Theory

Theoretical foundations for exploring charity marketing

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The chapter introduces the topic of charity marketing from an academic perspective – and leads onto the following chapter which presents the practitioner perspective. It starts by discussing what makes the sector distinct, why it justifies a different theoretical lens. It then identifies and describes three of the main underpinning theoretical constructs: social exchange theory, market orientation and symbolic consumption. The chapter concludes with a new framework for considering how different stakeholder groups engage with charities.

Introduction

This chapter is a 'starter for ten' on theory, which introduces the reader to some of the core constructs underpinning our thinking about charity marketing: symbolic consumption, social exchange and market orientation (or not). This is followed by a practitioner/agency perspective on brand. We hope they work well together to provide a foundation for exploring the key issues of charity marketing in theory and practice.

Context definition and distinctiveness

One starting point for understanding a new context is considering the language used. Widespread variation in terminology adds complexity to the 'charity' context, with labels including charity, voluntary organisations, social enterprise, not-for-profit, independent sector and third sector. For ease, this book uses charity and nonprofit interchangeably, as descriptions of nonprofit organisations (NPOs) that exist

> to provide for the general betterment of society, through the marshalling of appropriate resources and/or the provision of physical goods and services.

(Sargeant, 2009, p. 8)

This fundamental difference in purpose to commercial organisations is at the heart of the distinctiveness of the sector, combined with an anchoring of nonprofit brands in the values and beliefs of their stakeholders, both external and internal (Frumkin & Andre-Clark, 2000). NPOs that are founded upon, and consistent with, their values enable trust to be built with their stakeholders (Sargeant & Lee, 2004).

There are three additional, clearly observable, differences between nonprofit and for-profit organisations.

- The first is the complexity of the multivalent stakeholder relationships (Mitchell & Clark, 2019), where the person directly paying for the service is rarely also the beneficiary of the service – purchase and consumption are detached.

- The second concerns a tension around competition, where NPOs with similar missions may practically compete for resources such as donations and volunteer time but also collaborate to achieve a wider societal impact, such as Breast Awareness Week or the Disaster Emergency Committee (DEC).

- Finally, many NPOs are characterised by a reliance on volunteer resource to deliver services. Given the natural churn in volunteering, without effective volunteer recruitment and retention strategies, the very sustainability of the NPO is under threat. Together these characteristics make the nonprofit sector distinct, despite increasing professionalism and adoption of 'business-like practices' (King, 2016; Maier et al., 2016).

Theory 1: Symbolic consumption

Traditional theories of consumption describe a person buying, using and disposing of a tangible product. However, this definition has been broadened to include a person's choices about how they consume

> services, activities, experiences and ideas such as going to the dentist, attending a concert, taking a trip and donating to UNICEF.

> (Hoyer et al., 2012, p. 3)

Choice of NPO has been defined as consumer behaviour: a consumption decision (Wymer & Samu, 2002). Bagozzi (1975) argues consumer behaviour can be indirect and involve intangible and symbolic factors such as social or psychological benefits. He builds on the work of Levy (1959) in his 'Symbols for sale' article:

> People buy things not only for what they can do, but also for what they mean.

> (Levy, 1959, p. 118)

Hoyer et al.'s (2012) work in deconstructing the symbolic consumption concept is particularly relevant to understanding the meaning stakeholders give to NPOs. They describe the four components of symbolic consumption as emblematic, role acquisition, connectedness and expressiveness. With the emblematic function, they argue:

> Consciously or unconsciously we use brands and products to symbolise the groups to which we belong (or want to belong).
>
> (Hoyer et al., 2012, p. 446)

With the role acquisition function the choice of brand reflects the role that person feels they are occupying at that moment in time. Role acquisition has been shown to be a positive effect of volunteering, particular for older people post-retirement (Chambre, 1984). Our choice of brand may also reflect a personal connection to a specific person, group or event in our lives (Michel and Rieunier, 2012). Finally, with the expressiveness component of symbolic consumption, buying a brand says something about us as individuals, how we are different and what we stand for (Randle and Dolnicar, 2011; Hoyer et al., 2012). In this way, the emblematic, role acquisition, connectedness and expressiveness components of symbolic consumption link the NPO choice to work on self-identity, values and social groups.

Jundong et al. (2009) in their work on the role of brand equity with Chinese donors state:

> Empirical results indicated that two dimensions of non-profit brand equity – brand personality and brand awareness could strengthen individual donors' self-concept, which in turn influenced on individual giving directly and significantly.
>
> (Jundong et al., 2009, p. 225)

Likewise Bennett (2003) argues:

> The finding that the favourability of a person's overall impression of a charity exerted a strong effect on his or her selection of that charity underscores the need for charities to devote substantial resources to image building and reputation management.
>
> (Bennett, 2003, p. 27)

The importance of developing and managing that brand image and reputation is developed in the next chapter on practitioner perspective, as well as within the chapters on CSR, rebranding, fundraising and volunteering.

Theory 2: Social exchange

The second important theoretical construct within the nonprofit context is social exchange theory (Blau, 1964; Emerson, 1976). It argues that the 'voluntary actions of individuals are motivated by the rewards they are expected to bring' (Blau, 1964, p. 91). Venable et al. (2005)

argue that although there may be social benefits from buying commercial brands, such as status and security, they are more salient amongst nonprofit brands.

> Because of the intangible, service-orientated nature of non-profit organisations, we posit that social exchange and trust play an important role in consumer's decisions of whether to donate money, time, or in-kind goods and services to such organisations.

> (Venable et al., 2005, p. 296)

Stakeholders consider the rewards of action at an abstract level – including personal satisfaction, social approval or humanitarianism. The prospective benefits of achieving those personally important goals are weighed against the cost of volunteering, donating or other forms of engagement.

Five propositions of social exchange theory have been identified by Homans (1961). Three of these propositions can be interpreted as being anchored in repeat purchase behaviour, relevant for donors or customers of nonprofit goods and services. For example, the success proposition argues that the more often a person is rewarded for a behaviour, the more likely they are to do it. Likewise, with the stimulus proposition, if a person is rewarded for behaviour with a particular stimulus, when those stimuli happen again, so the behaviour will also happen. Finally, the deprivation-satiation proposition argues the more often a person has received a reward, the less valuable it is to that person in the future. For the volunteer stakeholder group, although there is some evidence of serial volunteering (Low et al., 2007), the decision to volunteer is more likely to be an infrequent decision. However, the remaining two of Homan's propositions do have greater relevance to these nonprofit stakeholders. The more valuable the results of that action are to the person making the decision, the more likely it is they will make the decision, known as the value proposition. The implication is that when a person is considering the decision to support a charity, if they perceive there to be significant personal rewards from their support for a specific organisation, then they are more likely to make the decision. Likewise with the rationality proposition, when choosing between alternative potential support opportunities, following Homan's (1961) logic, the person will choose the one where the value of the result combines with the likelihood of the support role happening (Emerson, 1976).

Therefore, the social exchange construct involves an evaluation of perceived costs and benefits of involvement by stakeholders in NPOs. It implies a conscious decision-making process and an evaluation of alternatives, whether they are other charities or other uses of time and money.

As the cost benefit exchange is salient and explicit, it can be recalled by supporters, which might explain its prominence in both national volunteering and donor surveys (Cabinet Office, 2013) and academic studies (Clary et al., 1998).

When an NPO understands this social exchange, they are in effect considering the needs of their customers, their stakeholders. They understand that in order to sustain the multiple stakeholder relationships needed to deliver their mission, as an organisation they must fulfil their side of the exchange. Long-term stakeholder relationships will not be established if the stakeholders are purely viewed as a source of resource, whether funding or manpower. The NPO must understand what each stakeholder group requires in return. In theoretical terms, they need to be market orientated.

Theory 3: Market orientation

The increasing market orientation (MO) of charities has brought a growing recognition of the importance of developing brand differentiation and stakeholder engagement to attract resources within this increasingly competitive environment (Macedo & Carlos Pinho, 2006; Randle et al., 2013; Balabanis et al., 1997).

Jaworksi and Kohli (1993) define MO as:

> organisation-wide generation of market intelligence pertaining to customers, competitors and forces affecting them, internal dissemination of the intelligence and reactive as well as proactive responsiveness to the intelligence.

(Jaworski & Kohli, 1993, p. 131)

As a theoretical construct, MO is anchored in customer focus: where an organisation bases decision-making on current and future customer needs. It is not simply the generation of market intelligence that identifies it as market orientated but also the dissemination of and responsiveness to that insight. Narver and Slater (1990) operationalise MO as an organisational culture that creates superior value for customers through customer orientation, competitor orientation and interfunctional coordination. At the heart of both definitions is the customer.

MO delivers mission-based goals, as it has been shown to drive financial performance in commercial sectors (Baker & Sinkula, 1999; Slater & Narver, 1994). However, for nonprofit organisations it is driven indirectly through three dimensions: customer satisfaction (where customers are defined as beneficiaries and other stakeholders), peer reputation and resource attraction (Shoham et al., 2006). An MO culture not only predicted a growth in resources and

higher levels of customer satisfaction within the nonprofit context, but also a strengthening of reputation amongst peers (Gainer & Padanyi, 2002). However, there is also evidence of mission drift away from community building and advocacy towards service provision (Maier et al., 2016), so the relationship between MO and achievement of mission-based goals needs further exploration.

Perhaps it is for this reason that, despite the widespread observation of increasing MO of NPOs, there remains unease within the sector. The dominant observed relationship is between the brand and donor stakeholder group. Strengthening the gathering and dissemination of market intelligence about donors has a clear and measurable impact. It also concerns NPO behaviour, that is *what* they do, rather than mission, which speaks to *who* they are (McDonald, 2007). It is less threatening, in contrast, to debate about NPO brand as a competitive lever. However, this is changing in the face of increasing pressure on resource acquisition and lack of differentiation within a cluttered operating environment (Dato-On et al., 2015).

MO resides within the broader environment of increasing professionalism within society (Hwang & Powell, 2009). The nonprofit sector is no exception. The transition from amateur to paid professional, from volunteer founder led to executive leadership, is well underway as NPOs become major service providers (Chad, 2014; Bennett, 1998). The resultant changes in structure can include 'the use of managerial and organisation design tools developed in for-profit business settings, and broadly framed business thinking to structure and organize activity' (Dart, 2004, p. 294).

The impact on ways of working within NPOs has been identified in four distinct dimensions: programme goals, organisation of service delivery, organisation management and organisation rhetoric (Dart, 2004). From a resource perspective, professionalisation can strengthen the ability of the NPO to attract and retain qualified staff (Guo, 2006). Enhanced and formalised support structures may drive overall volunteer participation, although they may potentially alienate grassroots activists. (Maier et al., 2016). Increased fundraising capability through importing strength and depth has a direct and positive impact on net income for the NPO (Betzler & Gmür, 2016). However, the impact on the culture and identity of the NPO is not only due to the incoming expertise but also the 'integration of professional ideals into the everyday world of charitable work' (Hwang & Powell, 2009, p. 268).

The translation of the MO construct from the commercial to the nonprofit context must consider two situational differences – the complexity of customer relationships and the mission delivery goals, rather than the financial goals, of the organisation. Three distinct customer relationships are identified and illustrated in Figure 0.1.

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Service companies may demonstrate pure **'dyadic'** customer relationships or **'mediated dyadic'**, through a third party such as a booking agent. However, 'identifying who an organisation's customers are is even more complex when service is provided to one party, but payments are received from another' (Kohli & Jaworski, 1990, p. 4). Nonprofit organisations have multiple 'customers', including service beneficiaries, individual donors, retail customers, volunteers, service funders and opinion formers. This moves beyond dyadic to what can be described as **'multivalent'** relationships.

Each stakeholder group is defined as a set of customers, particularly given the importance of social exchange theory and symbolic consumption theory observed within the nonprofit sector. The level of MO will not be uniform across these relationships (Padanyi & Gainer, 2004); in effect the NPO needs to manage each of these 'multivalent' relationships, all with a distinct impact on performance and culture, through understanding and fulfilling the 'exchange' that customers require.

A new lens: Customer engagement framework

Therefore, it is the engagement between the NPO and its stakeholders that reflects its phase of organisational development. Moderating that relationship is the level of MO of the organisation, particularly towards customers/stakeholders and the level of social exchange that those customers/stakeholders desire from the organisation in return for money, goods and time offered. The theoretical model describing these relationships is shown in Figure 0.2.

<Figure 0.2 appended at back>

Figure 0.2 Theoretical model of NPO–stakeholder relationships

In situations where the organisation is highly market orientated and understands the need for focus on the customer, and those customers have a strong desire for social exchange, where personal needs are met through donation of time, goods or money, then there will be high levels of engagement between the two.

The level of MO the NPO exhibits is in turn influenced by three factors: the strength of organisational ambition, the competitive context and the internal capabilities within the organisation. Not all NPOs need or desire customer engagement. Some are funded purely by central government grants where the need for social exchange is not only less but also focused

on fewer stakeholders. Others exist to fulfil a specific and time-bound mission, such as fundraising for an event; once achieved the NPO will cease to exist. However, for the majority of NPOs, the level of MO is determined by the level of strategic ambition within the organisation, how far they want the organisation to progress in delivering its mission. This will also in part depend on the competitive context. The more competitive that specific cause category or broader civic participation environment, the greater the need to be differentiated and customer focused. The ability to deliver that opportunity will therefore also be determined by the capabilities within the organisation. The skills and expertise needed at each phase will evolve. The challenge is whether the NPO recognises that requirement and can harness the opportunity through actively ensuring those required capabilities are in place.

In turn, the level and form of social exchange required by the customers, the stakeholders, depends on their sense of self, congruence with the values of the organisation and reaction of friends and family. The concept of self is important to the customer: it affects the choices they make directing behaviour towards enhancing self-concept through the consumption of goods as symbols. In this way, people gain or reinforce their sense of self through the services or goods they buy and what it says about them (Belk, 1988). The construct of self has been divided into four categories – ideal self, actual self, actual-social self, and ideal-social self. Actual self is how a person sees themselves in reality whereas ideal self is how the person would like to perceive themselves in an ideal world. Social self is how we present ourselves to other people (Champniss et al., 2015; Sirgy, 1982). Research by Achouri and Bouslama (2010) demonstrated that people look for opportunities that enhance their identities, and when they find them that relevant identity is reinforced. The more salient self-concepts have been identified as being the ones that are more likely to affect behaviour than those that are not so important (Arnett et al., 2003). The implication is that the stronger the congruity between the consumer's actual or ideal self and those of the product or service brand, the stronger the preference for that brand (Brunsø et al., 2004; Malholtra, 1988). Finally, the choice of and level of engagement with a specific NPO is made within a wider psycho-social context, one where the opinions of family, peers and community play a role. This is well described within the expressive and emblematic constructs of symbolic consumption theory (Hoyer et al., 2012) where people choose to associate themselves with a brand in part due to what it says about them to other people, or to associate themselves with a particular group, such as a faith community or local residents.

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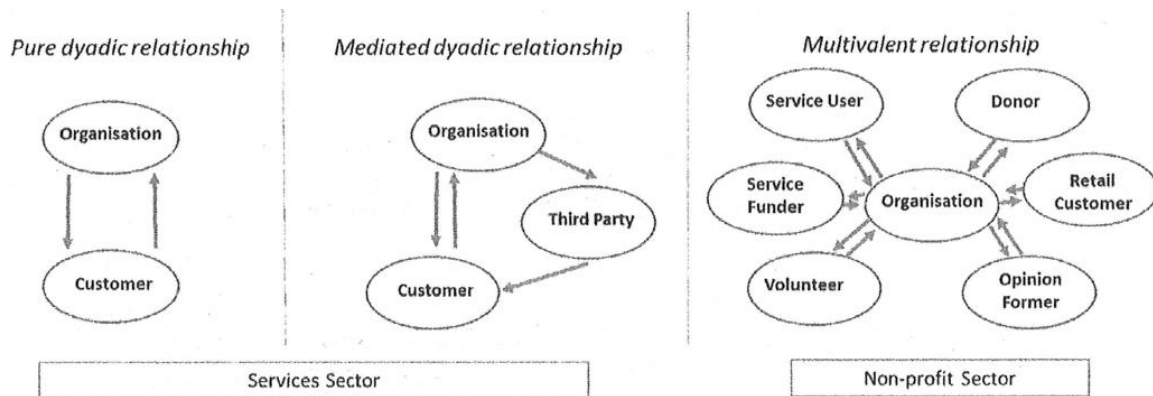
Figures.

Pure dyadic relationship

Organisation

Customer

Mediated dyadic relationship

Organisation

Third Party

Customer

Services Sector

Multivalent relationship

Service User

Donor

Service Funder

Organisation

Retail Customer

Volunteer

Opinion Former

Non-profit Sector

FIGURE 0.1 Market orientation relationships

Non-profit organisation

Level of Market Orientation

Level of Customer Engagement

Desire for Social Exchange

Customers

Strategic Ambition

Competitive Context

Organisational Capability
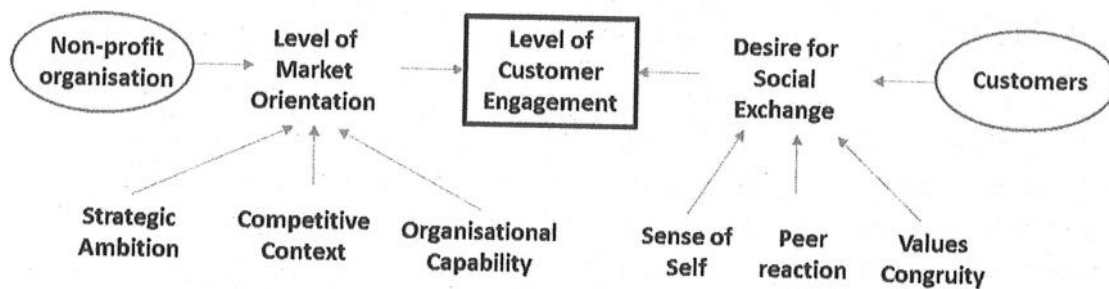
Sense of Self

Peer reaction

Values Congruity

FIGURE 0.2 Theoretical model of NPO–stakeholder relationships