MARKETING MANAGEMENT OF A NON-PROFIT ORGANIZATION

Shemyatikhina L. 1,a, Shipitsyna K. 2,b and Usheva M. 3,c,*

1 The Ural State University of Economics, Russia
2 PEI APE “The national center of business and educational projects”
3 South – West University “Neofit Rilski”, Bulgaria

lyshem@mail.ru, *kseniya.shipitsyna@mail.ru, ‘dr.usheva@abv.bg
*Corresponding author


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Abstract: The emergence of new economic actors is due to the expansion of the functions performed by the state and the economic agents in question, but it has been accompanied by a rather difficult transformation of the established structure of the economy due to strong linkages and imperfect legal regulations. The search for solutions to modernize the institutions of the social sphere in industrialized countries is moving towards the use of mixed, flexible institutional forms involving the State, local self-government, civil society and family structures. Marketing and marketing activities inevitably change to meet the demands of modern times and the development of new technologies. Inevitably, EU members introduce certain marketing activities in the public sector. A more interesting but less studied area of marketing by managers, with its specific characteristics and differences, is that of the private sector and established NP NGO (not-profit non-governmental organizations) or NPO (by non-profit organizations). The non-profit sector of the economy is designed by the state to perform the social functions in society that the state has delegated to them. The problem is compounded, on the one hand, by a lack of confidence in the activities of non-profit organizations and, on the other hand, by the use by management of non-profit organizations of management tools that are efficient commercial organizations, although their objectives are fundamentally opposed. The solution to this problem is seen in the application of marketing management tools of non-profit organizations.

Keywords: social marketing orientation, non-profit marketing, marketing management models NP NGO (NPO).

JEL Classification: A13, H41, H89, Z21, Z33

1. Introduction

The well-being of its citizens – increasing the level and satisfaction with the way of life and the standard of living – underlies the constructive, qualitative and reasonable economic development of a society, the observance of the democratic principles of influence and power. In this context, new and emerging problems in various applications are constantly emerging and are being addressed through certain areas of knowledge, among which market knowledge is a major feature. In many countries, marketing by government and civil society organizations faces specific problems, many of which require rapid response, accurate judgement and informed decisions by marketers and managers. This is particularly true for
private organizations and especially NPO. The broad understanding of the market as a “social and managerial process in which individuals or groups of people get what they need” (Golubkov, 2003) is very applicable here.

Social and economic processes in modern societies are complex and contradictory. Therefore, the emergence of new economic actors has been accompanied by a rather difficult transformation of the established structure of the economy due to strong linkages and imperfect legal regulations. Most decisions are made by public authorities, without objective and reliable information, extensive discussion and consultation in the community. However, from the point of view of the complexity of market processes, particular attention should be paid to management through the active use of marketing. It is especially understood that the third sector of the economy is designed by the state to perform the social functions in society that the State has delegated to them. (Pivovarova and Pododigora, 2016)

Contemporary market reality indicates that traditional economic theories are failing and there is a need to reassess them (Kliestikova et al., 2019). In most studies in modern scientific literature, authors emphasize the need to distinguish between different types of marketing. For example, Kudenko (2002) shows that it is necessary to distinguish between macro-marketing and micro-marketing: macro-marketing is applied at the state level, i.e. the economy as a whole, as well as micro-marketing – at the company level. In this sense, micromarketing can be successfully applied in the non-commercial sector, in the work of the NPO.

Report of the Chairman of the House Budget Committee, Government Accountability Office (Government Accountability Office, 2009). At the level of the state, it is generally recognized that the non-profit sector is a valuable partner for the state in the pursuit of the common good, as he has great flexibility in finding solutions to social problems of state importance and high efficiency in finding those in need of social services”.

Another reason why widespread use of marketing will be required is the need to actively influence consumers. One might even say that consumers are aware of the enormous role they play in the national economy. In this sense, marketing should help to meet their immediate and / or hidden needs, participate in regulating the process, and promote an effective compromise of the interests of society and the individual at the lowest possible cost. This is the only way to ensure unity and cooperation in considering the economic and social processes in society and in the country, as well as the efficient functioning of the economy as a whole.

Non-profit organizations are fairly young subjects of economic relations, so research in the field of sectoral specifics of the management of the activities of non-profit organizations (education, health, sports, social services) is carried out more intensively, rather than in the area of governance NPO. A close look at their theoretical provisions and application confirms the view that in practice, not-for-profit organizations are subject to management tools that are effective in the commercial sphere, although the objectives of their functioning are fundamentally opposite (Shemyatikhina and Shipitsyna, 2018).

1.1 Literature review

The starting point for the invasion of non-commercial marketing in the non-material sphere was publications from 1969 to 1973. Kotler, Levia, Zoltuma and Shapiro, in which they developed the idea of marketing as “spreading social activity” (Mineva, 2016).

Philip Kotler (1981, 2005) and other authors offer a wide range of non-profit marketing applications from more than twenty fields: arts and culture; education, training, courses, qualifications; environmental protection and conservation; public health; consumer protection; public order and crime prevention; Employment; public catering; housing,
dormitories, shelter; organization of sporting events, competitions, Olympics; youth activities; humanitarian activities related to the support of the population during emergencies such as war, epidemics, Earthquakes, floods, fires, etc. d. natural disasters or accidents; protection of workers' rights; foundations and other organizations; research; voluntary and charitable activities; religious activities; telecommunications, post and courier activities; electricity and gas distribution.

Smith and Rosenbaum (1981) consider the source of funding - through profits, government revenues, or donations. Rados (1981) offers as a criterion the type of organizational form – enterprise, foundation, corporation, association. Fine (1981) believes that the basis is profit and the type of product offered – physical products or services. Lovelock and Weinberger (1984) introduce a two-dimensional classification – a source of funding and political control. Hansmann (1980) classifies organizations on the basis of two groups of characteristics. According to the source of funding, they provide income through donations or by charging for services through donations and commercial donations. According to the control, the organizations are mutual – controlled by consumers, and entrepreneurial – managers.

More recently, research has focused on the management of fundraising through which non-profit organizations support their mission, including the development of structured decision support systems (DSS-Decision Support Systems). Models are being developed detailing the features of the NDA to optimize the fund-raising process and the associated algorithm (Barzanti et al., 2017).

Analyses of the formation of the main marketing components for non-governmental organizations and the study of the advantages of using modern Internet marketing tools for NPO from the point of view of the current economic situation, in particular the systematization of well-known internet marketing tools (Kotenko et al., 2015; Olson and Boyer, 2005), so-called e-marketing and e-business (Dukic, 2013).

Modern researchers are looking for opportunities to identify a number of marketing options for NPO: distinguishing consumers from producers of social services through the creation of quasi-markets; short-term contracts based on competition, collateral and tax credit; Measuring the effectiveness of projects and social auditing, which provide a more flexible basis for evaluating the results of the NPO; focusing on the measurability of results, on the achievement of a positive return on charitable investments, engaging donors to ensure the effective management of the organization; strengthening the adaptation and ideals of business management to the management of NPO; development of social entrepreneurship (Borysova, 2015).

The socio-economic context of the development of non-profit organizations is also of interest to researchers. These include the removal of responsibility for social problems and the reduction of funding from State bodies for non-commercial entities, the reduction of skilled labour potential, etc. (Borysova, 2014).

The focus is also on causal marketing (CRM - Cause-related marketing), which includes firms working in partnership with non-profit organizations (Liston-Heyes and Liu, 2012).

Researchers are studying the effects of adopting market and training orientation on the performance of NPO, i.e. adopting organizational change models (Mahmoud and Yusif, 2012).

Recently, so-called Multinational Enterprises (ME) have often been established in a number of countries. They face many problems when entering developing countries and when they lack the material resources or intangible knowledge to address these problems, they question cooperation with non-profit non-governmental organizations (NP NGO) to promote new ways of creating value (Dahan et al., 2016).
One of the most important topics for non-profit organizations selling products or services to their end-users, which is part of serious research, is the choice of a marketing strategy (Zhao et al., 2010).

Some researchers aim to examine the design of market orientation in the context of the non-profit sector (Macedo and Pinho, 2006).

The study contributes to an understanding of the theoretical relationship between market culture and behaviour in non-profit organizations, as well as management processes related to the introduction of market orientation in the sector.

The theoretical relationship between market culture and behaviour in non-profit organizations, management processes related to the introduction of market orientation in the sector is also examined (Gainer and Padanyi, 2005).

The issue of staff motivation in non-profit organizations is not beyond the interest of researchers either (Leete, 2000).

2. Methodology

Economic research methods were used in the context of marketing development in the non-profit sphere: historical, monographic, descriptive and comparative, investment analysis, primary and secondary data collection methods, and simple statistical methods. The statistics used in this article are derived from: analyses by State bodies and social structures, studies by representatives of the Higher School of Economics, and the authors' own studies.

The thematic range of research of Russian and foreign scientists in the field of non-profit marketing covers the period from 1980 to 2020.

3. Results

In the early 21st century, there was a tendency to legitimize non-profit marketing as a separate scientific discipline. This is a radical approach to solving the problems of organizations working for the public good and guaranteeing the quality of goods and services. Unfortunately, the philosophy of non-profit marketing as an approach is still not well known and popular among management and marketing professionals, so is often simply ignored.

Non-profit organizations may be established for social, charitable, cultural, educational, scientific and managerial purposes, for the purpose of protecting the health of citizens, developing physical culture and sports, meeting the spiritual and other non-material needs of citizens and protecting the rights and legitimate interests of citizens and organizations; resolution of disputes and conflicts, provision of legal aid, and for other purposes, aimed at the achievement of public goods for the population of the country (Shemyatikhina and Shipitsyna, 2018). Non-profit marketing is the use of marketing tactics by a non-profit organization that promotes the idea and the organization. Marketing is particularly important for a non-profit organization, as they usually need ways to sell their business to volunteers who want to help, as well as to donors who will provide their business. The purpose of non-commercial marketing is to enable non-profit organizations to offer their reasons, encouraging people to help, which can be quite different from what traditional businesses can look for.

By analysing the scientific and theoretical regulations, applied research and established practices, identify the characteristics of the marketing management of a non-profit organization. The contradiction is not in the writing of fundamentally new scientific provisions for marketing in the non-commercial sphere, but in the methodological aspects of adapting the existing provisions to the management practices of the NPO.
Marketing activities in the management of a non-profit organization allow to react quickly to changes in the external environment. Given the specificity of non-profit organizations and the increasingly demanding resource environment in which these organizations operate, the adoption of the marketing concept is seen as an adaptive strategy, ensuring that organizations have the necessary resources to carry out their tasks and activities (Macedo and Pinho, 2006). In the area of marketing, a strategy is used to differentiate the methods and channels of operation of a non-profit organization in relation to the category of citizens who are granted a public (socially significant) benefit, prior search for the consumer benefit and investors, and the social effectiveness of non-profit organization. But a large part of the NPO is closed-minded, and there is a lack of interest in the initiatives of those who do not belong to the traditionally understood category of civic activists. However, in virtually any State, so-called informal, non-institutional social activity is much more prevalent than participation in registered NPO.

In their analysis of the activities of non-profit organizations in Russian and foreign practice, the authors identified problems in the management of non-profit organizations of a technical, marketing, organizational and economic nature. Marketing problems are a priority in the development of non-profit organizations, but the management of the NPO ignores their solution (Pivkovarova and Podotpodgoda, 2016). Such problems may include the lack of competence of the directors of non-profit organizations (Shebayatihina and Lagutina, 2015), the lack of consideration of social orientation of marketing, the lack of understanding of the behaviour of users of NPO programmes and segmentation, use of individual marketing components instead of a marketing package. (Cudenko, 2002)

Non-profit organizations are financed from the budgets and/or founders, and they may carry out income-generating activities, if their statutes so provide, only insofar as this serves the purposes for which they were established, and if it meets those objectives. The key activity of non-profit organizations (NPO) is fund-raising management, through which organizations support their mission. In this context, the development of structured decision support systems (DSS) is becoming increasingly important (Barzanti et al., 2017). The study excludes non-profit organizations initiated by state, regional and municipal authorities (as functions of relevant structures) and business (NPO as a tool of social responsibility). They are initially funded by their founders. The study includes non-profit organizations of private property.

Thus, the development of a public-state partnership as a tool for modernizing the social sphere and the channelling of state resources to the non-profit sector are carried out abroad by state bodies in order to increase the effectiveness of their own activities (Non-profit Sector, 2009). The share of public funding in the revenues of the NPO is more than 36% (Higher school of economics, 2012), in comparison in Western Europe, Canada, Israel – 54%.

Non-profit organizations are an integral part of the national reproductive process, from innovation to intangible production to meeting the needs of society. Marketing of the non-profit sphere, according to the authors, is a modern management tool; activities in defining, creating, increasing, developing, maintaining, mastering markets of social needs, adapting to social and economic changes. At the same time, marketing increases citizens' confidence and loyalty to the non-profit programmes and projects being implemented, and increases investment attractiveness for grantees and investors.

Non-profit organizations are now operating in a rather complex pandemic environment, and the marketing of the non-profit sector is changing. The importance of marketing the non-profit sphere in the world has determined the development of the market economy. The non-profit sphere is becoming more saturated, international, differentiated, dynamic. The growth
in the number of non-profit organizations and the competition for project support from the State and the business sector place expanded demands on the marketing competence of the management of non-profit organizations. Non-profit organizations, in most cases, are represented by small organizational structures, where specialists combine several functions, and their qualification requirements are improved.

The practice of using marketing in the non-profit sphere in Russia was recorded in the 2000s and at the beginning it was perceived as marketing or advertising activities of projects, without identifying the end-user of non-profit projects. In Bulgaria, research can be found on the importance of marketing in the public sector (Mineva, 2016) and very rarely in the non-profit sector. The non-profit sector in Bulgaria is more regarded as a subject of monitoring and evaluation by national and international institutions. Since 1999, the United States Agency for International Development (USAID) has been studying the sector to establish a sustainability index for civil society (Narleva, 2015).

The situation is now beginning to change radically, and the marketing orientation of the NPO is stated as follows:

- the service of the NPO is difficult and complex, must be tailored to a specific consumer segment and must be supplied in sufficient quantity and quality;
- users of NPO services have little experience in choosing and using them, so their choice is based on trust;
- the market for NPO services is dynamic, so the consumer needs to be helped to quickly update their knowledge about them, their consumer characteristics and NPO;
- the consumption of NPO services is not only for the sake of the service itself, but also for the sake of the feelings gained as a result of a value exchange;
- trust and satisfaction with the services of the NPO with past experience and interaction with the NPO influence the perception of the quality and usefulness of economic relations.

The wrong expectations turned out to be the opinions of the heads of the NPO that the consumers of the programs and projects implemented by them “should come”. This is the traditional approach, inherent to the “seller’s market” from the marketing of the commercial sphere. Features of this approach: demand exceeds supply, there is a deficit; consumers have to work hard to obtain the desired benefit; NPO services are used without much commercial effort. The social needs of citizens are very different and it is not possible to standardize the services provided by the NPO, so the traditional non-profit approach is not effective. This, among other things, explains the trend of the self-destruction and liquidation of NPO in Russia – about 12.5 % annually.

The “seller’s market” uses the concepts of improvement of production and services, intensification of commercial efforts or sales, the purpose of which is to attract financing from investors and grantees. Note that non-profit organizations focused on this approach are then frequently found in the list of disposed.

On the “buyer’s market” the NPO offer dominates the demand; the consumer has a choice and the problem for them is what they can afford and how to choose a quality service among similar. Non-profit organizations should actively promote programmes and projects; investigate the nature of the demand for meeting social needs; identify market segments; and convince consumers of the right choices; achieve a differentiated advantage over competitors by increasing diversification. The evolution of marketing leads to the emergence of new concepts of the “buyer’s market”, the distinctive feature of which is the orientation on the consumer (Usheva, 2011): concept of marketing, concept of social-ethical (enlightened) marketing, concept of strategic marketing, concept of marketing relations, maxi-marketing,
megamarketing, international marketing, sectoral marketing (education, culture, sports, health).

The marketing approach to the management of the NPO is based on the targeted orientation of all infrastructure elements towards the solution of social problems (core competence of the non-profit organization) arising from the potential user of the services offered by the NPO.

Non-profit organizations cannot afford to spend large budgets on marketing activities, so must base their activities on consumer-oriented concepts, seek to offer the consumer a service of high consumer value:

- functional value – perceived utility of a service arising from the ability to play a functional or physical role for the consumer;
- social value – the usefulness of a service arising from association with a social group;
- emotional value – usefulness of a service due to the ability to arouse positive emotions and feelings, satisfaction with consumption;
- epistemic value – the utility of a service arising from the ability to arouse curiosity, create novelty and satisfy the desire to know about the service and the NPO;
- conventional value – services acquire value in emergency or (occasional) physical, social situations emphasizing functional or social value.

Based on the marketing methodology, as the market concept of NPO management, we describe the main marketing functions, which structurally look like a logical system:

- analytical function: market research, consumer studies, firm structure studies, examination of goods (commodity structure), analysis of the internal environment of NPO;
- production function: organization of new services, development of new technologies for their delivery, logistics, quality and competitiveness management of NPO services;
- communication function: promotion of service delivery, choice of promotion and customer positioning technologies;
- marketing function (sales function): organization of the marketing system, organization of the service, organization of the demand generation and marketing promotion system, implementation of product and price policies, proposed programmes and projects by the NPO;
- management and control function: organization strategic and operational planning, marketing management information, marketing communication sub-function, marketing control organization.

The individual marketing actions of the NPO management in the market cannot achieve the social and economic effects that the application of marketing as a system produces. Therefore, there is a serious question among researchers about the principles of private sector marketing to public or non-profit organizations (Razis and Razis, 1993).

Marketing management of a non-profit organization is a process involving the analysis, planning, implementation and monitoring of programmes and projects of the NPO designed to establish, strengthen and maintain mutually beneficial exchanges with consumers, marketed.

An integral part of the marketing management of the NPO is its organization, which includes:

- definition of marketing functions for the specific NPO context;
- definition of the marketing management model and structure;
• selection and placement of specialists according to the chosen governance structure of the NPO;
• establishing the rights and obligations of marketing staff (marketer) or marketing specialist (for a small organization);
• creating the necessary conditions for marketing tasks;
• establishment of standards of interaction between the marketing service (marketeer) and other units and staff of the NPO.

Each stage of marketing management implies a certain amount of activity of the NPO. The content of marketing management in the NPO can be presented as follows:

Stage 1 – Analysis of the market possibilities of the NPO.

1.1. Market Research.
1.2. Study of the marketing environment for potential NPO programmes and projects.
1.3. Assessment of market conditions (potential consumers and their needs).
1.4. Assessment of the level of competition in the NPO market (existence of similar programmes and projects).

Stage 2 – Selection of the target market of the NPO.

2.1. Market segmentation and target segment selection.
2.2. Positioning of the NPO and its proposals in the target market segment.
2.3. Elaboration of a strategy for the development of the NPO.
2.4. Development of marketing tactics for key projects for targeted investment.

Stage 3 – Development of marketing complex.

3.1. Development of the NPO services portfolio.
3.2. Pricing policy.
3.3. Development of marketing channels.
3.4. Promotion of demand.

Stage 4 – Marketing organization.

4.1. Definition of marketing functions for the conditions of the NPO activities.
4.2. Establishment of rights and duties and organization of marketing activities, depending on the scope of the NPO activities.
4.3. Development of a marketing programme.
4.4. Creating the conditions for marketing tasks.
4.5. Organization of marketing program implementation and marketing control.
4.6. Conduct of marketing audit.

Stage 5 – Monitoring of consumer demand and satisfaction.

5.1. Study of the state and trend of development of the NPO.
5.2. Study of the level of satisfaction of users of NPP services.
5.3. Employment of NPO post-contract staff and communication with grantees and investors.
5.4. Evaluation of marketing performance.
5.5. Corrective marketing activities.

We emphasize that the marketing activities of the NPO involve influencing the external environment through such instruments as service, price, distribution and promotion. These tools make up an initial set of marketing tools, also called marketing tools or marketing...
mixes. We have found that, taking into account the different branches and spheres of activity, marketing tools are used according to their specific characteristics and market situation (table) and are shown in comparison.

Table 1: Use of marketing tools in different industries and activities

<table>
<thead>
<tr>
<th>Marketing tools</th>
<th>Industry organizations</th>
<th>Business organizations</th>
<th>NPO</th>
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<tbody>
<tr>
<td>Work with product (product/service)</td>
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<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Work with assortment</td>
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<td>Warranty</td>
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<td>Customer service</td>
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<td>Price policy</td>
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<td>Discounts</td>
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<td>Delivery terms</td>
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<td>Credit</td>
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<tr>
<td>Location</td>
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<tr>
<td>Sales channels</td>
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<td>Availability</td>
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<td>Personal sales</td>
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<tr>
<td>Advertising</td>
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<tr>
<td>Sales support</td>
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<tr>
<td>Public outreach</td>
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Source: by authors

Each marketing tool is the link in the planning of the activities of the NPO, and ignoring one of them leads to a reduction in the performance of the non-profit organization.

Non-profit organizations, which are oriented towards a modern marketing concept, pay great attention to the development of the loyalty of consumers, grantees and investors. The client-centric approach involves a large amount of resources and effort to maximize and meet the social needs of consumers. The key formula of loyalty is consumer permanence and satisfaction.

The phases of the process of the relationship of the NPO with the consumer can be described as follows:

- potential consumer is a potential buyer whose intention is to meet the need;
- consumer candidate – a person, who has shown an active interest in the service, and who has visited the places where NPO services are provided or who has come into contact by means of communication;
- consumer, citizens who have made the initial consumption of the NPO service;
- consumer performing repeated and subsequent consumption of NPO service;
- supporter is a committed consumer, constantly accessing the services of NPO, and is a carrier of marketing information for other potential consumers.

True customer loyalty (commitment + behavioral loyalty) is characterized by the state of consumer involvement in the activities of NPO, which has a strong emotional attachment and satisfaction with the brand; lack of response to the actions of competitors; regular recourse to NPO over a long period.

Achieving the result from the implementation of the NPO consumer loyalty program, a set of marketing events for the development of long-term relationships in the future, the promotion of corporate ideas and values of NPO, other types of potentially profitable behavior – the more consumers, implemented programs and projects of NPO, the higher the investment attractiveness of the non-profit organization.
4. Discussion

The research is aimed at supplementing the theoretical and applied marketing provisions of the non-profit sphere. The reliability of the results obtained is ensured by the research methodology.

Comparing the work of Russian and foreign scientists allows us to conclude that the marketing management of a non-profit organization is not sufficiently studied in the theory and practice of marketing. This demonstrates the need for further research, particularly into the competence of NPO in marketing.

The results of the study can be used, on the one hand, in the training of managers of non-profit organizations, on the other hand, in assessing the investment attractiveness of NPO programs and projects.

5. Conclusion

The challenge today is for social policy as a whole to finally become the common cause of active citizens and the State. The current state of society, on the one hand, leaves no chance for the success of social policy “for citizens, but without citizens” and on the other, provides the prerequisites for increasingly close, constructive and fruitful interaction between the public and the state in the widely understood social sphere.

Evaluation of the performance of NPO marketing management can be carried out through meeting the needs of two main participants in the process of interaction of people inside and outside a non-profit organization – service consumers, grantees and NPO investors, and employees (volunteers).

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