EXPLORING NOT-FOR-PROFIT MARKETING:

A SERVICE-DOMINANT LOGIC PERSPECTIVE

By

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Abstract

The not-for-profit (NFP) sector began to adopt for-profit marketing processes and strategies in the 1960s-70s, in order to gain public affection and a major share of the donor dollar in an increasingly crowded environment. A literature review showed that not all for-profit marketing approaches were applicable, andidentified aliterature and knowledge gap in NFP marketing in a New Zealand context. To address this gap, this research used the grounded theory approach and purposeful theoretical sampling to **explore the nature of NFP marketing**. A total of 20 in-depth interviews were conducted with marketing, communication, and fundraising executives from 18 NFP organisations in New Zealand. The findings revealed that NFP marketing was neither exclusively transactional nor relational, but of a pluralistic approach.

The NFPs' cause is the raison d'etreof their existence. Therefore, their core mission centres around service delivery to the beneficiaries; and maintaining a valuable relationship with their funders is crucial to achieving their mission. The service-dominant and relational nature of NFP marketing therefore conceptualised SDLogic as a logical framework for NFP marketing. Value co-creation, a key SDLogic construct, was evident in all the intra- and inter-key stakeholder relationships that NFPs have with their multiple publics, especially the funders. This added strength to foundational premise (FP)FP6, where ***customers*** *are the co-creators of value*. Evidence from the data richly supported FP1, which posits that ***service is the fundamental*** ***basis*** *of exchange,* as NFPs were producers of services, to create social value for communities in need. Therefore, as service-centred organisations, NFPs are ***inherently customer oriented and relational*** (FP8). The relational approach in NFP marketing therefore,is orientated around the cause; and the transactional approach is orientated around the brand, when the brand personality is experienced through the exchange of skills, knowledge, time, and other operant resources.

This exploratory study has also resulted in the emergence of a new concept in NFP marketing which merits further research: NFP share of market is defined by its share of resources, and therefore, NFP marketing is resources marketing.

'Not what we get but what we give,

measures the worth of the life we live.'*(Author Unknown.)*

In 1967, the founder of the local missionary hospital in a little town in Malaysiapenned these words in my book. She has since passed on, but the words have remained. This research is testimony to the fact that it is not in the getting, but very much in the giving – of our time, money, skills and knowledge – that we help to co-create social value for society, especially for those communities in need.

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My much loved dad, Joseph, thank you for looking out for me from heaven. Knowing how much you loved books, this is for you too.

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List of Abbreviations

FP	=	Foundational Premise
NFP	=	Not-for-Profit
RM	=	Relationship Marketing
RMO	=	Relationship Marketing Orientation
SD Logic	=	Service-dominant Logic
TM	=	Transaction Marketing

Chapter One   **Introduction**

1.   Understanding Not-for-Profits

In general, a majority of the not-for-profits (NFPs) offer services rather than tangible goods to a specific segment of a community requiring them, either at no cost or at a subsidised rate. Vasquez, Alvarez and Santos (2002) describe these activities as ones that attempt to 'modify certain types of social behaviour that is deeply rooted in certain elements of society' (p 1023). Often, the modification process is to enable a positive outcome, such as giving financial advice or assistance or the provision of shelter or clinical services to alleviate a need that the beneficiary has no means of achieving. This description is supported by the definition that NFPsare 'aimed at creating social value for society as a whole and … do not recognise as their goal the creation of profit for stockholders' (Lettieri, Borga & Salvodelli, 2004, p 16). This definition is consistent with Pope, Isely and Tutu's definition, which states that 'a Michigan ''nonprofit corporation'' is one that is incorporated for any lawful purpose ''not involving pecuniary profit or gain'' for its directors, officers, shareholders or members (Michigan Compiled Laws 450.2108(3)1993)' (Pope, Isley, & Tutu,2009, p 185).

On the basis of these two definitions, the concept of NFPs is seen as being within the organisational space where its behaviour displays 'prosocial behaviours, mutuality, voluntary labor, and the production of collective goods'. It is an 'essentialist concept based on the cluster of values, ends, and content of an organization's behaviour' or its cause (Dart, 2004, p 292). Being cause- and therefore mission-driven, the NFPs' commitment to their specific social cause, sense of wanting to help without personal benefit, and firm belief in the organisations' values are the raison d'etre for their legitimate existence (P. Tan, 2003; Stride & Lee, 2007). NFPs are organisations whose main purpose is 'to organize and oversee voluntary social action directed at humanitarian problem solving' (Mokwa, 1990, cited in Balabanis, Stables, & Phillips, 1997, p 583).

There are also five characteristics that define an NFP. These characteristics include (a) the need to constantly attract resources to fund and meet their objectives; (b) serving multiple publics (for example, beneficiaries of their services, funders, volunteers); (c) the potential conflict between their organisational mission and satisfying these multiple publics; (d) legal

regulatory pressures; and (e) the multiple groups involved in the organisation's management (Shoham, Ruvio, Vigoda-Gadot, & Schwabsky, 2008;Vasquez et al., 2002).

These definitions and descriptions explain in broad terms what NFPs do. They provide services to meet the needs of communities which the government and private organisations are unable to do, either at no cost or at subsidised rates. Their business objective is not to create a profit for their members as a result of providing these much-needed services, but to create social value. However, the definitions (Lettieri et al., 2004; Pope et al., 2009) and the subsequent descriptions attributed to Dart (2004) do not exhibit the complexities that confront NFPs. For example, Balabanis et al (1997) talk about two sets of markets – the donors or funders who generate the resources, and the beneficiaries who are the recipients of the outputs of those resources. The funders' market focus is on income generation, whilst the beneficiaries' market focus is on service provision. Although these two markets involve a different activity focus, their audiences can come from either one or both of the markets.

As a discussion of both these markets is beyond the scope of this research, the emphasis will be on the funders' market. This market involves activities that will bring in financial resources for NFPs, therefore implying the application of skill sets to specifically generate income. Thus income generation becomes a key performance outcome to enable and support another key performance outcome, which is the fulfilment of the organisation's mission. NFPs have several approaches to generate income: a) through the provision of fee-charging services; b) the creation of commercial enterprises such as 'op-shops'; c) through donations and grants; and d) fee-based memberships (Frumkin & Kim, 2001). Option (a) relates to the beneficiaries' market, whilst options (b), (c), and (d) relate to the funders' market, to generate financial resources, goods and services. These are then 'redistributed' to communities in need at no cost, or at a subsidised rate. Therefore the processes and strategies with which NFPs secure resources, especially donations via option (c), is of special interest in this research.

1.2 Challenges

White and Peloza (2009) have identified that donor support is the NFPs' lifeline, suggesting the need to engage with funders. At the same time, NFPs are experiencing intense competition for the shrinking funding dollar in an increasingly crowded environment

(Hankinson, 2001; Martinez, 2003; Weisnewski, 2009). Faced with the two-prong challenge of increasing competition for funding from both private and public sources (Pope et al., 2009); and the pace of increase of new NFPs which has overtaken the increase of donations, the need for engagement becomes critical. This makes the asking for and encouraging of donations by the NFPs' the 'single most important challenge' (Liu & Aaker, 2008, p 543). This challenge means that NFPs must effectively engage with their publics to communicate the need for resources – financial, volunteers and other values in kind.

Unlike their for-profit counterparts, Taliento and Silverman (2005) state that the chief executive officers of NFP shave to adopt a consultative and collaborative stance with several groups of stakeholders before decisions and changes can be made and implemented. These groups include the board, staff, key funders and sponsors, and other policymakers like government agencies (Costa, Ramus & Andreaus, 2011; Taliento & Silverman, 2005). Therefore, to remain relevant to the multiple publics that NFPs must engage with and serve in order to deliver the benefits and achieve their mission to create social value, NFPs can no longer rely on their cause to drive the organisation's momentum (Pope et al., 2009). NFPs are increasingly reliant on a positive engagement with these groups, chief of which is the funders and sponsors.

In New Zealand, private philanthropy account for 20 percent of NFP revenue, followed by investment income make up the balance of 55 percent (Sanders, O'Brien, Tennant, Sokolowski & Salamon, 2008). In a country of 4.4 million people with 97,000 registered charities as at 2005 (Statistics New Zealand, 2006),NFPs in New Zealand face challenges that will stretch their already limited resources. Furthermore, with a tight economy and an earthquake-stricken Christchurch that needs huge financial and human resources to assist its recovery, the competition for the funders' dollar has become more challenging.

1.3   Attitude shift

Apart from competition, NFPs confront the reality of an attitude shift of a new generation of funders expecting accountability in performance and provision of services in relation to the large amounts of money and number of volunteer hours (Venable, Rose, & Bush, 2005). Stride and Lee (2007) quoted a marketing practitioner in an NFP, who succinctly summed up this expectation – '...we are accountable for every single penny that we spend because we

can't risk losing (that) trust by doing something stupid' (p 117). As most donors may not comprehend the importance of NFP marketing for sustainability purposes, the issue of some large NFPs spending up to ten percent of their funds on marketing and fundraising is contentious (Aldashev & Verdier, 2010; Pope et al., 2009). Not all agencies face this dilemma, although it is believed that it would have been an issue at some stage of its history or life cycle.

Apart from donors questioning the use of donated funds to develop the organisation through marketing and fundraising activities, there still exists the assumption that NFPs are run on a purely voluntary basis, without paid employees. Frumkin and Kim (2001) have discovered that NFPs are no longer dependent on a sole source of income, and now rely on a combination of all or some of three other means: fee-based services, commercial enterprises, grants and donations, and membership fees. This meant that NFPs have had to deploy administrative and specialist resources to generate income via all four means. As a result, it has necessitated using funds for the day-to-day administrative costs to effectively manage the organisation, and these are purposes other than the delivery of mission-directed services (Frumkin & Kim, 2001).

Hence, in order to successfully deliver services to their beneficiaries, NFPs must generate income. Whilst for-profit businesses have products and services to sell to their consumers, NFPs have nothing tangible to market to generate this much needed income. Since they can only offer a promise of happiness and tax benefits, in exchange for the resources that are given to them, what are NFPs marketing? In other words, what **is** NFP marketing, when they are not selling but are asking for resources to deliver social benefits?

If for-profit businesses engage in marketing processes and strategies to win market share and consequently profit, then NFPs engaging in processes and strategies to gain resources fall within the purview of marketing too. This research explores specifically the processes and strategies that NFPs use to generate income via donations, which is the nature of NFP marketing.

1.4 Problem Orientation

Marketing, as one of the tools and processes to facilitate the exchange of goods and services to satisfy customer and business objectives (Keefe, 2004),is seen as beneficial and necessary for remaining viable and continuing to create social value (Ewing & Napoli, 2005; Hankinson, 2001; Jenkinson, Sain, & Bishop, 2005; Khan & Ede, 2009; Stride & Lee, 2007). The practice of adopting marketing practices and strategies started in the 1960s-70s (Pope et al., 2009). There is now a substantial body of empirical evidence originating from studies that were conducted primarily in Europe and the USA. A dominant concept that has emerged from these studies was that NFPs did not exploit the full portfolio of the marketing toolbox to give themselves a competitive advantage. But if NFPs are different from for-profit enterprises (Shoham et al., 2008; Taliento & Silverman, 2005; Vasquez et al., 2002) is the wholesale adoption of the one-size-fits-all approach of for-profit marketing practices and strategies appropriate? Seen from a transactional perspective, the services-dominated nature of NFPs, it seems an unlikely solution. Furthermore, if NFPs are not selling but are asking for financial resources, what marketing practices can NFPs adopt from the for-profit organisations? How should they be adopted? These questions present an opportunity to explore the nature of NFP marketing.

1.4.1 Marketing NFPs

The transactional, manufacturing-based perspective is the 4Ps – product, price, place and promotion. According to the American Marketing Association's latest definition:'Marketing is an organizational function anda set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders' (Keefe, 2004, p 17). This has greater relevance for NFPs, especially from a relational perspective, and the relevance is supported by the services-dominated nature of NFPs, where a relational approach is more appropriate.

The NFPs' 'products' are essentially services and therefore intangible, as are their benefits, and the target audiences are complex and distinct from each other (Shoham et al., 2008; Taliento & Silverman, 2005; Vasquez et al., 2002). Furthermore, the organisations are not profit-driven, although balance sheet surpluses are desired (Chekovitch & Frumkin, 2003). However, more and more specialist skills are required to manage the organisation, its delivery

of services, and a transparent and efficacious distribution and utilisation of the donor dollar, time, goods, and professional services.

Specialist skills and knowledge are required to administer specialised services such as health care, training, counselling, medical assistance, budgeting, and legal advice, and the cost of these services is borne by the NFP. The day-to-day management of the operations and financial management require skilled and qualified practitioners to meet good governance and best practice standards, just as buildings are needed to house the organisations' offices and the equipment required to carry out these daily transactions. They incur costs, and funds have to be sourced to pay for these exchanges of skills and knowledge. These activities are implied in Dart (2004), where the concept of being business-like involve 'some blend of profit motivation, the use of managerial and organization design tools developed in for-profit business settings, and broadly framed business thinking to structure and organize activity' (p 294).

Without tangible products to exchange for cash, NFPs have to communicate with their respective audiences to secure buy-in to their cause and mission, with a certain percentage of that money going towards the payment of salaries, office rental, printing costs, and utilities bills. In exchange for their money and time without any expectation of economic gain, a promise of the benefits that include tax breaks, social benefits such as a sense of altruism, happiness, self-worth for having done good, and for having made a difference, is all NFPs can offer to their financial stakeholders (Venable et al., 2005).

How then, can NFPs effectively 'market' their cause and mission to their customers? Unlike for-profit businesses, NFP customers are not purchasers of the organisations' goods and services. NFP customers are those who give their time, money, blood, and items such as foodstuffs, books, and clothing, as resources to organisations, to enable the production of services which are then distributed to customers who pay either nothing or a token sum in exchange for these services. How then, can they engage with this group of stakeholders? How can they grow this 'customer' base, encourage 'repeat purchase' and 'customer loyalty' and build long, lasting relationships? How can NFPs continue to ask for time and money, appealing to the individual's sense of values, of wanting to make a difference, for another's benefit, in exchange, in some instances, for a promise of happiness for having done

something good? What approaches and tools can NFPs use to communicate these intangiblesand engage with such a complex audience?

1.4.2   Services marketing?

Pope et al (2009) wrote that NFPs started to adopt for-profit marketing strategies in the 1960-70s. Looking at this time period, it can be assumed that the marketing strategies were hinged to transactional marketing, since it was in 1977 that Shostack argued for a re-think and re-shape of classical marketing thought. Shostack suggested that 'the greater the weight of intangible elements in a market entity, the greater will be the divergence from product [transaction] marketing in priorities and approach' (p 74). In 2005, El-Ansary collated the chronological path of the development of marketing thought, and showed that the 1960-70s were still the days of transactional marketing. As presented in Table 1, the shaded band for the 1960-70s eras coincides with the time when the focus was beginning to move away from the manufactured product to other approaches towards a relational approach of the 1980s. Since the literature on NFP fundraising and marketing was not available for this period of time, it was difficult to picture the marketing strategies and approaches that NFPs used at that time to raise funds.

Table 1 Journal of Relationship Marketing Thought in Historical Perspective

Temporal Dimension	Macro Domain ('Culture')	Micro Domain ('Philosophy')	School of Thought	Emphasis of School
1920s	x		Commodity	Marketing of Commodities
1930s	x		Institutions	Marketing by Manufacturers, Wholesalers and Retailers
1940s		x	Functional	Functions performed by Marketers
1950s		x	Managerial	Management of Marketing functions and processes
1960s		x	Behavioural Systems	Consumer Behaviour Macromarketing Inter-organisational Marketing Channel Marketing
1970s	x	x		
	x		Environmental	Ecologically responsible
	x		Societal	Socially responsible marketing
		x		Green marketing
	x	x	Social	Socially desirable marketing
		x	Strategic Marketing	Strategy formulation and implementation
1980s-present (2005)*	x	x	Relationship Marketing	Relationship management

Source: El-Ansary, A. (2005). Relationship marketing management. A school in the history of marketing thought. *Journal of Relationship Marketing, 4*(1/2), p48.

Inferring from Shostack's writing in 1977 (p 73), it must have been a challenge:

> 'Marketing seems to be overwhelmingly product-oriented. However, many service-based companies are confused about the applicability of product marketing, and more than one attempt to adopt product marketing has failed. Merely adopting product marketing's labels does not resolve the question of whether product marketing can be overlaid on service businesses.'

Taking a cue from Shostack's perspective, is it possible that a services marketing approach is the answer? However, this approach in an NFP context is contentious. Firstly, the exchange between the NFP and the funder is not a direct exchange of money for a service that will benefit the funder. Secondly, in services marketing, there was still a connection to the manufactured product. Therefore, is services marketing a derivative of transaction marketing, or a pre-cursor of relationship marketing? As early as 2004, Vargo and Lusch crystallised services marketing thought and encapsulating their views in their publication, 'Evolving to a New Dominant Logic in Marketing' the concept of Service-Dominant Logic (SD Logic). In a follow-up article, Vargo and Lusch posit that services marketing is still hinged to a manufacturing perspective, suggesting instead that all marketing, not only services marketing, should break free from this 'manufactured-based model of the exchange output' (2004b, p 325).

Since the wholesale adoption of transaction marketing practices is not a feasible solution for NFP marketing, and services marketing is still shackled to the marketing-mix framework, what is the direction for NFP marketing? There has been much research to support the adoption of marketing philosophy by NFPs to build brand and capitalise on brand value (P. Tan, 2003; Weisnewski, 2009). But there has not been sufficient research or empirical evidence to support the adoption of an appropriate marketing 'ideology' to market NFPs per se.

1.5   Research Question

Marketing research resonates with the call to view the organisation as the brand, in the absence of a tangible product (Hankinson, 2001; Khan & Ede, 2009; P. Tan, 2003; Venable, et al., 2005; Weisnewski, 2009). This is supported by researchers who stated that NFPs see themselves as organisation-centred instead of customer centred, with a significant lack of marketing and branding orientation (Dolnicar & Lazarevski, 2009; P. Tan, 2003). But the

question remains – how should and can NFPs be marketed? Pope et al.,(2009) proffer the development of a marketing strategy, which fits well with Dart's 2004 research supporting a more business-like approach in NFPs. Others have looked at knowledge management, building the brand internally (Hankinson, 2004; Khan & Ede, 2009), relationship marketing and strategic management (Kong, 2007).

Of special interest is Pope et al's 2009 research, which mirrors a key marketing issue – most of the NFPs in that study acknowledged the importance of marketing, but were less clear what it meant. Marketing activities were equated to fund development and or fundraising, and 'generally not tied to communication with clients and volunteers' (p191), and funders were noticeably absent from this comment. Yet engagement with funders is vital to an organisation's survival (Liu & Aaker, 2008; White & Peloza, 2009).

The purpose of this research is to develop a further understanding of marketing in a NFP context. The research question therefore is:

What is the nature of NFP marketing in a Service-dominant logic environ?
Rather than just addressing the issue from a brand perspective, based on the assumptions that (a) the key product offering by NFPs is services-centred, and (b) that with increasing competition, NFPs should therefore look at branding for differentiation (Khan & Ede, 2009), this research aims to explore NFP marketing from a service perspective. Furthermore, the NFPs' engagement with several publics, with distinctive benefits to each public, imply a range of resulting brand experiences and perceptions that may make the adoption of marketing strategies from a brand perspective complex (Pope et al., 2009; Vasquez et al., 2001), when viewed from the services-exchange focus.

Since there is scant knowledge on NFP marketing from a service perspective, this research will take an exploratory approach. As NFPs have to engage with several publics, this study will focus on examining marketing phenomena with a key stakeholder group – funders – from the NFPs' point of view. By grounding the emergent knowledge in a real world environment and then relating the resultant patterns and relationships to existing marketing theory, it is envisaged that the research can form emerging theories for NFPs from a service perspective.

1.6 Research Strategy

To arrive at the theory and conceptual model formation stage, the research strategy is guided by the Grounded Theory approach put forward by Glaser and Strauss in 1967. This strategy was formulated by Davis in 1999 to explore marketing relationships in an electronic commerce environment. This strategy guides the researcher to work through the process of formalising the problem orientation, an examination of existing literature and proposition development, research methodology, data analysis, and finally, discussion and conceptual model construction, depicted in Figure 1 below.
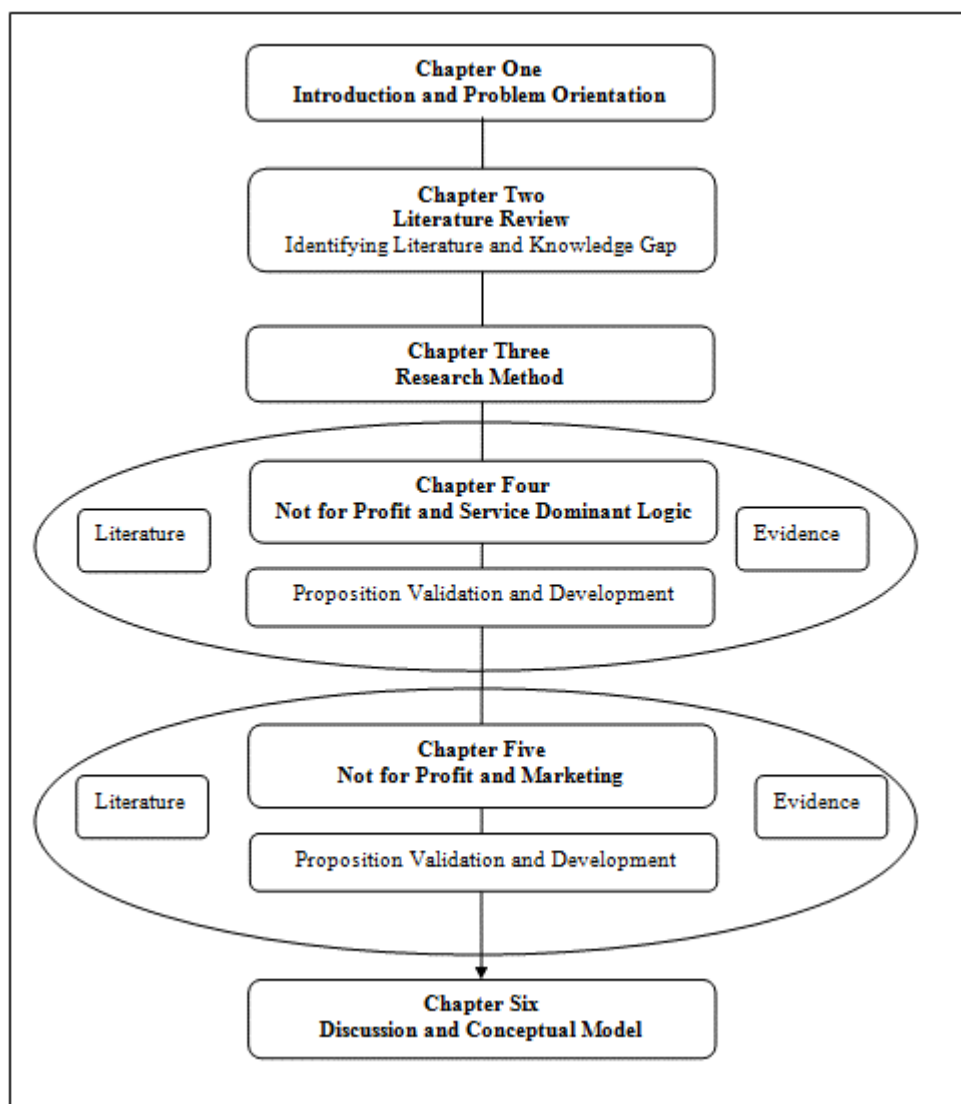
Figure 1 Research Strategy

Source: Davis, R. *Marketing Relationships in Electronic Commerce Environments. Conceptual Foundations*.Doctoral thesis, 1999, p 25.

1.7   Chapter summary

Chapter 1 starts with the overview, and an observation of an existing phenomenon. NFPs are in a highly competitive environment, not for the 'sale' of their services; but for the 'sale' of their cause and mission to buyers, who will not receive any tangible benefit from this exchange. Existing literature recommends several approaches to rise above the din in this over-crowded environment, which can generally be described as adopting for-profit practices. This leads to the orientation of the marketing problem confronting NFPs – they are non-goods dominant exchange economies, so the wholesale application of transaction marketing philosophies is not an acceptable approach.

Chapter Two looks at existing literature to see the extent of fit offered by existing transaction-, service- and relationship- marketing mix philosophies and strategies. It will examine the arguments in support of the adoption of such marketing philosophies, as well good business practices and the pitfalls that such adoptions may present to NFPs. Chapter Two concludes with the identification of the literature and knowledge gaps that NFP marketing in New Zealand can address, and which will contribute to the theoretical foundation of this phenomenon.

Chapter Three then outlines the research method, with a rationale on why grounded theory is the preferred method of qualitative data analysis. As the primary objective of this research is to unearth new knowledge and build theoretical concepts in NFP marketing, this chapter will draw on research evidence where grounded theory has been pivotal in the development of meaningful theories that pave the way for further research implications.

Chapter Four will examine NFPs within the structural framework of Service Dominant Logic (SD Logic) and its foundational premises as posited by Vargo and Lusch, in 2004. This proposition will be validated and developed using evidence presented in the field data collected from interviews with participating NFP organisations and examined in the light of research literature. This chapter conceptualises NFP marketingfrom the SD Logic perspective.

Chapter Five continues with the development of NFP marketing ensconced in the SDL framework. It continues the theme of development and validation, again using field data

evidence and research literature. It is envisaged that this will be the formation chapter, where the strands of NFP marketing and SD Logic threads will find their relational links.

Chapter Six concludes the research, and discusses how SD Logic and NFP marketing can be linked to lay the foundational blocks for a conceptual model. The conceptual model will continue to be relevant as it will pave the way for future research to test the theoretical foundations emanating from this research.

Finally, this research will be presented in two volumes. Volume I will contain the main body of work, including the reference list and Volume II will contain appendices 1 to 6. This two-volume is to enable the inclusion of the rich evidence that has emanated from the research but could not be included into the main body of this thesis, as well as a matrix of the literature review.

1.8   Contribution

This research will make a theoretical, empirical and managerial contribution tobusiness organisations, especially to marketing and fundraising practitioners in non-profit organisations and academics. The research will also make relevant contributions to marketing and management disciplines for social and services marketing with a focus on SDLogic, not-for-profit management, branding, and relationship marketing.

Specifically, the theoretical outputs of this research will help marketing and fundraising practitioners in not-for-profit organisations to frame, strategise, implement, and manage marketing strategies to procure financial resources for the organisation. The basis of this contribution emanates from findings from existing literature, theories, and emergent concepts that are grounded in data collected.

A significant contribution of this research is the opportunity for further research that enables the development of a model to measure the impacts of SDLogic, relationship marketing, and branding, on revenue generation for not-for-profits. SD Logic literature so far had been conceptual in nature. This is the first instance where empirical evidence has been gathered to explore SD Logic from an NFP marketing perspective. Finally, this research has added a new dimension to NFP marketing as a means to gain share of resources. An emergent

concept from this research – 'Resources Marketing' – has the potential for further research and theory development.

Chapter Two   Literature Review

2   Introduction

Since the research aim is to explore the nature of NFP marketing in an SD Logic environ, the literature review will look at four core areas. They are (a) Not-for-profit; (b) marketing; (c) NFP marketing; and (d) SD Logic.The approachof this review is laid out in Figure 2.
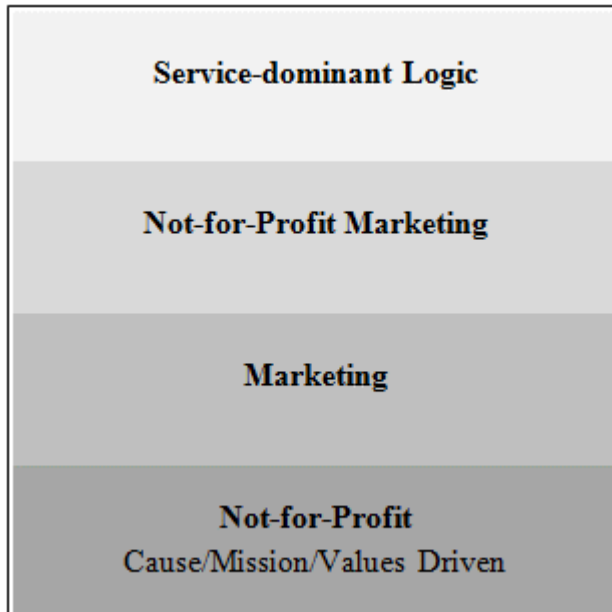
Figure 2 Literature Review Approach

The review commences with examining the literature on NFPs, exploring in greater depth on what has been written in Chapter 1. It will then look at marketing – its definition and role from the NFPs' perspective. Next, it will review the conceptual writings on SD Logic since the first article by Vargo and Lusch in 2004. Finally, the review will look at the literature on the strategies that researchers have proposed that NFPs adopt to gain competitive advantage.

2.1   Not-for-Profits(NFPs)

Chapter 1 outlined the definition for NFPs. As organisations driven by altruistic values to create social value for a community, not to profit or make pecuniary gains for its shareholders or members (Lettieri et al. 2004, Pope et al., 2009), NFPs in reality are more complex organisms. They serve the community where governments are unable to do so, and where services by private, for-profit enterprises have made it too costly for a segment of society to purchase or subscribe to them. They depend on external sources for their income, some

ofwhich are fixed, such as membership feesand government grants and are therefore budgetable. The other sources are variable, and can fluctuate according to the circumstances: fee-based services, donations, and commercial enterprises such as op-shops. Do these income generating undertakings classify them as entrepreneurial?

From the point of view of Peredo and McLean 2006's research on social entrepreneurship, NFPs are entrepreneurial. They wrote, quoting Pomerantz (2003), that social enterprise involves 'taking a business-like, innovative approach to the mission of delivering community services. Developing new social enterprise business ventures is only one facet of social entrepreneurship. Another (factor) is maximizing revenue generation from programs by applying principles from for-profit business without neglecting the core mission….' (p58). However, a further investigation of the article notes that whilst an NFP can be a social enterprise, not all social enterprises are NFPs (Peredo & McLean, 2006).

Of special interest is the implication drawn from the authors' use of a quote stating that social enterprise is 'about finding new and better ways to create and sustain social value'(Peredo& McLean, 2006, citing Anderson & Dees, 2002, p 192). This quote presents two possible interpretations for NFPs. Firstly, it encourages NFPs to seek and implement innovative fundraising strategies to generate resources that will help them to continuously provide services to communities in need. Secondly, it means that NFPs could adopt for-profit business and management strategies, not only in fundraising, but for the organisation as a whole, to create social value. This second meaning aligns the NFPs within the SD Logic framework – to exchange services and co-create value.

2.1.2   Social Enterprises?

Since NFPs are social enterprises, are they different from for-profit enterprises? Newman and Wallender (1978) posed this question: 'Do not-for-profit enterprises have particular characteristics which make inappropriate some managerial concepts that are beneficial in profit-seeking enterprises?' (p25). Vasquez et al (2002) and Shoham et al (2008) stated that while NFPs have to attract resources to realise their mission objectives, they serve multiple publics at the same time. For-profits face the similar issue of dealing with multiple publics, but when it comes to decision making and change implementation as Taliento& Silverman (2005) pointed out, NFPs need to adopt a more consultative and collaborative stance with their multiple stakeholder groups.

Newman and Wallender(1978) further argued that plans and strategies in for-profits are driven by profit-maximisation motives. However, the heterogeneous philanthropic services that each NFP gives negates the commonality of the non-profit seeking characteristic, thereby making each dissimilar to the other. In their study which identified six constraining characteristics which had a stronger impact on NFPs than for-profits, they arrived at the conclusion that NFP management should be viewed as a variant of the basic management model and cautioned against the application and reliance on managerial devices. There is merit in this conclusion, but the time that has elapsed since this study was carried out may have diluted its applicability.

For example, the 'service is intangible and hard to measure' constraint is no longer the domain of NFPs but that of several service-dominant for-profit corporations as well. To be more business-like (Dart, 2004), implement balanced scorecards (Manville, 2006), apply benchmarking (Tyler, 2005), performance-based evaluation (Carman, 2009), and have accountability focusing on 'operational capacity, resource use, cost [and] financial structures' (Costa, Ramus & Andreaus, 2011, p. 470) all imply measurement.

2.1.2   Being business-like?

However, there is scant literature on how NFPs measure their performances and success. Tyler (2005) wrote that NFPs are subject to a wide range of success criteria, which are often ambiguous when compared to the profit-making responsibilities of for-profits to its shareholders. The study found that benchmarking was not a widely-used measurement to gauge performances and success. Success was measured via evaluation of programme outcomes, and the pressure from funders to assess the 'productivity' of the financial resources outweighed the pressure of performance measurement. The management culture in NFPs, 'activism', designed to meet the core task of fulfilling the organisations' causes, was seen as more important than organisational management.

From these writings, it is clear that NFPs are social enterprises that seek to create social value through charitable services. However, they need financial support to fund the delivery of these services, and they communicate this need through fundraising activities to market their cause and needs. Yet when financial support is given, the 'transactional exchange' that takes

place is intangible yet value is created as a consequence of this exchange. Therefore, an exploration into the nature of NFPs can be done through this proposition:

      P1: **'Not-for-Profit Marketing is SD Logic'**

because the 'product' or output is service.

2.2   Development of marketing thought

To help frame the thinking that will shape this research and answer the research question, it is important to look at the history and development of marketing thought. There are three prominent strands of marketing thought.   El-Ansary's contribution (Table 1 of Chapter One, p 7) marks the evolutionary passage of classical marketing from the 1920s to the contemporary marketing of the current millennium.

2.2.1   Transaction marketing

The first strand was anchored in transaction marketing (TM), featuring the exchange and distribution of commodities. Central to this strand was Kotler's 4Ps – product, price, promotion and place – the marketing mix. These represented the four key areas that must be managed for the transference of goods, services and ideas to customers with a competitive advantage (Zineldin & Philipson, 2007). The concern here was for physical goods, and its transference of ownership and distribution (Vargo & Lusch, 2004a).

To illustrate this point the table below describes the exchange and managerial dimensions of transaction marketing (Brodie, Coviello, Brookes, & Little, 1997). The information here describes the transaction exchanges and managerial dimensions which are guided by the profit motive. The elements of the exchange dimension are present in an NFP context, with the exception of 'Type of Contact' and 'Balance of Power'. NFP communication is personal and relational, and the balance of power is active for both seller and buyers because the funder holds the power of decision in the value of the financial donation. The elements of the managerial dimension are present in an NFP context, but their respective descriptions in the second column have no relevance to NFPs except for the Decision focus, which is the organisation's name and service. It can be argued that transactional marketing does not fit well with NFPs.

Table 2 Transaction Marketing Classified by Exchange and Managerial Dimensions

Exchange Dimension		Managerial Dimension	
Focus	Economic transaction	Managerial Intent	Customer attraction (to satisfy the customer at a profit)
Parties Involved	A firm and buyers in the general market		
Communication Pattern	Firm 'to' market	Decision focus	Product of brand
Type of Contact	Arms-length, impersonal	Managerial investment	Internal marketing assets (focusing on product/service, price, distribution, promotion capabilities)
Duration	Discrete (yet perhaps over time)		
Formality	Formal	Managerial Level	Functional marketers (eg sales manager, product development manager)
Balance of Power	Active Seller-Passive buyers	Time Frame	Short-term

Source: Brodie, R. J.,Coviello, N. E., Brookes, R. W., & Little, V., (1997). Towards a paradigm shift in marketing?*Journal of Marketing Management, 13*(5) p387-388.

Furthermore, criticisms about the inadequacies of the 4Ps surfaced post 1970, when emphasis was transferred from customer attraction to customer retention. Researchers argued that the functional stance of managing marketing mix was not enough to ensure success, but building long term buyer-seller relationships had greater relevance (Zineldin & Philipson, 2007). This argument bore merit because it was relevant insofar as the product that was being marketed was tangible, homogenous and could be inventoried. When the nature of the product was intangible, heterogeneous, and could not be inventoried, TM marketing mix was found wanting. This is echoed by Shostack's (1997) comment on page 7 of this research.

The core product of NFPs was intangible and applying the 4Ps can be likened to fitting a square peg into a round hole. The exchanges involved (a) gaining intangible benefits such as tax benefits, a sense of happiness in having fulfilled altruistic values, and for enabling changes for the betterment of communities in need, in exchange for financial resources from its funders, and (b) the provision of a charitable or subsidised-fee service to enable a good to be done for a specific segment of society. Hence the merits of the TM marketing mix of 4Ps cannot be fully appreciated in an NFP context. In a literature review, Pope et al (2009) referred to findings by Clarke and Mount (2000) and Andreasen and Kotler (2007) that supported the unsuitability of for-profit marketing practices for NFPs. So can marketing in an NFP context find a fit in the next phase of marketing thought?

2.3.2 Transaction-focus to Relationship-focus

The second strand acknowledged the importance of relationship marketing (RM) management. Coined by Berry in 1983, the term RM was introduced in a service context to enable a longer term approach to marketing (Lindgreen, Davis and Brodie, 2000; Zineldin & Philipson, 2007). Berry (2002) wrote that it was costlier for service firms to go after 'new customers only' compared to having (and therefore retaining) customers, which was crucial for service firms. With attracting customers as the first step of the marketing process, Berry defined RM as 'attracting, maintaining and – in multi-service organizations – enhancing customer relationships (2002, p61). Applied in an NFP context, this definition of RM bore relevance. However, the discussion for this 2002 discourse on the five RM strategies has greater relevance for service firms where the customer is the purchaser and beneficiary of those services. In the case of NFPs, marketing has been targeted at those who were not the buyers or beneficiaries of the services, but the providers of a key 'production' resource. The relevance of RM strategies to NFP marketing therefore required further refinement.

Of the five strategies: 1) core service strategy; 2) relationship customisation; 3) service augmentation; 4) relationship pricing; and 5) internal marketing, internal marketing had more relevance in terms of applicability. With several publics to answer to, a core service strategy would not appease all of the various stakeholders, especially the funders. The same rationale applied to relationship customisation, service augmentation and relationship pricing. Internal marketing however, had merit as the employees as well the volunteers were the NFP's natural brand ambassadors (Khan and Ede, 2009; Hankinson, 2004). Their individual belief and buy-in of the NFP's cause and mission accorded them a double-edged sword status for the organisation. Internally, they 'lived and breathed' the brand, and externally, they were personifications of the organisation's brand, cause and mission, and therefore possess great recruitment potential, especially for funders (Laidler-Kylander and Simonin, 2009)

In what appeared to be a swing from TM to RM, El-Ansary (2005) went far enough to posit a new school of thought in marketing theory in support of the paradigm shift from transaction marketing to relationship marketing. In the context of NFP marketing, however, it is risky to hinge a complex set of components and relationships purely on RM strategies. It is believed that NFP marketing is more complex, involving more than RM strategies to resolve its challenges. Examples of such complexities include considerations for the quality of the relationships between employees and customers (Hennig-Thurau, 2004) especially the

funders through a 'mutual exchange and fulfilment of promises' (Gronröos, 1996, p 7), as well brand relationship quality between NFPs and the funders (Fournier, 1998; Smit, Bronner & Tolboom, 2007).

2.3.3 Converging divergent views

The call for a paradigm shift, for 'a convergence of divergent views, and even "to give up the sacred cow of exchange theory"', according to Sheth and Parvatiyar in 2000 (cited in Vargo & Lusch, 2004a, p 1) paved the way for a third strand.

The third strand supported the co-existence of both transactional marketing and relationship marketing (Lindgreen et al., 2000; Lusch & Vargo, 2006; Pels & Saren, 2005;Vargo & Lusch, 2004a). Lindgreen et al (2000) advocated a pluralistic marketing approach, citing research evidence that the cost of winning new customers was ten times more expensive (for single sales) than retaining them, and 'the cost of bringing a new customer to the same level of profitability as the lost one is up to 16 times more' (Lindgreen et al., 2000, p 295). This view of co-existence was also echoed in the defence of Kotlerism, where Zineldin and Philipson (2007) argued that both TM and RM are not mutually exclusive. The authors advocated that organisations either used only traditional 4Ps TM concepts or a blend of both TM and RM but not exclusively RM concepts. However, the emphasis on the product, based on the exchange theory – the exchange of a product, the transfer of ownership with the exchange of money, and the 'application of motion to matter' (Shaw, 1912, p 764, cited in Vargo & Lusch, 2004, p 5) – was valid insofar as tangible goods were concerned. TM concepts were inadequate for the emerging trend of services being marketed as a 'product', necessitating a re-orientation of marketing thought from goods-centric to service-centric. Nevertheless, a research using quantitative approaches and case studies, Brodie et al (1997), found that transactional marketing and relational marketing were not exclusive to each other. They found that whilst one type of marketing approach was in use, the other was also practised at the same time.

This pluralistic approach paves the way to explore NFP marketing through this proposition:

> **P2**: **'SD Logic enables value co-creation through a pluralistic approach– through relational and transactional marketing.'**

2.3   SD Logic

If goods-centric marketing was derived from a **goods-dominant** logic, it follows that service-centric marketing should embody a **service-dominant** approach or philosophy. In redefining services as 'the application of specialized competences (knowledge and skills) through deeds, processes, and performances, for the benefit of another entity or the entity itself' (Vargo & Lusch, 2004a, p 2), SD Logic presented a more meaningful framework for services marketing. This definition was an extension to the traditionally held view that services were 'deeds, processes and performances' (Lovelock, 1991, cited in Vargo & Lusch, 2004a, p 2, footnote).

2.3.1   Goods-dominant→Service-dominant

Central to the goods-dominant view are tangible outputs and discrete transactions, whilst those of the SDLogic view were intangibility, exchange processes and relationships. SD Logic was described as bringing together individuals and organisations into a network of communities to enable collaboration and the exchange of specialisations and competences that are necessary for the well-being of each member of that community (Vargo & Lusch, 2004a). This implied the management of all of the organisations' collective roles to 'produce, deliver and distribute better products' (Lusch & Vargo, 2006 p 5) which would give the organisation a competitive advantage. However, the authors wrote that even though research had established a link between competitive advantage and superior performance, with an attendant awareness that competitive advantage was enhanced through service, this knowledge was not capitalised upon by marketing practitioners. Since NFPs are service-dominant organisations, and rarely engage in tangible outputs, what is the extent of SD Logic's relevance to NFP marketing? In addition, NFP customers are the recipients of the organisations' charitable services. With each NFP providing a specific service to a specific segment of social need, the issue of competitive advantage is unimportant.

Furthermore, the conceptual writings of SD Logic were mainly concerned with a for-profit scenario, which leads back to the question of SD Logic's relevance when exploring NFP marketing through this framework.   In SD Logic, the customer is an operant resource, a resource that acts/operates on other operand (to be acted upon) as well as operant resources, to create value. For NFPs, a vital operant resource is the funder, whose financial contribution is instrumental in ensuring the organisation's ability to continually deliver charitable services.

Viewed from the perspective of this 2004 definition put forward by Vargo and Lusch, what is the role of the funders in the NFP marketing equation? Are funders co-creators through the resources they give, or are they customers, or both?
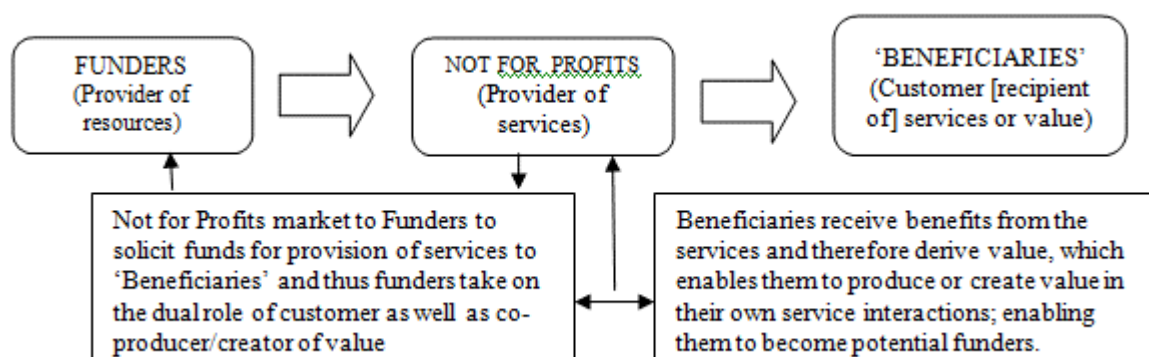
Figure 3 Co-creators, Customers or Both?

In Figure 3 above, funders are both customers and co-creators, since they comprise the target market for resources in terms of time, money, and tangibles such as clothes, foodstuffs, books, toys, and blood.

2.3.2 Service and competitive advantage

Of value to this research, however, is the advocacy of the 'competing through service' view, which enhances competitive advantage. Vargo and Lusch (2004a) argued that customers' purchases were not for the products' sake itself, but for the product promise or benefits. In the context of an NFP environment, it raises a few questions. NFPs' 'customers' are not only those who require the services offered (the beneficiaries), but other stakeholders including funders, volunteers, for-profit corporations, and government agencies as well. In applying this logic, NFP stakeholders are exchanging their competences (money and time) for the achievement of their emotional needs to do something good, for a cause that they believe in, can identify with and are passionate about (Liu & Aaker, 2008; P. Tan, 2003; Venable et al., 2005; Weisnewski, 2009). Hence, how does the view 'competing through service' to enhance competitive advantage in this context become relevant to NFPs?

The argument here is that apart from the beneficiaries who are recipients of those services, the other stakeholders, especially the funders, are *giving* resources to the NFPs for the production of services. In a for-profit environment, the organisations themselves are engaged in the process of converting resources into a product *or* service that are being *purchased* by

their customers. So what is the nature of this 'service' that will enhance competitive advantage for NFPs?

2.3.3   Branding – the service or the organisation?

At the same time, it was argued, SD Logic, was missing out on the importance of branding (Brodie, Glynn, & Little, 2006). Branding studies involving NFPs (Hankinson, 2001; Khan & Ede, 2009; P. Tan, 2003; Venable et al., 2005; Weisnewski, 2009) reiterated that in the absence of a tangible product, the organisation becomes the brand, and the service-exchange becomes the experience, which gives value and meaning to the brand. This concept was implied in a 2004 commentary on the sixth foundational premise of SD Logic that 'the customer is always a co-producer' (Brodie et al., 2006, p 364).

Venable et al (2005) reiterated the importance of brand personality for NFPs, given the intangibility of their product that is borne out of a desire to help people in a service milieu. This view is not given prominence by Vargo and Lusch, but highlighted by Shostack (1977) who saw the need to give intangibility an image. Vargo and Lusch countered that by doing so, it became a branding issue, and that there was 'no evidence that the *advantages* of branding vary with the tangibility or intangibility with the core offering' (Vargo & Lusch, 2004b, p 328). This view is arguable, since the premise of SD Logic was based on the concept of service as an intra- as well as inter-organisation activity. In the context of NFPs, taking into consideration the entire gamut of service activities that are operating in the organisation, the core services offered **are** the organisation's intangible product, and therefore Venable et al's and Shostack's respective posits are tenable. The brand personality for NFPs, mostly seen as caring, kind and compassionate, is the attraction that will endear the funder to the cause, and influence the intent to give money, time and in-kind service (Venable et al. 2005). This finding supports the call for NFPs to use branding strategies and concepts that for-profits employ to gain competitive advantage and improve performance. NFPs need to engage their key stakeholders to ensure sustainability in the wake of intense competition for the shrinking donation dollar that is constantly sought by the growing numbers of NFPs.

At this point, it is perceived, that as service-dominant organisations, NFPs engagement with their various publics have a relational component through the cause. However, in the transactional exchange of services, skills and knowledge, the organisation's brand is experienced. The nature of NFP marketing can thus be explored through this proposition:

P3: **'The relational marketing component is orientated around the cause; the transactional marketing component is orientated around the brand.'**

2.4   NFP Marketing

Since NFPs are social enterprises, yet different from for-profit corporate entities, they support Newman and Wallender's(1978) view that the adoption of management devices similar to those used by for-profits is not advisable. However, is it sensible for NFPs to refrain from adopting for-profit marketing practices and philosophies? Chekovitch and Frumkin (2003) described the dilemma of adopting competitive strategies as a tension between balancing margin with mission. Organisations were 'grappling' with the challenge to remain solvent and at the same time serving its mission. In their study, their literature review on whether NFP behavioural responses towards competition in the provision of charity versus fee-based services were different from for-profits was inconclusive. There were acknowledgements that some found differences whilst the others found none. Yet, drawing from works based on competition in for-profit business environments, the findings in this strand suggested that NFPs should optimise financial and human resources to achieve their respective missions (Chekovitch & Frumkin, 2003). This supports the call to run charities like a business (Dart, 2004).

Chekovitch and Frumkin (2003) proposed an alternate strategy, which was hinged to marketing theories on positioning and differentiation. This, however, was based on a scenario of offering fee-based services as opposed to charitable services. In an increasingly saturated market, NFPs have to compete not only for shrinking government funding but also for public affection and support (Khan & Ede, 2009). Since the NFPs' raison de être for their existence was to serve the cause they identified with, their main market orientation was to the beneficiaries of their services. There was less emphasis on their funders (Macedo & Pinho, 2006). Researchers have proposed that NFPs have not been placing sufficient emphasis on adopting a marketing orientation mindset nor utilising branding strategies to their organisations' advantage (Hankinson, 2001; Macedo & Pinho, 2006). It must be clarified here that this under-utilisation of branding strategies was specifically from the fundraising strategies point of view rather than corporate promotion (Khan & Ede, 2009; P. Tan, 2003; Weisnewski, 2009).

Although this seemed to indicate a direction, a question remains over the suitability and validity of adopting strategies tethered to the marketing theories used by for-profit businesses. Knowles and Gomes (2009) noted that there has been an increasing uptake of marketing tools such as strategic market analysis and planning suitable for use by NFPs in the years since the 1980s. But Andreasen, Goodstein and Wilson (2005), and Bradley, Jansen and Silverman (2003) found that not all the tools were suitable for successful marketing implementation without adaptation.

This also mirrors the dilemma best described by Chekovitch and Frumkin (2003), in which the integral part of the NFP manager's role lies not in caring for its 'fiscal health' (p 566) but on fulfilling its mission. If the fiscal health is poor, the NFP cannot fulfil its mission. This was similar to the two NFP management principles in the literature review that Anheier (2009) had identified: adopting for-profit business management styles and practices, greater use of marketing and 'improved budget policies' (p 1083) with a call for accountability at the same time. LeRoux (2009) adds to the list the issue of the already '*uber*-stretched' NFPs managing and meeting stakeholder demands and interests (Barman, 2008) while facing financial, capital, human (including skills and knowledge), and other resource constraints.

The preceding paragraphs depict the tussle that confronts NFPs. Whilst for-profits adopt a pluralistic approach to engage with their customers to gain profits, NFPs engage with their funders to gain resources. Whilst for-profits redistribute their profits to their shareholders in dividends, NFPs redistribute their financial resources in the form of charitable services to customers, who receive it either without cost or for a token fee. For-profits strategise to gain competitive advantage, and therefore market share, to ensure sustainability. NFPs, on the other hand, strategise to gain competitive advantage for financial resources to ensure sustainability. This leads to proposition four where:

> **P4: 'NFP share of market value is defined by share of resources.'**

2.5 Chapter Summary

The challenge of this literature review had two facets: (a) the absence of NFP specific literature in relation to SD Logic; and (b) the availability of literature on NFP marketing but from a for-profit perspective. The absence of (a) and thus the absence of empirical evidence meant that the research into the nature of NFP marketing in an SD Logic environ had no prior

benchmarks to compare with. Meanwhile, the availability of literature from a for-profit perspective again meant the absence of suitable benchmarks for comparison. Nevertheless, the four propositions that have been developed as a result of the literature search will inevitably lead the research towards the achievement of a conceptual model that describes the nature of NFP marketing in a SD Logic environ.

These four propositions are:

P1:   NFP marketing is SD Logic.

P2:   SD Logic enables the co-creation of value through a pluralistic approach – through relational and transactional marketing.

P3:   The relational component is orientated around the cause; the transactional component is orientated around the brand.

P4:   NFP share of market is defined by share of resources.

Chapter Three   Research Method

3   Introduction

In Chapter One, the research strategy was outlined and encapsulated in Figure 1 to answer the research question. In Chapter Two, the literature identified the gaps and put forward four propositions that will help to direct the research required to answer the research question. The on-going debate on the validity of qualitative versus quantitative, of how one is better than the other, has often made the choice of a mixed-method approach a very attractive compromise. However, for a piece of research to be interesting, and to pave the way for further research, a compromise is unjustifiable. This chapter discusses the rationale underpinning the preferred research methodology – grounded theory approach.

3.1   The qualitative versus quantitative debate

McLoughlin (2007) writes that interesting research methods that can 'advance the discipline most... are those which are read and consequently influence thinking' (p 199) and argues for qualitative research because it plays a role in theory development. Quoting Davis (1971), McLoughlin mitigates this assertion by stating that interesting theories 'deny certain assumptions of their audience, while non-interesting theories are those which affirm certain assumptions of their audience' (p200), whilst at the same time accepting and supporting some parts of those assumptions. Rees (2011) adds to the debate that by engaging in a process of reflection, the mind-matter relationship experiences a change. Through observable practices and processes, this reflective process could result in inspiring insights about oneself and the world. There is a perceived break between the inner, reflective world and the outer physical, material world; it is through the *quality* of the attention paid to a relationship, not the *quantity* of an action that such insights emerge.

Milliken (2001) contributes to the discussion with the view that the ultimate goal of social sciences is to produce a body of reliable knowledge from which explanations, predictions and understanding of empirical phenomena (p 71) can be drawn. Therefore, the reality is that a compromise of both methodologies prevails, even in the most ardent of practitioners of both the positivist and phenomenologist philosophies. This is supported by Abusabha andWoelfel (2003), who suggest that being a purist for either of the methodologies is a reflection of inflexibility.

However, faced with scant knowledge about the specific areas identified in the research questions, seeking a suitable framework for NFP marketing in New Zealand and engagement strategies with funders meant going to the source. This research provides ample opportunities to unearth descriptions rich in explanations and insights and emergent theories in the field (Miles & Huberman, 1994). At this stage, there are no hypothetical observations in NFP marketing to measure. Verifications of hypotheses, if any, will be based on insights and evidence obtained in foreign environments. This may not reflect or represent an accurate outcome for a research with a New Zealand focus. Thus, the challenge of observing, drawing out meaning and relationships from the organisations' experiences and the understanding of the 'inner world' (Rees, 2011) to arrive at solutions, to add quality, value and interest to the gathering of the body of knowledge (McLoughlin, 2007) needs to be answered. The crux of the methodology question was to find a suitable and relevant approach to build a sufficient body of knowledge to enable an objective, hypothetical enumeration of aggregates and causal relationships (Abusabha & Woelfel, 2003).

3.2   Grounded Theory

Since the first step of this research was to gather data relevant to a New Zealand environment, from which to build theory, it was important that the data was first gathered in the most meaningful of ways. Goulding (2005) acknowledges the need for a qualitative approach in its 'most fundamental sense in order to gain valid insights, develop theory and aid effective decision making' (p 295) for marketing. To gain insights, it was important to 'observe' and analyse the reflective relationships between the responding 'behaviours' behind the actions (including verbal responses), in relation to the environment. Lacking the scientific objectivity of quantitative methodologies, Glaser and Strauss in 1967, developed a methodology to systematically collect, organise and analyse such data, calling it *Grounded Theory,* since it was grounded in the words and action of the subject being studied (Goulding2005).

The importance of the grounded theory approach, (J. Tan, 2010; Breckenridge & Jones, 2009; Glaser, 2004; Goulding, 1998), lies in its ability to raise the researcher's awareness of emergent, yet significant concepts and categories that will pave the way for building theories. In describing the approach, Glaser and Strauss presented it as a way to collect evidence from

various comparative groups, to 'check out whether the initial evidence was correct' (1967, p23). It called for an open-mind, and to focus on the 'search for meaning and understanding to build innovative theory and not universal laws' (Goulding, 1998, p 53). It allowed for researcher creativity, but firmly grounded on the collected data, through a rigorous analysis process. In this way, data collected from the subsequent cases became a means to validate facts. Taken together, the body of evidence would enable the researcher to generate conceptual categories, and help establish generalities of a fact (Glaser & Strauss, 1967). This approach is the most attractive because it is pivotal in enabling new knowledge to be dredged from primary sources that have close relationships with the research subject.

Although grounded theory had its beginnings in medical sociology, since both Glaser and Strauss were sociologists, it was gaining acceptance in a wide range of disciplines. A scan of grounded theory literature traced studies conducted in Library and Information Science (LIS) using grounded theory from as far back as the early 1980s, and Tan (2010) identified six LIS researches between the years 1990-2007 on information-seeking behaviour. Since its inception, grounded theory had been applied to research in nursing and health, education, organisational studies, accounting, business management, public health, and marketing. Tan (2010) in researching LIS, has identified eleven marketing researchers using grounded theory since 1989. Ashill et al (2001) used grounded theory to present an inductive model of strategic marketing planning, using a multiple-case study approach.

The exploratory studies of NFPs found grounded theory a useful methodology because of its (NFPs) apparent recency as a research topic in the field of marketing studies. A literature search revealed that in the last seven years, seven NFP-specific studies using grounded theory have been identified (Dart, 2004; Kenix, 2008; Rumsey & White, 2009; Sargeant, Hilton & Wymer, 2007; Sargeant & Woodliffe, 2007; Weisinger & SalipanteJr, 2007; and Weerawardena et al., 2010). There were another five studies, which bore significant relevance to NFP marketing (Coulibaly & Sauvèe, 2010; Green &Peloza,2011; Iglesias & Sauquet, 2010; and Vallaster & de Chernatony, 2006). This rich resource of grounded theory-driven research and the resultant body of theory-resonant knowledge firmly supports the rationale to apply grounded theory in this research.

3.3 The Research Process

The research process was carried out in one single phase, running concurrently with data analysis. Drawing data from a multi-source approach, twenty in-depth, face-to-face and unstructured interviews were conducted with representatives from eighteen organisations representing health and hospice care, children's healthcare, human and animal rescue, conflict and disaster relief, justice, safety, advocacy, poverty eradication, development, clinical services, sport and disability, family and children, transport safety and immune deficiencies. All the respondents were holding executive positions with either multiple or specific functions in management, marketing and communication, and fundraising roles, depending on the size and organisational structure of the NFPs. The details of the participating organisations are outlined in Appendix 1(p 2, v2).

3.3.1 Sampling process

The respondents for this research were drawn from New Zealand-based NFPs, using a purposeful theoretical sampling approach. Theoretical sampling is described as 'the process of data collection whereby the research simultaneously collects, codes and analyses the data in order to decide what data to collect next' (Coyne, 1997, p 625).This was the preferred approach, owing to several considerations. Firstly, the specific field of NFP marketing to engage with funders meant that the key sources of information were the NFPs themselves. Hence, the initial stage of the research necessitated a purposeful sampling approach. Secondly, the exploratory nature of grounded theory to gradually develop emergent patterns, relationships and concepts meant that forthcoming data had to be mined from organisations that were chosen as they were needed. Thirdly, the data had to be analysed in tandem with the collection process, in order to draw out emergent and recurrent themes; and this process directed the choice of the next data source. Finally, the research process required the testing of emergent themes, concepts and relationships from the collected data against the data from the next interview, which would again direct the selection of the next data source (Coyne, 1997).

The decision to use theoretical sampling was further supported by the results of a literature search in a social practice and not-for-profit database using multi-database library search function. From the first 30 results out of a total of 142 titles, there were 21 qualitative studies (17 using grounded theory) which used theoretical sampling, and four journal articles

discussing grounded theory and the use of theoretical sampling, between the years 2001-2011.

Nevertheless, the sample organisations available for selection had to meet the following criteria:

- Not-for-profit in a local (New Zealand) environment and/or has international links;
- Adopted various degrees of marketing strategies akin to those used by for-profit organisations;
- Has a distinct organisational structure; and
- Relies largely on private and external funding (as opposed to sole government funding) for financial resources.

The rationale for this purposeful sampling was hinged on the need for participants to have the knowledge and experience in adopting and adapting marketing strategies to enhance stakeholder relations, specifically funders, with the NFP. This approach necessitated a preliminary search for marketing and promotional activities and collaterals on the internet, to guide the recruitment process.

3.3.2   Recruitment

The next step was to write to the respective persons in these organisations, detailing the purpose of the research, with a request for an interview. Where names were available from the organisations' websites, communication was directed to their specific attention. In cases where such details were unavailable, a web and/or telephone enquiry to secure these details was initiated. When the organisations agreed to participate, an information sheet and consent form was presented on the appointed time of the interview, and a confidentiality undertaking was signed by both the interviewee and researcher. A total of 18 organisations agreed to participate in this research. Samples of these documents are included in Appendices 2, 3 and 4(p 4-6, v 2).This confidentiality undertaking was to safeguard any commercially sensitive information that may have been disclosed in the course of the conversation. The list of organisations that agreed to participate in this research were assigned an anonymised code in the ad verbatim evidence disclosed in Chapters Four, Five and Six, to prevent the identification of individuals or organisations. This is in compliance with the ethics standards required of this research.

3.3.4 Interview and analysis

Each interview, ranging from forty-five minutes to an average of one hour, was audio recorded, and the contents transcribed into textual forms. After each interview, the researcher carried out a 'reflective debrief' of the interview, which entailed a process of going through the interview and identifying themes, issues, and insights that were unique to that organisation. The practice of weaving the significances of the previous conversations into the following ones meant that themes were allowed to either reach saturation point (and therefore validation) as the conversations developed; and a tapering off meant that such themes were unique to only a few or a particular organisation.

At the same time, the transcribed texts of the interviews were analysed in tandem with the interview process. Unlike the quantitative approach where analysis occurs only upon completion of the questionnaire survey, grounded theory approach demands an ongoing analysis in tandem with the field data collection process. This was crucial as it assisted in the progression and probing of emergent themes or patterns, as well as puzzles or contradictions that surfaced after each interview. Huberman and Miles (1983, p 285) advocated the 'in-tandem analysis' strategy, to help eliminate data reduction problems that could mar the quality of the analysis if done at the conclusion of the field data collection phase. The common data reduction problems that can compromise the quality of the analysis include data overload, and the non-transferability of the data immediately into numeric or alphanumeric forms. Furthermore, if done improperly, it may lead the researcher to miss out on confirming hunches or resolving puzzles that are vital to theory construction, given that the data was from multiple sources.

During the data reduction process, emergent themes and patterns were fleshed out and displayed in a matrix format. A line-by-line analysis was adapted from the rigourous Miles and Huberman (1994) coding approach, as its several advantages included:

- revelation of gaps and puzzles
- identification of core themes
- illumination of theoretical components
- uncovering potential sources bias
- setting the agenda for the next field visit (interview)

The matrix format was set up to contain the various conceptual constructs, the relevant supporting evidence, and the resultant marketing implications. Once these matrices were constructed, further analysis was carried out, using the evidence to either support a new, emergent theoretical construct, to confirm an existing theoretical construct, or argue against an existing construct developed in other researchers, using existing literature.

3.4   Validation

Abusabha and Woelfel (2003) posited that data obtained through qualitative methods, when analysed, are subjective and therefore do not possess the discipline, objectivity and scientific rigour that numbers have. But the depth and the richness of meanings derived from words are not similar to the meanings derived from numbers. When the captured data is reduced to numbers, there may be loss of significance. Furthermore, the Hawthorne Effect where the 'awareness of participation, irrespective of prior knowledge of the research topic, can lead to some degree of behaviour modification and a subsequent diminution in the integrity of the results obtained' (Robertshaw, 2007, p 2) can raise questions about the reliability of the results. Robertshaw further posits that the researcher cannot be separated from the respondent in a behavioural study, questioning the belief that the researcher can be separated from the participant. However, grounded theory maintains that the flexibility available to the researcher to capture life as it is lived, to observe the interaction between experienced behaviour in reaction to a phenomenon is important (Goulding, 2005). To maintain the integrity of this research, the validity of the evidence is presented in two formats.

3.4.1   Referenced evidence

The first is in a referenced form, where manually analysed and extracted evidence, ad verbatim, supporting the construct,are presented in a matrix display. All quoted evidence will be referenced by an anonymised organisation code (O-), in compliance with the terms of the confidentiality undertaking, prior to the commencement of the interviews.

3.4.2   Computer aided process

The second validation uses Leximancer, a software that analyses text data based on content analysis. This approach meant that a large volume of text data could be analysed without bias, when compared to manual analysis (Penn-Edwards, 2010).

Since information extraction uses both the semantic lexicon dictionary and a dictionary 'of extraction patterns for the domain' (Riloff & Jones, 1999), Leximancer examines and extracts'thesaurus-basedconcepts from the text data' (Smith& Humphreys, 2006, p 262), eventuating with a list of terms based on word frequency and 'co-occurrence' usage. The resultant terms are then fed into a thesaurus builder which identifies a set of 'classifiers' from the text data. With the extension of these seed word definitions, the resultant cluster of meanings builds into concepts. The text is then 'searched' to enable classification based on these concepts, resulting in a 'concept index' and 'co-occurrence matrix'. The relative co-occurrence frequencies are then calculated and this information is used to produce a two-dimensional concept map.

In addition to concept map generation shown in Figure 4, Leximancer features the ability to feature evidence that contains the most important concepts from the text, and has pathway displays that show an indirect link between two concepts along with supporting text.
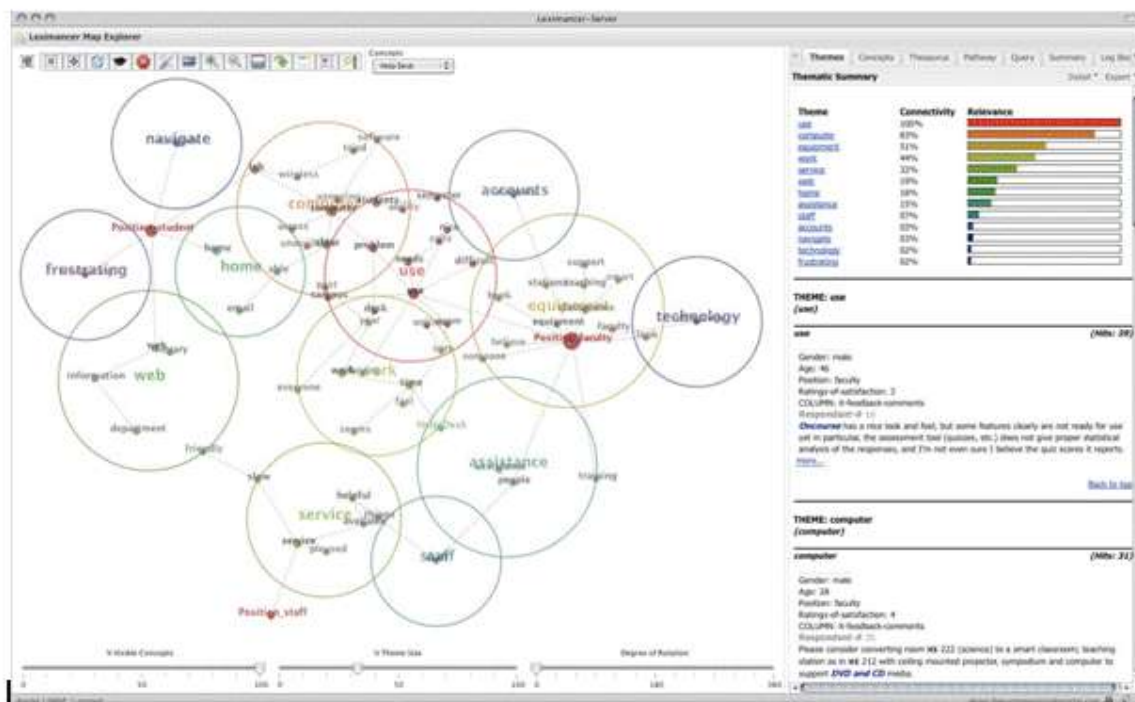
Figure 4Leximancer Concept Map of a Mock IT Survey

Source: https://www.leximancer.com/

A literature search on the use, relevancy and applicability to research yielded fifteen publications covering research in health, social, information technology, geopolitics, education, research methodology, and communication. Penn-Edwards (2010) found Leximancer efficacious for phenomenological research, and Davies, Green, Rosemann, and Gallo (2004) highlighted its ability to pick out main concepts and their relative importance using an objective algorithm, as well as the frequency of their co-occurrence. Leximancer could also identify strengths between concepts. In addition, the software assists in the application of grounded theory analysis to text data, visually explores the same text to create new ideas/theories, and identifies the similarities within the text where the concepts occur to derive contextual similarity.

These attributes were pivotal to the decision to run the textual data through Leximancer. It gives the analysis another perspective, 'mechanical' as opposed to manual, to infuse into the analytical process a sense of objectivity as well as non-bias.

3.5   Results Presentation

The qualitative results are presented in two formats, over two chapters, Chapters Four and Five. The first is in a textual format that talks about the proposition validation and the development of the two central constructs – SD Logic and NFP marketing – and the engagement strategies, in the light of the evidence obtained from the interviews. This is then applied to existing literature, where the researcher putsforward arguments that will(a) raise new insights hitherto unidentified in previous researches; (b) confirm findings in existing literature; and (c) challenge existing literature, leading the way to the development of emerging theoretical concepts.

This presentation is supported by Leximancer as a secondary analytical tool to visually present the relevance of themes in the form of a preliminary concept map, presented in Chapter Five. The use of Leximancer adds another perspective to textual analysis, as opposed to manual coding (hence analysis) by the researcher. This 'mechanised' content analysis tool outputs conceptual maps which show the relationship that the common themes each have with the other. This means the researcher can extract greater meaning from the visual representations.

However, the Leximancer concept map does not fully answer the research question on the role of SD Logic in NFP marketing. Learning from Novak and Canas (2008) and Weick (1989), a conceptual model was built around the research question. The emergent concepts which were grounded in data were ordered and a hierarchy was established. Their relationships with each other were then structurally mapped out and most general or inclusive concepts were given the most importance, resulting in a conceptual model.

3.6   Summary

In summarising, this chapter discusses the rationale of selecting grounded theory as the preferred research methodology. Recapitulating, a literature search showed that exploratory studies were better served by grounded theory rather than by other qualitative and quantitative methodologies. In spite of the criticism that qualitative methodologies are lacking in scientific rigour and therefore assumed to have little validity, grounded theory is highly relevant and applicable for this research to provide the foundations for conceptual theory building.

Sample selection and recruitment were based on purposeful theoretical sampling approaches, as they were the preferred sampling approach to best serve the needs of a grounded theory approach. A strict ethics protocol was adhered to during the entire recruitment and data gathering process. Data was first analysed manually, adopting Huberman and Miles' line by line approach, to capture emergent themes, concepts and relationships.

Using these findings, the resultant conceptual model was built, to answer the research question:

'What is the nature of NFP marketing in a SD Logic environ?'

Chapter Four   **Not for-profit and Service Dominant Logic**

4   Introduction

This chapter examines the field data, anchoring it to the theme of identifying a framework best suited for NFP marketing, to answer *P1:*

  NFP marketing is SD Logic.

This proposition is articulated as a result of the literature search, presented in Chapter Two. The focus of this chapter is to validate P1 through a key construct, SD Logic, which had emerged from the field evidence. Using evidence and literature, SD Logic's validity and viability as a framework to market NFPs will be examined in this chapter. The approach will entail the use of evidence that best matches the descriptions of the various foundational premises of SD Logic. The verbatim used here are selected as being the most representative of the theme, concept or construct that has emerged in the course of the data analysis.

4.1   NFPs' view of themselves: ability to do good for society

NFPs see themselves as adding value to society, of doing good for society. They believe that by doing so, the quality of life is improved, not only for the individual, but for the family, community, society and ultimately the country. They are not driven by profit:

  'But that is driven by not sales or profit, but more about actually ensuring that
  society's better off because people have been attended [to] by our services' (O12).

This is reflected in the work by Freeman (2011). Freeman writes about the basic motivational needs of humankind: to give help, encouragement and affection (nurturance), and to receive help, encouragement and affection (succourance). NFPs encapsulate these needs in their organisational culture, where their mission and operations are focused on nurturing those who are in need and at the same time seeking assistance from those who are motivated to help:

  'We wanted to figure out how we can make families feel safer, and more valued, and
  function better'(O1).

This desired positive outcome is a manifestation of a value that will occur not only in the immediate aftermath of the receipt of a service, but in the long term, through time and space. Through the NFP's action, value has been created.

4.3   Value creation

Although the beneficiary derives the greatest value from the outcome, the spinoffs from that positive experience prevail long after the initial exchange of service.   In one single act of giving, a whole chain reaction of good ensues, evidenced by a refugee's response to aid given:

> 'I received a letter from this husband and wife and the husband has now been able to come to New Zealand. So, altogether they were probably apart for five and half years, and they were so grateful. And they said, you know, you gave to us and we have nothing that we can give back to you. Thank you, thank you' (O15).

 The once-separated family is now able to rebuild from the ruins of a difficult past, and together face a better future. Likewise, when an unnecessary death is prevented, through education, knowledge and support, the individual is given a second chance to live:

> 'And then there's the third thing that we do is ultimately to raise money. So we can't do research without money, we can't produce the resources that we produce without money, we can't work in schools that we work in without money....it's too many people have good stories of someone they know that's fit and healthy, and has got their whole life ahead of them and it's not right. It's just unnecessary. So you're right. It's a lot of good that we can do, we as individuals that can do' (O18).

These two examples are selected from the abundance of evidence, rich in the concept of value co-creation, a dominant theme that underpins SD Logic; that value is co-created when there is an exchange of operant as well as operand resources (Vargo and Lusch, 2004a, 2008). In both these examples, both the NFPs had to rely on financial resources given by others to enable them to help others through financial assistance, research, and education.

Therefore, through SD Logic, resource generation is gained through the exchange of services and value is subsequently co-created. In other words:

> *SDL →(Resource generation + Services exchange)→Value co-creation*

4.3.1 FP1: The application of specialised skills and knowledge is the fundamental unit of exchange.

The ability to do good and create social value can only happen when there is an exchange of resources. The first basis of exchange is money and time, but Vargo and Lusch (2004a) posit that application of specialised skills and knowledge is the fundamental unit of exchange. NFPs have specialised skills and knowledge in abundance, specific to the needs of a community. They see themselves as advocates, educators, agents of change. Through education, they are able to cause a change in thought and behaviour:

> 'Obviously trying to help people who for other reasons haven't been endowed with what most of us have, most people have got ... but the children we work with, they've been dealt a very tough hand really and so what drives the staff and the board is to try and make up for those children and given them as good a chance at life .... They may never achieve what most of us can achieve but through music therapy here, their lives will be better'(O11).

The first foundational premise (FP1) of SD Logic '**The application of specialised skills and knowledge is the fundamental unit of exchange'**(2004a)**,**was later modified to **'Service is the fundamental unit of exchange.'** (Vargo & Lusch, 2008):

> 'but we're wanting to grow our supporters, to increase their knowledge, to increase their level of engagement, to make sure they're getting something out of it, that we're providing very personal but also very efficient service'(O2).

Without this initial exchange of specialised skills and knowledge, meeting the needs of the community or personal, intensely private needs may not eventuate. From this fundamental exchange, communities can benefit from and experience the co-created value, which can be the lessening of pain and grief and the restoration of dignity:

> 'Because people, when they mention hospice, they think of death, and dying, that it's a place for old people to come and die.... it's not that at all, it's actually about getting people to live every moment. Hospice isn't a building, it's a philosophy of care....' (O10).

This is made possible through a fundamental exchange of specialised skills and knowledge. This concept of value creation is also embedded in the definitions by Lettieri et al., (2004); Pope et al., (2009) and Dart's 2004 description of NFPs.

4.3.2   Who co-creates value with the NFPs?

In applying FP1 as a way in which NFPs viewed themselves, as creators of value, are there other creator(s) working in collaboration with the organisations? Whilst literature has noted that key stakeholder groups such as funders and volunteers who donate financial resources, material goods, time, knowledge, skills and networks, are vital to the NFPs' existence; it is in SD Logic's FP6: **'The customer is always a co-producer'**(Vargo & Lusch, 2004a) that they can be credited with being the co-creators, in partnership with the NFPs. In 2008, FP6 was modified to **'The customer is always a co-creator'** which was more specific. As 'customers' (Lusch et al., 2006), the funders' donated resources enable the NFPs to deliver an essential service to the community in need:

> 'We've certainly funded the training of fellows and cardiologists, send them overseas and they come back and they apply their skills. And as I say, heart disease in New Zealand has halved over the last forty years'(O18).

By funding programmes that result in preventing premature deaths, declining drowning incidents, or enabling the use of music as part of a healing therapy,the finding suggests that the NFPs perceive the funder as one of the co-creators. Funders have, in their vital partnership with NFPs, brought immeasurable values to the lives of others:

> 'and they are just amazed that this is a whole other side to music that they don't know about before, this kind of healing can transform inside' (O11),

In viewing the evidence through SD Logic lenses, the results and subsequent value of the joint efforts between funders and NFPs can be described in a more meaningful way. This can be further elaborated through FP10: **'Value is always uniquely and phenomenologically determined by the beneficiary'** (Vargo & Lusch, 2008).

4.4   Operant Resources

Operant resources are key in NFPs as they are the ones who have the knowledge, skills and means to deliver the niche services to the communities they serve, fulfilling FP1. Intangible and often invisible, operant resources act on and through the means available – equipment, processes, competences – to produce the desired effects (Vargo & Lusch, 2004a):

> 'I have to acknowledge and recognise that [Brand H] has done a lot of work with [Athlete A] to get him to where he is as well.... And then as an organisation we can

potentially grow that, with their sponsors around from sponsoring [an athlete] to sponsoring a programme of [our organisation] so that's the opportunity that lies there' (O4).

At the same time, operant resources fulfil **FP2** which posits that **'Indirect exchange masks the fundamental unit of exchange.'** Modified in 2008 to read as 'Indirect exchange masks the fundamental **basis** of exchange', Vargo and Lusch explain that since service was provided through a series of exchanges of goods, money, institutions (and other operant resources), the service-for-service basis of exchange was masked.

> 'We've made a commitment to the people who are our committed givers, that the funds that they, their funds actually go towards paying for nurses that go out into the community.... It's actually nice to know that when someone's giving us thirty dollars, or fifty dollars, we again can go back and say "look this is the difference you are making. You've paid for so many nurses visits this year..."' (O10).

4.5   Operand Forces

FP3 states that **'Goods are distribution mechanisms for service provision'** (Vargo & Lusch, 2004a). NFPs do not produce goods to enable FP3. However, the hardware that NFPs use to deliver a service is the distribution mechanism for service provision.Therefore the equipment used in the process of service provision becomes the distribution mechanism. In this way, these mechanisms become a component for value co-creation, making them marketing vehicles, as in the case of medical equipment, vehicles, buildings and even signages:

> 'We look at the kind of thing that a child and a family would do without if we didn't have the ability to support it. So there might be a piece of equipment for example.... So... are you going to buy that machine that will cater for six to ten children or are you going to put your half a million... that's going to buy some piece of equipment that's going to cater for thousands of children?' (O9a).

4.6   Competitive Advantage

For-profit business enterprises constantly seek to gain competitive advantage in order to remain sustainable and profitable. NFPs are no different, and have to engage with their market to remain competitive. However, NFPs' competitive advantage is measured by their

ability to successfully generate income and use that vital resource efficiently. FP4 states that '**Knowledge is the fundamental source of competitive advantage'** (Vargo & Lusch, 2004a). However, it was argued that knowledge is an operant resource, and since knowledge, skills, and technology drive an organisation's productivity, FP4 was revised to **'Operant resources are the fundamental source of competitive advantage.'** (Vargo & Lusch, 2008):

> '…on the face of it there's a lot of charities... in New Zealand competing through the same channels, the same space. But a lot of our donors support multiple charities and they don't stop, they don't stop giving…. They add more on when the need comes. So the biggest risk for us is internal I think, it's if we can't tell our story right, if we don't invest in growing and fundraising, if we start to take a marketing approach rather than a fundraising approach. Some of those things are the biggest risk.' (O2).

Unlike for-profit organisations, NFPs' perception of knowledge, when viewed through the FP4 lens, offers a different dimension to that established by Vargo and Lusch. The resultant productivity that results from the 'knowledge' or operant resources is not in the production of goods and services, but in the efficacious use of the donated financial and time resources required to meet beneficiaries' needs. When funders see the efficient use of funds to serve the cause, a bond of trust develops and the relationship strengthens, and the organisation, therefore, gains a competitive advantage over those NFPs that have not deployed their operant resources with similar efficaciousness.

> 'It's quite unique and it's quite refreshing and at the same time it's probably taken a year or two…for incumbents to embrace that idea that we can actually improve upon what we're doing right now rather than just remaining in that same static position'(O3).

By improving the organisation's structures, making it more efficient, the organisation is creating value in the services that it will provide, and giving the funders greater value for the donated financial resources.

Therefore, NFPs have to look at the organisation in its entirety, to understand the collaborative nature of skills and knowledge, the relationships between the individuals at all levels within the organisation and the collaborative nature of their relationship with the funders. Seen through the lens of a service-centred view (Lusch et al., 2006), FP8 holds that:**'A service-centred view is customer oriented and relational'** (Vargo & Lusch, 2004a).

'...a clever not for-profit will market well outside of all that [tried and tested marketing tools].... the real trick of becoming a number one charity is to actually know what the market is going to respond to a bigger picture... we don't do it well enough. We're not there in Facebook, our website isn't up there. It's a good website but it's not modern. We are not getting the next generation.... We're not going to lose sight of our traditional but we actually have to open our market much more and to a certain extent we've been embarrassed into it. I mentioned [Facebook PJ], a good example of someone in the same business we're in who have actually got out there and captured the market we couldn't capture. We actually have to take it back again' (O6a).

This piece of evidence emphasises the importance of FP8, which is made more lucid in its revised version: **'A service-centred view is inherently customer oriented and relational.'** (Vargo & Lusch, 2008). In order to regain the lost or lapsed relationships, and capture new ones, NFPs use pluralistic approaches as the relational component is oriented to the cause and transactional component is oriented to the brand.

4.7   Intangibility

FP5 describes that **'All economies are services economies'** (Vargo & Lusch, 2004a) and in an NFP environment, all of its products are services or intangible products rendered possible through the operation of operant resources on both the operand and other operant resources. Skills specialisation is an intrinsic part of NFP services, especially for those that are engaged in physical and mental healthcare, trauma and conflict rescue, special needs, environmental, and social justice advocacy.

'We're actually about people living, and it's about making sure that they live every moment that they have, and with respect, and with dignity. You know and that's the most important thing.... And to help the family...the family is such an important part, and they're the ones who have to keep on going once their loved one has died. And that's why the family support team are here to support them in their journey as well'(O10).

4.8   Being Business-Like

NFPs are mission and cause driven, but passion alone is not enough to ensure sustainability. Management and good business practices have to be embraced, as the new generation of funders demand accountability. An NFP's development lies not only in the delivery of projects and services to improve the social value of the community. It should also grow the sources of income streams to enable the financing of future projects. Funders have to be aware that all the money does not go directly to the cause. It also goes towards investing in an infrastructure to ensure that the cause is continuously supported (Chekovitch & Frumkin, 2003). There is aperception that NFPs are being managedwholly by unpaid volunteers, attributable perhaps to the fact that volunteers account for two-thirds of the full-time equivalent employment, when compared to paid staff (Sanders et al., 2008). The reality of the current practice of being business-like has to be reinforced (Dart, 2004):

> 'In terms of the way we spend our money, it's the long-term development work that is the majority of our funding because that's the expensive work to do and that's where we're trying to reach a lot of people. And that would be the biggest focus in terms of staffing too....' (O2).

Since NFPs are dealing with huge amounts of money and time that have been donated by the public, being business-like for NFPs is not about making a profit to benefit shareholders. Being business-like is taking on a custodial role to responsibly disburse the donated resources, especially money and aid items, to the appropriate beneficiaries, with integrity (Stride & Lee, 2007):

> 'But effectively, we're setting a service and because and again I think we face the same issues as most of the services face, selling something intangible, but you're selling benefits of that.... So that, that level of trust that we talked about before, is absolutely critical. Do people trust that they may support us financially or advocate on behalf or engage in one of our programmes? That it is the best way that we can spend our money wisely, invest it wisely, and that we're gonna channel it wisely. And that remains a constant challenge'(O18).

In fact, NFPs cannot afford not to be business-like and this is supported by FP9: '**All social and economic actors are resource integrators'** (Vargo & Lusch, 2008). The repercussions are costly and unprofitable because:

'bad news does not translate into money' (O6b).

Apart from the public scrutiny, NFPs have to answer to the board of trustees too.

'We strive to be as business-like as we can. We have a board of course, that we're accountable to.... So we believe very much in being a business' (O9a).

5   Summary

To summarise, SD Logic in NFP marketing takes into consideration the key themes of value co-creation through the exchange of services, and that a service-centric view is, therefore, customer-centric and relational. FP1 describes service as the fundamental unit of exchange, and value co-creation is embodied in FP6 and FP10, since it states that the customer is always a co-creator. FP4 maintains that the fundamental sources of competitive advantage are found in the operant resources (skills and knowledge). Since NFPs are service-centric, therefore, according to FP8 they are relational in nature.

The service-centred focus of NFPs is fully supported by a customer-centred and therefore relational foundational premise, which endorses relationship building strategies as the way forward for NFP marketing. In adopting a business-like approach, NFPs need to look at the organisation as a whole, aligning the mission and cause with the knowledge, competences, policies and procedures, organisational structure, and cultures to deliver a 'product' to their customers, the funders. Value co-creation enables funder commitment to the cause, and paves the way for communication, engagement and relationship building, resulting in a competitive advantage to gain more financial resources. SD Logic in not-for-profit marketing can be viewed conceptually in Figure 5.
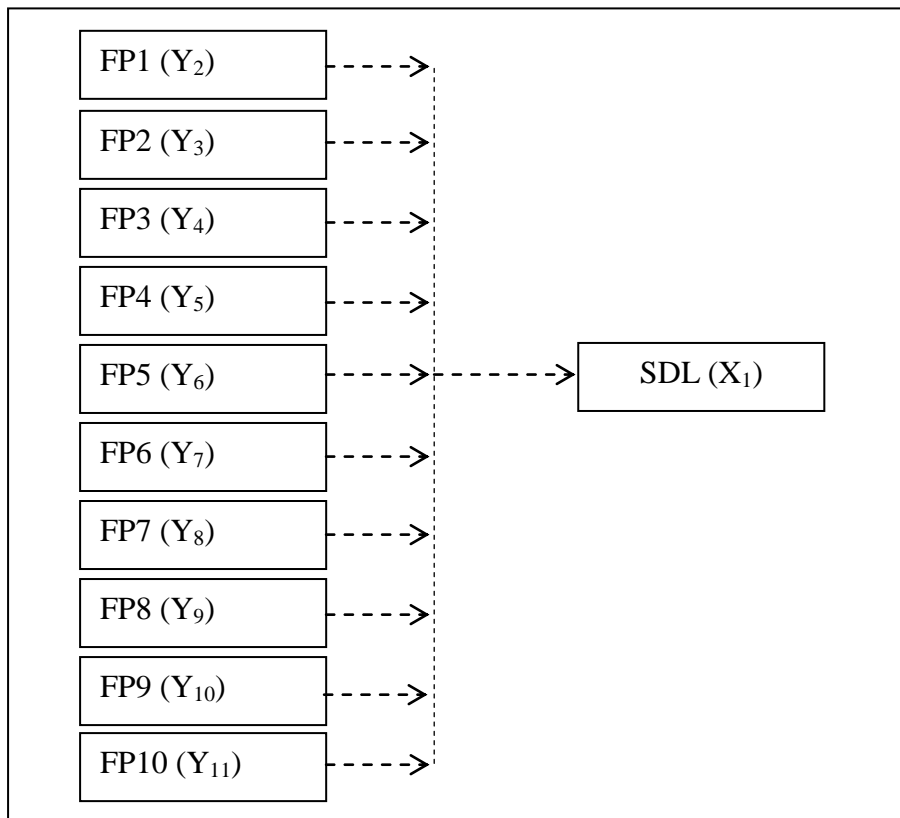
Figure 5 Conceptualising SD Logic

Chapter 5   Not for Profit and Marketing

5   Introduction

At the onset of this research, the 'hunch' was that NFPs' relationship with their brand would be at various stages along the continuum of dispassionate to passionate, resulting in various states of engagement with stakeholders, particularly funders. Whilst Chapter Four focused on exploring the evidence to develop the conceptual framework for NFP marketing, Chapter Five looks for evidence that is relevant to the remaining three propositions that were developed from the literature review in Chapter Two.

P2:   **SD Logic enables value co-creation through a pluralistic approach through relational and transactional marketing.**

P3:   **The relational component is orientated around the cause; the transactional component is orientated around the brand.**

P4:   **NFP share of market is defined by share of resources.**

The validation and development of these remaining three propositionsisbuilt around the marketing constructs that have emerged from the data analysis. However, it is not done in isolation from the findings of Chapter Four. The process will also draw from the literature review in Chapter Two, as well as support from new literature sources.

5.1.1   Chapter strategy

As the collected data was rich in evidence and emergent concepts, the strategy for approaching this chapter is encapsulated in Figure 6. Each box contains a proposition, which will be validated and developed from the evidence and literature, and linked to an SD Logic foundational premise that is most logical and meaningful to it.

| P2: | SD Logic enables value co-creation through a pluralistic approach – through relational and transactional marketing. |

Validation and development through evidence and literature, drawn from the constructs and supporting themes

RELATIONSHIP MARKETING (Y_{12})	STORY-TELLING (Y_{13})	MARKET DEVELOPMENT (Y_{14})
• Transactions and exchanges • Marketing activity • Pluralistic approaches • Technology • Social media • Stewardship • Barriers to giving • Impact of 'environmental' changes	• Traditional approaches • Innovative approaches • Staying in touch	• Age of giving • Start 'em young • Culture • Engagement strategies

SD Logic (FP8) A service-centred view is **inherently** customer oriented and relational

| P3: | The relational component is orientated around the cause; the transactional component is orientated around the brand. |

Validation and development through evidence and literature, drawn from the construct and supporting themes

BRAND (Y_{15})

• Brand versus cause   • Organisation as brand
• Brand personality   • Brand experience
• Brand alliance

SD Logic (FP4) **Operant resources are** the fundamental source of competitive advantage

| P4: | NFP share of market is defined by share of resources. |

Validation and development through evidence and literature, drawn from the construct and supporting themes

SELF CONCEPT (Y_{16})

• Values   • Happiness of giving
• Altruism   • Trust

SD Logic (FP1) **Service** is the fundamental **basis** of exchange

Figure 6 Chapter Five Summary

5.2   Relationship building

Three key constructs in relationship building have been identified as having the highest relevance to *P2:*

SD Logic enables value co-creation through a pluralistic approach – through relational and transactional marketing.

The three constructs are: relationship marketing, 'story-telling' and 'market development'. These three constructs exhibit an exchange element between entities that will result in a change or development. Seen from an SD Logic perspective, it is a creation of value. Within each of these three constructs, however, is a set of sub-themes or traits which have emerged from the body of evidence to support their relevance to P2.

5.2.1 Relationship marketing (RM)

Although a review of literature on relationship marketing established that it was risky to hinge NFP marketing solely on RM strategies, it is still a core construct to enable NFP marketing. Gummesson (2002), in examining the core values in RM, stated that customers are individuals, not 'statistics, decimals, and averages of grey masses (p 51)' that have been homogenised to fit into generalised demographic and psychographic descriptors:

> 'So the trick is to be out there, to be meeting people, to be telling our story to people without upsetting them, without being aggressive and that's where we've tried to pitch our street fundraising. And we do not accept one-off donations because that's not what it's about. We're not after people giving us ten dollars to go away… we're happy to talk to them even if they don't sign up, but in that context we're looking for a long-term relationship'(O2).

In order for a relationship to form there must be common traits that will first draw the entities together. Based on the Relationship Marketing Orientation (RMO) construct that was originally proposed by Callaghan, McPhail and Yau in 1995, (and further enhanced in 1998 by Yau and several others), Yau, McFetridge and Chow (2000) identified the four common components of the construct as 'bonding, empathy, reciprocity and trust' (p1113). In talking with people, NFPs make the initial move to seek out those who will identify with the cause and values, and initiate the relationship building process – the bonding. Working together, they move towards achieving the NFP's mission. As a chief executive officer, in sharing the personal experience of managing an NFP as well as being a donor puts it:

> '[I]…speak from personal experience….when you financially invest in something you feel a connection to it. And you endorse what they are doing and you're willing to sacrifice for it.' (O1).

As the relationship proceeds, the mutual understanding develops into an empathetic relationship where either party is able to see through the eyes of the other. This empathy is significantly enhanced when NFPs have in place a RM management strategy that focuses on customer retention rather than new customer recruitment (Berry, 2002; Yau et al., 2000):

> 'We've even got a little buddy, a boy who gives us $5 a month. I struggled with that. I thought I wanted to say, you know you keep your pocket money and my Wellington manager who's somewhat of a Buddhist said in Buddhist values you can't say no to it and it's an insult so I said yes to him' (O8).

This evidence of empathy in NFP relationship with funders is however, a multi-directional relationship, where the customer is a co-creator of value (Vargo & Lusch, 2004a, FP6). Reciprocity and trust, the remaining two components of RMO, imply a multi-directional exchange of intangibles – services, values, emotions, and support:

> 'And part of what we try to get across to our customers is to say to them, "Look, when you're receiving donations, and you're actually establishing contact with someone who could be a supporter for a very long time...understand what that data means to you as an organisation. It's a very rich source of your future potential to be able to build that relationship on an ongoing basis"'(O5).

This future potential conveys the potential and expectancy 'for mutual benefit and equality of exchanged values aspects of social action between two individuals' (Yau et al., 2000, p 1114). This potential and expectancy however, cannot eventuate if trust is absent, and for NFPs, the value of trust is almost sacrosanct. Furthermore, trust is fundamental to all relationship building, and with trust, co-operation results (O'Malley, Patterson, &Kelly-Holme, 2008):

> 'We know that legacies come from people who trust you, who are happy to leave their money to you and in many cases it's quite a lot of money because they are aware of what you do' (O6a).

Apart from having had a good brand experience, the relationship building has generated trust, hence the bequest. In addition to these four components, several traits that bore relevance to RM and supported the construct were analysed from the data.

5.2.2 Transactions and exchanges

Although scholars have argued that TM is based on a manufacturing, goods-dominant economy, transactions and exchanges too, occur in a service market. The dictionary

definition of transaction as 'an exchange or interaction between people' (Soanes & Stevenson, 2008) and exchange, as a reciprocal action which involves giving in return for something received, is very real in NFP relationships:

> '…it's about the head space that people are in when we're talking to them, when we communicate with them. So we get a lot of people that will, a lot of that group will pay by, will donate by credit card but they'll fill it in on a piece of paper and send it back to us' (O2).

Unlike TM however, these transactions and exchanges involve intangibles – the NFP communicates to the funder the organisation's values and beliefs and the services that it will render to the community in need. The funder responds with a commitment to support them financially. At times, a token is exchanged, but the value of that exchange lies in the potential of the financial commitment that has been made:

> '...first to embark on a fundraising project... pin and win, with the selling of the [organisation's] pin... and has an opportunity to win a scratch card on the back as well... today it's earned this organisation over the last two years [almost half a million] dollars revenue' (O4).

Unique to NFPs however, is a transaction-exchange scenario, where not only both tangibles and intangibles are exchanged, and opportunities abound for relationships to be formed, sustained, and renewed. This is found in the NFP-run 'op shops':

> 'We've got the op shops, we're developing more op shops, they're great in the community, people really feel like they're giving and they're quite, you know the one that we have got is quite financially quite successful. So we're expanding on those, people are then very engaged with us, very good. And also the level of people that are engaged then are quite often a little bit older so they're great bequest prospects so it's a very good model for us' (O6b).

Hence, in the community setting of an 'op shop', a rich sense of value co-creation prevails. Through the donation and re-selling of donated items at token prices, there is income generation and the buyer makes a value for money purchase. Relationship building opportunities are created as well, and this in turn leads to further value co-creation opportunities.

5.2.3 Marketing activity

The American Marketing Association's definition of marketing, from its first definition in 1935 to a mid-1980 revision to the latest definition in 2004, showed an evolution of activities and stakeholders. It began with activities that directed 'the flow of goods and services from producers to consumers,' to embodying the 4Ps (product, pricing, promotion and place) 'tocreate exchanges that satisfy individual andorganizational objectives'; it finally became 'an organizational function and a set of processes for creating, communicating and deliveringvalue to customers and for managing customer relationships in ways that benefit the organizationand its stakeholders' (Keefe, 2004, p 17).

For NFPs, the 2004 definition is most appropriate in view of the numerous groups of stakeholders that are involved. Unfortunately, many of the NFPs in New Zealand are confronted with a resources issue, rendering them unable to fully engage in marketing activities:

> 'Fundraising is the, is the main marketer if you like. Ancillary marketing over and above that really, there's a bit of branding on the trucks. That's important. They are fairly high-profile. We have three vans constantly picking up donations. There's very low level marketing of the shops and branding in the shops. There are service brochures...' (O7).

This reflects a situation where serving the cause takes precedence over marketing activities. Thus, fundraising, apart from being an income-generation vehicle, becomes a marketing strategy to raise the organisation's profile as well:

> 'So the priority with what we do, it needs to generally be either fundraising focused or advocacy focused and we build our brand indirectly from those activities'(O2).

As a result, NFPs use fundraising activities to drive their marketing strategies, employing various strategies and means and resources available to them. This finding is unique to NFPs, as literature has yet to identify this phenomenon in NFP marketing.

5.2.4 Pluralistic approaches

Fundraising now serves two functions within the context of NFPs: 1) to raise funds as an income source; and 2) to serve as a marketing opportunity to raise brand and organisation profile. So NFPs need to look at various strategic approaches. Lindgreen, Davis and Brodie (2000) stated that a singular marketing approach is no longer feasible for today's complex

business organisations. More importantly, NFPs rely heavily on a constant income stream from regular givers as they represent a key source of budgetable income; hence the need for 'customer retention' strategies. Therefore, since TM is a key customer recruitment strategy and RM essential for customer retention, NFPs need to embrace a pluralistic approach.

However, NFPs do not have a marketing war-chest and ingenuity needs to come into play when the message needs to be publicised. Free media plays a big part for NFPs who are strong in their advocacy roles, and having strong relationships with the media increases accessibility to the public at almost no cost:

> 'I use the media. I have very ready access to the media now, The Herald, the radio stations....we have four hundred and fifty women, we're talking about cycling. We do all of these. So you can see we, sort of cover and we're involved in putting on events, attending events' (O17).

Using events as a means to gain media attention and therefore plug the message is a tool that NFPs can and must take advantage of, especially when the end result is a feel-good story with a happy ending.

Apart from using traditional media channels to engage with funders, the use of other channels cannot be ignored:

> 'This is something I try to impress on our charities all the time. Firstly understand what your strategies are for engagement with your customers. Because your web strategy is a very important part of your overall organisational strategy. And to deliver that, you know it's supported by your marketing strategy. Who are your customers? Who are you trying to engage with online? How do they want to engage with you? Are they comfortable with being a donor online? You know some charities have a relatively old audience, some understand that Gen Y and Gen X are actually looking to engage online. So how do you go about doing that? How do you tell the story? You market yourself and your services to make sure you get that message across. And it's a different medium, the web, and people approach websites in a completely different way than the standard marketing tool' (O5).

5.2.5   Technology

Illingworth, Williams and Burnett (2002) discovered a growing gap between large, 'information-rich' NFPs, and their resources-strapped, small and therefore 'information-poor'

counterparts. This gap, drawn from the results of previous studies and that of an 86 Scottish non-profit environmental organisations study, identified resources and attitudes as being the dominant characteristics to either embracing or having a wary approach towards technology as an organisation management tool. The results showed that NFPs had high scores of 60 percent and above on web functions of raising awareness, communication, generating new members, marketing the organisation and sharing information. However, only 20 percent of the large web users and 30 percent of small web users respectively found it useful for fundraising.

Comparing these scores to the attitudes towards the web for NFPs in New Zealand, the research evidence exhibited examples of high acceptance of the internet as a fundraising tool:

> '… these days with technology I can post a blog and it gets automatically posted to my twitter and Facebook, our supporters page, and my Linkedin, so it's pretty amazing' (O1).

It implies the value that the internet has added to the NFPs. In fact, one of participants had poignantly recognised the fact that the organisation has not fully utilised the web effectively and strategically:

> 'The other thing is all other electronic media such as the website and other ways and other means of giving, and again the website comes into that as a mechanism of giving, connecting, getting something, doing something together, so if you take all the electronic media... that is where we are missing out. We are not doing it well and I think to a great extent we are missing out on a lot of funding' (O6a).

Yet at the other end of the spectrum are those who acknowledge the web's functionality, but will not engage with it fully. This is because the tried and tested traditional methods of engagement are still relevant to their stakeholders, and have proven to be successful:

> '...for example, we can send a good old fashioned letter to supporters and get a 12% response rate and an average gift of a hundred dollars. We can do the same by email and get 0.3% response rate to the same group with an average gift of probably thirty dollars. It's very difficult, I know that's not social media but it's the same problem with social media, that 80% of money comes from people who are over 50 for most charities and while those people are increasingly active on social media, they're not

generally donating on it. And even just good old fashioned email is still a challenge for a lot of them'(O2).

However, it must not be misconstrued as an over-attachment to the tried and true. It is due more to the strategic decision of optimising and directing limited resources to activities which bring in the best financial results:

'...there's quite a few online sort of fundraising mechanisms or sites or...different set up. We've put our details and all the rest of it and ...we've never received from the ones we've done. So I'm incredibly wary about putting resources into any more of those currently, even though it is a small amount of resource'(O11).

Even though it is important to be relevant and make the giving process as easy as possible for the core givers, new givers with different mindsets, attitudes and engagement processes are emerging, and they will eventually want to use what is familiar to them. Furthermore, changes in the banking systems and services will eventually enforce a change in the way donations are made, from paper-based transactions to electronic transactions. Therefore, NFPs will have to look into online strategies to engage with funders at greater length, breadth and depth (Kenix, 2008).

5.2.6   Social media

As a technological dimension which has altered relationship engagement strategies significantly, social media is receiving mixed responses from NFPs:

'Social media, and web-based social media is fundamentally changing how, as human beings, we get together'(O5).

The emerging patterns reveal three significant attitudes: 1) ignore social media at your peril; 2) it is relevant but limited resources and social issues restrain its development and use; 3) givers are older and social media is not an ideal channel. Fundamentally, social media has proven to be an effective networking tool. A book review by Carpenter, on Kanter and Fine's book *The networked nonprofit: connecting with social media to drive change* (2010) talks about the 'importance of relationship building through social media' (2011, p 975), as they are 'remarkably powerful tools for nurturing loose ties over time' (p 974).

For those NFPs that have embraced social media, the key advantage lies in the potential for being able to engage with a large audience within the fastest time and at efficiently lower costs:

> '...what I've learnt is that different communities are within those different networks. And so if you want to get a wide message across, you use everything and anything. So it's a bit of a scatter gun approach… on twitter…linkedin… Facebook, I do a blog. If you ignore them, you ignore them at your cost' (O1).

The relevance and the currency of social media, and its ability to enable engagement with a wide audience at affordable costs are important features that should not be ignored:

> 'I remember in my first proper job that we were setting up a website. This was really big news.... That's thirteen years ago right then, that we're talking about, twelve years ago. It's not very long ago and look how far we've come.... Now to choose to opt out of that kind of level of technology now just seems…odd, very odd' (O18),

Resources restraints prevent NFPs, especially the smaller-sized organisations, to fully exploit their relationship engagement possibilities. In addition, privacy and cultural sensitivity issues, especially for NFPs responding to social issues such as domestic violence, mental health and substance abuse for example, do impose a limitation to the role that social media can play:

> 'I mentioned [FB group PJ]... they bring people to justice on Facebook, which is not the way you do it. You can't condemn or convict people by Facebook, so to my mind it's a dangerous trend. You can alert people to it, but when you start to cross the line of law enforcement and working within the law....' (O6a).

This potential lack of control that an organisation can have over the content can have far-reaching consequences. Therefore, the inability to deploy social media as a marketing or relationship engagement tool may not be due to the organisation's attitude towards accepting change but to legal ramifications as well.

NFPs have also indicated that age is a consideration when deploying social media as a pull to bring in donations:

> 'It's a very grown-up cause, so we recognise really, in our strategy work, we appreciate that we are using social media for instance, to talk to our twenty-five to thirty-five age group, but we don't really expect to convert them to money donors

very much. What we hope to do is to start the engagement so that when they're forty-five and looking at those values then (O7).

This presents an exciting challenge for future research, as social media promises to be both an advantage as well as a potential risk to an NFP's reputation and presence in the community. However, at a time when accountability and trust issues are gaining prominence in the public mindset, social media should be used with caution.

5.2.7 Stewardship

NFPs have been entrusted with the care of large amounts of financial resources to create social value, and the more effective their stewardship of this trust, the more successful will be their fundraising efforts. This is manifested in low funder attrition, increased efficiencies in fundraising in relation to costs, and the 'upgrading' of funders to higher levels as the relationship ensues (Metrick, 2005):

> 'The other area that is really big for us and focus on it hugely is donor care. Stewardship as we call it. We know how much it costs to get a new donor. We don't want to lose them and we know that if we do the right thing and we keep them on board they are likely to become the bequester in the far distant future' (O9a).

The ability to encourage a regular or long-term donor into making a bequest is testimony of a successful relationship management strategy. This is a sensitive issue, because NFPs are constantly reminded of fundraising events that have come to the public's notice for all the wrong reasons. Sargeant, Hilton and Wymer (2006) noted that an organisation's performance plays a significant role in influencing bequest decision. Funders were concerned that the bequest were not diverted to meet fundraising and administration costs, but towards the cause:

> '…there was that telethon one…when they had the telethon a couple of years ago…. They found out that, you know it was going to exorbitant wages. So you certainly, you've certainly gotta be good stewards, people like to know their money is being well treated'(O1).

The concern that NFPs have for donor or funder care is crucial because of possible negative consequences. Intense competition amongst the charities has led some NFPs to be concerned about the lack of professionalism and sensitivity in fundraising strategies the industry. This is also reflected in the quality of communication that the organisation sends out to existing and potential funders. Well-run organisations tend to receive higher value donations, and

those that are able to articulate their cause and cut through the clutter of the high volume of requests get more attention (Sargeant, West, & Ford, 2001; Sargeant et al., 2006):

> '...the competition is in the sheer number of charities. People who don't treat their donors well and respectfully and those who don't use their money well and respectfully. If everyone was doing this you would only have those charities that are working hard and doing good work and the public would continue to support them and I don't think there'd be any discussions about donor fatigue'(O7).

Funders need to be assured that the resources are going to be used for the stated intention– to help those who are in need. But at the same time, funders have to be aware that some necessary costs will be incurred to deliver this help. It is important for NFPs to communicate the importance of the various costs that must be met, in order to achieve the targeted outcomes:

> '…it costs money to collect [money], we lose 2% upfront on credit card fees just before you even start off. There's definitely costs, you cannot do it for free. You've got to have staff processing, you've got to have your accounts audited… there's all sorts of things which is not a big cost in the scheme of something like a Haiti earthquake appeal but there are administration costs' (O2)

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5.2.8 Barriers to giving

NFPs have to constantly balance between when, how, what, and how much to ask. However, when NFPs have clear ideas on the barriers to giving, this balance becomes more manageable. The biggest barrier to giving is the lack of profile or information on the NFP. This leads to loss of brand experience and potential engagement opportunities, so NFPs have to 'shout' their brand, cause, values, and subsequently, their presence in society (Dolnicar & Lazarevski, 2009; Hankinson, 2001; Khan & Ede, 2009; P. Tan, 2003; Weisnewski, 2009).

> 'So our job is to make sure that people get to know what we do, and that's not only important in terms of recognition in terms of knowing, people knowing that they have access to a service like ours. And that's probably actually the most important motivation, but yes another motivation of course to build our brand and public understanding of what we do is to ensure that we are relevant to society. And therefore they will give money and support us, so I suppose really support often means, is really [the] code for yes they'll give us money when it comes down to it'(O12).

Other fundraising barriers include excessive exposure to fundraising as well as aggressive solicitations. In New Zealand, competition for the public dollar is noticeably rife from the month of August onwards. The Cancer Society holds its Daffodil Day in August, Blue September is Prostate Cancer awareness month, and October turns pink for Breast Cancer Society. Canteen, a support organisation for teens with cancer sell bandanas in October, and in November, men grow moustaches ('Movember') to support prostate cancer and depression initiatives. The Salvation Army launches its annual Christmas appeal in December. All these activities are vying for the public dollar during the period where families plan and budget for several events: family holidays during the summer break, Christmas and New Year, and back-to-school expenses for families with school children:

> 'the amount of noise from charities and a bit of donor fatigue around. Forever being told things are dreadful and are terrible' (O7),

This competition not only creates a barrier to recruit new funders;it also causes donor attrition or lapses. Sargeant (2001) found that there are diverse reasons for lapsing. From a mixed method study of eight focus groups and a randomly generated sample size of ten thousand active and lapse supporters from ten different organisations (23.4 percent response rate), 26.5 percent of the lapsed sample felt that other causes were more deserving, and 22.3 percent could no longer afford to support the organisation (p 182). This implied competition from other organisations as well as the funders' personal needs. Sargeant, borrowing a term from Burnett who first coined it in 1992, reiterates that relationship fundraising as a move to recognise each donor individually, and this was echoed by Gummeson in 2002:

> '…the biggest risk for charities is not that they ask too much and upset people, it's that they are forgotten and become irrelevant because they don't ask enough or they don't ask the right things.... we try not to overload our donors, but all the data suggests that the more you contact people the more likely they are to stay with you.' (O2).

5.2.9   Impact of 'environmental' changes

Unforeseen environmental changes have impacted on NFP fundraising activities too. Just as New Zealand was bracing itself to facethe onslaught of the global financial crisis in 2009, the Christchurch earthquakes hit the countryin September 2010, causing considerable damage to property. Then the Pike River mining disaster in November cut into the already raw emotions and was followed by a devastating tsunami in Japan. Hot on its heels was a second,

more devastating earthquake that hit Christchurch again in February 2011, resulting in fatalities as well.NFPs' responses to this string of events were mixed, with some confident of riding the storm and others expressing concern:

> 'It's really difficult to say, but across the industry the data on what happens to charitable giving during recessions is that generally it's fairly recession-proof. A lot more recession-proof than the economy generally, and so looking at the worst economic times over the last thirty years, there's only been one time where charitable giving didn't grow in a particular year and that was 1989/90...' (O2),

Yet in spite of such drastic environmental changes, NFPs have a certain resilience that is supported by the largesse of human nature in times of great need because:

> 'in difficult times charities actually do better because people understand the need to give and they are moved by needs in the community because they see first hand tragedy and sickness or death or whatever has come about as, from the tragedy and so sometimes they give more' (O9a).

Several NFPs changed tack and put their fundraising launches on hold, because 1) it was the right thing to do – there was a greater need; 2) it was a business decision not to expend resources because the returns would be low; and 3) it was a bad public relations move to vie for attention in moments of such great need:

> 'Some of them have failed to understand what the impact of Christchurch... the immediate impact on Christchurch, is actually going to be....some of our customers well down on where they were, for others it's made absolutely no difference. And the differences appear to be how well they've engaged with their customer base. Even within the context of Christchurch... some charities have actually said "we're going to put our needs on hold. We're going to raise funds for Christchurch... so we've got other charities raising funds to send to Christchurch...."'(O5).

The finding that has emerged from this triple whammy of disasters has shown that emergency fundraising has its positives. It appears cold and calculating to note that catastrophic events are good opportunities to build upon the altruistic nature of the donors and that NFPs can strategically tap into this groundswell of emotion. When there has been a massive, almost daily affirmation and recognition of charitable giving, from the feel-good, warm fuzzy stories that have been reported in the media, NFPs can and should leverage on these emotions.

5.3   Story-telling approaches

This common yet unique tool was very evident throughout the data collection process. From the first to the final interview, story-telling was the key communication strategy:

> 'We have created that culture and...in turn because these guys are able to articulate what it is that we do on a daily basis incredibly well that that in itself becomes a very effective marketing and PR tool.... possible point of difference to these other charities out there that you know the work we do is unique and its ever changing landscapes. So it keeps people interested' (O3).

Merchant, Ford and Sargeant (2010) tell of how story-telling influence emotions. Story-telling takes the consumer through different emotional stages, to evoke a desire to alleviate a difficulty in the lives of others, or to enable a happy outcome for the less fortunate in their community. This research is replete with evidence of how the many stories are told.

Some stories cover a span of time, but the end result is the same – funders are able to engage with the problem, empathise with the protagonist, and recognise the opportunity to change the ending. The types of stories that trigger responses include stories about animals, and stories that come straight from the heart:

> 'so when we were talking to potential funders, we would tell our stories through our case studies so we would have an individual child that we talk about and we show footage, footage of that child and yeah, and tell that child's story. And because music therapy is a process that occurs over time, it can be quite hard to explain. So even trying to work out what music therapy is, the best way is to show footage. And so, the best way to show footage is through one individual child so you can show before, during and after music therapy'(O11).

The tried and tested way of letter writing still has validity, especially when engaging with the older funders:

> '…if you…pick up a letter and it's a good letter and it's compelling and it draws you in, by the time you get to the end of it and people will give a letter… basically the longer we go the better with our mail, if you go 4 or 5 pages, if you've got a good story to tell, a compelling need, they you'll get a high response rate at the end. It's very difficult to replicate that experience electronically, just the way people read screens' (O2).

In addition to the 'soft touch' approach, the use of drama and public media to broadcast the events has incredible mileage. Some NFPs have their own television shows in collaboration with a corporate sponsor depicting real-life rescue scenes. Overcoming adversity is another good storyline, because it not only inspires but it invokes admiration, courage, and the spirit of determination:

> 'Our athletes are the forefront of our organisation from a marketing perspective. They're the ones with their stories, people are generally interested in other people...people are generally interested in adversity and how people overcome adversity. And people really relate with that and I believe that it inspires a lot of people as well. So our athletes are our greatest asset. And we need to look at further ways of being able to promote their brand'(O4).

The internet too, is becoming an increasingly useful platform from which to tell the stories:

> '…you generally get a discussion going (on social media), and part of our role is to increase the debate, you know we felt that there's been a silent majority on a lot of issues' (O1).

Stories can be updated almost instantaneously on websites, and members or funders can follow the progress of the story as it unfolds and actually see where the money is going and how it is being appropriated to effect the change.

5.4   Staying in touch

Whilst story-telling is a good resource recruitment strategy, retaining funders requires more effort. Nathan and Hallam (2009) investigated the donor lapsing experience, and found that poor communication pushed them away. Changes that are not communicated, taking donors for granted, breaking promises, inattentiveness and insensitivity when asking for money were the key findings of their research. Keeping donors informed of where and how the money is spent is a good way of maintaining communication and assuring accountability, building trust and relationship.NFPs do it in a myriad of ways:

> 'We send a newsletter out four times a year to that donor base, and we obviously engage with them about what we're doing at the moment. What we look forward to doing in the future. Thank them and show them how their funds have been used. And

that's very, very important to make sure that people understand where their money is going and the difference that they make' (O10).

In a direct-mail solicitation campaign, research found that donors responded positively to three key post-donation events: 1) prompt acknowledgement of gift; 2) confirmation that the donation had been used as intended; and 3) an update on the measurable outcome of that donation, before the next solicitation (Metrick, 2005).

The sense of appreciation and respect that funders get from these processes all add up to the next financial gifting, especially when individual funders represent the largest income stream for NFPs. Knowles and Gomes (2009) commented that 80 percent of annual giving to the estimated 1.4 million NFPs in America came from individual donors:

> '...the biggest risk for charities is not that they ask too much and upset people, it's that they are forgotten and become irrelevant because they don't ask enough or they don't ask the right things. So having said that, we try not to overload our donors, absolutely, but all the data suggests that the more you contact people the more likely they are to stay with you' (O2).

5.5   Market development

Since relationship marketing focused on relationship building, the common perception amongst NFPs that a majority of the funders were from a more mature age group raised the 'succession' issue, or continuity of gifting. For-profit economies view this as developing replacement market. With an aging source of funders, death is very real and so too, is the issue of diminishing incomes that come together with retirement. The following sections deal with this issue of succession or growing.

5.5.1   Age and gender

Generally, those who give to charities are female and middle aged and above:

> '…basically our giving audience, is sort of from families but certainly from 50 upwards, predominantly women which is true in the charity sector, it's the women that give...they also have the heart'(O6a).

In an empirical study done by Simmons and Emanuele, the researchers found that on average, women gave more time and money when compared to men. Thisfinding could

influence the use of relevant and appropriate media to engage optimally with the various segments (Simmons & Emanuele, 2007):

> 'Database profile tends to be of an older woman.... They may well use email for communication with family and friends and things but far less likely to make a donation via the internet'(O15).

These opinions also justify some NFPs' point of view that using the web to facilitate online fundraising may not necessarily be the best channel.

5.5.2 Start 'em young

Nevertheless, whilst the older, more web-savvy funders will respond well to online campaigns, there are, waiting in the wings, cohorts of younger, future funders who should be gathered into the pipeline to ensure financial sustainability and mission continuity. Harris (2011) commented on the scenario of cultivating young donors with this view: 'One side believes it's a waste of time to cultivate young donors' (p 6) but there is another faction that believes that a Facebook page is the answer. The evidence from this research offer conflicting views:

> 'I think it's too hard to interact, you waste too much money doing it. I don't think the sort of returns, coming back to the sort of returns our donors expect out of our fundraising, we just can't afford to focus on people who can't give us money for 20 or 30 years. We can only bring them in as they're ready to give and so we've just go to focus on that age group' (O2).

This is opposed to:

> 'our database, I think it's getting younger. I think the younger generation are feeling the benefits of giving, and wanting to be engaged'(O10).

This conflicting viewpoint places NFPs in a dilemma – how much and how far NFPs should engage with Gen Y (born between mid-1970s to 1990s). How should NFPs secure a meaningful and lasting relationship, in relation to the quality of its engagementwith the baby boomers? The emerging view in this research is similar to the views discussed in the limited research on Gen Y and charitable giving. Forward looking NFPs regard them with greater seriousness and respect, adding that engagement strategies should be well thoughtthrough. These include being inclusive and getting the right technology to engage with them. The article supports Harris' point of view to treat young donors as adults (Preston, 2010).

Although more research needs to be done in this field, the views are similar to those held by a participating organisation:

'...you know Gen Y's all about wanting to make a difference. Not necessarily financially, but it's about making your mark and making things just a wee bit better and if I can help, how in some way. And there's a lot of self-serving coming along, because I want it now, I want it yesterday, I want it now, I want the best job and I want a big promotion within the year. There's a lot of self-serving things there, 'cos we're used to instant gratification. But I think as a generation, the social and the propensity to want to help people, to make a difference, to donate your time, to donate your money, to support a cause, is maybe not the same way as it was a generation ago with marches down Queen Street and what have you. But I think within the psyche there's a desire to do the right thing as would the adults' (O18).

When children grow up in an environment where charitable works are visible, it becomes a norm, a natural process. It also taps into the repository of memories of relatives and loved ones who have given, the sort of lives lived. All those good memories are not only positive but assuring and affirmative. As Harris affirms, young people do give, and are of greater value because they give over a longer lifetime (Harris, 2011).

'Yes, and my kids do so now. Just little things. They say they can never walk down streets without picking up rubbish. And they voluntarily give their time to things as well. And they know that it's not something to be spoken about for us. And we and I think it's the sort of funny family culture where we do it. The boys know that if they go and plant some trees, it's in memory of their grandfather. If they go off and do something, helping the community in some way and they always do, they just know it's sort of expected of them... we've never spoken about it and I think they have a sense of worthwhileness from it'(O17).

5.5.3 Culture

In addition to nurturing an attitude of giving in the family, culture plays a role too, with regard to decision-making and patterns on giving:

'I don't know if it's a male/female thing, but I come across a lot of male businessmen who are very generous. But as soon as you start asking why, and you do it delicately, they'll back away and, you know it's almost like they're afraid to admit there's a soft

side to them. They almost treat it like a business transaction, but you can see it's not, you can see there's something driving it'(O14).

This does not apply only to the psyche, but to the different ways that men and women approach their giving styles, and the ways in which they engage with their peers and others in society.

'Men are more methodical in terms of giving and you will get men contributing… much more analytical manner and with a business mind. They're giving something else for something else. But in the case of women, they give because they're passionate about it'(O6a).

These differences are important and they give validation to the findings that the funder should be understood and appreciated as an individual (Gummesson, 2002; Knowles & Gomes, 2009; Metrick, 2005; Sargeant, 2001; Simmons & Emanuele, 2007;).

5.5.4 Engagement strategies

In Chapter One, it was established that NFPs have to engage with numerous publics, both within and outside the organisation. In addition, they have to deal with several demographic segments – male, female, young, and old. Already resources-challenged, some NFPs have realised that the way forward is to increasingly segmentise their funders' profile, and tweak engagement strategies and communication to ensure relevance and appeal:

'... if you just push people that hard, someone might give you $10 just to get rid of you but we're interested in longer term relationships. We're getting people now who are giving us regular little bits of money. I don't want to hound people into giving us money to be honest' (O8)

To develop the market for future funders, some NFPs have subtly included the inter-generational cluster into their communications:

'So in our communications around our major group, our major donor product, we specifically talk about ways to get grandchildren involved… or when we're talking about programmes we'll often also profile inter-generational stories at the programme end' (O2).

Harris (2011) put forward seven strategies to attract young funders, stating that it was important to view them as funders and not assume that they are good only as volunteers. While their main medium of social engagement was most likely electronic, it was important

to have personal, face to face contact, treat them like the other mature givers, and be relevant in their eyes:

> 'But if we want to attract the younger donor and we have to go about it in a different way. And how we ask has to be different and how we continue to be in touch with them has to be different' (O15).

In terms of engagement with other segments, bequests are an important although finite income stream, since they end with the death of the funder. Several 'legacy-specific motives' which NFPs should be aware of were identified, and they include (a) lack of family need, (b) spite, (c) taxes, (d) need to live on, and (e) need for work to continue (Sargeant et al., 2006, p 58-59). With this understanding, NFPs can engage with funders at very personalised and professional levels and be prepared for the fact that the engagement may not result in a bequest:

> 'They got a huge amount of choice probably more in New Zealand than most places for what they support. Besides it's right and proper that we're mindful of that. At the same time, anyone that gives a certain amount, one of my colleagues who look after bequests and donations, she phones these people personally. She has a personal relationship with many of these givers who ultimately may or may not end up as a bequest' (O18).

In a study to look at relationship cultivation strategies, Waters (2009) listed six strategies. They are accessibility to the organisation (contact information), positivity (regular communication), openness with information (accountability), sharing of tasks (management decisions) and networking (strategic alliances with other organisations). Although there is no one strategy that is the silver bullet for NFP engagement with funders, the underlying theme for all strategies is to enable relationship building.

Even for communication channels, there is an ongoing debate on the value of hard-copy collaterals versus soft-copy, online versions, and there will never be a specific solution. The best outcome will be to satisfice on the options available. Rather than believing that relationships cannot be forged over an online connection, it is better to get the right combinations/features to engage with an online visitor to start off the relationship building process. As one organisation puts it:

'...a brochure could sit on somebody's desk for a week before it gets thrown out. The website is there 24/7, 365. And you can change the message in half a second, it's literally as simple as that' (O5).

5.6   Brand

Weisnewski (2009) asks NFPs to invest in brand building, to create the golden differentiator in an increasingly crowded market to attract like-minded fundersand provide the basis for long-term relationship building and organisational growth. In reality, the up-take of this activity is not as simple as it seems, as reflected in *P3*:

> **The relational component is orientated around the cause; the transactional component is orientated around the brand.**

The general response from NFPs in regard to brand building firmly places the brand as secondary to the cause, which is the catalyst for giving. Branding becomes a 'result' of the core activity:

> '...we actually emanate our brand and a lot of that brand is around what we actually do, and what sort of value we add to people's lives. And how we can actually add value to the community and therefore to society and the fabric of New Zealand, if you like. And that's been a very important aspect of our brand positioning over the past couple of years' (O12).

Hence the cause will always take precedence over the brand, but only if it is delivered in such a manner that brand building becomes part of the service delivery exercise. Service delivery does not only build brand awareness, it also aims at creating a positive brand experience that results in value co-creation (Stride & Lee, 2007). The positive brand experience and co-created value therefore becomes a competitive advantage for the NFP.   FP4: **'Operant resources are the fundamental source of competitive advantage'**and therefore it becomes relevant to NFPs' branding issues. Intangible and often invisible, operant resources act on and through the means available – equipment, processes, competences – to produce the desired effects (Vargo & Lusch, 2004a). In service-entrenched organisations like NFPs, these services become the organisations' products and therefore embody the brand, which becomes the differentiator for funders wanting to support a charity.

5.6.1 Brand versus cause

Whilst for-profit businesses use brand-building strategies for recruitment and retention (and therefore relationship building) purposes, NFPs use recruitment and relationship building strategies and fundraising strategies to build brand – a move in the opposite direction as seen in Figure 7 below.The cause is the most important one ofdriving the fundraising strategies to generate income. In the process, recruitment occurs and relationship building ensues.Collectively, these activities continually feed into the brand building process:

> 'You know I would say if we hadn't have had two major New Zealand based disasters, like campaign fundraising is normally quite a good way for a charity to punch above its weight. So like we could have picked a theme, it would have been relevant to our mission obviously, and it had a bit more of a campaign. When I talk about a campaign, I mean it would have just given people an opportunity to engage with us, you know like then it could have been a volunteer' (O13).
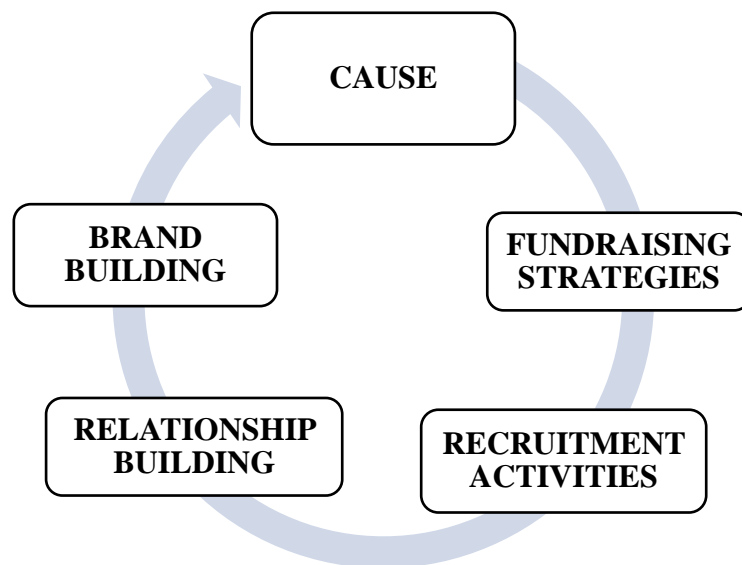
Figure 7 NFP Brand Building Model

5.6.2 Organisation as brand

The literature had noted that some NFPs do not see the importance of brand. Yet in the absence of a tangible product, the organisation becomes the brand (Hankinson, 2001; Khan & Ede, 2009; P. Tan, 2003; Venable et al., 2005; Weisnewski, 2009). However, NFPs do not wish the brand to overshadow the cause, nor do they wish to invest limited resources into building the brand:

'Okay, because we're pretty small in the market, we don't invest in brand for its own sake. Branding budgets in my view are things that only very big organisations or very big companies can afford' (O2).

From Figure 7, it can be seen that there is a risk in assuming that the brand will emerge as a by-product of the fundraising and engagement activities. However, this can only happen if and when the fundraising and engagement activities have positive outcomes. Brand building opportunities are also found in networking opportunities, when the organisations'supporters use their personal networks to spread the message electronically:

'I think one that may not be used is the multiplication effect, which is getting your own supporters, your current supporters to market. So rather than thinking that you've gotta do all the marketing, get your supports to do some marketing for you... get the word out, get the message out about what we're doing and help increase our influence. So it's not just us too, but it's us too, plus your mates and my mates, you know people like to be in the majority, like to, sort of a groundswell of opinion'(O1).

In this way, smaller organisations can overcome the resources issue by incorporating brand-building strategies into fundraising endeavours and using low-cost but high-impact mediums. However, stewardship and trust issues arise when NFPs are perceived to be using solicited public funds for self promotion. A fundraising event that is being promoted primarily to generate responses the faces of danger of being perceived as using funds unnecessarily: '...we cannot be seen to be in investing huge amounts of money in our brand. We've got to be seen to be making sure that the money gets to the cause...' (O15).

Faircloth writes that the brand congruence theory suggests that when an organisation's brand personality matches the consumer's self concept, the likelihood of purchase occurs (2005). But NFPs have to curtail their branding activities to avoid funders' misperceptions and trust issues. They have to confront a dilemma that traditional branding strategies are unable to resolve. Although failure to build a brand personality had been cited as a problem for growing NFPs, it was also found that brand equity did not have any significant effects on responses from funders (Faircloth, 2005).

5.6.3   Brand personality and experience
Sargeant, Ford and Hudson (2008) found that charities embodied two categories of characteristics grouped under benevolence and progression. Benevolence included 'being

caring, compassionate, supportive, fair, ethical, honest, trustworthy, and helpful' (p 473). Progression meant characteristics that concerned change, and a progression towards an improvement. These traits were described as being 'transforming, pioneering, responsive, and engaging' (p 474):

> 'I think it's to be perfectly honest, I think it's an asset because the opportunity, it's a strength. Because people...do relate to the [Bishop's]caring nature...'(O15).

Venable et al., (2005) found that the public had attributed a cluster of brand personalities that were attributed to NFPs. These were grouped under thoughtfulness (nurturance – compassionate, loving, and caring), integrity (reputable, sincere, committed to doing good, in for the long haul), and reliability (financially stable, cost effective):

> 'You saw the tenderness that went with the animal, right, and it doesn't matter what sort of animal, they're all animals and all deserving of our help' (O6a).

Sargeant, Ford and Hudson (2008) and Venable et al (2005) imply that these basic characteristics are already part of the NFPs' DNA.

However, Venable et al cautioned that the brand personalities are not common or standard for all NFPs. Some organisations are seen as more caring and compassionate, especially if they are involved in health care, poverty eradication and rescue; whilst others may be seen as rugged (environmental advocacies) or protective (anti-nuclear, anti-whaling). However, there was a common brand personality expectation of all NFPs – integrity (Venable et al., 2005).Furthermore, with integrity being the common brand personality across all types of NFPs,a good and endearing brand experience can translate into money.

5.6.4   Brand alliance

Lebar, Buehler, and Keller (2005) talk about brand alliances being 'an opportunity for one brand to build equity by leveraging characteristics or attributes of the other partner brand' (p 413). Yet there is a disquiet about the brand alliance relationship, that it could be an unequal relationship:

> 'My understanding of...donations in New Zealand, is that the bulk of donors is like the donor triangle. The bulk of it is individuals, and a little bit at the top is corporate so, it's much easier to get money out of individuals and corporates often want quite a lot for their fundings. We had a talk about that a little bit, and there's a couple of

companies that we, you know, had a kind of conversation with but we never, we could never have been able to turn it into funding' (O11).

Even when the NFP has a high brand profile, there is a belief that the sponsor is deriving more benefits out of the partnership than NFPs:

'...use the [rescue team] as a point of difference and a retention tool within their customer base..., in the partnership for staff engagement purposes....' (O3).

From the NFPs' point of view, they have to be selective and sensitive (risk averse) which means partnership opportunities are limited. Given the financial clout that corporations wield, does it mean that corporations actually have better bargaining power? This inequality in the brand alliance relationship is even more evident as the party having a greater need when NFPs enter into sponsorship discussions:

'Saying that the sponsor is actually getting more commercial benefit from our brand than what we as an organisation are getting from them... and that's where the partnership comes in through. And it's one truly valuing the cost of your brand, that's something as an organisation, and I feel that potentially a lot of other organisations won't truly know that the true cost of their brand is.... And so potentially you undersell yourself as an organisation. And because you're always, looking for the next dollar as a not for-profit, you potentially could be taken advantage of in the commercial world if you don't have a clear strong marketing strength' (O4).

Seen from the NFPs' side of the negotiation table, for-profit corporations do have a greater advantage, especially when there are so many NFPs in New Zealand to choose from. A partnership with another well-known brand means that both NFPs and corporate sponsors can move on to win new audiences from each other's market as well as 'unexplored' markets:

'This high street meeting point for people, this is massive.... It's the increased channel through their staff… certainly ten thousand people will… their corporate clients, their retail spaces, all of that stuff are mightily important. That makes the whole so much more than sums of the parts' (O18).

Hovering in the background however, is the concept that corporations engaging in brand alliances are subsuming the values of the partner NFPs into their own and therefore appear favourably to their existing and potential customer base, as well as to the NFPs' various

groups of stakeholders.Thus, sponsorship agreements between for-profit and prominent NFP brands are plainly strategic alliances:

> '...we have charity champions... in our corporate partnerships and they champion the cause within their organisation. They... bring income to us and what they get back in return is... motivation, is productivity. But also they're very aware of the longstanding theory that has been proven, that an association, a corporate association with a cause that's well respected, well run, has a very good affect on the public in terms of the corporate's customers. So they make their customers aware of what they are doing and there's very clear benefits from a customer point of view in terms of what the customer then thinks and feels about the corporate brand'(O9b).

5.7   Self concept

NFP marketing is not just about winning brand share and market share for the product or service. Its aim is to gain a prominent share of the funders' heart-, mind- and wallet-space and convert this share into financial resources. This very unique nature of NFP marketing that led to the development of *P4*:

> **NFP share of market is defined by share of resources.**

In order to win a sizeable share of these intangible pieces of prime real estate, NFPs have to appeal to a different set of criteria which is different from that of for-profit markets. As service producers, NFPs have no tangible end product to exchange with their funders. Whilst the beneficiaries do receive the benefit of the aid or service, apart from a tax deduction benefit in return for their monetary gifts, all the funders get is the promise of happiness for having done something good, of being able to change the story's ending from a sad to a happy conclusion.

Durvasula, Lysonski and Madhavi (2011) write that the relationship between a consumer and an organisation is influenced by the consumer's personal values. It is very much this self-concept, this set of values that shape how one's life is lived and what is achieved, especially as one grows older:

> 'I think it's capability, it's also about focus, that once you get into 50, 60, 70, people start to look for higher order values…. You've gone through that stage of…the

success stage and accumulate to bring up your family. And for a lot of people that's not enough anymore so they're starting to look for meaning in other things'(O2).

NFPs therefore appeal to the individual's self concept through various facets, although it does not have to be only in the later stages of life, as earlier evidence has shown that engagement with funders can start early in life. Self concept is affected by a set of values that forms the giving, altruistic and trusting nature of the individual. It therefore motivates one to respond to an NFP that embodies values most akin to oneself, and it is in this exchange of service to achieve a higher meaning in life that co-creates value. From the SD Logic perspective, it is an eventualisation of FP1, which states that '**Service** is the fundamental **basis** of exchange' (Vargo & Lusch, 2004a).

5.7.1 Values

Personal values which bond the funder to the organisation that has similar values creates a kinship that transcends age, gender, profession, economic status, geography and personal history (Durvasula et al., 2011). The cause and the organisation's values become a common thread that is woven through the organisation and the stakeholders, binding them together:

> 'Because it's something, it comes from something deep inside. It's not a one-off cause. It's not a one-off issue.... It's something that's very essential to how they see themselves as people'(O7).

Thus, it is important for organisations to communicate their values up-front, to attract like-minded individuals:

> '...well this organisation, like most charities, has in the past been very cause driven, and I think that's still the case from our point of view in terms of we employ people who have cause values. And that's what drives, I guess the success of the organisation' (O12).

5.7.2 Happiness of giving

Research has found that giving makes people happy. Add to this the sense of being asked to do good, identification with a cause (and with it the sympathy or empathy), the pride of being able to make a difference, or maybe even the commemoration of a person or event that has impacted on one's life – therein lie the reason why people give (Van Slyke& Brooks, 2005):

> '...giving in a sense to an organisation like this is one of those things that continues to build up that happiness. Because you know you're building your store of happiness...

because even though there's a lot of call to action around the bad things that happen to animals... we've got that call to action, we've also got the end result, it's that someone goes home, and the joy that they feel...' (O6b).

Researchers found that other reasons included tax benefits, a sense of reciprocity (returning a good deed given during a time of need), a sense of duty and faith-based reasons. In a study on bequests, it was found that bequests decreased when tax benefits were reduced but increased when their off-spring were financially well-off (Sargeant, Hilton &Wymer, 2006).

However, the recent earthquakes that first rocked Christchurch in September 2010 and again with fatalities in February 2011 resulted in unprecedented outpourings of charitable giving in terms of money, kind, and time:

> 'New Zealanders are a very giving people, we're up there with Americans, and some of the other European countries, particularly England, where we do give a lot. We give a lot in time, in goods and services, and in money as well... it's part of our DNA as a country' (O5).

This is testimony to what research has not been able to quantify or measure – happiness.

5.7.3   Altruism

The desire of wanting to give in order to make a difference, to support a change for the better in society without desiring any pecuniary gain, however, stems from the altruistic nature that is innate in those employed by the NFPs as well as the funders who support them. In their selfless concern for the well-being of others, NFPs in turn appeal to the altruistic nature of their funders, even though it is not an easy task.

> 'You wouldn't become a music therapist if you want to make money. No, so they really love what they do and believe in it'(O11).

This value of altruism however, is viewed with a tinge of cynicism with regard to corporate sponsorship. When corporate social responsibility (CSR) motives were being looked at, there was an allusion to mercenary motives as well, on the grounds that for-profit corporations were looking at some form of commercial return for their CSR initiatives (Svensson& Wood, 2011). This reflects back to the earlier comment of an unequal brand alliance relationship between for-profits and NFPs, and it questions the underpinning motive behind corporate sponsorship alliances.

This raises an uneasy tussle in the values perception of the NFPs in relation to those of the corporates. As far as NFPs are concerned, however, commitment to their belief in the cause is what drives their altruistic nature:

> '...we're extremely fortunate to have a team of twelve people on our committee and we would deliver something like three hundred volunteers hours a week for nothing in [the Organisation], and that we're professionals. I'm a planning consultant by profession but I've chosen to work sixty hours a week for nothing for [the Organisation]. I've got people besides me, I've got architects, transport engineers, a whole of other related professions, and we all give our time for nothing, because we believe in the cause hugely. That's powerful'(O17).

The monetary value contribution of this team of twelve, based on a conservative hourly rate of NZ$200 per hour, amounts to a massive NZ$60,000 worth of professional consultation fees. For-profit corporations will find it challenging to match the equivalent of this commitment.

5.7.4 Trust

Sargeant and Lee adopted a definition of trust in their exploratory work examining the 'relationship between trust, relationship commitment and giving behaviour' (p 613), which states that it is 'the reliance by one person, group or firm upon a voluntarily accepted duty on the part of another person, group or firm to recognize and protect the rights and interests of all others engaged in a joint endeavor or economic exchange' (Hosmer, 1995, p. 393, cited in Sargeant & Lee, 2004, p 616). This is seen as a relevant definition of trust in an NFP context because NFPs are indeed reliant on the funders' largesse, so that essential services could be offered to their beneficiaries:

> 'And that you know is, I know for the male thing it's such a strong value that loyalty and faithfulness, it just gets me every time and I just feel it's a total privilege to be working with men like that and they're just ordinary guys'(08).

On the other hand, NFPs have to reciprocate with transparency and accountability:

> 'You know, it's huge and we have a huge amount of accountability to New Zealanders. I mean this money comes from everyday New Zealanders, from the government, from what is everyday New Zealanders. It comes from licencees, from the TAB, from lotteries, we're accountable to everyday New Zealanders for a huge

amount of money and we need to damn well make sure that we're stopping New Zealanders dying prematurely from heart diseases' (O18).

Hence, the more reputable the organisation, the greater the demands are on its accountability and transparency. Trust is an antecedent for relationship building and it has to be present before any meaningful relationship can proceed or is given a chance to develop.

5.8   Leximancer analysis results

In Chapter Three, the justification of the qualitative research methodology, using the grounded theory approach, was presented. As an exploratory study, the interpretivist approach was deemed the most relevant to enable theoretical conceptualisation and generation with regard to NFP marketing. Since the manual analysis of the data using the Miles and Huberman (1994) line-by-line data analysis approach had a subjective component, the data was put through a mechanical analysis process using Leximancer. It isa software that analyses text data based on content analysis.

The use of Leximancer in this research firstly provides an objective dimension to data analysis, compared to the manual analysis. Secondly, the resultsadd a new dimension tothe research, showing the relational aspects of the multiple themes that have emerged.The results of the analysis are reproduced in Figures 8 and 9.

The theme relevance chart (Figure 8) was extrapolated from the raw data, and it showed that people and money had the highest relevance. It is interesting to note that the interpretevist approach had translated these two themes into several constructs that reflect the characteristics of people and money. The 'people characteristics' include 'relationship', 'values', 'self construct', 'trust', 'story-telling'; and the 'money characteristics' included 'fundraising', 'marketing', brand', and 'accountability'. In this form, the chart was not able to convey the connectivity of the themes in relation to each other. In the resulting concept map (Figure 9) however, a clearer picture emerged.
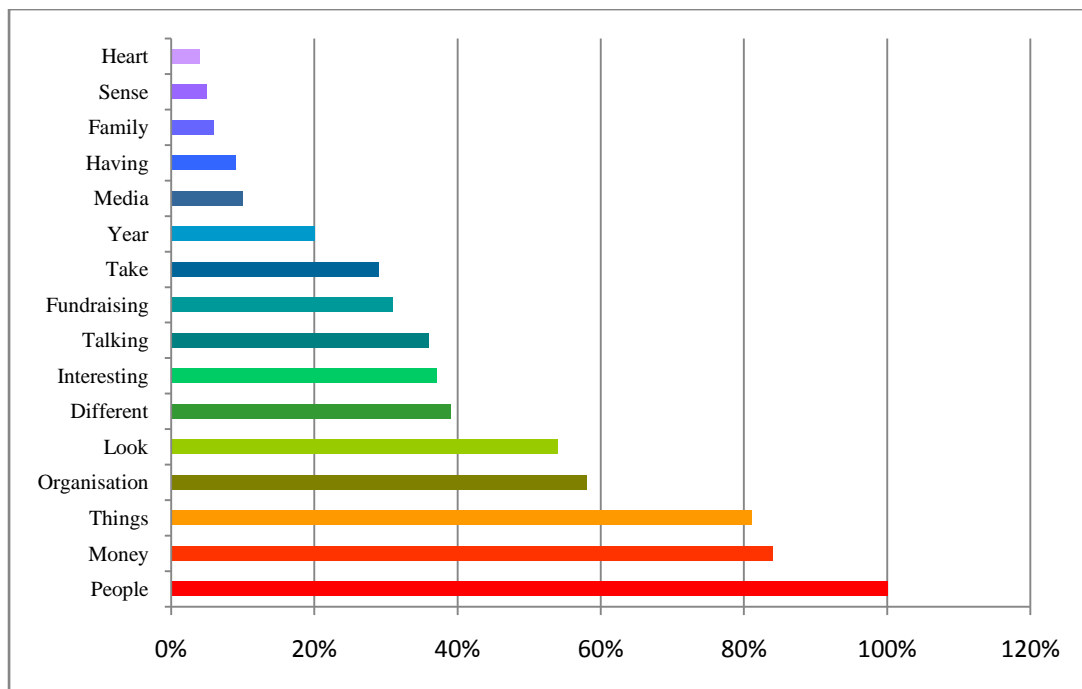
Figure 8 Not-for-Profit Theme Relevance
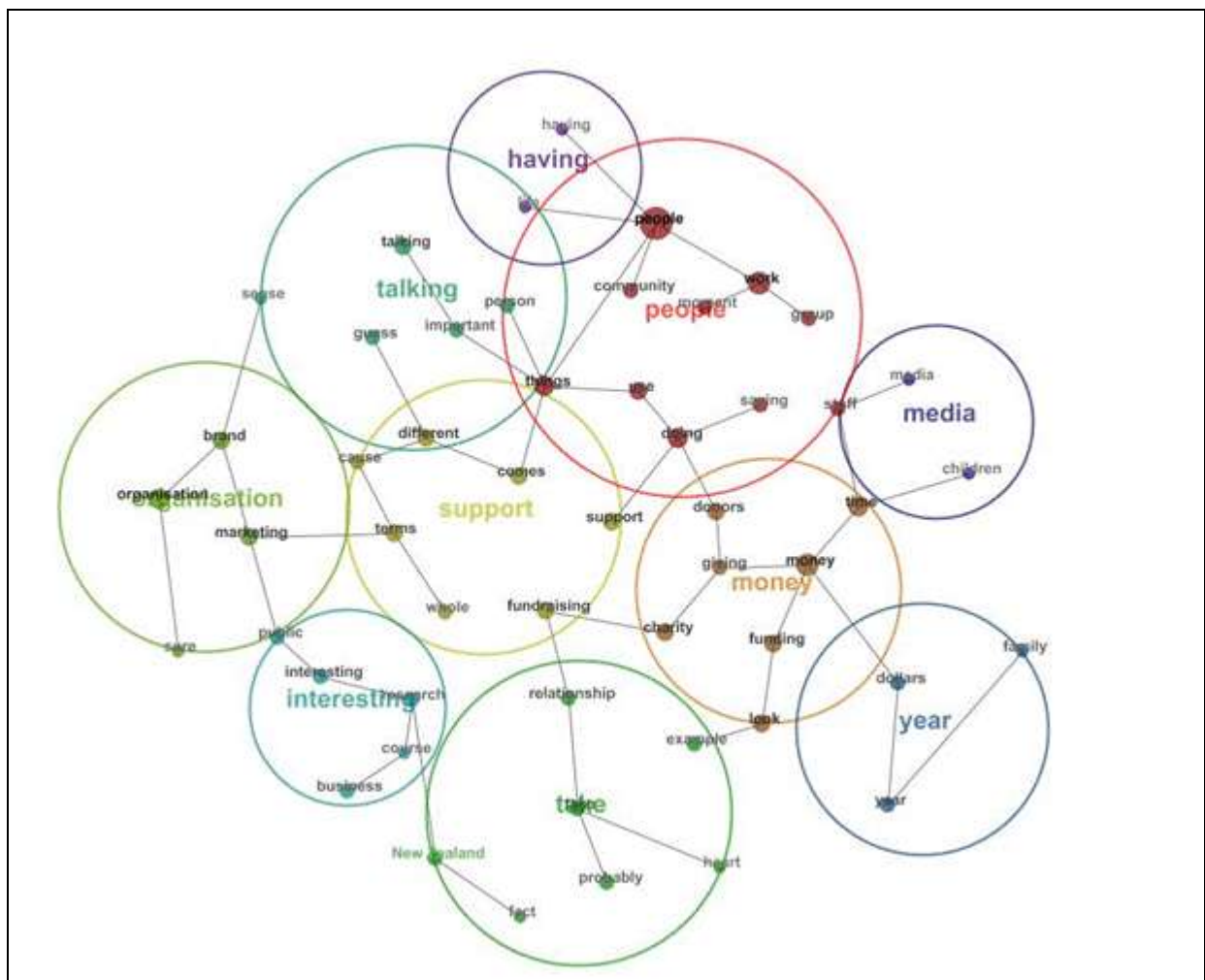
Figure 9 Not-for-Profit Concept Map

In Figure 9, the proximity of 'money' (giving, funding, charity, donors, and time), 'support' (whole, fundraising, teams, whole, cause, and different), 'talking' (guess, important, and sense), 'having' (life), and 'media' (children) to the 'people' cluster (work, group, community, things, time, doing, saying, moment) shows the connectivity of these themes in relation to each other. Yet the 'organisation' cluster (brand,and marketing) is positioned farther away. Although the size of its circle is larger, the intensity of the colour and its distance away from the brightest cluster, people, shows that it is not as important as the rest.

This concept map supports the manual analysis, and even though the words that represent the themes in the Leximancer analysis are different from the constructs of the manual analysis, they are both similar.

5.9   Summary
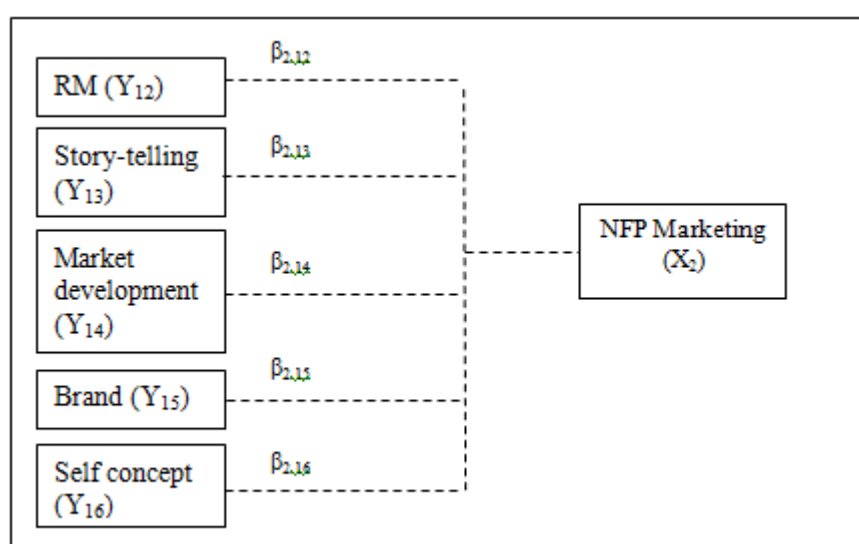
Figure 10 Summarising Relational Pathways for NFP Marketing

NFP marketing is unique and defies the wholesale adoption of current marketing strategies that the for-profit business organisations have been using with measureable success. Apart from the sector not being able to adopt for-profit TM strategies, NFPs have to look at adapting existing theories and strategies to make them work within the context of the third sector.NFPs do not meet the norms of the 4Ps – Place, Product, Pricing and Promotion. As a service-based sector, service marketing and RM strategies have relevance, but there are limitations.

The NFP marketing focus is on acquiring resources to serve a cause and so therefore relationship building with providers of financial resources takes precedence over brand building. Since fundraising is a central NFP marketing objective, the strategies have to incorporate a set of constructs and strategies into the mix to facilitate funder engagement with the cause. They include relationship building, story-telling, market development, brand, and self concept. This is represented in Figure 10.

This sequence however, demands both traditional and innovative approaches, ranging from print materials to online presence and interactions, including social media. Services marketing thoughtposits that in the absence of a product, the service or the organisation becomes the brand. In the case of NFP marketing, the cause IS the product.

Chapter Six   Discussion and Conceptual Model

6   Introduction

Chapter One introduced the problem orientation of this research, and Chapter Two reviewed literature on marketing theory, NFPs, and identified four propositions that would resolve the research question:

What is the nature of NFP marketing in a SD Logic environ?

Chapters Four and Five covered the evidence and with literature integration, the four propositions involving SD Logic and NFP marketing were validated.This chapter focuses on the development of the conceptual model by bringing together the findings that have emanated from the previous two chapters to answer the research question from the point of view of the four propositions. It then concludes with research and managerial implications, as well as future NFP marketing research.

6.1   Conceptualising SD Logic

 Since profit generation is not a priority business objective for NFPs, marketing strategies that for-profits engage in would be an incongruous fit for the NFPs mission and vision. Evidence and literature had supported the proposition that NFPs were different from for-profit businesses, even though they were social enterprises. NFPs do not produce tangible products and the 4Ps of transaction marketing were therefore not fully applicable (Andreasen et al., 2005; Bradley et al., 2003; Lettieri et al., 2004; Newman & Wallender, 1978; Peredo& McLean, 2006; Pope et al., 2009).However, it has been established that NFPs NEED marketing to help them engage with their various publics to gain possession of financial or more accurately, market resources (Chekovitch & Frumkin, 2003; Hankinson, 2001; Khan & Ede, 2009; Knowles & Gomes, 2009;Macedo&Pinho, 2006; P. Tan, 2003; Weisnewski, 2009) .

However, a very noticeable difference emerged from the evidence. In a normal business, production- and goods-centred environment, resources are purchased by the manufacturer to produce goods and services, which are marketed to the target market to gain market share and generate profit. In NFP marketing, the resources are GIVEN to the organisations to produce a service that is either given free of charge, or at a nominal or token cost to individuals or communities in need. The visualisation of this process is shown in Figure 6.1. It is from this

visualisation that the full impact of the role of a SD Logic framework in NFP marketing can be fully appreciated.
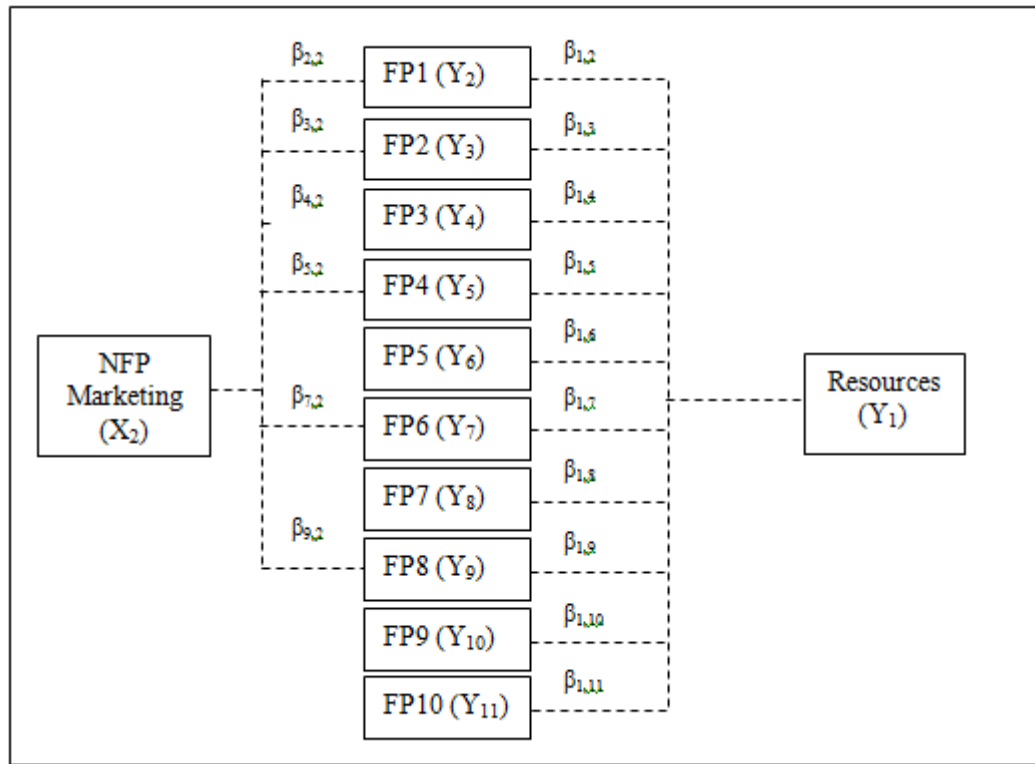
Figure 11 NFP Marketing Relational Pathways to gain Resources

In Figure 11, the skills, knowledge and service exchanges are enabled through the input of marketing activities, bringing about the co-creation of value. This whole process is encapsulated in the SDL variable, resulting in the generation of resources. A good example was the enabling of eight million dollars' worth of cycling infrastructure to for New Zealand (O17). Figure 11 therefore encapsulates *P1,* which states that **NFP marketing is SD Logic**.Therefore, the hypothetical statement of this outcome can be stated as:

> *H1:* **SD Logic positively influences NFP marketing for resources.**

This research was rich in evidence that supported the service-centric, relational nature of NFP activities. The exchange of operant resources (skills, knowledge, financial and time support) and the subsequent value that was co-created was found to be embedded in all NFP activities. Participants believed that through the evidence of the value of their services in serving the community validated their funders' decision to give financial support. This validation gave credibility to both the organisation and the brand, thus paving the way for further relationship growth and support (O12).*P2*, which is **'SD Logic enables value co-creation through a**

pluralistic approach – through relational and transactional marketing', is thus supported by the evidence. The hypothetical statement arising from this will be:

> *H2:*   **Relationship marketing is an antecedent for value co-creation and services exchange, and impacts on NFP marketing for resources.**

With the SD Logic framework in place to position NFP marketing perspectives, what marketing strategies should NFPs adopt, when engaging with funders?

6.2   Conceptualising NFP marketing

In validating and developing the five key constructs that played a significant role in NFP marketing – relationship building, story-telling, self construct, market development, and brand – several relationships with very strong links to SD Logic emerged. Relationship building featured as a key construct, as NFPs were customer- and service-centric. FP8 emphasised the inherent customer and relational aspects of a service-centred view. Literature too had emphasised on the importance of relationship stance in marketing. AMA's 2004 definition of marketing highlighted 'managing customer relationships' (Keefe, 2004), and research resonated with similar findings (Berry, 2002; El-Ansary, 2005; Lindgreen et al., 2000; Shostack, 1977; Vargo & Lusch, 2004a; Zineldin & Philipson, 2007).

A crucial relationship feature in NFP management centres around donor care. Liu and Aaker (2008) and White and Peloza (2009) have stated that funders are the lifeline for NFPs. Gummesson (2002), posited that a customer is not a data bit but an individual, and Yau et al (2000) identified four common constructs of relationship marketing orientation – bonding, empathy, reciprocity and trust – key emotions that are important for meaningful relationship building. The concept of trust is instrumental in relationship building, because co-operation is a result of that trust (O'Malley et al., 2008). NFPs that are trusted are the ones that will benefit most from the funders' confidence in them, and bequests are proof of that trust. Sargeant et al (2006) found that bequests were made when funders saw that the NFPs were professional, well-run, communicated their requests well, and were sensitive in their requests.

Sensitivity in making requests extended to being sensitive to funders' preferences too, which impacted on the cultivation of strong relationships (Simmons & Emanuele, 2007; Waters, 2009). In keeping the funders informed at the appropriate times, acknowledging receipt of

their gifts, giving information on how and where the money was being spent, thanking them for their financial gifts, and updating them on the measurable outcomes of their donations before the next request were outlined by Metrick (2005). All the NFPs interviewed adhered to this strategy.

The research yielded evidence that story-telling was used as a tool to fundraise, maintain communication, and build the brand because it told the brand experiences. Stories stir up the emotion to help, to make a difference so value is co-created through the response (Merchant et al., 2010). Poor communication was cited as a significant cause in donor attrition or donor lapsing (Nathan & Hallam, 2009), hence story-telling is a good relationship-marketing strategy, especially for market development. Market development entailed the need for relationship marketing too, and this involved targeting beyond the core target market of funders which was older, and skewed towards females. Although there were mixed results on targeting the younger populace, researchers agreed that it was important to engage with the Gen Ys, rather than wait for nature to take its course. Reasons for engaging with them included having a longer relationship life-span and, therefore, yielding higher value (Harris, 2011; Preston, 2010).

Branding was seen by researchers as a vital element for NFPs to gain competitive advantage (Hankinson, 2001; Khan & Ede, 2009; P. Tan, 2003; Venable et al., 2005; Weisnewski, 2009). However, evidence showed the contrary, for although NFPs saw and knew the importance of brand, the cause was still paramount. Branding was seen as a by-product of fundraising activities and the need for accountability did not support brand-building activities. Furthermore, branding was experienced through the exchanges of services as well as in the value that was co-created. However, NFPs saw that the importance of brand was through their respective corporate sponsorships or strategic alliances (Lebar et al., 2005).

Evidence from the data showed self-concept emerging as an important construct to gain heart-, mind-, and wallet-space, and to bring in financial resources. The emotional appeal of NFPs and their causes to the funders' self concept and values has been well-documented (Durvasula et al., 2011; Sargeant & Lee, 2004; Van Slyke & Brooks, 2005). It is important to highlight a new concept that has emerged as a result of this evidence. The focus of for-profit marketing has been to gain market share through gaining competitive advantage to be the market leader for the brand and subsequently its products and services. In NFP

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marketing, the competition is not for a market for its services, but especially for FINANCIAL RESOURCES, in addition to other resources such as time, blood, foodstuffs, and items such as clothing, toys, and books, to enable it to produce services. In a for-profit context, the production resources are purchased, but for NFPs, this resource is given, based largely on a relationship that is founded on values and belief in a common cause.

Therefore, the transactional and relational aspects of NFP marketing hinge on two key components, stated in *P3*:**'The relational component is orientated around the cause; the transactional component is orientated around the brand.'** The outcomes of the research, from the perspective of P1, thus contribute to the following hypotheses on NFP marketing:

> *H3:*   **Self-concept is a key antecedent that promotes the cause and positively influences NFP marketing for resources.**

> *H4:*   **SD Logic and relationship marketing positively influences the brand, leading to positive outcomes in NFP marketing for resources.**

6.3   Conceptual model

Using evidence and literature, the relational pathways of SD Logic and NFP marketing were conceptualised in Figure 5and Figure 11 respectively. However, they donot fully articulate the answer to the research question:

> **'What is the nature of NFP marketing in a SD Logic environ?'**

Based on the discussion in the preceding paragraphs, the two conceptualisations are brought together in the conceptual model displayed in Figure 12. The variables that are embedded in the five main constructs of NFP marketing have been developed and validated in Chapter Five. Together, in various permutations they act through the services exchange and value co-creation 'influences' of SD Logic, to generate the much-needed resources to achieve their mission.

With the development of the conceptual model in Figure 12, the relational pathways revealed an emergent concept that *P4* embodies: **'NFP share of market is defined by share of resources.'**Simply put, NFP marketing can be hypothesised as:

> *H4:*   **NFP marketing is resources marketing.**
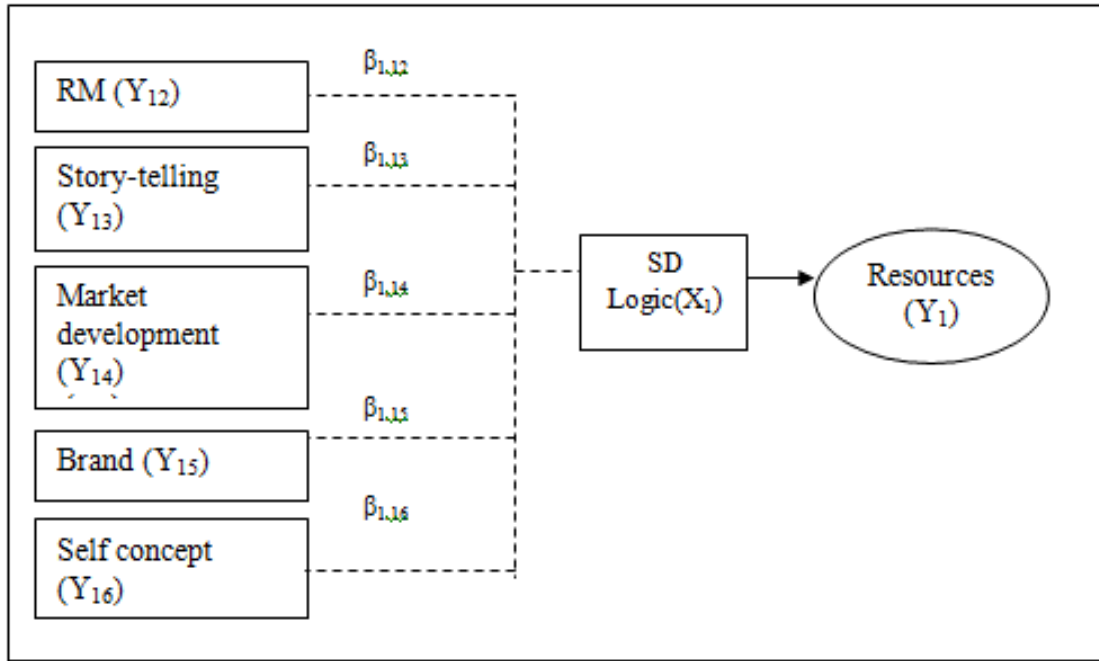
Figure 12 NFP Marketing Conceptual Model

Table 3 Conceptual Model Equations

1	$Y_1 = \beta_{1,12}\, Y_{12} + \varepsilon_1$
2	$Y_1 = \beta_{1,13} Y_{13} + \varepsilon_1$
3	$Y_1 = \beta_{1,14}\, Y_{14} + \varepsilon_1$
4	$Y_1 = \beta_{1,15} Y_{15} + \varepsilon_1$
5	$Y_1 = \beta_{1,16} Y_1 + \varepsilon_1$

From the evidence and literature validation, this research has yielded five conceptual findings that are unique to NFP marketing:

1. SD Logic has a pivotal role in NFP marketing.
2. SD Logic frames the exchange of services and the co-creation of value in a range of relationship building and fundraising activities in a meaningful way.
3. NFP marketing activities are cause-driven, primarily to promote fundraising. They simultaneously recruit new funders, maintain relationships with existing funders, and brand building results as a consequence of the fundraising activities.
4. Contrary to services marketing thought that in the absence of a product, the service or the organisation becomes the brand, the cause IS the product.
5. NFP marketing is resources marketing.

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These four conceptual findings have led to the development of five hypothetical scenarios.

H1:   **SD Logic positively influences NFP marketing for resources.**

H2:   **Relationship marketing is an antecedent for value co-creation and services exchange, and impacts on NFP marketing for resources.**

H3:   **Funders self concept is a key antecedent that promotes the cause and positively influences NFP marketing for resources.**

H4:   **SD Logic and relationship marketing positively influences the brand, leading to positive outcomes in NFP marketing for resources.**

H5:   **NFP marketing is resources marketing.**

6.4   Research – implications and further directions

The findings from this research have paved the way for further exploratory and validation studies in NFP marketing. This research has revealed that the NFPs' focus is predominantly on fundraising, maintain funder loyalty, and recruit new funders, in order to remain sustainable and continue serving the cause. The priority for NFPs is the cause that they were serving, and it was the cause that drove and promoted the fundraising strategies. The organisation's brand was left very much to develop by itself, by letting the work and services done 'speak on behalf of the organisation'. This is supported by Pope et al (2009) who say that although NFPs were aware of the importance of marketing, there was not much understanding of what marketing really entailed.

The implication of this outcome means that there is a need to concretise the concept of NFP marketing. To meet this need, further research is proposed with fundraising and marketing practitioners in NFPs to extract their views on marketing from an NFP perspective. Based on the evidence from the data collected, the 7Ps framework is perceived to be the main influence that underpins NFP marketing thinking among its practitioners. Further research will either prove or disprove this perception and discover if there is a swing from traditional to contemporary marketing thought. Most importantly, it will concretise the marketing concept from a NFP viewpoint that will further enrich NFP marketing studies.

Another important development from this research is the need for a positivist substantiation of the emergent conceptual theories presented in H1 through H5. In mid-1995, Hussey and

Hooley (1995) commented on the contentious state between qualitative and quantitative approaches in marketing research that had been in existence since the 1960s. That debate has shown no signs of petering out so it is undoubtedly important to quantitatively test this conceptual model. A questionnaire research will be developed to include a scale with which to test and measure these hypothetical outcomes.

1.   That SD Logic in particular, value co-creation and services exchange, positively influences income generation from the funders' perspectives.

2.   That relationship marketing is an antecedent for value co-creation and services exchange, and has a positive influence on income generation from the funders' perspectives.

3.   That funders' self concept is a key antecedent that positively influences services exchange and value co-creation, which promote the cause to enable positive income generation results.

The importance of this phase of the research lies in the empirical evidence that will be made available to test the validity of the five hypotheses developed from this research.

The data collected has yielded concepts that can be worded to portray scenarios that can be measured on a scale. For example, value co-creation can now be repackaged using the words from the evidence, such as saving lives, preventing premature deaths, and better living conditions. Service exchange can be phrased as volunteered time and services, and paid and unpaid professional work for the organisation, for example. With this approach, the concepts embedded in SD Logic become relevant. Byusing their personal experiences, respondents of the survey can attach a score or a value to the various representations. Finally the importance of funders' self concept as an antecedent for positive influence on service exchange, value co-creation and income generation can be measured, again through the use of terms expressed in the data.

Of special interest is H5, which represents a whole new concept for research. When the recurrent theme of 'marketing for resources' became noticeable, a literature search for '**resources marketing**' failed to yield results. A web search on Google Scholar did not yield any literature either. Consultation with a visiting professor agreed with the view that this research has yielded an emergent concept that deserves further research. The scope for this new research opportunity has yet to be articulated, but its potential value cannot be ignored. Seen from the SD Logic perspective, the initial thinking underpinning this concept is its

relevance to SD Logic. Skills and knowledge are operant resources, as is the purchasing power of the much needed financial resources of NFPs; likewise the resources which volunteers bring to the organisation. However, this concept of 'resources marketing' is not exclusive to NFP but is relevant in the for-profit realm as well, a good example being human resources recruitment. Furthermore, it has to be acknowledged that a wider scan for literature under terms such as 'resource development', 'relational fundraising', and 'friendraising' may yield results that can enrich this emergent concept. This will add a new dimension to SD Logic.

6.5   Managerial implications

This research has been able to put together a unified perspective for NFP marketing within the SD Logic framework. By positioning funders as value co-creators with the organisations, it generates a positive implication on the organisation's marketing efforts to generate income. The research gives further assurance to the management,marketing and communication and fundraising practitioners of NFPs that fundraising strategies serve multiple purposes. Fundraising strategies help to market the organisation to generate income, recruit new funders and other supporters, enhance existing relationships with current funders and supporters, and build brand and corporate image. Fundraising strategies are also conduits for market development.

This implication also validates the research need to concretise the NFP marketing concept described in previous section, 'Research – implications and further directions'.   The research has shown that funders are the organisations' lifeline, and long-term relationships are the mainstay of this lifeline. NFP management are fully aware of this crucial relationship, but research has shown a range of attitudes towards engagement with this important stakeholder group. Some managers opt for traditional communication approaches, whilst others find technology an advantage. Well-resourced NFPs are able to engage professional services to enhance their marketing plans, but the newer and smaller ones have to cobble together whatever skills and knowledge are available and make do. Strategic brand alliances with established corporate brands are within easy reach for some NFPs, but the smaller and newer ones that do not have an established presence are unable to negotiate for one. The findings of this research will enable the smaller NFPs to re-orientate their perspectives in a more strategic manner, given the limited resources at hand. This re-orientation may and can

include a change in attitude towards technology to see it as an advantage rather than a costly resource; or capitalise the use of story-telling as an inexpensive tool to gain heart-, mind-, and wallet-share.

The research had also found a movement of marketing professionals transferring from for-profit environments to non-profit environments. This is indicative that NFPs are recognising the importance of having a marketing and/or fundraising professional in their employ. However, NFPs are different from for-profits (Newman & Wallender, 1978; Peredo & McLean, 2006; Taliento & Silverman, 2005). Practitioners who have moved from a for-profit to a non-profit environment need to be aware of these differences and make an attitudinal shift from transaction, goods-centred to service-dominant centred. At the same time, they have to realise that it is no longer a competition for market share for consumers to purchase but a share of the resources market. This attitude shift can be further investigated.

The next key implication for managers lies with the concept of 'brand'. Research has shown what literature had been saying – that the brand has not been capitalised upon to gain competitive advantage (Hankinson, 2001; Khan & Ede, 2009; P. Tan, 2003, Venable et al., 2005; Weisnewski, 2009). NFP management need to recognise that the organisation's brand is important and that it does not entail a separate brand-building exercise (and additional expenses) to build the brand. All communication, relationship building, and fundraising activities are brand-building opportunities. When seen from an SD Logic perspective, the co-created value becomes the brand experience vehicle. In this way, NFP marketing expenditure does not have to factor in additional brand-building costs, but plan strategically to maximise brand-building opportunities. This is best achieved through strategic brand alliances with strong corporate brands.

This research has found that NFPs need to be constantly alert to the trigger points that will activate the self concept construct. An interlocking network of values such as trust, altruism, succourance, and recognition, emotions, and experiences, telling the right stories at the right time and in the right manner will set off a series of reactions that will positively impact on donor response. Literature support for this view encourages NFPs to emphasise donor care relationships, staying in contact, and practising the right etiquette. This includes details like correct names, thanking the funders for donations received, updating them on disbursements

and progress, and timing their requests for the next request appropriately (Metrick, 2005; Simmons & Emanuele, 2007; Waters, 2009).

Finally, with regard to developing the market to build incoming generations of future funders, NFPs need to realise that engaging with the younger markets is important. Although research has shown that the profile of funders is of a more mature age and female skewed, ignoring the younger funders especially those belonging to Gen Y is not encouraged. The financial value of GenYs giving may not be high compared to the older funders, but their longer relationship with the NFP results in a greater value in the end (Harris, 2011). There is concern that engaging with them may impact on already stretched financial resources, but the value of the Gen Y's social networking makes this cohort a valuable support base.

6.6   Limitations

Although this research is on NFP marketing in a New Zealand context, the findings are limited by time and geography. The scope of this research enabled data collection from two cities, Auckland and Wellington. The events at Christchurch were not conducive for data collection during the chaotic months following the September 2010 and February 2011 earthquakes. Future research plans to include a Christchurch perspective will give the research a better understanding of NFP marketing in a truly New Zealand context. Currently, it is more accurate to describe the research as a North Island endeavour. Furthermore, the interviews, ranging between 45-90 minutes, were perceived as time consuming by some organisations. Their representatives responded that they could not spare the time requested. As a result, organisations have missed out on participating in this research, which meant a slightly diminished value to both the research and the organisations themselves.

From a positivist perspective, since the interviews were conducted mostly with one representative from 15 organisations, and two representatives of the remaining three of the 18 organisations, the results may be critiqued as lacking in representation. A questionnaire research would enable a broader and therefore more representative perspective, but it would not have allowed the richness and depth of data collected from the qualitative approach. The future direction of this research is aimed at filling this data gap to gain further validity of the findings that have emerged.

Another limitation concerned the inability of this research to cover the wider aspects of pro-social giving such as the giving of time, blood, foodstuffs, and items like clothing, books, toys, and furniture. Nevertheless, the findings of this research will pave the way for future research to include other forms of pro-social giving.

At the same time, there was a noticeable lack of literature specifically pertaining to these areas: NFP marketing in New Zealand, SD Logic and NFP marketing. Although there are many registered non-profits in the country, academic research on this sector from a business perspective is scant. Electronically-sourced information was mainly institutional in nature and their value contribution to this research from a marketing perspective was limited. This lack of information turned out to be an advantage, since it helped to open doors to several organisations that were willing to participate in this research.

However, the literature on SD Logic was rich and provided a current source for the researcher to understand the concept and see its relevance to the nature of this research. The only limitation was that SD Logic, being very much the topic of this decade is still receiving academic contributions towards the development of this construct. An industry-specific set of SD Logic writings on NFPs are not as yet available, hence this research has to draw upon the richness of the thinking and philosophy of SD Logic that was presented by the many writers to make inferences and applications. Needless to say, SD Logic has contributed immensely to the quality of this research, and the researcher is optimistic that in the not too distant future this limitation will disappear.

It was found that literature with marketing themes for NFPs were more from a goods-dominant and a for-profit perspective. This point is alluded to in the emphasis for NFPs to adopt for-profit marketing practices and strategies without emphasis or reflection upon the different nature of NFPs. This paved the way for this research to explore from a service-dominant point of view. It must be mentioned however, that even in the absence of such reflection, the quality of the research and the findings have enriched this research immensely.

Finally, it must be acknowledged that although there were significant contributions from literature with a relational perspective of NFP marketing, SD Logic was not featured in the writings per se. This limitation however, did not disadvantage the research. Rather it was the absence that challenged the thinking and eventual conceptualising of NFP marketing from an

SD Logic perspective. Although the limitation has resulted in a positive outcome in a small way, the value of prior research and knowledge contribution by academia in this particular field would have certainly benefitted this research even more.

6.7   Summary

The closing paragraphs of Chapter One outlined the theoretical, empirical and managerial contributions that this research will make to businesses and marketing. This research has achieved its aim to answer the research question, **'What is the nature of NFP marketing in a SD Logic environ?'** SD Logic plays a pivotal role in framing NFP marketing, emphasising on the importance of the relational nature of engagement with funders, as well as the co-created value of service exchanges. The conceptual model that has been developed depicts the positive influence of SD Logic on NFP marketing to secure financial resources.

Most importantly, it has been able to collate the thoughts, strategies, and approaches of the various participating NFPs, and anchored them within a conceptual framework. In a unique way, this research is the visible manifestation of SD Logic, through the value that has been co-created as a result of this exchange of skills, knowledge.

Finally, this research has paved the way for further research outputs in not-for-profit marketing as well as SD Logic fields.

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Appendix 2 Information sheet

Information for participants

> Exploring the impact of marketing strategies on the stakeholder engagement
> relationship with not-for-profit organizations: A grounded theory approach.

My name is Mary Pui-Ling Lim, and I am a post-graduate student at Unitec, pursuing the Master of Business qualification at Unitec Institute of Technology. To fulfill the programme's requirements, I have undertaken an exploratory study on the impact of marketing strategies on stakeholder engagement with not-for-profit organizations in New Zealand for my thesis.

What I am doing
Since the early 1900s, researchers have been studying the impact of the adoption of marketing philosophies commonly used by for-profit, commercial organizations, by non-profit organisations. However, the bulk of these studies were carried out in Europe and the USA. There are no studies of this nature carried out on non-profits in New Zealand. In 2005, Statistics New Zealand counted 97,000 non-for-profits operating in the country, and given the tight economic conditions that the country is experiencing currently, there is an intense competition for financial resources to help non-profits to achieve their mission and continue to serve the needs of the New Zealand community. In this study, I hope to identify the impacts of marketing strategies on the crucial relationship between funders and non-profits in New Zealand. Using this knowledge, I aim to identify what strategies work and what do not in a New Zealand context, and uncover patterns, emergent concepts and theories which may concur with the global view for non-profit marketing, and what is unique to New Zealand.

What it will mean for you
As this is an exploratory study, the methodology calls for an approach to the research with an open mind, without any pre-conceived theories. To enable me to draw upon the richness of your experience in the non-profit sector, I will be seeking inputs from you regarding the following:

1. Services offered by your organisation.
2. Marketing feedback – activities, plans, competition, threats, opportunities and barriers.
3. Funding strategies and relationships: success, threats, opportunities and barriers

This conversation will take up about an hour, but not more than ninety minutes of your time, and since it is a formal, executive interview, it will be conducted in your office, during work hours. For purposes of integrity, research purity and accuracy, the interviews will be digitally recorded, and transcribed to enable analysis. All details or information pertaining to your identity and that of your organisation will not be disclosed in the thesis.

I am required by research ethics to seek your consent first, and upon your agreement,you will be given a consent form to sign. However, should you change your mind and wish to withdraw from this research, you can do so; and request for all information to be withdrawn, within the two weeks period after the date of interview.

Your name and information that may identify you will be kept completely confidential. All information collected from you will be stored on a password protected file and only you, my supervisors and I will have access to this information.

Please contact us if you need more information about the research. At any time if you have any concerns about the research project you can contact myprimary supervisor:

My supervisor is Dr Robert Davis, phone 815 4321 ext. 7418 or email rdavis@unitec.ac.nz

UREC REGISTRATION NUMBER: 2011-1153
This study has been approved by the UNITEC Research Ethics Committee from 3 March 2011 to 2 March 2012. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162. Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.

Appendix 3 Participant consent form

Participant consent form

> Exploring the impact of marketing strategies on stakeholder engagement with the relationship with not-for-profit organisations: A grounded theory approach.

I have had the research project explained to me and I have read and understand the information sheet given to me.

I understand that I don't have to be part of this if I don't want to and I may withdraw from this research project within two weeks of the date of the interview.

I understand that everything I say is confidential and none of the information I give will identify me and that the only persons who will know what I have said will be the researchers and their supervisor. I also understand that all the information that I give will be stored securely on a computer at Unitec for a period of 5 years.

I understand that my discussion with the researcher will be taped and transcribed, and a copy of the recorded interview and/or its transcript will be made available to me upon request.

I understand that I can see the finished research document.

I have had time to consider everything and I give my consent to be a part of this project.

Name:

Signature: Date:

Researcher: Mary Pui-Ling Lim   Date:
Signature:

UREC REGISTRATION NUMBER: 2011-1153
This study has been approved by the UNITEC Research Ethics Committee from 3 March 2011 to 2 March 2012. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.

Appendix 4 Confidentiality undertaking on Unitec letterhead

Date

Name of Organisation
Address

Attention:

Confidentiality Undertaking

Thank you for agreeing to meet with me to assist me with my research into the impact of particular marketing strategies on stakeholder relationships with not-for-profit organisations in New Zealand as part of the requirements towards my Master of Business degree.

In consideration of your organisation agreeing to make available to me information on its marketing strategies and plans and other relevant information, I acknowledge and agree that:

1. All information of whatever nature (whether oral, written or in any other form) supplied to me by or on behalf of your organisation (referred to here as "the Confidential Information") will be held in complete confidence and will not, without your prior written consent, be disclosed to any person, nor used for any purpose for which it was disclosed by your organisation. In particular, the Confidential Information will be held in secure files and neither you nor your organisation will be identified by name in my thesis.

2. However, I am permitted to disclose the Confidential Information to my research supervisor and the transcriber of the oral interviews who need to know that information and I shall ensure that they treat the Confidential Information as confidential and not disclose it to any other person or use it in any way except for the purpose for which it was disclosed by your organisation.

3. The term "Confidential Information" does not include any information which:

    (a) at the time of disclosure is generally available to and known by the public; or

    (b) was available to me on a non-confidential basis from another source without that source being in breach of a confidentiality obligation to your organisation.

4. Neither you nor any other member of your organisation is making any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information and neither the organisation, nor you nor any other member of your organisation will have any liability to me or any other person resulting from my use of the Confidential Information.

If you agree with the points above, please sign and return one copy of this letter which will constitute our agreement with respect to the matters set out in this letter.

Yours faithfully

Mary Lim

CONFIRMED AND AGREED
this   day of   2011

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For and on behalf of