BRANDING OF NONPROFIT ORGANIZATIONS
A POTENTIAL SOLUTION FOR A COMPETITIVE MARKET

The role of the nonprofit sector in providing essential social services is becoming increasingly important as it grows to fill the gap left by public (government) and private (for-profit) sectors.¹ The size and scope of the nonprofit sector have increased rapidly over the past 60 years: while there were only 12,000 nonprofit organizations in the U.S. in 1940, there are over 1.5 million such organizations today.² This growth, combined with dramatic changes in the government’s policy on the tax treatment of charitable donations and the diminishing government funding of nonprofit organizations, has brought about growing competition for the limited number of financial and human resources not only within the nonprofit sector itself, but also in the public and for-profit sectors.³ Consequently, many nonprofit organizations have turned to the for-profit sector and adopted its marketing practices as a way to generate revenues and regain long-term financial stability. Compared...
to traditional fund raising strategies, which are based on a “selling mentality,” the adoption of a “marketing mentality” has led nonprofit organizations to shift their agency-oriented operations to donor-oriented ones.4 Nonprofit organizations have begun to pay more attention to donors’ needs and ways to meet them. Instead of emphasizing civic duties fulfilled by donation, nonprofit organizations have started to recognize the importance of stressing to donors the benefits and personal relevance of their contributions.

Although not every nonprofit marketing effort is successful, a growing number of organizations have begun to appreciate the effectiveness of their own marketing strategies, as well as those of competing nonprofits, in increasing contributed and/or earned income. Nonprofits act quickly to learn successful business tactics from for-profit businesses and from other nonprofit organizations. Consequently, innovative ideas are readily imitated, forcing nonprofits to strive for short-lived competitive advantages.5

Under the circumstances, branding presents new opportunities for nonprofit organizations seeking sustained competitive advantages that are less sensitive to a competitor’s challenge. Branding can increase nonprofit income in two ways. First, branding can garner additional contributed income by forming a unique position in donors’ minds around the philanthropic causes of a nonprofit organization. Second, when it comes to earned income, branding becomes a more critical concern, as many nonprofits enter into commercial ventures such as product merchandizing, licensing their names, and establishing their own for-profit units.

In this paper, the author proposes a model of how branding can help a nonprofit enhance donors’ evaluation of the organization, thereby increasing contributed and earned income.6 The author first reviews competitive environments of the nonprofit sector and then discusses advantages of nonprofit branding. Next, the author discusses Brown and Dacin’s model of corporate associations and the adaptation of the model for nonprofit branding.7 Specifically, in the revised model, the author proposes two approaches to nonprofit branding: controlled and uncontrolled branding. Controlled branding refers to a branding process where a nonprofit organization has complete control of developing and applying branding strategies. In contrast, uncontrolled branding refers to a process by which a nonprofit organization is branded as a result of partnering with another branded organization, which is often a for-profit corporation. Finally, the author presents risks and considerations involved in nonprofit branding and concludes with a discussion of the future direction of the field.

The Competitive Nonprofit Environment

Since the 19th century, with support and direction from the for-profit sector, the social reformism movement, and the well-to-do with interests in cultural activities and social services, the nonprofit sector has grown both rapidly in size and scope.8 In some areas, such as religion, the arts, and health, nonprofits are the dominant organizational form, whereas they share the market with the public and for-profit sectors in other areas.9

Distinctions between the nonprofit, public, and for-profit sectors have sometimes been blurry. For example, both the nonprofit and the public sectors have historically provided similar social services, while private businesses often fund and influence the nonprofit sector.10 What distinguishes the nonprofit sector from other sectors, however, is (1) the mix of goods and services it provides, (2) the nature of its labor force, and (3) its source of revenue.11 The source of revenue is a particularly defining characteristic of nonprofit organizations. Traditionally, nonprofit organizations relied on three sources of revenue: governmental support, voluntary donations and grants, and dues and fees.12 Until the late 1970s, the federal government was the single largest supporter of charitable nonprofit organizations.13 However, under policies set by the Reagan administration, the federal government cut aid for nonprofit organizations by 20 percent, or $12.5 billion, between 1981 and 1984.14 The shortfall in revenue as a result of this dramatic budget cut was too immense to be made up by other sources such as private contributions from individuals, foundations, and corporations.15 Furthermore, Congress removed the incentive for some charitable contributions by changing their tax treatment.16 As a result of these policy shifts, nonprofit organizations have become increasingly dependent on the other two sources of revenues: voluntary donations and grants, and dues and fees.

The growing number of nonprofit organizations seeking to secure a piece of the limited amount of charitable contributions has therefore stimulated heated competition within, as well as outside, the nonprofit sector.17 Within the sector, nonprofit organizations with the same cause or mission compete in any given community.18 To make matters worse, these organizations often solicit donations simultaneously. “Virtually every advocacy group engages
in lobbying, communications, and grassroots campaigns, [while] many organizations pursue lawsuits to press their agendas."\(^{19}\) Donors have become highly selective in their awarding of money, while so much communication from nonprofits prevents donors from discriminating among the soliciting organizations.\(^ {20}\) Nonprofit organizations now face a scenario familiar to the for-profit sector: just as for-profit businesses compete for consumers’ demand, nonprofits have to compete for the donation capacity of the philanthropic community, and only the most visible succeed.\(^ {21}\) Under-defined and duplicative nonprofit organizations must therefore prepare themselves for “the inability of private funders to finance completely the explosive growth of [the nonprofit] sector” and for the resulting threat of bankruptcies and closings.\(^ {22}\)

Outside the nonprofit sector, nonprofit organizations must also compete with the public and for-profit sectors in both commercial and noncommercial markets. The recent entry of for-profit businesses into the social service market, as well as nonprofits’ establishment of for-profit units, has further fueled competition between these two sectors. For instance, the public sector increasingly outsources its work and has begun to have a supportive attitude toward the role of the for-profit sector.\(^ {23}\) It now considers for-profit businesses “not as a pariah but as a role model” and awards contracts based on what the provider can do rather than what the provider is.\(^ {24}\) This movement in the public sector motivated the private sector to seize business opportunities and compete for government contracts. Private businesses are able to capitalize on their existing project management experience and corporate infrastructures to subcontract the delivery of services that were once considered the domain of the nonprofit sector.\(^ {25}\)

At the same time, some nonprofit organizations have started to form profit-making units to expand their services to those who are able to pay for them. For instance, the Visiting Nurse Service of New York, which has long provided in-home medical services to New York City’s aged and underprivileged, formed a profit-making unit called Partners in Care Inc. to cater to middle-income patients, particularly those not covered by Medicare or Medicaid.\(^ {26}\)

The above changes in the environment have forced nonprofit organizations to reexamine their reasons for existence in light of a market that reinforces discipline and performance and that emphasizes organizational capacity rather than organizational status (i.e., for-profit vs. nonprofit) and mission.\(^ {27}\) Nonprofit organizations are now compelled to redefine themselves in order to provide distinct competitive advantages and create a unique position in the public’s mind.

**Branding as a Potential Solution**

The concept of marketing is not alien to many nonprofit organizations. In fact, marketing practices are widely accepted in the nonprofit sector today for developing innovative ways to achieve financial stability by increasing contributed and earned income. Marketing practices of nonprofit organizations have become mature to a point where nonprofit organizations “can teach business marketers a thing or two.”\(^ {28}\) However, nonprofits face the same problems in the market as for-profit firms do. Quick imitation of others’ successful marketing tactics might generate a fair amount of revenue in one year but lead to a drastic reduction in support in following years because no relationship was established with donors.\(^ {29}\) This “me-too” strategy tends to cause donors’ “compassion fatigue” as “the demand for charitable resources for what seems like an endless range of causes marches on and on,”\(^ {30}\) as well as an “inoculation effect,” which causes donors to feel that “a one-time donation buys them enough good citizen points.”\(^ {31}\) At the same time, as donors become more selective in their choice of nonprofit organizations, they demand more in return. In other words, donors demand both “cause (charity) and effect (benefits).”\(^ {32}\)

The concept of branding presents nonprofits with new opportunities to address competition and to increase contributed and earned income. By definition, branding is differentiation of products, organizations, or persons from competing products, organizations, or persons by creating a unique position in the consumer’s or donor’s mind. This unique position can be created when the object to
be branded can deliver benefits that are both relevant to donors and different from those of competitors. The benefits to donors can be tangible (e.g., quality) or intangible (e.g., image). Once an object is branded, it establishes a bond between the brand and the consumer, and therefore is likely to garner the consumer’s or the donor’s long-term commitment and loyalty.33

The most recent literature by Frumkin and Kim demonstrated that positioning a nonprofit organization around its mission with aggressive communication was more effective in increasing contributed income than was economizing the organization.34 The authors compared the contributed income of nonprofit organizations that stressed operational efficiency to the income of those that invested in mission marketing. Contrary to the suggestions in the literature on effective and efficient nonprofit management, Frumkin and Kim found that reporting low administrative to total expense ratios and positioning an organization as efficient did not lead to greater success in garnering contributions. They found, instead, that nonprofit organizations that spent more on marketing, thereby branding themselves to donors, were awarded higher contributions as they emphasized the importance and relevance of the organization’s mission to the donors.35

Based on the findings of the study, Frumkin and Kim maintained that economizing the organization could actually work against fund raising. They argued that increased efficiency has often led to operational improvements in business firms, but the gains have rarely translated into sustained profitability. As businesses push to trim their costs, they may increase operational efficiency but move further away from viable competitive positions, driving profit margins down.36 Operational efficiency may contribute to technological advances or addition of new attributes in the product; however, these tactics are easy to imitate. In contrast, competitive advantages achieved by branding through a choice of a unique and valuable position are much more difficult to match.37

In addition to generating contributed income, branding can also increase earned income. Branding presents nonprofits with new opportunities to address competition and to increase income. Branding processes

Now that the importance of branding for nonprofit organizations has been addressed, the question becomes how nonprofit organizations can brand themselves. Again, examples can be borrowed from for-profit business practices. According to Brown and Dacin, a company can brand itself by choosing one or both of two types of corporate associations: corporate ability and corporate social responsibility (see Figure 1).42 Corporate ability refers to the company’s “expertise in producing and delivering product and / or service offerings.”43 Corporate social responsibility, on the other hand, refers to “the character of the company, usually with regard to important societal issues.”44 These associations are considered to influence product evaluation via different routes. Corporate ability associations influence both product sophistication (e.g., important product...
attributes) and corporate evaluation, which in turn influence product evaluation. While corporate social responsibility also influences product evaluation via corporate evaluation, at the same time it influences product evaluation via a product’s social responsibility. Corporate ability associations operate more at a product level, influencing consumers’ perception of value in the product, whereas corporate social responsibility associations operate more at an organizational level, affecting consumers’ trust in the organization. Corporate social responsibility associations play an especially vital role in that they can buffer consumers’ negative evaluation of product as a result of poor product performance. In other words, when consumers have substantial trust in the organization, their negative evaluation of ill-performing products can be attenuated.

The above conceptualization of Brown and Dacin’s model can be applied to the branding of nonprofit organizations, as well. Nonprofit organizations can also have organizational ability associations and social responsibility associations. In the nonprofit setting, ability associations may relate to nonprofit organizations’ expertise in delivering the services to the disadvantaged or the product they are selling as part of their commercial venture. Social responsibility associations may translate to nonprofit organizations’ missions or philanthropic purposes. Just as for-profit businesses manage their social responsibility associations through corporate societal marketing by supporting a nonprofit, so too can nonprofit organizations build their social responsibility associations by partnering with corporations.

Some modification to Brown and Dacin’s model is necessary, however, due to the unique nature of the nonprofit sector (see Figure 2). In Brown and Dacin’s model, favorable product evaluation was the final outcome to be achieved through the two types of associations. Although it will change as more nonprofit organizations become involved in product merchandizing, the final outcome of interest for many nonprofits is now likely to be favorable organization evaluation. This is true because donors’ contributions, and even the purchase of the nonprofit organization’s products, tend to be driven by donors’ overall evaluation of the organization and its mission, rather than evaluation of individual, specific services or products. In Dacin’s terms, trust of the organization plays a more important role than value of the product in generating revenues in the nonprofit sector.

The difference in the end goal thus changes the mechanism by which the two associations influence the final outcome in the nonprofit setting (see Figure 2). An organization’s ability associations can directly influence donors’ evaluation of the organization. They can also indirectly affect the organization’s evaluation via donors’ assessment of the organization’s products and/or services. In other words, donors can evaluate a nonprofit organization based on direct influence, such as their perception of the organization’s ability to produce a satisfying product or to carry out a service, or indirect influence, relating to their experience with the product or service. One example of the direct influence of ability associations is donors’ perceptions of the Red Cross’s ability to carry out emergency and disaster services. Even though donors themselves may not have experienced the services of the Red Cross, they have formed an overall evaluation of the Red Cross and linked the organization to certain associations or images relevant to the overall services of the Red Cross. On the other hand, donors are likely to evaluate Children’s Television Workshop based on their experience with its products, such as the television program Sesame Street, rather than based on their perception of the organization itself. In a sense, therefore, how a nonprofit organization brands itself depends on which of the two images, that of the organization itself or that of the products and services of the organization, is stronger in the donors’ minds.
Similarly, a nonprofit organization’s social responsibility associations can influence the evaluation of the organization either directly or indirectly via the social responsibility associations of a company with which the nonprofit partners. Most, if not all, nonprofit organizations have social responsibility associations since they are central to the existence of nonprofit organizations and tightly linked to their missions. Fighting hunger among the poor (Share Our Strength or SOS), preventing birth defects (the March of Dimes), and protecting the environment (The Nature Conservancy) are a few examples of social responsibility associations of nonprofit organizations. These associations can directly impact donors’ evaluations of a nonprofit organization. A few examples of the indirect approach include partnerships between American Express and SOS, SmithKline Beecham’s NicoDerm CQ and the American Cancer Society, and Kellogg and the March of Dimes.48

Nonprofits are in control of their branding processes when their ability associations both directly and indirectly influence donors’ evaluation of the organization and when their social responsibility associations directly influence donors’ evaluation. In other words, by the “controlled branding” process, a nonprofit organization can dictate how it will develop and implement innovative branding strategies in its best interest. In contrast, when social responsibility associations indirectly influence donors’ evaluation, partnering companies, rather than the nonprofits, tend to have more control over branding and formulate strategies to increase their own profit. Therefore, this latter branding process is referred to as “uncontrolled branding.”

Controlled branding is the superior strategy for a nonprofit, because favorable results can be fully credited to the organization itself. In addition, increased income as a result of successful branding can be entirely invested in the nonprofit’s philanthropic causes. However, a lack of knowledge and expertise in branding, coupled with insufficient financial support, has often led nonprofit organizations to take a rather passive stand and rely upon partner companies to control a branding process. As a matter of fact, uncontrolled branding has brought nonprofits considerable contribution from partner companies in exchange for the companies’ profiting from the partnerships. At the same time, partnership with a for-profit company that is known for its active involvement with social causes reflects positively on the nonprofit organization. Therefore, a nonprofit organization can benefit from such partnerships in two ways: (1) partnerships generate a considerable amount of contributed income without much financial or human cost on the part of the nonprofit organization; and (2) the positive brand image that the partner company has spent a long time creating is transferred to the nonprofit organization. However, uncontrolled branding also poses a few threats. A nonprofit organization has little control over the branding process since branding strategies are usually developed by, and serve the objectives of, the partner company. Furthermore, it can be risky and sometimes fatal to the image of the nonprofit if the partner company is later found to have acted unethically or in a manner inconsistent...
with the mission of the nonprofit organization. Finally, nonprofit organizations that for-profit companies want to partner with tend to be already branded, well-known, large organizations.

A study by Lichtenstein, Drumwright, and Braig provided evidence that when a company partners with a nonprofit as part of its societal marketing effort, the evaluation of the nonprofit organization tends to be driven by the company’s corporate associations. The authors found that donors were more likely to respond by rewarding the company (e.g., purchasing the company’s product) that is supporting the cause of the nonprofit than by making donations directly to the nonprofit itself. These findings further support the idea that nonprofit organizations are more likely to benefit from branding when they are in control over branding strategies.

To successfully implement controlled branding, a nonprofit must fulfill three critical tasks: (1) understand the organization itself, (2) understand its constituencies, and (3) understand its products and/or services. Just as corporate branding begins with the understanding of the company’s philosophy, branding of a nonprofit organization starts with an understanding of the organization’s reason for existence and goals to be achieved, which are usually identified in a mission statement. Therefore, writing a clear, well-defined mission statement is crucial to incorporating the position of a nonprofit organization into a branding strategy.

Understanding constituencies corresponds to for-profit businesses’ understanding of their target consumers. A nonprofit organization needs to define its constituencies (i.e., donors) and their needs, decide upon target constituencies, and prioritize its needs. The most appropriate approach to learning about a target constituency is to conduct consumer research. Good consumer research keeps a nonprofit organization abreast of the changing perceptions, attitudes, and needs of current constituents, as well as helps locate new constituents. While it is ideal for a nonprofit organization to collect primary data specifically for this purpose, this can be a costly option. There are examples of small nonprofit organizations that have successfully identified target constituencies and developed promotional materials to attract them based on the findings of secondary data, a less costly option.

Finally, understanding the organization’s products and services refers to assessing their strengths and weakness and the interrelationships between them. Interbrand relationships can be examined using an integrated product portfolio approach, in which each brand of a nonprofit organization is positioned on two axes of a product portfolio map. One axis represents contribution to mission and the other represents contribution to economic viability or relative cost coverage. Mapping brands this way can help a nonprofit see how brands can be balanced and prioritized.

To summarize, in this adaptation of Brown and Dacin’s model of corporate associations, nonprofit organizations can have a dual influence on their organizational evaluation via both the organization’s ability associations and the organization’s social responsibility associations. However, the final outcome of interest, the mechanisms of influence, and the relative strength of the two associations are expected to be different from those of Brown and Dacin’s. In Brown and Dacin’s model, which is based on corporate environments, the influence of corporate ability associations on the final outcome (product evaluation) was found to be stronger than that of corporate social responsibility associations. In the nonprofit sector, however, it is the social responsibility associations that are likely to be more strongly tied to the evaluation of the organization. The reason is that social responsibility is a nonprofit organization’s primary, if not only, reason for existence. The social responsibility associations that a nonprofit organization wants its donors to form are created at the moment the organization writes its mission statement, and are further elaborated as that mission is carried out.

**Positioning a nonprofit organization around its mission with aggressive communication was more effective in increasing income than was economizing the organization.**

**Issues in Implementing Nonprofit Branding**

Thus far, the author has focused on how branding can provide unique ways of dealing with the competitive nonprofit environment and proposed dual processes (i.e., controlled and uncontrolled) of nonprofit branding. Clearly, branding offers a potential...
strategy for nonprofit organizations to survive and succeed. However, it is worth noting some issues that may arise when a nonprofit considers implementing a branding strategy.

First, branding strategies borrowed from for-profit businesses are not always applicable in the nonprofit setting. Successful branding typically requires a long-term effort managed by skilled professionals and supported with sustained finance. Such resources are difficult to come by in many nonprofit organizations. A lack of management skills and interrupted financial support have resulted in some nonprofit organizations’ business failures and serious damage to the organization’s image. In order to address this issue, nonprofit organizations can build a long-term branding plan based upon the cumulative effects of small, more financially viable branding strategies. It is critical that a nonprofit both tie these smaller branding efforts to a thorough financial analysis and a cohesive long-term vision.

Second, there is a concern that financial success as a result of branding may alienate contributors and result in lost donations. Donors may feel that an organization has earned enough money from a commercial venture and reduce their giving. In order to alleviate donors’ alienation due to business success, nonprofit organizations need to emphasize to the donors that the increased earned income is used to better accomplish the organization’s philanthropic mission. For instance, Children’s Television Workshop informs its donors (or purchasers of its products) that the money earned from sales of the products is put back into development of its educational and other products. This way, donors are more likely to feel that their contribution or purchase will help to sustain the organization’s programs.

Third, some constituencies may resist the overall concept of branding a nonprofit organization or its products and services, or disagree with particular branding strategies. For instance, Spruill argued that branding of individual organizations becomes a barrier to collaboration to build a broad base of donor support. She held that branding “fosters unhealthy competition among nonprofit groups for visibility, promotes the hoarding of proprietary information, and leaves donors confused about how their support is making a difference.” As a result, the importance of charitable causes is buried under the names of organizations that occupy the largest share of donors’ minds. To avoid undesirable competition between nonprofit organizations, nonprofits are urged to cooperate with organizations of a similar social cause to achieve synergistic effects for accomplishing a common goal. The United Way, which is a collaborative fundraising arrangement among nonprofit organizations, is a good example of cooperation among both similar and dissimilar organizations in the fundraising market.

Besides the above issues, some obstacles of nonprofit branding are difficult to address. For instance, not all causes can be easily branded. Unpleasant social issues or issues related to human weaknesses, such as pathological gambling disorder, are not easily accepted and are often shunned by donors. Therefore, before thinking about branding its cause, a nonprofit organization needs to examine if it can redefine its cause to appeal to donors by stressing the positive results of its service, rather than the negative aspects of the societal issue. Finally, for obvious reasons, branding of an organization does not justify poor products or services.

**CONCLUSION**

The increase in the size and scope of the nonprofit sector, coupled with reduced financial and policy support from the government, have placed nonprofit organizations in unprecedentedly competitive environments. They are competing not only with other nonprofit organizations, but also with the public and for-profit sectors on several dimensions, such as personnel and grants. In this paper, the author reviewed the background of the competition in the nonprofit sector and discussed nonprofit branding as a potential solution to achieve long-term competitive advantages in order to increase a nonprofit’s chances of survival and success.

The author adapted a corporate model of branding to propose the branding processes that might be available to nonprofits. In the adapted model, two types of branding, controlled and uncontrolled, are presented with an emphasis on controlled branding as the more desirable form of branding. Subsequently, the author discussed a few concerns re-
Regarding nonprofit branding, most of which stem from attempting to apply a business concept in a non-business environment.

The difficulties of nonprofit branding, however, should not overshadow its great potential to combat the nonprofit organizations’ immediate threats from the competitive environment. Rather, the success of a nonprofit organization is likely to depend on the strategic balance of the benefits and limitations of branding. The uniqueness of the environment and the added difficulty of branding in the nonprofit sector compel nonprofit organizations to develop more creative strategies and solutions. Continuing efforts to gain the support of donors via branding promises to yield greater stability for the innovative nonprofit organizations that attempt it.

NOTES


6. Because the proposed model is adapted from a corporate model based on maximizing profits derived from individual consumer purchases, the author focuses here on nonprofits whose primary income comes from individual donors or purchasers of the nonprofits’ products. However, the model could also be applied to nonprofits that rely largely on grants and government contracts for their income.


9. Ibid., p. 3.

10. Ibid., p. 4.

11. Ibid., pp. 4-8.


29. Lawrence, “Not For Profit.”


31. Lawrence, “Not For Profit.”

32. Hansler, “Must Nonprofits Be Market-Driven?” p. 79.


35. Ibid.
37. Ibid.
41. Ibid.
43. Ibid.
44. Ibid., p. 70.
45. Telephone interview with Peter A. Dacin, Professor, School of Business, Queen’s University Kingston, Ontario, Canada, October 30, 2001.
46. Ibid.
47. Ibid.
49. Ibid., pp. 47-59.
53. For example, Richard Ensman used the U. S. Census figures of a community, a community map provided by a city planning office, and a student roster to identify potential targets for a private religious school in a local community. For more information, refer to Richard Ensman, “Market Research: A Valuable Aid To Small Non-Profits,” Fund Raising Management, vol. 18 (September 1987), p. 108.
55. Gallagher and Weinberg, “Coping with Success,” p. 33; and Oster, Strategic Management, p. 93.
58. Gallagher and Weinberg, “Coping with Success,” p. 28; and Lawrence, “Not For Profit.”
61. Lawrence, “Not For Profit.”

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