

“The applicability of relationship marketing at non-profit organizations: a developing country perspective”

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## The applicability of relationship marketing at non-profit organizations: a developing country perspective

### Abstract

Non-profit organizations are civil society organizations that range from faith and community based organizations, charity (welfare) or traditional organizations, such as social or sports clubs. The main aim of non-profit organizations is to pursue social public welfare activities. Global and regional development has led to an increase in the number of non-profit organizations. Non-profit organizations do not sell any products, but rather their mission, vision as well as programs and services. They ought to therefore ensure active promotion of their services to ensure financial support and to survive in a competitive environment. Promoting themselves effectively as well as developing and maintaining relationships with key stakeholders is therefore of utmost importance. A key strategy that could be used to strengthen relationships with key stakeholders is relationship marketing. This study therefore sets out to evaluate the extent to which relationship marketing is practiced within non-profit organizations. This pilot research constitutes a quantitative descriptive study and is part of a broader doctoral study. The results of the study show that there are distinct benefits for non-profits in making use of relationship marketing. It is therefore concluded that non-profit organizations formally adopt relationship marketing as one of their key marketing strategies.

**Keywords:** non-profit organizations, relationship marketing, communication.

**JEL Classification:** M31, L14, L31.

### Introduction

According to The World Bank (2013), non-profit organizations have demonstrated positive roles in both industrialized and developing countries. In South Africa, varied historical roles have been played by such organizations. They were seen to be vocal and active players in the struggle against apartheid. Jacana Media (2012) purports that during apartheid, civil society organizations, played a key role in mitigating the effects of apartheid's unequal development and in mobilizing the opposition to the apartheid state. Habib and Kotze (2002) explain that during South Africa's transition, non-profit organizations continued to engage and even influence the drafting of its new constitution, with the primary focus moving towards improving service delivery and advocating on behalf of those living in poverty. Jacana Media (2012) further states that non-profit organizations are more able to meet the needs of poor communities and are able to generate creative and innovative development programs. Clearly the role of non-profit organizations is not only entrenched in South Africa's history, but continues to play a significant role in the country's development.

The World Bank (2013) explains that the non-profit sector has tremendously expanded over the past 20 years and is now a key factor in development. Due to the increase in the number of non-profit organizations and the different types of non-profit organizations, it has become even harder for these organizations to survive and thrive in a competitive environment

(Apaydin, 2011). Sangonet Pulse (2013) reports that in January 2013, 36488 of over 100 000 non-profit organizations were de-registered. Apaydin (2011) explains that with the increase in non-profit organizations and the different types of non-profit organizations, competition and other challenges is increasing at a rapid pace in this sector. A study conducted by Russell and Swilling (2002) shows that there are over 100 000 non-profit organizations operating in South Africa, all of which compete for financial resources. The study further elaborated that at least 53% of these non-profit organizations can be classified as less formal, local and community based, with many of them lacking professionalism, fundraising skills, management expertise and structure.

Toker and Kankotan (2008) explain that the goal for non-profit organizations is to maximize the value that an organization intends to create for its stakeholders and society. Apaydin (2011) maintains that unfortunately, the frustrating reality is that non-profits, instead of partnering, often compete with one another for members, funds, and other resources. Therefore competition among non-profit organizations is intense. Building relationships can be seen as a means of generating a competitive advantage. Therefore, effective strategies and tactics need to be employed to build long-term relationships with key stakeholders. The above reflects that for their survival, it is essential that non-profits not only develop and maintain their relationships with their key stakeholders but also facilitate proper communication techniques so as to effectively communicate with their key stakeholders. MacMillan,

Money, Money and Downing (2005) explain that relationship marketing has had a major impact on the marketing activities of on non-profit organizations. Blythe (2009) asserts that relationship marketing builds loyal customers and seeks to build long-term client relationships which focus on the lifetime value of the customer. A critical question that remains is to what extent does relationship marketing apply to non-profit organizations? Based on this, this study aims to evaluate the extent to which relationship marketing is practised within non-profit organizations and offer suggestions of the benefits of the possible adoption of relationship marketing as a key marketing strategy within non-profit organizations.

### 1. The role of relationship marketing

According to Taleghani, Gilaninia and Mousavian (2011), relationship marketing relates to developing and managing, long-term trustworthy relationships with customers, suppliers and all other stakeholders involved in that organization. Gilaninia, Almani, Pournaserani and Mousavian (2011) purport that there are four fundamental values associated with relationship marketing. Firstly, the activities related to relationship marketing do not focus on a specialized department but should focus on the entire organization. Secondly, the concept of relationship marketing emphasizes long-term associations, this means that relationships should be formed with all stakeholders who share a mutual interest in the organization. Thirdly, all stakeholders should accept responsibilities and interactions and communication should be on an ongoing basis. Fourthly, customers should be considered as individuals. Based on the above, one can note that relationship marketing is a key strategy encompassing interactions, relationships and networks. Ernst, Hoyer, Krafft and Kruger (2011) explain that all organizations would have a large diverse range of stakeholders such as the financial community, customers, employees, unions and partners. Apart from building relationships, emphasis should also be placed on value. Should emphasis be solely placed on the income received from the customers, this will in time diminish the perceived value of the offer to the customer (Harwood, Garry and Broderick, 2008).

Bennett and Barkensjo (2005) postulate that relationship marketing aims to establish, develop and maintain relationships with clients, whereas transactional marketing primarily focuses on attracting and satisfying new clients rather than building relationships. Weideman (2012) explains that relationship marketing is particularly relevant to organizations offering complex and personalized services. Non-profit organizations provide a range of community services which is based around personal contacts with beneficiaries and high levels of

interactions, it can therefore be said that the non-profit sector is an ideal domain for relationship marketing. Gilaninia et al. (2011) explain that non-profit organizations are responsible for managing all aspects of interactions with their clients and even if they are operating effectively, they should always seek to improve their service offerings. In addition, Sangonet Pulse (2013) claims that relationship marketing offers non-profit organizations the ability to foster strong partnerships with the public and the corporate sector; develop and implement innovative funding models; design a variety of resource mobilization strategies and incorporate a higher degree of professionalism and managerial structures within the non-profit organization. Similarly, Habib and Kotze (2002) claim that, the ultimate aim of relationship marketing is to foster healthy relationships between stakeholders. This can be facilitated through four components which are concern, trust, commitment and satisfaction. Gilaninia et al. (2011) maintain that the practical implementation of relationship marketing at non-profit organizations is a major challenge however; communication tools can be structured to simplify this process.

### 2. Marketing communication tools

Marketing communication tools can be used to inform and educate potential donors and key stakeholders on the nature and services offered by the non-profit organization (Weideman, 2012). Dimitrov (2009) explains that communication in a non-profit organization can be regarded as a valuable resource. Dimitrov (2009) elaborates that communication planning, strategies, and skills can assist an organization in becoming more cost efficient in the short-term and gain a better competitive advantage in the long-term. Marketing communication involves identifying the target audience and sharpening a well-coordinated promotional program, by doing so an organization can successfully obtain the desired results from their target market. Blythe (2009) explains that communication can be seen as a process that takes place between the sender and a receiver. Blythe (2009) further introduces a concept known as the communications mix. The communication mix is a list of elements consisting of advertising, sales promotion, personal selling and public relations and direct marketing. These elements can be used in isolation or combined and delivered in the form of media advertisements, flyers, letters and brochures (Weideman, 2012).

These tactical communication tools are combined and used by marketers to create an impact on its customers. However, Groonroos (2002) asserts that everything communicates something about the organization, its goods and services. Groonroos (2002) further states that everything that employees say; how they say it and even their behavior reveals

something to the customers. This results in customers' experiences either being favorable or unfavorable in nature. Therefore, communication is an essential tool that is required for an organization to successfully manage its relationship with its customers.

Nowadays organizations have a variety of methods to choose from when designing and delivering their promotional message to their relevant target audience. Many organizations have introduced social media as part of their marketing strategy. Fahy and Jobber (2012) explain that "social media" is a term used when people interact and communicate via online software or with alternative electronic access technologies. With the use of social media, marketing can be seen as a two-way form of communication rather than the one way communication used in transactional marketing. Fahy and Jobber (2012) further explain that there are many social media tools such as blogs; micro blogs; Facebook; Twitter; YouTube; LinkedIn which can be used by a non-profit organization.

The above mentioned clearly shows that relationship marketing has an important role play at non-profit organizations. The significant environmental constraints non-profit organizations experience creates an inevitable sense of imbalance for these organizations. The non-profit sector relies heavily on external partnerships for resources as they do not have the ability or the means to provide everything that they need for themselves. As a result the management of relationships with key stakeholders is vital.

### 3. Methodology

The research design used for this study is a quantitative, descriptive and cross sectional in nature. Leedy (2005) describes a research design as a plan according to which we obtain research participants and collect information from them. This type of research design was chosen because according to Sekaran and Bougie (2010) quantitative is objective because the results are quantifiable and can usually be generalized to a larger population. Because all of the data needed to be collected at a single time, a cross sectional design was used (Leedy and Ormrod, 2010). The study attempted to yield quantifiable information about a phenomenon that can be summarized through statistical analysis; therefore it was descriptive (Welman, Kruger and Mitchell, 2005).

This study is part of a broader doctoral study therefore it reports on results from a pilot study. A pilot study entails administering the instrument to a limited number of subjects from the same population as that for which the eventual project is intended (Welman, Kruger and Mitchell, 2005). The target

population is the 4176 non-profit organizations in KwaZulu-Natal as listed by the South African Institute of Fund-raising (2003). The sample size for this pilot study was 100. Convenience sampling was used to select non-profit organizations from the list provided by the South African Institute of Fund-raising in order to conduct this pilot study. The questionnaire was developed based on the key variables probed and identified from the literature review. These variables included the context within which non-profits operate; the importance of relationship marketing; the relationship between stakeholder engagement and relationship marketing; respondents understanding of relationship marketing and practice and tools used for relationship marketing. Face validity was addressed by having the questionnaire critiqued by an academic in the field, a marketing manager within a non-profit organization, and a statistician. The reliability of the measuring instrument was assessed using Cronbach Alpha. The data was analyzed using the Statistical Package for Social Sciences (SPSS) version 21.

### 4. Findings

The extent to which relationship marketing is practiced at non-profit organizations is reported based on the following variables: the context within which non-profit organizations operate in South Africa; the importance of marketing within non-profit organizations; engaging with stakeholders is essential in developing relationships; understanding relationship marketing; practicing relationship marketing can assist non-profit organizations in gaining a competitive advantage and marketing activities that non-profit organizations engage in.

#### 4.1. The context within which non-profits operate.

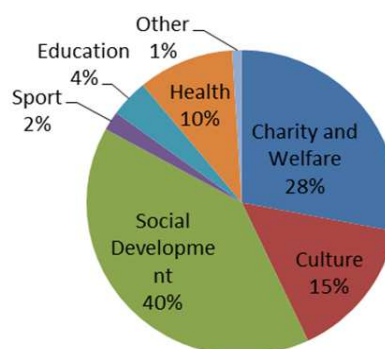


Fig. 1. The context within which non-profits operate

Findings reflect that the majority of the non-profit organizations (40%) operate in the social development sector and 28% in the charity sector. Figure 1 further illustrates that 15% of the non-profit organizations belong to the cultural sector and 10% in health. A minority (4%), of these organizations operate in the Sport sector, whilst 2% operate in the education sector; with the remaining 1% operating in the other sectors.

The findings support Jacana Media (2012) and the World Bank (2013) assertions that non-profit organizations are responsible for providing useful and specific service to society and that they provide services which meet the diverse needs of society.

**4.2. The importance of marketing within non-profit organizations.** All respondents (100%) confirmed that marketing is essential and should be practiced in all organizations. These results are consistent with Fahy and Jobber (2010) and Weideman (2012) findings that marketing is a set of activities which an organization can use to communicate and deliver relevant and important messages to customers. This implies that marketing could assist non-profits in expressing their vision and mission in a more compelling way thereby persuading donors to believe that by financing the non-profit organization, their values are given a shape and voice.

**4.3. Engaging with stakeholders are essential in developing relationships.**

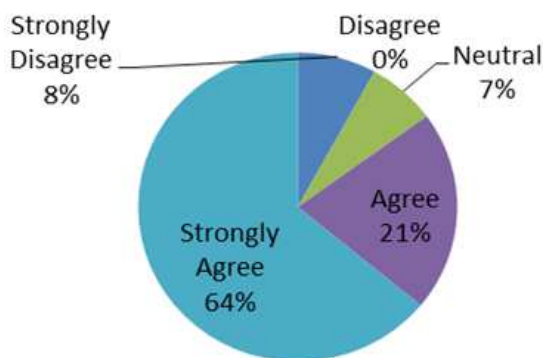


Fig. 2. Engaging with stakeholders is essential in developing relationships

Majority (85%) of the respondents have indicated that they agree that engaging with stakeholders is essential in developing relationships. A few respondents (7%) remained neutral with only 8% of the respondents strongly disagreeing. These findings are consistent with MacMillan et al. (2005) findings that non-profits are dependent on resources from various stakeholders. These findings imply that strong relationships are formed with these stakeholders and that stakeholders ought to be considered as a valuable asset. They are responsible for providing the necessary support and positive contribution needed to shape and fulfil non-profit organization's objectives. By continuously engaging and interacting with stakeholders, non-profits are able to understand expectations.

**4.4. Understanding of relationship marketing within non-profit organizations.** Majority (68%) of the respondents have indicated that relationship marketing refers to "developing and maintaining long-term relationships with stakeholders" whilst 14% of the respondents stated that relationship marketing involves promoting the organization. In contrast, 11% of the respondents believe that "relationship marketing focuses on attracting new customers" and 7% of the respondents indicated that relationship marketing involves forming relationships when you need something. These suggestions assume that although most of the respondents understood the role of relationship marketing they did not link it to the formation of long-term relationships. This finding is contrary to Bennett and Barkensjo (2005) belief that relationship marketing ought to establish, develop and maintain relationships with clients.

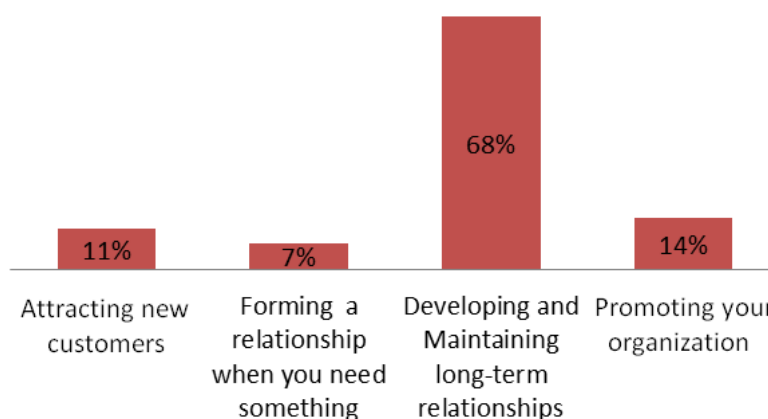


Figure 3. Understanding of relationship marketing within non-profit organizations

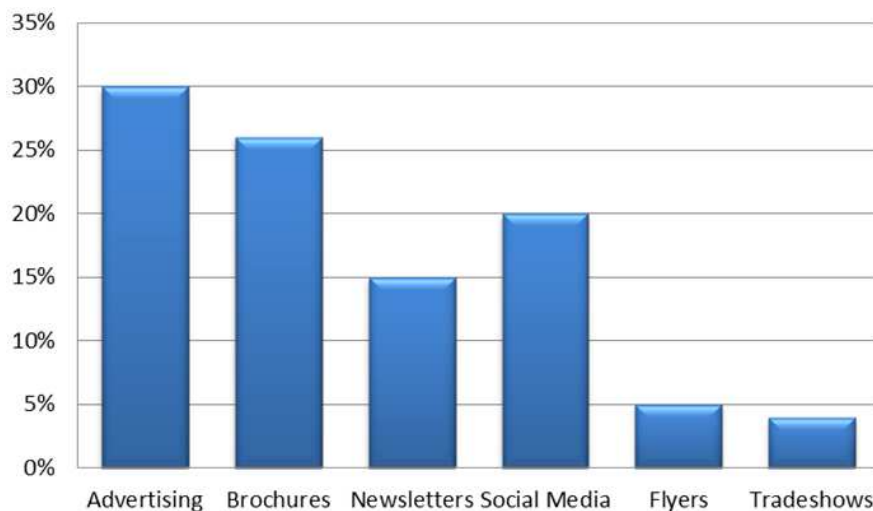
Statements provided by Bennett and Barkensjo (2008) suggest that literature in modern marketing and management has largely emphasized the adoption of marketing including relationship marketing as an important tool for non-profit organizations. Taleghani et al. (2011) have indicated that relationship marketing

is concerned with establishing, maintaining and enhancing relationships with key stakeholders which can assist an organization in sustaining and improving the organizations customer base and sustainability. It can be said that 68% of the respondents understand the key role that relationship marketing plays.

**4.5. Practicing relationship marketing can assist non-profit organizations in gaining a competitive advantage.** All respondents (100%) agreed that relationship marketing does indeed assist organizations in gaining a competitive advantage. The results concur with the statements provided by MacMillan et al. that relationship marketing has a direct impact on marketing activities and as non-profit organizations compete for various resources, strong relationships are able to aid organizations in gaining a competitive advantage. In addition,

effective relationship marketing not only connects people, processes, and technology but also increases an organizations' profitability and reduces its operational costs (Godson, 2011). The findings are therefore an indication that organizations who empower their stakeholders, listen and respond to these stakeholders will have a distinct competitive advantage.

#### **4.6. Marketing tools that are used to promote relationship marketing.**



**Fig. 4. Marketing tools that are used to promote relationship marketing**

The respondents have indicated that advertising (30%) and brochures (26%) are the commonly used marketing activities. Other marketing communication tools are newsletters (15%), flyers (5%), social media (20%) and tradeshows (4%). The findings are consistent with Dimitrov (2009), who asserts that marketing techniques provide significant benefits to the non-profit organizations which may assist them in successfully promoting and raising public awareness and interest in the non-profit organization. Therefore it makes it imperative for marketing techniques to be adopted. The findings are in line with Gilaninia et al. (2011) statements that communication campaigns and programs should be implemented by non-profit organizations to stimulate public interest and involvement.

#### **Conclusion and recommendations**

The focus of this study was to evaluate the extent to which relationship marketing is practiced within non-profit organizations. The study revealed that, the context within which majority of the non-profit organizations operate in Social Development. In addition, the respondents have confirmed that marketing is an important strategy which allows them to express themselves and communicate with their stakeholders. Furthermore the study found that majority of the non-profit organizations are aware

that engaging with their key stakeholders is essential in developing relationships, also it was positive to note that the non-profit organizations do understand the concept of relationship marketing.

It is recommended that marketing is a key method that could be used to stimulate public interest and support. Marketing tactics will assist the non-profit organizations with growth, funding and prosperity and in achieving their overall mission. More emphasis should be placed on marketing the services of the non-profit organizations. Relationship marketing is a key strategy through which non-profit organizations are able to manage long-term relationships with their key stakeholders. Adjustments and improvements must be made at the non-profit organizations, to incorporate and facilitate relationship marketing. Regular communication will ensure that relevant stakeholders are aware of the organizations needs. The message communicated should contain current information, and future plans. Varied channels of communication should be made available and utilized. Other communication tools which can be used include E-mail, Cellphones (Bulk sms), Websites, Social Media (Blogs, social pages, forums, Facebook and Twitter). An atmosphere of open and varied communication will aid the non-profit organizations in building and managing relationships.



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