

Charities and Marketing

Venturesome CEO Roundtable

Venturesome

Venturesome is a social investment fund, an initiative of the Charities Aid Foundation (CAF). Venturesome provides capital to civil society organisations, operating in the space between providers of charitable grants and providers of bank loans at market rates. Since launch in 2002, over £12.5m has been offered to some 200 organisations. In addition to accumulating practical deal experience, Venturesome has endeavoured to have a central role in building a robust social investment market, adopting an open-book approach to share knowledge and build experience, but also ready to operate in competition so as to raise standards.

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Charities and Marketing

'Meeting needs profitably'¹

Introducing

This paper reports on the second CEO Roundtable held by Venturesome with some of its investee organisations in April 2008. Marketing was a common area of interest – it seemed that either CEOs had experience they wanted to share, or that they had particular questions to which other CEOs might be able to respond.

The Roundtable generated insightful discussion and marketing tips as outlined below. Venturesome aims to hold similar Roundtables on other topics on a regular basis, so we encourage all CEOs of our investee companies, and others within our network, to suggest relevant issues to debate.

Marketing or selling?

Marketing is often confused with advertising, branding or merely 'selling' by charities rather than being seen as of strategic significance for an organisation. Consequently, it is frequently a low priority hampered by a lack of skilled staff. There is a difference between marketing and selling. One investee emphasised this point by saying: *"Marketing is so important to us because selling is so expensive for us"*. Peter Drucker once said: *"the purpose of marketing is to make selling unnecessary"*. Marketing builds awareness but, of course, you still have to 'close the deal' and make the 'sale'. Selling is important, but it is tactical; whereas marketing is strategic. Or to put it another way, marketing should perhaps be seen as a 'state of mind' or attitude, rather than a departmental function. As one investee remarked: *"Marketing is about excitement"*.

Marketing - A keystone element of strategy

There are several key steps that must be taken before embarking on marketing. First, an organisation must finely hone its mission, then it must be clear about what it delivers in terms of social benefit and its success in doing so. Finally, it must be clear about the 'packaging' – meaning how it is going to communicate its messages, and to whom. If an organisation does not have clarity in its messages, it can end up spending more money than is necessary on selling because the act of selling is more

¹ One of the most succinct definitions of marketing – attributed to Philip Kotler, the father of modern marketing. See Appendix A for 'Kotler's Top Five Marketing Tips'.

difficult. Money invested in marketing can be money saved in selling. Regardless of whether it is a pre-cursor to selling or not, marketing is the communication of the organisation's essence. This cannot be articulated successfully unless efforts to do so are an integral part of the organisation's strategy and operations.

Tips for successful marketing

All participants in the Venturesome Roundtable agreed that as an integral part of an organisation's strategy, marketing is interlinked to many other functions within the organisation: business and project development, fundraising, public relations, communication. The attendees articulated several tips to help charities and social enterprises improve their marketing and enhance their development:

- **Recognise that marketing is a skill and that it needs to be taken seriously - get help.** Bring in experts from outside the core organisation who have marketing expertise. One investee mentioned a large corporation who provided them with a marketing executive one day per week to help them develop a marketing strategy as an integral part of their business development. This executive taught them practical skills such as website development, customer segmentation, pricing strategies, and oral and written communication techniques. It also provided them with the necessary infrastructure for Customer Relationship Management (CRM) using tools such as salesforce.com. As the investee said: *"These were really basic skills for this expert, but we had no idea what we were doing, and having a strategy, plus the pragmatic skills to deliver on it, completely turned us around."* Experts from the commercial sector are frequently the most useful and can help charities be more effective at understanding their needs and delivering on them.² Other organisations which provide expertise and advice in this area are Media Trust³, which helps non-profit organisations with all of their communications, and Charity Technology Trust (CTT)⁴ which specialises in providing ICT and web solutions to charities in order to increase their efficiency. Another useful resource is the Google Grants Programme⁵ which provides free online advertising for charities.

² Bruce I (2007) Charity Marketing: Meeting Need Through Customer Focus

³ www.mediatrust.org

⁴ www.ctt.org

⁵ www.google.co.uk/grants

- Do not simply outsource the marketing function, but make it an integral part of the organisation. It is important to couple the passion of social entrepreneurs with a message that is professionally delivered. Leaders of social enterprises are a unique breed and are often important to the marketing and communication of the organisation's message. As the message is always one of social change, to be delivered effectively it requires passion, often strongest from those embedded in the enterprise. External, professional marketers cannot articulate that passion and are highly unlikely to feel it to the same degree themselves. However, passion does not work by itself - it has to be harnessed. Effective communication of the organisation's strategy, purpose and social benefit, delivered with passion, are the ingredients of successful marketing. A strong Board with diverse skills can be particularly effective in backing up the passionate founder or CEO in order to deliver a professional and effective message.
- Invest in marketing and expect to pay for it. Although the function should be integral to the organisation and its core team, something that everyone should be a part of, it should be a separate line item in the budget. Good venues for functions, a good (but not lavish) lunch, respectable marketing materials all cost money. One investee said: *"We noticed that people (at the conference) only came to our events when we offered them a decent lunch, especially Danish pastries, as well as our presentation!"* This does not mean extravagance, that would send the wrong message, but it implies a professional way of operating. Invest in the future by distributing free pamphlets (which communicate the marketing messages effectively). See them as furthering the social purpose of the organisation and helping its long-term financial resilience.
- Write the plan and your aims, and circulate it throughout the organisation. Everyone must understand the plan and be brought into the strategy. Each person in the organisation and wider stakeholder network will have different nuggets of information that can feed into the marketing messages if appropriately communicated. Do not miss out on vital feedback from beneficiaries and donors that can attract new ones or help further the mission and social purpose of the organisation. Marketing is not a bolt-on function. It is integral to the development of the enterprise and requires the co-operation of everyone involved. Writing it down means that everyone is informed – it is then more likely to be implemented by a broader range of stakeholders.

- **Articulate clear messages.** It is impossible to communicate a pitch effectively until the organisation has worked out what it wants to achieve and how it is going to do so. *"If you don't know where you are going, any road will do"* is a cliché but true. This is not always as straightforward as it sounds. Leaders must work hard at carving out and targeting their messages appropriately explaining why their organisation is needed and why they are the right people to address that need. Social enterprises may be constantly evolving their mission, their landscape of operation and their target audience. It is not like marketing or selling a single, physical product. Social enterprises may start in one place and then evolve into something different over time.

Marketing is the function that forces the social entrepreneur to re-articulate the strategy clearly at every stage. One investee put this perfectly: *"In the beginning, I expected people to understand what I was saying because it seemed obvious to me as I had identified the problem, worked out a solution and established an organisation to deliver it. I spoke to people as if they ought to understand what the point of it was. Once I got over that, and realised most people do not come at it from the same direction as the founder, I began to articulate our essence and our social benefit much more clearly and things started to take off. Now I regularly re-craft the message as our work evolves."*

- **Generate trust.** Marketing social enterprises raises different challenges to marketing physical products, but it has elements to it that should be used to charities' advantage. Exploit the fact that the aim is not to make money per se, but to benefit people through social change and craft the marketing messages in terms of benefits. One investee said: *"It is always more effective to tell the story in terms of benefits. Describe the benefits, not the features. This is far more important than droning on about what the organisation does - although that must be clearly stated too."*
- **Create an emotional demand, but balance it with a logical approach to addressing a solution.** Marketing the benefits is step one. Making the audience realise that if they participate they will feel good is step two. A successful step one, will ensure step two. People often buy on emotion – and they like a good story. One investee compared it to the Starbucks lifestyle experience. Just as Starbucks aims to make its buyers feel they are affluent, successful high-end coffee drinkers, so when communicating the essence of their organisation, social entrepreneurs must do so with adequate spice to make the audience believe that if they participate their life will be enhanced. However, the emotional pull must be balanced with the essence of the organisation and its ability to address a social problem in a logical manner.

- Use your clients & stakeholders - half the battle is getting a receptive audience into your 'shop' and word of mouth is crucial to achieving this. Nobody doubts the power of networking and if half the work with marketing is getting the right people into the room, then networking is the key to doing so. Targeted networking and spreading the word is crucial to marketing success. A fertile audience is an easier audience. Advisory boards, hands-on patrons, steering committees and other mechanisms generally cost relatively little (except for administration and organisation) and are important strategic elements of the organisation. If individuals are part of an actual layer within the organisation, they feel more compelled to contribute and they spread the word of the organisation with more credibility. One investee organisation estimates that an incredible 80% of their business comes from word-of-mouth referrals, both because the charity is excellent at what it does, and because they actually have a strategy, a plan and information on tap, ready to leverage their stakeholders (including existing customers) for marketing.
- Exploit the 80/20 rule: focus on the 20% of your 'customers' who generate 80% of your 'profits'. Address a target audience with tailored messages. If all the time and resources in the world are available, a scatter-gun approach may work – someone, somewhere will respond in the end. But given the resource and funding limitations which constrain virtually all social enterprises, time invested in uncovering the right target audience and tailoring the messages to suit them is always time well spent. Although the core marketing messages that describe the essence of the organisation and its social benefits will not differ, their communication should be carefully tailored and pitched with a different angle to people with different needs. Speaking the audience's language is the only way to really connect with them. Again, social enterprises are not straightforward, single-product organisations and different components of the social story will touch different audiences. One expert commented: *"marketing is about narrative – you have to have different narratives in order to attract different people"*.
- Connect with the market place and recognise that things change as a market develops. Just like business entrepreneurs, social entrepreneurs must be aware of the constantly changing market place. The landscape for social change is always evolving, just as it is in business. When launching a social enterprise, you may be building a market and therefore in 'information-sharing' mode, but as the market develops, you may need to be aware of 'competition' emerging from nowhere. It is important to avoid being the organisation addressing yesterday's issue – or worse, today's issue but with yesterday's solution. Be acutely aware of your

changing environment from all angles, all of the time. However, retaining the passion is also important. As one investee said: *“You might be taking the mechanism but not the spirit to the market place, and that will not work, you must keep the spirit whatever the competitive landscape”*.

Marketing requires an organisation continually to communicate its identity, constantly tailoring its message as the social purpose develops and as the target audience evolves. Successful marketing forces entrepreneurs to hone their mission in order to be able to communicate it effectively.

Final thoughts

Although it may take many different forms for different charities, the essence of marketing seems to be an organisational yearning to constantly identify and provide value for your ultimate customers or beneficiaries.⁶

The ‘selling mindset’ focuses on the needs of the seller; while the ‘marketing mindset’ on the needs of the buyer. Selling is preoccupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product or service and the whole cluster of things associated with creating, delivering and finally using that service.

Finally, the best marketing seeks to cultivate long-term relationships with all of an organisation’s stakeholders, rather than chasing a series of short-term transactions.

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⁶ One participant recommended the following book for further insights: ‘Charity Marketing: Meeting Need Through Customer Focus’ by Ian Bruce (ISBN-10: 1860722962)

Kotler's Top Five Marketing Tips⁷

1. Come in under the radar

"Building a brand is a roll-out process, not a drop everywhere in the world at one time. The key to brand-building is to have something good that you roll-out in a very intelligent way. Maybe even invisibly for a while because you want to be under the radar screen of competitors."

2. Know your customer

"... marketing has evolved to be not only product-centred but customer-centred. We are saying you've got to understand and choose the customers you want to serve. Don't just go after everyone. Define the target market carefully through segmentation and then really position yourself as different and as superior to that target market. Don't go into that target market if you're not superior."

3. Own your branding

"We are not in a state of competition anymore; we're in a state of hyper-competition. So people are desperately looking for handles -- functional features, emotional appeals - that will draw people to their product. We should think of owning a word or a phrase that helps to build customer retention and loyalty."

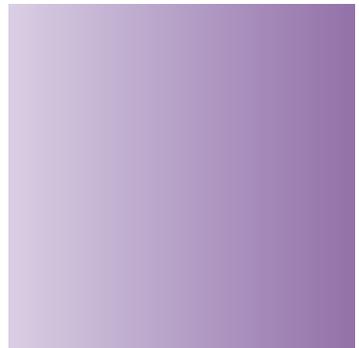
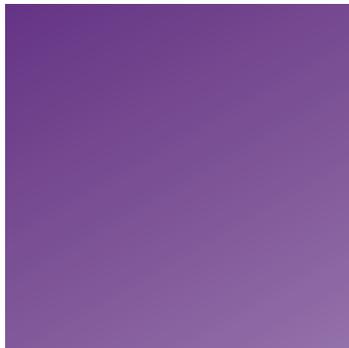
4. Stay ahead of the competition

"The worst thing is that if something works, your competitors are going to clone it and before you know it anything that you had as a differentiator is imitated by the others. So you're in the business of constant innovation. Constantly asking yourself, 'Three years from now, what will our differentiator be?'"

5. Make it an experience

"There's a big movement to say, 'we're not just adding services to our business and our product, we're actually trying to design an experience.' You'll see that language being used. We're in the experience design business. Starbucks is a very good example where coffee is coffee but they decided to sell it differently, put a higher price, make it good-tasting and make it an experience rather than just some coffee."

⁷ Philip Kotler was selected as the #4 management guru of all time by the Financial Times (behind Jack Welch, Bill Gates, and Peter Drucker) and has been hailed by the Management Centre Europe as "the world's foremost expert on the strategic practice of marketing."



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