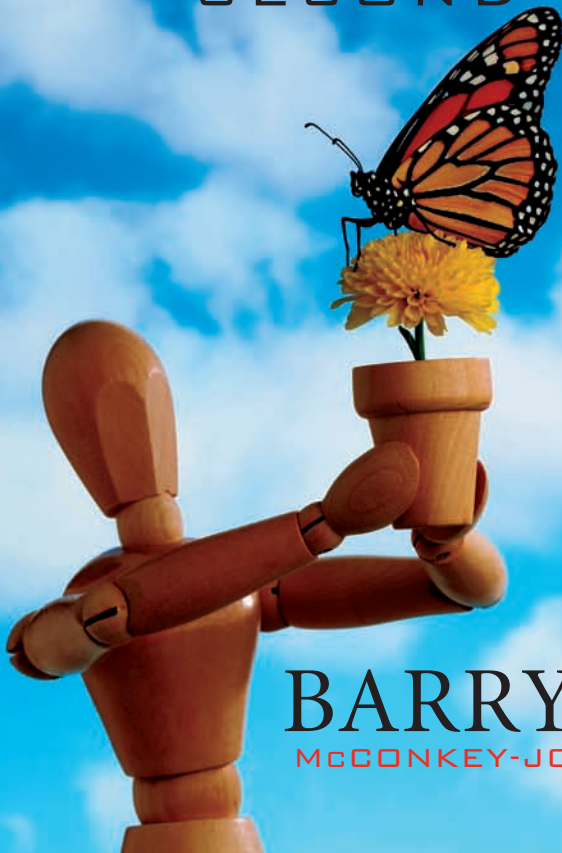


SUCCESSFUL MARKETING STRATEGIES *for* NONPROFIT ORGANIZATIONS

SECOND EDITION



Winning
in the Age
of the Elusive
Donor

BARRY J. MCLEISH
MCCONKEY-JOHNSTON INTERNATIONAL

Successful Marketing Strategies for Nonprofit Organizations

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Second Edition

WINNING IN THE AGE OF THE ELUSIVE DONOR

Barry McLeish



WILEY

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Successful Marketing Strategies for Nonprofit Organizations
Yours, Mine, and Ours: Creating the Compelling Donor Experience

*For my teachers:
Winston Brembeck, William McConkey,
Larry Fuhrer, and James McLeish*

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Preface

Men occasionally stumble over the truth, but most of them pick themselves up and hurry off as if nothing had happened.

Winston Churchill

Who is marketing your cause? Is it you, your CEO, your board development committee, or key agency volunteers? Do they have a plan of attack or just a list of best practices? Assuming they have a plan—and many don't—the list of best practices they have may not be well suited to today's hyper-competitive nonprofit world. More is needed. Donors, customers, members of social ecosystems, and an overabundance of causes have seemingly conspired to demand that nonprofit organizations become readily adaptable and significantly radical to survive and flourish during these days of eroding tactical advantages and shrinking strategy life cycles.

The landscape has radically changed since I wrote *Successful Marketing Strategies for Nonprofit Organizations* for Wiley.

First of all, relationships are not what they used to be. We now use tools that enable us to keep in constant touch with individuals for a lifetime, whereas just a short time ago, unless people worked really hard, they would not only forget someone's name but lose their pertinent information. Now marketing directors speak of "digital friendships," which aren't really friendships at all but contacts, and organizations pretend that they can manage thousands of these new relationships and networks even though in the past they often

had a hard time with just a handful of names. The good news is that the Internet has allowed research capabilities to increase proportionately, and organizations can now tailor their marketing programs according to the digital behavior of those they are following as well as that of their friends.

While it is obvious that the Internet has changed everything, what is not so obvious is that there are still few strategy and development protocols that reliably perform for organizations day in and out. What can be said is that the near-institutional transparency the Internet allows, along with massive organization commoditization, is driving mediocre agencies out of business and helping to reduce the barriers to entry for a host of new ones. These two factors have dictated that offering real value to stakeholders has never been more important and now requires not only new knowledge about those an organization wishes to serve but a common agency commitment to indeed serve them. The context the stakeholders find themselves in requires, alternatively, an immersion into their lives on the part of the agency that serves them, something that not every agency is willing to do because it places an individual's needs above those of the institution.

As such, programmatic and marketing innovation now matters more because it changes how organizations perform, creating uniqueness in the midst of agency parity, and allows differentiation to occur. Today, organization differentiation may be the most important tactic a strategist has, especially in light of the donor pull-back some agencies are experiencing and the erosion of many markets.

Explaining the “how” of engaging the donors and customers an agency does have and then making them central to all the institution does is the aim of *The Elusive Donor*. Successful competitive outcomes are increasingly becoming the result of value alignment between agency and stakeholder and collaboration between the two parties. This persistent collaboration can produce institutional innovation and can also secure the loyalty and commitment of the stakeholder, who in turn locks out competitors and feeds the tendency of the organization to be involved in listening at all levels. The relentless positioning of the stakeholder at the center of an organization is not a new idea; it is mentioned at every nonprofit marketing seminar. What is new is that the centrality of the stakeholder is no longer optional. Stakeholder centrality and stakeholder listening

lead to better programming, better products, and more philanthropic dollars as well as to stakeholder engagement. It is this increased penetration that creates meaning between the agency and the individual. How to achieve this interaction is the subject of *The Elusive Donor*.

Authors and philosophers have suggested that an era ends when its basic illusions and paradigms no longer make sense and have been exhausted. There is little doubt that this has become the case with countless nonprofit organizations across North American and around the world as they engage in what is for some, the most intense period of creative destruction and reconstruction they have ever seen. For many of these agencies, virtually every component that has been a mainstay of their marketing programs during the past decade has been changed irrevocably by the economic and technological upheaval they now find themselves a part of.

Oft-used advertising media, fundraising delivery systems, data base models, and “sure-fire” donation requests no longer seem to work and function as they once did for many agencies. While leaders fret over the changes occurring within their institutions, many more seem paralyzed, not knowing what to do about them. Old ways are dying hard. Margaret J. Wheatley suggests, “This is an era of many messes.”¹ She may be right.

Much of today’s nonprofit world seems to be in the early stages of a deeply unassailable and omnipresent set of changes that, for better or worse, are altering its economies, cultures, and the understanding its leaders and directors have regarding how they fit in society, what they should do, and what they should stand for. This disequilibrium is being evidenced in many ways. Donors of all classes no longer give according to the prescribed patterns they once evidenced; new constituent communication habits have upset the way many organizations converse with their stakeholders; agency supporters now expect value attainment to come in multiple dimensions as opposed to the singular “gift-giving” and “thank-you letters” of the past; and real power has shifted from institutions to stakeholders who write donation checks, volunteer, or buy organizational products (i.e., stakeholders who in turn often create self-organizing online communities around aligned interests with like-minded individuals outside the jurisdiction and control of the sponsoring nonprofit institution). As leaders try to direct and control these outcomes, a sense of powerlessness has pervaded many of

them, even as the very calculus by which they have managed their organizations in the past has now changed.

The future remains an open question. What can be said is that for most institutions, it is no longer business as usual. Rather than continuing to send marketing and fundraising messages to an increasingly unsympathetic and sometimes resentful audience, many organizations are trying to engineer a different sort of social engagement with their stakeholders. New tools, new techniques, new giving patterns, and the evolution of the marketing language itself are signs of the flux marketers are in. Within many agencies the marketing function's status as the engine of causal growth and change is being derailed as over-competition has often led to service commoditization in many sectors as along with the splintering of donor bases. Stakeholders have also changed, dramatically increasing their expectations of value attainment and their sense of place within the nonprofit ecosystem.

Whereas stakeholder conversations used to be initiated and distributed by organizations that incepted, directed, and controlled their efforts to communicate with them, the new stakeholder dialog now starts in reverse order with donors, customers, and volunteers themselves providing data to the agency and stating the terms by which they would like to be in communication. Consequently agency control over content and distribution is fading. Additionally, with many audiences already highly involved in cause-related behavior and connecting with causal groups in clear and thoughtful ways, agencies no longer tactically gain anything by "shouting" their messages. Prospective stakeholders are often more knowledgeable and more interactive than ever, and more willing to trust their own recommendations. Social media provide these individuals (as well as nonprofit institutions) with a set of technologies that enable conversations, relationships, and social and knowledge networks to be built as never before. New stakeholder rules of engagement are being written formally or informally in many organizations on a routine basis.

In light of these changes, some are suggesting that marketing's role within institutions is also changing, especially with the advent of new media options. For architects of nonprofit strategy, if marketing's role hasn't already changed substantially within their own organization as well as others, perhaps the change should occur immediately. While "command and control marketing" has been

changing within the nonprofit world during the past few years in favor of a marketing strategy that listens to and nurtures audience members with the goal of meaningful stakeholder and donor engagement, other changes have been more pronounced. Marketing has always been about defining targets, both individuals and markets, in the pursuit of prospective stakeholders and leveraging relationships with them to create a keen sense of belonging within their very being. Steve Yastrow, a principal of Yastrow Marketing, correctly surmises in his book *We* that the ultimate marketing challenge for marketers continues to be whether customers have a “we” relationship with the companies they do business with or an “us and them” perspective.

The need for strong causal relationships has given rise to other critical issues such as stakeholder sustainability and donor and customer retention. These tactical problems have radically increased in importance during the past 10 years as competition has intensified, with many causes now becoming commodities in the minds of their constituents.

In an annual survey of [for-profit] CEOs conducted by The Conference Board, nearly seven hundred CEOs globally were polled about the challenges facing their companies in 2002. CEOs identified “customer loyalty and retention” as the leading management issue ahead of reducing costs, developing leaders, increasing innovation, and improving stock prices.²

Because marketing has always had to rely on media to deliver its messages, the presence of new communication options suggests that the various media an organization uses will need to be adjusted as to their capability to perform the tasks of retention and sustainability as well as to deliver a compelling value proposition that is supported by key value drivers. While important considerations such as brand equity and the alignment of agency values with stakeholders continue to be central issues tactically, the role the new media play may also make critical agendas dependent in part on the ongoing dialog and sustained engagement that should take place between an organization and its stakeholders. To achieve these goals, the current mindset of top-down leadership control, still popular with many nonprofit agencies, must be replaced with the relatively new design of leadership collaboration with off-line and online communities in

building constructive relationships, effective knowledge networks, and strong brands.

However, for many directors these changes present an unimaginable landscape as additional managerial issues confront them. Stability and control, for example, have gone by the wayside as hundreds of institutions have had to grapple with the incessant need to respond to the discontinuous changes and financial pressures they face. Additionally, the myriad of media options stakeholders have available to them to communicate with organizations they are interested in—and if necessary, to talk back to—via web logs, chat rooms, online surveys, corporate forums, and other social avenues—now give them unprecedented moral, social, and communicative power.

Conversely, finding they can no longer turn stakeholders on and off in the same ways they once did, some nonprofit directors end up dancing between chaos and stability, retreating to what has worked in the past—more mail, more events, more cost-cutting, more top-down control—and further exacerbating the situation they find themselves in. Though there may be many different ways to “win” in the presence of new communication options (coupled with the deterioration of some of the old options), the path is not always clear.

What is clear, however, is that massive changes are taking place that affect most if not all nonprofit stakeholders:

- Television now offers 70 channels for most people, as opposed to the three or four basic ones of old.
- A substantial audience shift from prime time viewing to any-time viewing has occurred.
- Satellite radio offers listeners hundreds of channels with highly targeted content.
- Newspaper circulation is plunging, and its advertising, classified ads in particular, is being rechanneled online as news aggregations and social sites begin to dominate.
- The total number of magazine titles, along with average magazine circulation and single-copy sales, continues to drift downward.
- User-generated content on sites such as YouTube, MySpace, and Facebook is drawing millions of consumers daily.

In spite of the media renaissance occurring around them, comparatively few nonprofit agencies seem to be taking these shifts in their communication and marketing paradigms as opportunities to probe their stakeholders more deeply, learn the real reasons for their support, and become collaborators with them. Instead, many nonprofit agency marketing units continue to use the more traditional fact-based, four Ps approach (product, price, place, and promotion) to develop strategies regarding their donors and customers, letting their accumulated data—segmentation studies, response data, and purchasing habits—dictate their strategies. Some institutions, according to Seth Godin’s *Meatball Sundaes*, in attempting a “quick fix” by bolting on new forms of media communication to old command-and-control structures, have made clear their disdain for the ideal of organizational transparency and have created a marketing mix of incompatible ingredients.

For directors choosing the path of non-collaboration as well as ignoring the new rules of stakeholder engagement that seem to be becoming a permanent fixture, key tenets learned in the past related to nonprofit marketing and being market driven may soon become irrelevant and lost to history. For these directors and for others in similar positions, being market driven is no longer good enough; what is required is an obsessive desire on the part of an agency’s leadership to create and deliver value through all of its inner workings for the targeted stakeholder. Obviously, strong relationships are a critical part of delivering this value. What are changing for many organizations, however, are the tactics of delivering “strong relationships,” given that building communities of interest and providing content have now become a necessary part of the delivery systems.

While the new media usage has for some become a type of cultural experience in and of itself and for others a type of experimentation, these media are seen by almost all to be rich with information, so much so that it is almost impossible to hide anything organizationally. Unfortunately, as a partial consequence of this ease of utility many young marketing and development directors now mistakenly rely solely on social media for almost all of their promotional needs, development tasks, relation building, and consumer insights. As a result, some directors have even given up trying to engage stakeholders face to face and have tabled subsequent personal follow-up appointments and interaction simply because of the

difficulty they may have in procuring appointments with members of their institution's target markets and the apparent ease of using social media. Having forgotten that individual stakeholders are still the source of most value for nonprofit organizations, these directors try to run their marketing programs "from a distance." No longer encouraging their stakeholders to be willing to talk about the organizations they are interested in online and off-line, they substitute technology for interaction in the management and communication of defined target groups who require individual care, one-to-one interaction, and personalized stakeholder concern. Jump Associates founder Dev Patnaik suggests, "Those maps are a poor substitute for actual human contact."³

For most marketing managers, however, much of the indeterminacy they face relates to a key tactical question with regard to the newly empowered stakeholder: How do we reach, listen to, and collaborate with our stakeholders to jointly accomplish our mutual and individual goals? Statistics suggest that many nonprofit directors have had a hard time with this and with the subsequent communication efforts required to accomplish it. One indicator of this apparent difficulty is the statistic cited by the Bridgespan Group, "[O]f the 200,000 nonprofits started in the United States since 1970, only 144 have reached \$50 million in annual revenue."⁴ Although the numbers of the world's wealthy are growing, their giving is not; a recent study of the world's rich reported that "the wealth of the world's rich and super rich surged 11.2 percent to \$37.2 trillion last year, but the elite group gave less than 1 percent of their net worth to charity."⁵

Much is obviously at stake in finding out how to reach and collaborate with stakeholders to achieve mutual goals. Some organizations, mired in older and obsolete marketing methodologies, have become threatened by and antagonistic toward those suggesting they change. Others have mistakenly rushed headlong into massive tactical, communicative, and cultural change, giving little thought to advance planning. Some have chosen to do nothing.

In the face of so much upheaval, many nonprofit marketers would likely suggest that they themselves and their organizational strategies are currently at risk in implementing both digital and other new methodologies that are emerging as communication options. Complicating these disturbing trends are stakeholders who no longer listen to their favorite organizations in ways they once

did, or respond to the advertising and public relations tools that were once the hallmark of marketing and solicitation campaigns in the same way. Dialog, while easier to do from a technological standpoint, is still critical, but it often degenerates through using new media into a series of transactions that offer little emotive content for either party.

Unfortunately an institution's marketing strategy is not the only managerial task that is in limbo and at risk during this time of upheaval. Corporate strategies and the way organizations normally process information are also being adversely affected, as are the goals the institution strives to achieve.

Although market information of all types and varieties continues to be a critically important part of communication and stakeholder dialog as well as institutional decision making, the nature of information being processed is also subject to change, even though its importance has not been diminished.

I love the market information story author Paul Postma tells in his book *The New Marketing Era* about the major English mail order company, with an assortment comparable to that of a department store, confirming that there was no relationship between customers making a purchase from the gardening section and whether those customers had a garden or not.⁶

A more pertinent example of dealing with new market information comes from a client that is currently having a problem securing second gifts online for one of its causes following a successful online initial gift campaign. Although the research data indicates a strong brand preference for the cause, online stakeholder interest in a longer-term relationship does not seem to be forthcoming and seems to be transient in nature. Is it possible that the online popularity of this brand and its online response norms are not commensurate with the norms and popularity seen off-line, as evidenced by actual long-term commitment and multiple purchase and donation behavior? The data in this case seems to suggest that inferences drawn mistakenly from off-line media vehicles are different in nature from online media response rates. The resulting tactical questions are important and significant for marketers, because the stakeholder behavior that matters in this instance—sending a second gift to the institution—is evidencing itself differently across media in spite of

similar messaging. As many marketers are discovering, not only are media changing but so are the rules for navigating them.

A number of years ago Kevin Kelly suggested in his book *New Rules for the New Economy* that networks would be the key to understanding how the economy works. Much of his prediction is being proven true, especially as organizations encounter the need to function in real time with different marketing and communication rules. With the new media serving as a means to generate and augment existing relationships, the ability to know stakeholders intimately and their backgrounds quickly allows agencies to

- Anticipate what stakeholders will want.
- Create custom-fitting programs tied to the values and interests of the stakeholders.
- Remind and help them remember what they have done in the past in relation to the nonprofit in the way of volunteering, donating, or purchasing.
- Suggest new areas to them for their involvement.

As Microsoft CEO Steven A. Ballmer told the *New York Times*,

I think one pervasive change is the increasing importance of community. That will come in different forms, with different age groups of people, and it will change as the technology evolves. But the notion of multiple people interacting on things—that will forever continue.⁷

Though nonprofit organizations should be committed to creating value in either direction, both for the organization and for the stakeholder, creating immediate value (donating, purchasing, or volunteering today) and future value (donating, purchasing, or volunteering in the future based on the current experience) for the stakeholder requires nonprofit marketers to have a deep understanding of their audience. Having a market-centric view of stakeholders, however, becomes complicated for any organization when a stakeholder employs and is the recipient of 10 to 15 communication channels in the course of daily activities. Web analytics practitioner and author Akin Atikan notes, “Well, it is one thing to interact through multiple channels in parallel. It is quite another to fuse those activities in an intelligent way to maximize response and

conversion rates.”⁸ Seemingly overnight, stakeholders have become multichannel users and now want to be in charge of their messaging.

Not all is lost, however. While the predominance of social media should necessarily affect how most organizations navigate and engage their audiences, how they solicit and recruit them, and how they develop an effective brand image, there are five imperatives that marketing must still deal with:

First, the human factor has not gone away. In their influential book *The Experience Economy*, authors Joseph Pine and James Gilmore suggested in 1999 the necessity for organizations to create outstanding experiences for their customers. Even though this is an important marketing tactic, in this era of many good causal choices it is simply not enough for many stakeholders. In a recently given seminar by McConkey/Johnston International, CEO Larry Johnston suggested a title closer to what stakeholders may expect today: “The Relentless Pursuit of Donor Delight.”⁹ As donors, volunteers, purchasers, and other stakeholders set stricter priorities for their nonprofit engagement, it will continue to be the agencies that routinely adjust their strategies and tactics to focus on engaging these individuals in the light of new response data that will thrive.

Some institutions will find that based on audience profiles and the dominance of particular media usage by them, very little in the way of tactical adjustment needs to be made. A case in point would be a client whose donor base consists primarily of older women. The agency is thriving in spite of the absence of a prolific social media strategy. On the other end of the spectrum, however, is a client that operates a camp and routinely deals with more than 20,000 grade school and junior and senior high school young people every year. A dominant multichannel social strategy is critical to this institution’s communication platform. This may change in the future, but today this is the tactical reality. Engagement becomes more than what Pine and Gilmore were talking about. It must evoke empathy and allow the organization to step into the stakeholders’ experience.

Second, you have to find the right stakeholders. Targeting the right stakeholders and then enticing them to try your cause is a hard task for any marketing director. There are numerous issues involved in finding the right stakeholders in today's hypercompetitive world. Homogeneity is the first tactical consideration. Marketing 101 suggests that individuals who hold similar demographic and psychographic profiles and whose value set aligns with your organization's values will have the highest participation rates with your cause. With social media being the elephant in the room for many organizations, the tactical trick is to harness the many available options along with other targeted media without either spamming stakeholders to death or ignoring them. As suggested, this is accomplished by going beyond pure demographics and looking at the values stakeholders hold. Value alignment allows intimacy, fluency, and familiarity, but first you must find the stakeholders who view your cause as you do. It is these individuals you must collaborate with.

Third, not all stakeholders are created equal. Good causal marketing must go beyond simple demographic considerations of sex, race, income, and so forth and must focus on interests as well. You must find individuals who will collaborate with you and will become bonded to your institution—and vice versa. To do so requires a closer and more sophisticated look at your organizational media mix. A close friend who is a surgeon told me that he recently got four emails marked "urgent" following three phone calls from a school, all concerning a pledge he had made to the organization. All the messages were designed to remind him of a deadline for payment of his pledge. He told me he would fulfill his pledge and then sever the relationship with the organization. The organization had violated his sense of collaboration and had told him through its actions that it did not trust him.

Fourth, the goal for organizations has not really changed. In a very real sense, in spite of social media and all the hand-wringing over how to maximize the media, the issue still remains: How do we create excitement in the hearts of our stakeholders over a

cause and harness their enthusiasm for the organization by becoming collaborators with them and having their enthusiasm show up in their actions and personally generated media? Only by viewing our causes “as a bundle of processes that profitably define, create, communicate, and deliver value to its target customers” can agencies truly build their institutional brands by raising the level of their stakeholders’ voices and harnessing their enthusiasm.¹⁰

Fifth, we have to learn to love our donors, customers, and volunteers in a way that we have not in the past. In one of my creative writing classes this story was told about poems:

There are three poems in every poem: (1) the poem the poet intends, (2) the poem that ends up on paper, and (3) the poem the reader understands.

Virtually every causal agency desires to love and nurture its stakeholders. Most leaders talk about this need routinely in interviews and in dialoging with them. Yet few actually undertake the practices necessary to accomplish this task. Douglas Akin suggests in his book *The Culting of Brands* that our feelings should be so strong for the stakeholders we serve that their well-being becomes the critical source for our well-being. This is how we begin to close the gap between what an agency wants to do and what it actually does.

The Organization of This Book

Building from the comments in the Preface, Chapter 1 notes that changes have forever altered the way nonprofit marketing must operate and that marketing and media considerations have arrived at an evolutionary convergence in how they must be perceived and utilized. The idea of “marketing” and what it means is now forever challenged.

In Chapter 2, after defining the word “strategy” in a nonprofit context, the text details why a marketing strategy is important to both the nonprofit organization and the philanthropic community, providing both of them with a sense of purpose and movement towards the achievement of organizational and personal goals.

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Chapter 3 provides an overview of nonprofit market planning and research programs and lays a foundation for succeeding chapters.

Chapter 4 introduces the reader to the idea of undertaking external research analysis and the importance of such information in enabling the organization to generate strategic events as well as to make strategic decisions. External analysis of the organization's constituency is critical in determining whether it is hitting or missing its goals.

Chapter 5 picks up the discussion from Chapter 3 and continues the emphasis on external analysis as being key to an organization's ability to compete successfully. In this chapter and as part of the external analysis discussion, readers look at the competitive boundaries of the cause they are involved in and the environment that surrounds them.

Chapter 6 moves the reader from assessing his or her organization from the outside to assessing it from the inside out to highlight internal marketing, managerial, or organizational deficiencies that must be corrected to move the organization closer to its goals.

Chapter 7 is devoted to the discussion of organizational and marketing objectives, particularly as they relate to questions of why the nonprofit organization exists, what its intended markets are, and where constituent goals fit into the organization's objectives.

Chapter 8 helps the reader to take the information gathered from both the external and the internal analysis and to begin the process of melding the information into a marketing strategy for the organization.

Chapter 9 provides the reader with a number of strategy frameworks and alternatives to choose from, shows how they help nonprofit organizations in different ways, and allows the reader to merge his or her organization's past, present, and future into a coherent strategy.

Chapter 10 introduces the concept of an organization's brand and provides insight into how a nonprofit organization can manage its external image.

The Epilogue demonstrates how a nonprofit marketing practitioner can begin to think strategically and how he or she can implement strategic marketing choices.