressive, there is a downside to the industry's explosion. On the on hand, the competition for scarce resources increased dramatically, but, at the same time, a sluggish economy has been a disincentive for giving. Here's a scary thought for you. A 2% increase in unemployment will increase Medicaid enrollment by 900,000 individuals. 900,000 potentially lost donations. As the economy goes, so goes charitable contributions. There's an old saying, 'Charity begins at home.' When the consumer feels financially threatened, she is less likely to support any activity that provides little direct need satisfaction. The continuing rise in two wage-earner families has produced higher household incomes. But, it has resulted in less free time available to donate to charities. Over the last decade, the number of non-profit organizations in the marketplace has increased a whopping 74%. Simply put, there's a lot more organizations asking you to drop your coins in the proverbial tin. Some experts feel that charities are suffering from society's compassion fatigue. There's just so much and so many organizations trying to fill those needs that people are tuning out. So a large number of charities are turning to a strategy commonly called chugging. Chugging is an unpleasant term used to describe and unpleasant strategy, charity mugging. For many charities, street fund-raising has become a cost effective method of raising funds, in some instances, to the tune of 20-plus% of ttl donations. The short-term gains may be strong, but the opportunity cost may be high if this aggressive tactic turns off donors for the long-run. Hospitals, where the dying are saved, and the sick healed, certainly worthy of our compassionate donations, are experiencing a tremendous revenue crunch. The competition for your health care dollars is so keen, that everyone is trying to establish long-term relationships with clients. Which leads us to our third topic, developing brand loyalty. The conneciton between doctors and patients is a potent form of brand loyalty and hospitals are trying to capitalize on this connection. Ohio State University Medical Center and Samaritan Health Systems in Phoenix realize that brand loyalty develops between a patient and a physician, not a patient and a hospital. So they have focused on developing comprehensive marketing campaigns profiling the personal sides of their admitting physicians. Their strategy to combat the competition is to develop brand loyalty between their physicians and their patients, show the human side of the physicians, something the patients can identify with. In that way, the hospital benefits from derived demand. The patients demand the physicians services and the physician demands the hospital services. Indirect brand loyalty, an interesting concept. Like any profit-making organization, non-profits experience significant benefits from strong brand recognition. 'Hey, let's go down to the Y.' no further explanation is necessary. Everyone knows that 'the Y' means the YMCA. Brand recognition is so important to non-profit organizations, that Habitat for Humanity estimates that the value of its brand is equal to about $1.8 billion. That's about the same value that Starbucks puts on its brand.

Keith Benson

**Keith Benson** United Way in Augusta is, um, a local charitable organization. In fact, uh, the largest single charitable organization in Augusta and most communities around the country. It's also, uh, the largest funder of human services outside of government. And what we do is we are simply the conduit through our annual campaign to, uh, support local human service organizations and we raise a little over $3 million in this community and we support something like 32 local agencies.

Cause Related Marketing Businesses join with charities to market an image, a product, or a service for their mutual benefit.

**NARRATOR** Here's an interesting thought to consider. By combining many charities under one brand, is the United Way attempting to create a family brand, or merely trying to reduce the competition for scarce donor dollars? The answer is obviously yes, it's doing both and it's doing it quite well. Since we're discussing the United Way, let's move on to our next topic, cause related marketing. The United Way his been very successful promoting cause related marketing between itself and numerous business partners. Cause related marketing is a strategy where businesses join with charities to market an image, a product, or a service for their mutual benefit. Say 'NFL' and 'Charity' in the same sentence, and what does everyone think of? The United Way. Say 'United Way' and 'sports' in the same sentence and what does everyone think of? The NFL. Now that's a good partnership. Here's an interesting twist, we've all seen the NFL promoting the United Way. Here's an example of the United Way promoting the NFL. While the relationship between the NFL and the United Way is ongoing, cost related marketing often focuses on specific events like the Special Olympics. And, while it's often a strategy targeted at national companies, it can be a valuable strategy for local non-profit organizations also. The Kay Center for the mentally retarded is a local organization that depends on local business sponsors to send its clients to the Special Olympics. Let's hear what Todd Youngblood, the center's director, has to say about cause related marketing.

Todd Youngblood

**Todd Youngblood** When Case Center has different events outside the normal working days or Special Olympics we have local businesses and individuals that donate to the center to help put on those programs. For example, our power-lifting competition we hold on a annual basis we have a local dentist that is our major sponsor each year and he continues to do that, uh, every year, in making sure that our, that program is successful. He has dontaed to that program now for three years. I think that's a positive because it shows where his feelings go and he knows he's sponsoring an event each year.

Marketing on the Internet

Non-profit on the Internet 1.Build relationships 2.Appropriate audience 3.Fast, easy, fun 4.Relevent information 5.Motivate return visits 6. Create interactive site 7.Continuosly evaluate

Viral Marketing and Online Auctions

Viral Marketing Like a virus it piggybacks on a host, uses its resources and grows exponentially.

Viral Marketing

"Goldie Locks Strategy" Not too Hot! Not too Cold!

Conclusion 1.The organization and its clients 2.Revenue sources drive strategy 3.Brand loyalty 4.Cause related marketing 5.Marketing on the internet 6.Direct mail

**NARRATOR** Terms like altruism, corporate responsibility, and philanthropy are terms often used to describe cost-related marketing. Consumers like to do business with companies that stand for something besides profits. Don't think so? Check out the profile of Ben and Jerry customers. Don't think so? Don't tell the PGA and the many charities that benefit from its tournament proceeds. For our next topic, let's talk about marketing non-profit organizations on the Internet. While marketing on-line does not represent a primary marketing strategy for most non-profit organizations, accounting for only 2% of all donations, it is a rapidly growing strategy. Before we go any further, let me impress on you that marketing on-line is not an alternative to the traditional forms of marketing. It's a compliment. It's another tool in a non-profit's marketing portfolio. Staples is an excellent example to demonstrate this point, and in fact a few others. Notice that both on its flyer and catalog it incorporates its Internet address so that each medium compliments the other. Lest you are foolish enough to think that everyone incorporates their Internet strategies, please observe that OfficeMax, at least on this flyer, his not incorporated its Internet address. You're probably wondering why I chose a for-profit business to demonstrate a point about non-profit organizations. Well, because Staples is also involved in cause-related marketing and is doing charity marketing on the Internet. Remember, I said that cost related marketing is good for business. Well here's an example. You can bid on a celebrity's stapler, and have the money go to the celebrity's charity. And, while you're at it, why not click here and do some Staples shopping? Once again, the keys to successfully marketing a non-profit on the Internet, is not much different than for a profit business. A non-profit organization must one, build relationships with clients. Two, target the appropriate audience. Three, build a website that is fast, easy, and fun to use. Four, provide relevant information. Five, motivate return visits. Six, create an interactive site. And seven, continuously evaluate its effectiveness. Remember that for many older donors, the Internet is a magical place in some parallel universe. But, for younger donors, it's the preferred source of information. So your website must be easy enough for the marginally involved to navigate but sophisticated enough for the video game generation. Two relatively new Internet strategies being used by non-profit organizations are viral marketing and on-line auctions. Viral marketing is in. The reason it's called viral is because like a virus, it piggybacks on a host, using its resources and grows exponentially. You pass a message onto a couple of friends. They pass a message onto a couple of friends, and before you know it, you have a communication epidemic. Critical to the success of viral marketing, is insuring that the host can send on the message quickly and easily. So, if the Salvation Army wants you to pass it on, it needs to provide a tell-a-friend button. Let's spend a minute talking about on-line auctions as a vehicle for generating revenues by non-profit organizations. On any given day, you'll find between one and two hundred charities selling everything from autographed jeans, to opera memorabilia on e-bay. For Goodwill Industries, it's become such a lucrative strategy, that it's built its own website to sell donated items rather than go through a third party. Currently, businesses spend $36 billion annually on direct mail, and there's little evidence that this amount will drop significantly in the near future. Because of the terrorist threat, non-profit organizations, like all businesses are looking for better ways to help consumers identify who they are so their direct mail isn't thrown away out of fear. A unique problem for non-profit organizations is trying to create a positive image without appearing too successful. For example, if the paper and envelopes are too thin, it looks cheap and not worthy of your donation. But if the paper and envelopes are high quality, it may communicate high cost, and the potential donor feels that too much is being spent on administrative overhead. What's the solution to the problem? The Goldie Locks strategy. Make sure the porridge isn't too hot, or not too cold. It's gotta be just right. In conclusion, here are some key points to remember. One, the relationship between the organization and its clients determine its marketing strategy, not its tax status. Two, each primary source of revenue may require a different marketing strategy. Three, brand loyalty is as important to non-profit organizations as it is for profit-making businesses. Four, cost related marketing is good for business and good for charities. Five, marketing non-profit organizations on the Internet is responsive to the changing characteristics of donor pools. But, six, don't count out direct mail yet. Remember, older folks prefer direct mail.