ENT 4201: Marketing for Social Enterprises

By Peninah Kanyua-Muguku

Objectives

- At the end of class, you should be able to:
  -
Marketing for social entrepreneurs

• “Marketing is not a business function – it is the business.” – Jerr Boschee (2006)
• The importance of marketing to traditional businesses is well understood.
• There is not enough research on the intersection of marketing strategies and social enterprises.
• In discussing the perils faced by social enterprises, Boschee (2006) cites six key strategic marketing questions that these organizations must answer:
  • Who are our customers?
  • What do they want/need/value?
  • Can we provide it?
  • Should we provide it?
  • How should we position ourselves?
  • Can we win? That is, can the organization be successful?

Marketing for social entrepreneurs

• Based on the answers to these questions, Boschee asserts two fundamental marketing strategies can be employed by social enterprises:
  • Market push: The introduction of a product or service that has not previously been commercialized into a market.
  • Market pull: Firms are enticed to deliver products or services to a market due to a recognized need.
• For the need analysis, you should have information on how big the potential market is.
Three stigmas to marketing

- Current research into marketing strategies used by nonprofit organizations demonstrates that marketing may still be considered undesirable. In particular, three stigmas can hamper the adoption of marketing approaches (Andreasen & Kotler, 2003):

1. Waste of money: Particularly important for social enterprises that are non-profits that receive donations, there is a perception that marketing is a superfluous activity that diverts financial resources from achieving the primary mission of the organization.

2. Intrusive: Market research can include interviewing customers or potential customers to better understand their needs and goals. Some view this type of data collection as an undue burden on individuals, which leads to accusations that marketers invade the privacy of others.

3. Manipulative: Marketing activities, especially advertising, have the potential to mislead and manipulate if not planned and executed correctly.

Target Market

- Target Markets for social enterprises fall into 2 categories
  - Direct beneficiaries (reason why the org. exists)
  - Indirect beneficiaries (benefit in a secondary way from helping org. fulfill its mission, including the satisfaction of simply making a contribution)

- Example of direct beneficiaries who:
  - Use a service: feed bank grocery recipients
  - participate in an activity: local library book group participants.
  - Volunteer their time: low-income families that help build their own homes
  - Donate Money or goods: Members of the local library
  - Buy a service or product: paying clients of a low-cost medical clinic.
Target Market

- Indirect beneficiaries (benefit in a secondary way from helping org. fulfill its mission, including the satisfaction of simply making a contribution)

- Example of indirect beneficiaries
  - Use a service: Teens who drop off soda bottles at a recycling center
  - Participate in an activity: Parents who attend meetings to “rescue” the neighborhood school
  - Volunteer their time: Local residents coaching football to kids
  - Donate money or goods: Corporate sponsor of a job-training program
  - Buy a service or product: Purchasers of goods manufactured by trainees with multiple barriers to employment

Segmentation

- Activities around identifying need and designing a solution should assist the social entrepreneur in understanding the market.

- First the social entrepreneur needs to be able to segment the market.

- Common ways to segment a market.
  - Demographics (age, gender, family size, income, education, etc.)
  - Behavioral (considers use of relevant product)
  - Lifestyle (base on activities, interest, and opinions)
  - Customer behavior (e.g., frequency of purchase, sensitivity toward price, levels of desired quality, and so on)

- Example, YMCA Demographic segments include youth, seniors, young professionals. Its behavioral segments include daily gym users, class attendee, occasional workout, and in terms of lifestyle, its segments include, fitness lovers, doctor’s orders exerciser, family outings etc.
Segmentation

- Why is segmentation important?
  - There are four things that need to happen in order for a customer to participate in your program or purchase your product. Segmentation provides a useful way for you to ensure that you meet each of these four conditions in the best way for each customer group.
  - Segmentation can allow you to focus your effort and resources to the group you can service most effectively right now and build the good value for this group and internal capabilities for the organization.
  - A segmentation is also costly to implement, so make sure your groups are valid segments.

1. Customer knows what you offer
2. Customer is motivated to use your service
3. Customer finds you offer more attractive than other uses of his or her resources
4. Customer has a good experience and returns/refers others.

Valuing your social Enterprise customers

- Commercial enterprises decide which segments to focus on based on the profitability of each segment. Social enterprises use a Cost-benefit ratio to understand the social outcome(s) they can accomplish relative to the funds they expend on each group.
- You are not necessarily using the outcome of your analysis to determine the type of customer to serve. You should use the information to examine the range of opportunities you have to make a positive social impact. Here are some questions to ponder.
  - Given our infinite pool of resources, what are the pros and cons of focusing on the types of customers we seem to serve most effectively?
  - If we want to serve more of these clients, how do we attract and serve them in the best way possible?
  - What makes us good at serving these types of clients, and how can we apply that learning to driver better social outcomes in our other segments as well?
  - What makes out cost to serve certain types of customers so high relative to their social outcomes? How can we decrease these costs without lessening our effectiveness?
Valuing your social Enterprise customers

- When considering the segments you serve, you can take a “portfolio view” of the different programs you are offering and decide which programs need redesign, shutting down, or outsourcing.

Decisions you can make based
A=Kill/Outsource
B=Redesign/Nurture
C=Expand
D=Harvest

Understanding your customers’ wants and needs

- Knowing your customers is not enough, you need to understand why they are your customers. This information can be obtained through;
  - Market research
  - Test marketing
  - Surveys
  - Analyzing competitor data
- Process such as design thinking might already have provided you with this information.
Pricing to maximize social impact

- **Rational for charging a primary beneficiary**
  - As an Operational Model- think sustain program
  - To understand the minimum value to the customer that is to gauge interest. Charging a fee allows for value feedback from the customer. If no one is buying what you need, then it might be that no one needs (or Wants) it.
  - Reduce consumption i.e., limited supply
  - Ideological goals think habitat for humanity sweat equity

- **Rational for not charging a primary beneficiary**
  - Public good for example a park
  - Positive externalities. It might not make sense to charge when there will be an impact or reduction in positive externalities created.
  - Ideological goals think church service
  - Cost of collection is processing fees and security. At times the cost of collection might exceed the fees generated.

Who to charge

- Who pays matters in that those who pay tend to make the rules and can wield significant influence.
- Asking beneficiaries to pay can be a form of treating them with respect and giving them a voice.
- Your pricing strategy must also take into account the competitive realities. Donors, supporters, sponsors and customers can shift interest elsewhere.
- You might want to consider if a Robin hood model can work for your organization. Where you charged based on ability to pay.
How to Price

• When thinking of how to price, consider your primary market (Primary Beneficiaries) and also your secondary beneficiaries.
  • **Cost plus pricing.** Involves calculating the cost to produce and marking up the cost by a certain percentage with the intention of being able to meet the organization's overhead costs.
  • **Break even pricing.** This method considers cost plus the number of units (or clients) most likely to be sold to meet the fixed costs.
  • **Economic value to the customer (EVC).** This approach focuses on the maximum price a customer is likely to pay for a specific item or service. Customer perception is influenced by tangible economic value as well as intangible factors.
  • **Competition based pricing.** This is pricing according to the “going rate” in the industry. Choosing a consistent level of prices relative to what your competition is charging (Match, premium, lower) is a key strategic decision.

Tactics – Primary Beneficiary

• Being able to communicate the value you present to your primary beneficiaries will help you be able to recruit program participants.
• Some social entrepreneurs face special challenges especially where social change from negative to positive behavior comes at a **high personal cost**.
• Social entrepreneurs should plan their marketing tactics on the basis of two factors:
  • The desired participants’ costs
  • The intangible and tangible benefits.
• The most effective marketing approaches vary according to the combination of their costs and benefits.
Tactics – Primary Beneficiary

<table>
<thead>
<tr>
<th>Participants</th>
<th>Cost</th>
<th>Benefits</th>
<th>Tactic</th>
<th>Mission</th>
<th>Change</th>
<th>Clear</th>
<th>Tangible personal benefits</th>
<th>Intangible societal benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Communication and information</td>
<td>Increase recycling levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Change is easy</td>
<td>• Clear, societal benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Clear and direct individual benefits</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tactic: communication and information</td>
<td></td>
</tr>
<tr>
<td>High cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Convenient and stress ultimate benefit.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Change is difficult</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Intangible, indirect benefits</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tactic: convenient and stress ultimate benefit.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Clear, direct individual and family benefits</td>
<td></td>
</tr>
</tbody>
</table>

Building a brand

- Brands are valuable because they directly influence customers’ decisions. They provide buyers with shortcuts in processing all of the information involved in choosing a product, service or action.
  - Branding cannot fix broken organizations.
- Consider the following when deciding whether to invest in branding:
  - Do we need to build our identity relatively quickly because we’re moving into new markets where we’re not known?
  - Is perceived quality a very important value to our customers and does quality vary significantly among providers.
  - Do we have little chance for direct interaction with a large segment of our customers? Think UNICEF, it has very little interaction with consumers but sells millions of cards and gifts each year.
Building a brand the resource smart way

- Branding can be a costly exercise. There are ways in which social entrepreneurs can build their brand without breaking the bank:
  - Think visibility? Could you get a local celebrity to support your brand?
  - Build on what you do well.
  - Design a product that reinforces your brand and mission. Consider using a newsletter or social media platform.

- Cause-related marketing
  - Cause-related marketing involves linking to brands in the customers’ eyes (co-branding).
  - Examples of successful co-branding:
    - Dettol Soap with Organizations promoting Hand washing.
    - Johnson and Johnson with Maternal and Infant Care

Mission-driven public relations

- Social entrepreneurs make great stories. The general media, bloggers and even public organizations like to tell human interest stories about people doing “good things” particularly when the approach is innovative.
  - Write and communicate your own story through social media avenues
  - Send press releases or write contributing stories to local newspapers.
  - Make it easy on journalist and media to work with your organization.
  - Social media can be a powerful tool to expand brand reach and can be used to build relationships that are otherwise impossible to build.
Social marketing enterprise marketing toolkit

• Module 1
  • https://www.youtube.com/watch?v=YghFsaoHrkI

• Module 2 (essentials)
  • https://www.youtube.com/watch?v=wAZ8eMtWuAE

• Module 3 (the medium and message)
  • https://www.youtube.com/watch?v=kVsNiOA6Ql8

• Module 4 (gauging success of marketing efforts)
  • https://www.youtube.com/watch?v=a4a__tyB8QQ