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## MARKETING CONCEPT OPENS UP POSSIBILITIES FOR PROFIT AND NON-PROFIT SECTORS PARTNERSHIP

**Abstract.** The contribution examines and analyses modern approaches of a marketing concept for the effective cooperation between profit and non-profit sectors, which helps carry out socially desirable activities and encourage socially responsible behaviour of companies. More and more companies realise the usefulness of so-called «social entrepreneurship», a partnership, based on interconnection of profit and non-profit sectors, and on the initiation of long-term partnerships of business entities and non-profit organisations upon carrying out socially desirable activities. Incorporation of socially focused activities into the key marketing strategies of companies and development of strong and active relationships with the third sector subjects help profit organisations to increase brand value, carry out innovative programmes as well as optimise profit on the one hand, and enable non-profit organisations to gain means for their meritorious activities on the other hand. Modern methods of marketing, presented in the article, enable great potential for enforcing of socially desirable behaviour of companies and addresses consumers, who care about better living conditions and certainties of the civilisation.

**Keywords:** marketing; profit and non-profit sector; partnership relations marketing; social marketing; fundraising.

**JEL Classification:** M31, M38

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### **МАРКЕТИНГОВА КОНЦЕПЦІЯ ОТКРЫВАЕТ ВОЗМОЖНОСТИ ДЛЯ ПАРТНЕРСТВА КОММЕРЧЕСКОГО И НЕКОММЕРЧЕСКОГО СЕКТОРОВ**

**Аннотация.** Авторы статьи исследуют и анализируют новые, современные подходы к концепции маркетинга для эффективного сотрудничества коммерческого и некоммерческого секторов экономики. Применение этих подходов позволит, с одной стороны, обеспечить реализацию желаемых социальных действий государства, а с другой – стимулировать социально ответственное поведение компаний.

**Ключевые слова:** маркетинг, коммерческий сектор, некоммерческий сектор, партнерство, социальный маркетинг, фандрайзинг.

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### **МАРКЕТИНГОВА КОНЦЕПЦІЯ ВІДКРИВАЄ МОЖЛИВОСТІ ДЛЯ ПАРТНЕРСТВА КОМЕРЦІЙНОГО ТА НЕКОМЕРЦІЙНОГО СЕКТОРІВ**

**Анотація.** Авторів статті досліджують та аналізують нові, сучасні підходи до концепції маркетингу для ефективного співробітництва комерційного і некомерційного секторів економіки. Застосування цих підходів дозволить, з одного боку, забезпечити реалізацію бажаних соціальних дій держави, а з другого – стимулювати соціально відповідальну поведінку компаній.

**Ключові слова:** маркетинг, комерційний сектор, некомерційний сектор, партнерство, соціальний маркетинг, фандрайзинг.

**Introduction.** Marketing is nowadays not only the key philosophy and concept of management in companies which aim to remain and expand on domestic or foreign markets, but also a part of the philosophy of people's life in the third millennium. Marketing as scientific discipline emphasizing information, strategic and operational interconnection of a company with its environment, and founded with respect to consumers, provides knowledge on how to generate, facilitate and carry out market transactions.

The fundamental marketing philosophy, from which marketing concept and particular marketing strategy of each organisation are derived, is based on an effort to find ways of the best

possible satisfaction of target market needs. It thus concerns company and market activities related to consumable goods, goods for processing, services, activities of non-profit organisations, as well as the satisfaction of different needs of people by goods and services. Modern marketing is also looking for efficient tools of effective cooperation between profit and non-profit sectors, which help carry out socially desirable activities and encourage socially responsible behaviour of companies.

**Brief Literature Review.** The issue of marketing nowadays represents the key managerial philosophy and concept upon company's succeeding on a market. New methods and approaches to facilitate exchange and keep customers in the

market competitive environment are still being looked for. Our paper draws from numerous foreign authorities, which, besides profit motifs, also accent the social dimension of business. They include e.g. R. A. Andreasen (2003, 2006) [1; 2], M. Angeles Gil Estallo (2007) [3], D. P. Baron (2007) [4].

We further deal with the works of the creator of modern marketing P. Kotler (2006, 2007) and his co-workers G. Armstrong (2007), who nowadays also orientate on the issues of socially responsible behaviour, help and cooperation between profit and non-profit sectors in their extensive works on marketing approaches, particularly focused on the profit sector. Also authors V. Cihovska, E. Hanulakova, and J. Lipianska (1999, 2002, 2008) [5; 6 & 7] have been dealing with the issues of marketing of non-profit organisations in their scientific and educational activities in the long term. The paper also analyses new marketing methods and techniques, which are implemented by non-profit organisations in the cooperation with profit organisations for the purpose of getting support for their meritorious activities N. Govoni (2003), M. Hainbach (2006), T. J. Hannagan (1999), P. Kotler & G. Armstrong (2007), P. Kotler & K. L. Keller (2006), J. Marconi (2002) and M. Urselmann (2007) [11–17].

**Purpose.** For a long period, from its beginnings to almost the 1980s, marketing was considered to be effective philosophy and concept of profit sector management. Works of R. A. Andreasen (2003, 2006) and R. A. Andreasen & P. Kotler (2003) shift its boundaries behind tangible products and services towards further activities. Over the last years, marketing activities have also been more and more successfully enforced in organisations, which do not generate profit, e.g. cultural and educational institutions, political parties or charitable organisations. A reason for the creation and implementation of specific marketing methods and techniques for non-profit organisations is the pressure on gaining and more effective utilisation of public resources, which they need for their activities, as well as increasing competition among the third sector organisations. Eventually, marketing implementation in non-profit organisations helps fulfil their mission and achieve their objectives more efficiently. The goal of the chapter is to present new and modern forms of marketing concept for non-profit sector, which enable the effective cooperation between profit and non-profit organisations upon carrying out their activities, in which all involved parties (profit as well as non-profit organisations) achieve their goals.

**Results.** One of the key features of developed democratic pluralistic society and a pillar of modern democracy is, besides the condition of public administration and business sphere advancement, also the advancement of so called non-profit or third sector.

Non-profit sector represents an irreplaceable feature of the structure and functioning of democratic social system in economically and politically developed countries of the world. It supports education, culture, health, social welfare, regional development, human rights and many other spheres for people who depend on them.

Governments, governmental organisations and institutions and market are often neither able nor willing to solve many local or global problems in a broad spectrum of social spheres, e.g. social, health, environmental or educational spheres. The non-profit sector, or third sector, which is complemented by the activities of state (governmental) sector as well as private (business, profit) sector, helps solve these issues. Its activities thus contribute to the creation of compromises, they support dialogue between governmental authorities and bodies and institutions representing the interests of citizens. These institutions enable individuals to gather, enforce common interests, as well as they encourage individuals to carry out activities for public welfare [5, p. 3]. The non-profit sector has gained great authority worldwide over the last 20 years. Not only has the number of non-profit organisations increased enormously, but the range of their work has increased to such an extent that they are involved in almost each sphere of human rights all over the world.

In spite of significant variety, non-profit organisations share certain common characteristics:

1. They act in public interest on the grounds of voluntary activities of people in various social life spheres (e.g. in culture, education, human rights protection or environmental protection, social care, etc.).

2. They are institutionalised to a certain extent (i.e. they are legal entities established and registered in compliance with valid legislation, and they are therefore entitled to enter contractual relations).

3. Their objective is not profit generation.

4. They are institutionally separated from state (i.e. they are independent, non-governmental, private, and they are not a part of state administration).

5. They are self-governmental (i.e. they have their own control mechanisms specified by administrative or supervisory boards, respectively members).

6. They are supplementary sources in solving public issues, while they act as «partners» of private and state sectors [6, p. 238].

Non-profit sector fulfils significant roles and functions in each developed society. They mainly include the following functions:

- **economic**

- public services provision,
- job opportunities creation,
- human potential development

- **social**

- creation of conditions for quality life in democratic and free society, and provision of conditions for satisfying the needs of those members of society who cannot or are unable to ensure them themselves

- **political**

- non-profit sector contributes to the creation and maintenance of social harmony in society and helps solve global as well as regional and local problems of the given society

- **ethical**

- it reflects in the public activities of non-profit sector and in an understanding approach towards the problems of society and individuals

- **informational**

- the third sector organisations significantly contribute to the awareness of alternative views of different social issues

- **control**

- the third sector organisations represent a certain feedback, a nationwide reflection of all the negative in society, they supervise the fulfilment of democratic principles.

Marketing, as an efficient concept of the management of work with markets, offers the non-profit sector as well as business organisations a complex set of instruments, which helps them on their way towards gaining and maintaining customer loyalty and gaining resources for their activities. Non-profit organisations need to raise funds in order to support their activities. Marketing tools and techniques can offer a sponsor many opportunities, thus providing greater opportunities to fulfil the mission of the given organisation.

Marketing of non-profit organisations particularly needs to focus on the creation, maintenance or change of approaches and behaviour of target audience towards an organisation. The target market in non-profit sector focuses on different social groups, whom a marketing manager needs to cooperate. They are suppliers, governments, officers, financial markets, wholesalers, retailers, research institutions, advertising agencies, sponsors, donors and the public.

Due to their specific position, non-profit organisations are made to look for new, more effective and more creative ways to influence their target customers, i.e. the final users of their products, as well as donors and sponsors, who support their noble activities. New and modern approaches, having potential to follow the effective cooperation among the third sector organisations with profit-oriented companies, and applying of which results in the achievement of the goals of all involved parties, include Cause-Related Marketing, CRM, and Fundraising.

**Cause-Related Marketing** can be understood as mutually beneficial interconnection of profit and non-profit organisations, where the profit-oriented organisations provide the charitable

organisations funding and publicity; and the non-profit organisations provide their partner companies the opportunity to increase sales and the support of non-business activities at the same time. The fundamental displays of the implementation of philanthropic marketing concept in practice nowadays include corporate philanthropy, sponsoring, and the support of different socially-oriented events or strategic partnerships between commercial and non-profit organisations [16, p. 6]. The key precondition is voluntary cooperation between profit and non-profit sectors, having a form of effective, respectively win/win marketing partnership. Many companies relate corporate social responsibility to marketing activities. Philanthropic marketing is considered to be a part of socially responsible marketing, and Drumright and Murphy (In 16, p. 7) define it as «*marketing efforts, having at least one non-economic goal related to social care, and using the resources of a company and/or its partners*». It also includes other activities like traditional and strategic philanthropy and voluntary basis. Philanthropic marketing, as a highly complex marketing tool, has potential to create unexpected associations in the mind of a customer. It can be comprehended as a connection of the fulfilment of profit goals of a company to the possibilities of collecting financial means for a non-profit organisation. Govoni (2003) characterises philanthropic marketing as a relation of sponsoring activities to public relations, where the advertiser participates in the creation of a common programme with a non-profit organisation for the purpose of the enhancement of their own reputation [11, p. 32]. The advertiser commits to contribute in the given purpose financially or non-financially in the exchange for relating their company name to a charitable event within the common marketing communication with the given non-profit organisation. Its purpose is to motivate socially responsible consumers to purchase, thus supporting a meritorious purpose with a part of the purchase price.

Cause-Related Marketing and carrying out of the related activities generate great potential for both involved partners. Non-profit organisations get means and support to carry out their meritorious activities as well as a necessary low-cost form of marketing communication. Partnership with the non-profit sector brings commercial organisations benefits in the form of positive image in the eyes of customers, the ability to increase the value of products or services on the market, and to enforce a cheaper and more efficient form of communication with the target segment.

Philanthropic marketing can be implemented in different ways: e.g. Nike company gives each Indian who undergoes diabetes blood tests a pair of sneakers; the British Airways collect remaining local money, left after a stay in the given country, from passengers on board and provide them to UNICEF; Tesco in Great Britain gives customers a coupon for each purchase of ?10 value, which they can give to a school based on their own decision. Schools later exchange the coupons for computers. Companies can make up their own charitable programme, or they can join an existing one. It thus represents a sort of sponsorship related to the public, where a profit subject carries out a common programme with a non-profit organisation for the purpose of the enhancement of their own reputation.

Successful philanthropic marketing results in a number of advantages for both, profit and non-profit partners. They include better quality social care, setting up of a differentiated position for a brand, establishment of strong bonds with customers, enhancement of corporate image in public, support of internal ethics and encouragement of employees, growth in sales. Customers can establish a strong and exceptional bond to a company, exceeding common market transactions, by means of «humanisation» of the given company.

Negative impact is achieved, if the communication efforts of philanthropic marketing have a counter-effect, e.g. sceptic customers can doubt the interconnection between a product and charity, and perceive the company as calculating. They are partially true, as the Cause-Related Marketing activities are always done for mercenary reasons (contrary to corporate philanthropy). Non-profit organisations help involved companies promote their products or services (e.g. by means of providing their

name and logo), while their own activities are thus also promoted and the awareness of issues the non-profit organisation deals with increases. Moreover, they receive a certain financial remuneration, e.g. in the form of a share from the sales of promoted products.

Commercial relations based on sponsoring are also one of the forms how companies cooperate with non-profit organisations. However, in case of sponsoring, sponsor does not renounce an adequate material counter-value, while it is also contracted in writing. From the sponsor's viewpoint, sponsoring represents one of its communication policy tools.

#### **Fundraising Helps Non-Profit Organisations To Gain Resources**

Many third sector organisations are nowadays looking for a balance between maximum focus on the fulfilment of their mission, and efforts to gain a sufficient amount of means for their operation. Modern marketing ranks fundraising among successful methods of gaining financial and other resources for the activities of non-profit organisations. It results in gaining necessary financial means, material, or (non-)property resources or help, e.g. handouts, know-how as well as experience in organisational management, etc.

The term «fundraising» originated in the USA. It comprises two words – *fund* (money, capital) and *to raise* (gain, collect). It thus practically means the acquisition, gaining or development of funds or financial resources. Fundraising is defined in professional literature as an expert, targeted, organisationally and timely arranged activity focused on searching for donors and sponsors in order to gain financial means, predominantly those not regularly received by organisations, and based on clear rules [11, p. 20].

According to M. Hinbach (2006), the practical viewpoint is expressed by Kosztolany's (2006) definition, characterising fundraising as a long-term process following marketing principles [11, p. 21]. It does not only concern gaining financial means from grants, donations or other financial contributions, but it particularly concerns careful preparation for the process of gaining financial means itself. It also includes gaining friends for the given organisation, i.e. people trusting its mission and willing to participate in its activities.

R. A. Andreas & P. Kotler (2003) [2, p. 187] consider fundraising to be one of the most important applications of marketing principles in non-profit sector, as well as one of the most complex ones due to increasing competitiveness. They suggest that non-profit organisations go through three levels (regarding marketing orientation) of their views on how to gain resources effectively:

- Product orientation – organisations suppose that people will support them because they fulfil a useful mission (this reasoning is adopted by schools or charitable organisations).
- Orientation on sales – organisations realise that they are surrounded by many people. It is enough to find them and convince them to contribute.
- Orientation on customers – in this case, needs and wishes of donors prevail over the needs of organisations. Organisations need to come up with a way how to satisfy their needs, as only satisfied donors are willing to support a non-profit organisation.

Defining the term fundraising, M. Urselmann (2007) [17, p. 11] also notices those who provide the necessary means to non-profit organisations (donors, contributors). Fundraising is then defined from this viewpoint as systematic analysing, planning, carrying out and monitoring of all activities of a non-profit organisation, aiming at gaining necessary resources (financial, material, services) for the given organisation by means of thorough focus on the needs of donors, without having to provide adequate material counter-value (service). Donors, as comprehended by Urselmann, can be private persons as well as companies, foundations or state. They do not request any material counter-value for providing their means. In most cases, however, they expect non-material forms of service in return. We can say that donors do not only act gratuitously, but they also follow their own interests and needs, on which fundraising needs to focus.

Urselmann's argument regarding the existence of mercenary reasons for donations is also supported by Kotler & Andreasen (2003) [1, p. 231]. They suggest that donations should be comprehended as transactions, not as gifts. Within these transactions, non-profit organisations offer donors significant benefits, which they wish and pay for them by their donations. The key motifs significant for individual donations are further defined. These include e.g. the need of self-esteem, or recognition by others, giving seen as a habit, an escape from annoying requesters for donations, humane purposes, and efforts to avoid future problems dealt with by individual non-profit organisations (e.g. illnesses), etc.

The particular forms of services provided by non-profit organisations to their donors in return for their donations are particularly dependent on their target groups. Besides already mentioned recognition and acknowledgement, they can also include elimination of the feeling of guilt, positive image building, provision of a certain experience, or tax base reduction.

In relation to the building of relationships within the fundraising process, foreign literature introduces terms «relationship marketing» and «relationship fundraising» [17, p. 13].

Relationship fundraising can be comprehended as the application of relationship marketing in the fundraising processes. The attention is not drawn to fast gaining of resources, but to the building of long-term and to the greatest possible extent individual relationship between a non-profit organisation and its contributors, while the key assumption is that a person who has already carried out a transaction with a certain profit organisation should be able to encourage donors to continue in their personal engagement and in regular contributions and donations. Non-profit organisations should thus try to increase the intensity of relationships with their donors. In spite of the fact that this personal approach is quite costly for non-profit organisations in the short-term, it ensures very effective costs exertion in the long-term horizon.

**Conclusions.** More and more companies realise the usefulness of so called «social entrepreneurship», a partnership based on the interconnection of profit and non-profit sectors, and on the initiation of long-term partnerships of business entities and non-profit organisations upon carrying out socially desirable activities. The incorporation of socially focused activities into the key marketing strategies of companies, and the development of strong and active relationships with the third

sector subjects help profit organisations increase brand value, carry out innovative programmes as well as optimise profit on the one hand, and enable non-profit organisations to gain means for their meritorious activities on the other one. Modern methods of the present marketing, presented in the article, enable great potential for the enforcement of socially desirable behaviour of companies and addressing of consumers, who care about better living conditions and certainties of the civilisation.

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Received 06.11.2013

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