

Economics of Social Marketing

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Abstract

Marketing concept should be broadened to include the nonprofit and public sectors. Managers in the nonprofit sector have learned much from the commercial sector. Adoption of a wide array of commercial sector concepts and tools was - and is - most likely to come about where the organizational environment and the exchanges involved are most like the private sector. For example, adoption of marketing technology in the nonprofit sector appears to have taken place first in settings where the transactions involved are largely economic in character and only more recently in settings where transactions do not involve the exchange of money in either direction.

Transfer of this knowledge to the nonprofit sector has been carried out both by business school scholars and professors and by scholars in other disciplines. While they are shrinking in number, some practitioners in the nonprofit and public sectors resist the adoption of marketing technology in areas where it might be appropriate. This can be attributable to an unclear conception of what good marketing is all about.

In Nepal, the History of social marketing goes back to the year 1976 when CRS Company was established. More recently with the entry of Social Marketing Giants like Population Services International (PSI) in Nepal - the Social Marketing tempo has really picked up.

The central argument in this paper is that the migration of basic concepts and tools from private sector marketing to the nonprofit sector *has the potential to profoundly affect the ways in which the latter operates*

Activities clearly improve with practice. But, great leaps forward in practice areas typically follow major intellectual breakthroughs that stimulate new ways of thinking about and carrying out those activities. While there are many sources of intellectual breakthroughs, a common pattern is for concepts and tools from one discipline to migrate into a new domain where they can afford major benefits. For example, international political analysis has profited greatly from the introduction of game theory from mathematics, agriculture from gene research and the sociology of innovation and, management and economic theory from Darwinian theories of evolution.

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In 1969, Philip Kotler and Sidney Levy lobbed a conceptual grenade into this comfortable domain of marketing scholarship. In a classic article (Kotler and Levy 1969a), they argued that:

“. . . marketing is a pervasive societal activity that goes considerably beyond the selling of toothpaste, soap, and steel. . . . [An] increasing amount of society's work is being performed by organizations other than business firms . . . [and] every organization performs marketing-like activities whether or not they are recognized as such.”

This expanded perspective did not sit well with the scholarly establishment at the time who argued that the “broadening” of marketing was taking the field well beyond where it properly belonged. For example, David Luck argued that marketing obviously involved markets and this meant buying and selling (Luck 1969). “Prominent scholars” who were trying to expand beyond this frame might find that their “self-image is pleurably inflated” but they will be ignoring important issues still to be resolved within the traditional domain. Broadening the field would divert attention from critical issues and encroach on other disciplines (Luck 1969). Kotler and Levy responded that marketing was about transactions, not just *market* transactions (Kotler and Levy 1969b).

Luck's position and that of Bartels (1974) and others who supported him did not prevail. The broadened conception rapidly gained widespread acceptance within marketing academic circles. In the early 1970s, Nickels surveyed 74 marketing professors and found that 95% thought that the scope of the field should be broadened in the ways Kotler and Levy proposed (Nickels 1974). But the ‘broadening movement’ threw the field into some confusion and sparked debate as to just what the essence of marketing really was. Kotler coined the term “Consciousness 3” to advance his argument that the modern view of marketing is a natural progression and that it follows from (1) a definition that restricted the field to market transactions as a business subject (Consciousness 1) and (2) a somewhat broader definition that permitted organization-client transactions that did not involve money (Consciousness 2). Consciousness 3, by contrast, incorporates “an organization's attempts to relate to all of its publics, not just its consuming publics” (Kotler 1972, p. 48). Bartels, a marketing historian, stated that this debate suggested that the field was in an “identity crisis” and needed to decide whether marketing was defined by its technology (the Kotler-Levy position) or by the class (or classes) of behaviors towards which it was directed (the Luck position) (Bartels 1974). In the year 2000, it became clear that the “technology school” has prevailed!

Early Developments

Because Kotler saw marketing as a technology, he and his colleagues set out to ask what it would mean if one applied it to non-economic settings (cf. Elliott 1991). In an oft-quoted argument, Kotler and his colleague Gerald Zaltman explored what it would mean to apply the technology to social issues where, they suggested, it could be called “social marketing” (Kotler and Zaltman 1971). At the same time, the original provocateurs, Levy and Kotler, speculated on whether it was possible to do away with the troublesome noun “market” altogether. Their proposed solution was to say that what marketers really did was “furthering”

and that this might be a better way to think about - and perhaps define - the field (Levy and Kotler 1969). It turned out that marketing academics were happy to broaden themselves but not to re-label themselves as "furtherers" and the term never caught on (Nickels 1974). However, the term "social marketing" did have a much longer life.

Over the next thirty years later, the issue became non-controversial. Nonprofit and social marketing subjects came to be widely accepted, discussed, researched and taught. Indeed, courses are now routinely taught on the application of marketing to non-profit organizations. Textbooks on marketing management are available for business school courses in many parts of the world (Kotler and Andreasen 1996; Rados 1996) and abroad (Sargeant 1999) and for the general practitioner (Radtke 1998; Herron 1997). There are now journals devoted to nonprofit marketing in general as well as specialized journals. There are texts in specific institutional or topical areas including education (Kotler and Fox 1995); economic development (Kotler, Jatusripitak and Maesincee 1997); the arts (Kotler and Scheff 1997); places (Kotler, Haider and Rein 1993); healthcare (Kotler and Clarke 1986) and social marketing (Andreasen 1995b; Kotler and Roberto 1989; Fine 1990; Manoff 1985)

However, broadening "movement" still has some distance to go, both in the nonprofit sector where the concepts can be applied and in academic institutions where the concepts can be researched and taught. Marketing is still limited in its applications in the non-commercial sector and suffers from a negative connotation in many quarters. Nonprofit marketing as an academic subject is found in only limited number of business schools and is rare in Commercial Business programs. On the other hand, commercial marketing concepts and tools have had an important impact on the study and practice of nonprofit management.

Social Marketing

Social marketing is the application of commercial marketing concepts and tools to programs designed to influence the voluntary behavior of target audiences where the primary objective is to improve the welfare of the target audiences and/or the society of which they are a part (Andreasen 1994). Social marketing can be carried out by nonprofit and public sector *organizations*. The management of the latter (lumped together here as "nonprofit organizations") involves many more issues than those that are typically the focus in social marketing such as recruiting volunteers, creating and managing boards, fundraising, and organization-level strategic planning.

Commercial marketers make clear that communications is only one element of the marketing mix. But too many nonprofit managers think that marketing IS just communications and this is all you need to influence behavior. Yet many nonprofit communications are failures because of inadequate attention to the design of products or "benefit packages" or the pricing of offerings or the distribution of behavioral opportunities.

Marketers have emphasized the importance of tracking systems to assess organization and program performance. Marketers have introduced the concept of brand management as an alternative form of organization for nonprofits.

There have also been important developments in transferring concepts and tools in specific areas from the commercial to the non-profit sectors. Among these are segmentation, branding, and alliance-building.

1. Segmentation

For many years, the nonprofit world segmented markets relatively crudely on the basis of standard demographics. However, in recent years more sophisticated approaches are being adopted.

2. Branding

Two forces have led nonprofits to become much more interested in the branding possibilities inherent in their names and reputations. The first is the growing importance of alliances in the nonprofit sector where negotiations inevitably involve considerations of the value of the nonprofit brand, particularly the value to specific partners. Second, branding has become more important as nonprofits face more competition. Competition has always existed in traditional areas like fundraising and volunteer recruitment. Nonprofits now have to fight each other harder for traditional financial and human resources. But as many supplement their revenues with for-profit ventures, they also are faced with competition from the private sector itself. Finally, many nonprofits are finding that domains they once considered their own preserve, now face competition from the private sector. As a consequence of these competitive pressures, nonprofits have come to realize that they could be more successful if they (a) had a clearer idea of how they were perceived; (b) what the dimensions are on which those perceptions are formed; (c) how they differ from competitors on these dimensions; and (d) what gains might be obtained from various repositioning strategies. As in the private sector, these fundamental values then are becoming the basis of many of the organization's present and planned marketing initiatives (Ritchie, Swami and Weinberg 1999).

3. Alliance Building

Nonprofits have become increasingly involved in alliances with commercial organizations. There have, of course, been such alliances for many years in the areas of advertising and volunteer service. Leading Social Marketing organizations like Population Services International have successfully build alliance with commercial organizations like Coca-Cola Company and Levis Jeans and such alliance have been mutually fruitful. In developed countries like United States what has changed in the relationship between nonprofit and private sector organizations recently is the shift in corporate philanthropy from giving programs to strategic investments (Smith 1994; Burlingame and Young 1996). This has changed nonprofit approaches to corporations from begging to partnering (Weeden 1998; Austin 2000). Corporations have realized that alliances with nonprofits can have important effects on sales, company image, and employee morale. Alliances can also help them in

political battles many face. *Marketing alliances* have proved to be a mixed blessing for some partners and many observers have raised questions about the ethics of such relationships, particularly licensing.

The transfer of knowledge is not just unidirectional. Mainstream marketing has benefited in important ways from the "broadening" experience. In the developing world, this is because nonprofit marketers and their consultants have diffused management and research concepts to commercial organizations that were unfamiliar with them. In the area of scholarship and research, the nonprofit domain has yielded - and can yield - important intellectual contributions to mainstream marketers and can offer even more in future.

Summary

Knowledge transfer between the sectors is not one-way; it is better conceived as an *interpenetration* of marketing ideas. Research and conceptualization about the unique problems of marketing in the nonprofit sector have yielded important conceptual breakthroughs of value to the commercial sector as well as to the nonprofit sector.

Although there has been a substantial amount of interpenetration between the sectors, the potential for further knowledge growth in both directions is significant. A number of steps need to be taken. Business schools should recognize the growing importance of the nonprofit sector and the potential value of marketing technology to individuals who will work, consult or serve on boards in that sector. Commercial marketing professionals should be encouraged to lend their talents to nonprofits in order to facilitate one-to-one transfer of marketing thinking.

The Road Ahead (Conclusion)

A future marked by increased transfer of marketing knowledge from the commercial to the nonprofit and public sectors seems assured. Typical of what is happening today is an August 1999 news story in *The Nonprofit Times* describing a two-year reorganization effort of the American Heart Association (AHA). This initiative forced the AHA to a "redefinition of [their] driving forces." The organization concluded that the four major forces on which it need to concentrate for future success are: i. Generating resources ii. Communicating its key message to medical and lay audiences' iii. Advocating for the general public iv. Determining where the organization's biggest impact would be from the standpoint of focusing resources.

Since three of these factors clearly imply major marketing efforts, it is not surprising that the article concluded: "In addition to taking advantage of technological advancement, the AHA also decided to bring in more marketing expertise." (McNamara 1999).

This is an organizational trend that can be expected to be repeated frequently throughout this sector in the next decades. And it is a trend that can support accelerated transfer of marketing concepts and tools - in *both* directions.

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Book Review

Ananda P Srestha and Hari Uprety (eds.) (2004). *Critical Barriers to the Negotiation of Armed Conflict in Nepal*. Published by Nepal Foundation for Advanced Studies (NEFAS), Kathmandu, Nepal (September 2004), x + 175 pp. Price not quoted. ISBN: 99933-772-9-5.

Nepal is now in a deep crisis due to violent conflict, which is the result of the insurgency initiated by the Communist Party of Nepal-Maoists (CPN-M), also known as the Maoists. The Maoists launched the insurgency on February 13, 1996 under the rubric of *Jana Yuddha* (People's War). The insurrection has its genesis as when on February 4, 1996, Dr. Baburam Bhattarai, as United People's Front Chairman, presented a 40-point charter of demands related to "nationalism, democracy and livelihood" of the Nepalese people to Prime Minister Sher Bahadur Deuba. As the government turned a deaf ear to their demands, they accentuated the insurrection by resorting to violent activities beginning from targeting low level police officials stationed in rural areas in the initial stage and even targeting military barracks later. However, the *Yuddha* concentrated on achieving their three main demands: roundtable conference among the concerned parties, all-party government, and constituent assembly. Two rounds of talks between the government and the Maoists had taken place in 2001 and 2003, but only to end up as failures. The situation of the country has been worsening since then. Many innocent people have been killed by both the Maoists and the state, the economy is in its downturn, many industries are either closed or are in the verge of closure, young generation is fleeing the country in search of some source of livelihood, and, above all, people do not have any feeling of security of their lives and property. Majority of the concerned people has been wishing for a peaceful settlement of this crisis.

In such chaotic situation of the country, the civil society and the academia have also been showing their keen concern on how this problem can be resolved. In this context, Nepal Foundation for Advanced Studies (NEFAS), in cooperation with Friedrich-Ebert-Stiftung (FES/Nepal), conducted a two-day national seminar on "Critical Barriers to the Negotiation of Armed Conflict in Nepal". This book, which is now under review, is the result of that seminar. It consists of four papers, written by reputed/knowledgeable scholars of the concerned areas, with the comments from the paper commentators as well as the questions and comments raised from the floor and the replies from the concerned paper presenters.

The first paper is entitled "History and Genesis of Nepal's Maoist Insurgency: Tools for Negotiating Conflict" and written by M.R. Josse, a Senior Journalist of Nepal. The theme of this paper is composed of two distinct segments: one dealing with the history and genesis of the Maoist insurgency in Nepal and the other with possible tools for negotiating the ongoing conflict. This paper gives brief and clear account of, among others, the history of genesis of communist movement, chronological background to the Maoist movement/insurrection, factors contributing to the Maoist insurgency, and tools for negotiating conflict. While listing the factors contributing to the Maoist movement, the author has mainly relied on the findings of a report by Robert Gersony. Slow government reaction to the Maoists' demands, caste and ethnicity, election abuses by the Nepali Congress Party and post election

persecutions, and disillusionment with the multiparty system are cited as some of the main factors contributing to the growth and escalation of the Maoist movement. While talking about the tools for negotiating conflict, the author has provided chronological descriptions of the events of the two failed negotiations. The author also discusses about the possibility of third party mediation to resolve the problem and opines that the prospects for successful negotiation talks seem dim at present.

The second paper is entitled "Conflict Resolution in Nepal: Traditional Approaches and the Question of Third Party Mediation" and written by Dr. Bishnu R. Uprety, Director at Friends for Peace. The paper deals with traditional approaches to conflict mediation, the question of third party mediation, some experiences of such mediations in other countries, and concerns over third party mediations. As "indigenous and traditional conflict resolution approaches are not strong enough to deal with the very complex armed conflict of Nepal" (p. 93), the author is of the opinion that "Nepal should seek UN's mediation with full support of other well-wishers" (p. 94). The discussion of traditional approaches to conflict mediation does not seem relevant in this paper, but the author of the paper did so "because NEFAS asked him to" (p. 109).

The third paper is "The Role and Choice of Facilitators in Negotiating Conflict: The Nepalese Experience", written by Mr. Shrawan Sharma, a Conflict Expert. The paper discusses about the mandate, role and responsibility of a facilitator in negotiating conflicts. The author has also listed some of the reasons that led to the failures of negotiations between the Maoists and the government.

The fourth paper, written by Professor Gunanidhi Sharma, deals with the economics of conflict and is on "Cost of Conflict and Donors' Dilemma: How is Nepal Coping?" As the title suggests, it deals only with the cost of conflict. The paper begins with the discussion of prominent current issues that Nepal is facing, followed by a detailed historical account of the generation of conflicts. The paper writer has also given an account of the "cause and effect of conflict" in Nepal. While estimating such costs the author has applied "... the judgmental and deductive approach rather than empirical" (p. 153). However, he has also given a rough macro level estimation of the cost of conflict as cited in a World Bank report. However, the paper does not answer the questions such as what would have been the cost had the movement not taken place. The author finally contends that "... donors are trapped in a dilemma as to whether they should continue support to Nepal, or whether to think of it as a failed state" (pp. 161-162).

On the whole, this book consists of papers that are very much relevant in the current Nepalese context. The first paper is commented by a Development Expert and the rest three papers by three different Senior [*senior*] Lecturers of T.U. Further comments and queries were also put from the floor. The book also comprises such comments and queries followed by the replies from the concerned authors and session chairs. NEFAS has done a good service to the academia by organizing the seminar and publishing this volume, which is the outcome of the seminar.

Yet, there are some drawbacks in the book. The title of the seminar and the book is not justified from any of the papers included in the book. It would have been better if there was a paper that could explicitly address the theme of the seminar and the book. The book is not well edited either. The readers of an edited book or journal expect uniformity, among

others, in the documentation of sources and accuracy in the page numbers. Regarding the documentation of sources, each of the four papers is different from others. The first paper consists of only endnotes (though named as Notes and References), the second paper has both footnotes and a list of references, the third paper has only footnotes (many of which do not have dates of publications), and the fourth paper has none. Similarly, the page numbers that the commentators have cited regarding the paper do not correspond to the page numbers in the book. The commentators were probably right while citing the page numbers during the seminar, but when the papers were compiled into a book of this form the paper size must have been changed and the page numbering has obviously been continuous; but the editors did not adjust them accordingly.

Moreover, if we look at the preliminaries of the book, Preface and Acknowledgements and Table of Contents are begun from versos; they should have begun from recto pages. Doing so, the beauty of the book would have increased at the cost of only one additional sheet of paper (two pages). Usefulness of the running headers would have increased if the paper titles were printed on the recto and the book title on the verso pages rather than printing the book title on both such pages. Similarly, the fonts of the chapter titles are not uniform. Besides, there are many typographical errors in the book, which could have been reduced had the editors been more alert. Nonetheless, I would like to share my experience about how unappreciative job has an editor to perform: readers always point out where the editor has missed to catch the errors and omissions, but they do not know how many blunders and errors he/she actually took care of.

Despite some errors and omissions, it can be concluded that this book is very timely and relevant in the present Nepalese context. The contents in the book give some insights to help solve the current problem of the country. I congratulate the authors for preparing the seminar papers and NEFAS for organizing the seminar and publishing the papers in this book form. The book certainly deserves wide reading.

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