

## Appendix: Introduction to Nonprofit Marketing

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### Unique Issues in Nonprofit Marketing Strategies

Non-profits' marketing strategies enable them to focus on maximizing revenues in order to reach their goals rather than for profits.

#### Learning Objectives

Explain how the marketing strategies of non-profits differ from those of for-profit organizations

#### Key Takeaways

##### Key Points

- The primary difference between for-profit and non-profit organizations is that for-profit organizations look to maximize wealth, whereas non-profit organizations look to provide a greater good to society.
- The major goal of NPOs is to further their non-financial objectives without focusing on competition or target markets. Creative tensions may develop in the effort to balance mission with revenue.
- While NPOs are permitted to generate surplus revenues, they must be retained by the organization for its self-preservation, expansion, or plans.

##### Key Terms

- **competitive advantage:** Something that places a company or a person above the competition.
- **Non-profit organization:** An organization that uses surplus revenues to achieve its goals rather than distributing them as profits or dividends.

### Unique Issues in Nonprofit Marketing Strategies

A non-profit organization's (NPO) business goals tend to focus on the "organizational mission," which is the basis for the organization's governmental status or its non-profit, tax-exempt status. However, non-profits may also focus marketing efforts on optimizing revenue. The primary difference between for-profit and non-profit organizations is that for-profit organizations try to maximize wealth, while non-profit organizations look to provide a greater good to society. In non-profit organizations, creative tensions may develop in the effort to balance mission with revenue.

Marketing strategy involves careful scanning of the internal and external environments. Internal environmental factors include the marketing mix, performance analysis, and strategic constraints. External environmental factors include customer analysis; competitor analysis; target market analysis; and evaluation of any elements of the technological, economic, cultural or political/legal environment likely to impact success. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement.

### Marketing Strategy Constraints

A marketing strategy can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage. Marketing strategies are designed to fill market needs and reach marketing objectives. Also, plans and objectives are generally tested for measurable results.

However, the major goal of an NPO is to further its non-financial objectives, and NPOs are not necessarily competing with others. Furthermore, the veracity of an NPO's ability to measure the success of its marketing plan is limited because their measurements are based on more subjective factors. For example, a for-profit business may measure sales, the number of customers, or repeat purchases. On the other hand, NPOs do not have sales, and it is difficult for an organization whose goal is to provide social services or disaster relief to quantify its success. For example, the Red Cross would measure success as the number of lives saved rather than the amount of money raised.



**American Red Cross Disaster Relief:** The Red Cross is dedicated to saving lives and helping people prepare for and respond to medical emergencies. As a result, any measure of their marketing strategy's success must use non-financial measurements such as lives helped.

### Financial Constraints

NPO's use surplus revenues to achieve their aims rather than distributing the revenue as profit or dividends. While NPOs are permitted to generate surplus revenues, they must be retained by the organization for its self-preservation, expansion, or plans. Designation as a nonprofit and an intent to make money are not related in the United States. The extent to which an NPO can generate surplus revenues may be constrained, or the use of surplus revenues may be restricted.

The downturn in the economy has affected all business, but NPOs started out with limited resources before the recession hit. While NPOs may not generate revenue for the sole purpose of profits, they rely heavily on donations to keep the organization running. NPOs still incur daily expenses, lawyers' fees, and promotional campaign expenses. Fewer charitable donations means NPOs have less money to spend on websites, advertisements, and benefits that raise money for their causes.

Furthermore, NPOs have to compete with other "worthy causes" for their limited resources; there are over 1.9 million NPOs in the US. How can one say that saving kids in Africa is more important than feeding kids in Atlanta? With the economy down, competition will only increase, as state governments and private foundations cope with resources that have dropped sharply.

Another challenge is that limited budgets, resources, and staff limit the options available to accomplish goals. Some strategies and tactics may be removed, which forces NPOs to come up with more creative solutions.

### Formation Constraints

Most countries have laws that regulate the establishment and management of NPOs; these laws require compliance with corporate governance regimes. Most larger organizations are required to publish their financial reports detailing their income and expenditure publicly. They are similar to corporate business entities in many respects, though there are often significant differences. Both not-for-profit and for-profit corporate entities must have board members, steering committee members, or trustees who owe the organization a fiduciary duty of loyalty and trust. A notable exception to this involves churches, which are often not required to disclose finances to anyone, including church members.

As mentioned earlier, external environments, such as the legal environment surrounding NPO's, can have an effect on marketing strategies, and should be carefully considered.

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