Marketing activity in non-profit organizations: the example of organizations in Russia and Azerbaijan

Aygun Alasgarova
Department of Business Administration
Azerbaijan State University of Economics (UNEC)
6 Istiqlaliyyet Küçəsi, Baki 1001, Azerbaijan
E-mail: elxan_salayev@mail.ru

Abstract

In modern economic conditions, marketing plays an important role in the activities of any company, regardless of the objectives of the activity, the functional specifics and the basis of financing. Marketing is widely used by commercial companies as a tool for shaping the image, corporate identity of the company, as well as a way to attract customers and stimulate sales channels. Marketing as a way to improve the efficiency of non-profit companies and as a mechanism for attracting financial resources within the legal framework of their activities, unfortunately, is now applicable but is limited. The main reason for the non-use of marketing concepts by non-profit entities is the low level of financial literacy of the subjects of the non-profit sector, reliance on the state as the main “financial distributor” of resources and the inability of non-profit organizations to exist autonomously or independently, while implementing their strategic and operational goals more efficiently and effectively. As practice shows in Russia, more than 80% of non-profit organizations depend on government funding, and only 20% are able to earn their own resources in parallel, which do not contradict the main concept of their existence. An important role in this matter is played by the study of the methodological basis and experience of using marketing in the activities of NGOs on the example of market economy countries. Among the main marketing concepts, applicable NPOs in developed and developing countries are the use of marketing mix tools, targeting the target product, determining the social effect, symbiosis of the methodological foundations of the functioning of commercial and non-commercial economic development blocks, network marketing. The use of marketing concepts in the activities of non-profit organizations contributes to the improvement of qualitative and quantitative indicators of active non-profit business entities, more rational use of the resource base and the achievement of a common development strategy as part of a common strategy for creating such structural units.

Keywords: marketing, marketing NPO, marketing mix, network marketing, social effect.

Introduction

In the current economic conditions of development of the market economy, marketing plays a huge role in the life of any company. Today, the sector of non-profit organizations is actively developing, the purpose of which is not to accumulate and maximize profits, but to increase the level of accessibility of public services aimed at ensuring the general well-being of various segments of the population. Examples of NGOs include: health care, education, cultural and historical organizations, museums, charitable foundations, etc.

Marketing of non-profit companies is of socio-economic importance, since it is aimed at solving various problems of society and does not set profitability parameters as the main goal of its activities. However, regardless of the goals, specifics and institutional bases of activity, any business entity needs to develop functional aspects to finance its current activities, the implementation of the strategic management framework is vital.

Marketing in the management system of NPOs allows you to develop a conceptual framework for attracting financial resources, and it also contributes to the efficiency of the management decision-making mechanism.
The practical significance of using conceptual foundations of marketing in the aspect of NPO activity is quite high, but one should take into account many factors of effective development: first of all, the depth of research should be expressed in the social effectiveness of using strategic marketing for NPOs, using the basics of the marketing mix as a concept of this direction, rationalizing and adopting effective NKO marketing experience in developed and developing countries. So, before determining the boundaries of the significance of marketing in the system of financial management of NPOs, it is necessary to determine the basic conceptual foundations of this issue, understand the principles and theoretical and methodological aspects of functioning, study the basic fundamentals of the work of foreign and Russian authors on this issue, to identify the most effective strategic basis for the development of marketing in NGOs for Russian non-profit companies.

As part of the study of this issue, special attention should be paid to the disclosure of the conceptual aspects of the marketing of NPOs:

- The study of the methodological foundations and theoretical justification of marketing in the activities of NGOs as a symbiosis of the commercial and non-commercial sphere of management, aimed at obtaining a certain social and economic effect;
- Consideration of the conceptual apparatus of the concept of marketing in the field of management of non-profit structures;
- The relevance of the specifics of marketing in the field of financial management of NGOs, the development of effective recommendations of the marketing concept, taking into account modern realities and practical experience.

The relevance of the study of this issue is determined by the principles of scientific novelty and practical orientation of this issue, you should pay special attention not only to the genesis of non-commercial marketing in the structure of NGOs themselves and its role in modern society, but above all to determine the strategic and planned aspects of non-commercial marketing, to determine strategies and tactics of non-profit actors in the planning of marketing activities.

**Methodology**

As part of studying the problems of marketing in the structure of NPO activities, the methodology of the system analysis of the object and subject of research, inductive and deductive approaches, general scientific methods of analysis, synthesis, analogy and comparison, generalizations and others were used. To solve practical marketing problems, consumer research methods, market segmentation, typology of marketing service structures, surveys, observations, statistical data processing were used. The work is also based on general scientific methods: dialectic cognition of reality, conceptual and logical analysis, structural and functional approaches, as well as statistical methods, qualitative method of focus groups and sociological research.

**Literature Review**

The general problems of non-commercial marketing are studied in the works of foreign and domestic authors, such as: Ambler (1999), Ansoff (1999), Berman (1990), Drucker (2004), Lambin (2010), Kotler (2010), Porter (2007), Evans (2009) and others.


organizations in Russia", Yuryeva (2013) in the work "Non-profit organizations: economics and management", etc.

**Non-profit organizations of business structure**

The topic of business and NGO interactions in solving social problems is not new. It regularly rises within the boundaries of various conferences, competitions and studies. This allows you to track the dynamics of changes in the relationship between business firms and NPOs. On the one hand, we are witnessing a gradual withdrawal from the relationship "source of funds" - "suppliant" to relations of mutual interest and partnerships (Marketingovoy research in non-profit organization, http://www.marketing.spb.ru/lib-special/branch/nonprofit.htm?printversion, 2018).

All over the world, the non-profit sector is one of the most intensively developing sectors of the economy.

Non-profit organizations have the following conceptual features:

- The activity of non-commercial entities is aimed at achieving a certain social effect, it is impossible or difficult to express with parameters of economic efficiency;
- Commercial orientation may be present in the structure of NPO activities, however, an economically oriented activity should not contradict the overall mission of NPOs.
- The profit earned by NPOs from commercial activities is forced, as a way to survive and maintain the foundations of current activities.

The classification of non-commercial entities is shown in Figure 1.

![Figure 1. Classification of non-profit business entities](image-url)

The most common forms of Russian non-profit organizations are a public and religious organization (association), a foundation, an institution, a non-profit partnership, an autonomous non-profit organization, a consumer cooperative, an association of legal entities (an association and union)
Table 1. Distribution of socially oriented non-profit organizations by activity in 2017

<table>
<thead>
<tr>
<th>Activities</th>
<th>Number of organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities including:</td>
<td>142641</td>
</tr>
<tr>
<td>Other types of social support and protection of citizens</td>
<td>17648</td>
</tr>
<tr>
<td>Environmental protection and animal welfare</td>
<td>4930</td>
</tr>
<tr>
<td>Providing legal assistance on a grant or on a preferential basis to citizens, legal education of the population, activities to protect the rights and freedoms of man and citizen</td>
<td>9098</td>
</tr>
<tr>
<td>Prevention of socially dangerous forms of behavior of citizens, the promotion of such activities</td>
<td>3337</td>
</tr>
<tr>
<td>Charity</td>
<td>15914</td>
</tr>
<tr>
<td>Activities in the field of education, education, science, promotion of such activities</td>
<td>27331</td>
</tr>
<tr>
<td>Activities in the field of culture and art, the promotion of such activities</td>
<td>14702</td>
</tr>
<tr>
<td>Activities in the field of public health, prevention and public health, promotion of healthy lifestyles, the promotion of such activities</td>
<td>13894</td>
</tr>
<tr>
<td>Promotion of patriotic, spiritual and moral education of children and youth</td>
<td>18069</td>
</tr>
<tr>
<td>Activities in the field of improving the moral and psychological state of citizens and the spiritual development of the individual</td>
<td>13106</td>
</tr>
<tr>
<td>Activities in the field of physical culture and sports, the promotion of such activities</td>
<td>29752</td>
</tr>
<tr>
<td>Other activities</td>
<td>39466</td>
</tr>
<tr>
<td>Rendering social services to the population of the Russian Federation in the fields of activity of socially oriented non-profit organizations</td>
<td>25129</td>
</tr>
</tbody>
</table>

It is worth noting the following key points:

Total NGOs in Russia according to data for 2017 - 142641, the largest share in the structure of Russian NGOs is occupied by organizations engaged in other activities - 27.66%, organizations providing social services to the population - 17.62%, NGOs in the field of physical culture and sports - 20.86%, NGOs in the field of science and education - 19.16%, the rest - less than 10%.

Estimation of sources of financing of NGOs in Russia is presented in Table 2.

Table 2. Distribution of socially oriented non-profit organizations by sources of formation of cash and other property of the organization for 2017

<table>
<thead>
<tr>
<th>Sources of formation of cash and other property of organizations</th>
<th>million rubles</th>
<th>% of total revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total received</td>
<td>848857</td>
<td>100</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from the federal budget</td>
<td>43668</td>
<td>5,1</td>
</tr>
<tr>
<td>Grants from non-profit non-governmental organizations involved in the development of civil society institutions (provided by subsidies from the federal budget)</td>
<td>3258</td>
<td>0,4</td>
</tr>
<tr>
<td>Receipts from the budgets of the constituent entities of the Russian Federation</td>
<td>38794</td>
<td>4,6</td>
</tr>
<tr>
<td>Revenues from municipal (local) budgets</td>
<td>6939</td>
<td>0,8</td>
</tr>
<tr>
<td>Receipts from the budgets of state extra-budgetary funds</td>
<td>5629</td>
<td>0,7</td>
</tr>
</tbody>
</table>
Receipts (including donations), grants from Russian non-profit organizations, with the exception of grants from non-profit non-governmental organizations involved in the development of civil society institutions | 94279 | 11.1
Receipts (including donations) from Russian commercial organizations, with the exception of income from target capital | 199612 | 23.5
Receipts from foreign states, their state bodies, international and foreign organizations | 15765 | 1.9
Income (revenue) from the sale of goods, works, services, property rights (except income from endowment capital) | 261849 | 30.9
Other income | 39430 | 4.6

Based on the data presented in Table 2, it is worth highlighting the following: the main source of funding for Russian NPOs is income from the sale of goods, works, services - 30.9%, NPO receipts are in second place, including donations - 23.5%. Financial resources received from the state budget account for less than 5%, so the federal budget revenues - 5.1%, revenues from the budgets of the constituent entities of the Russian Federation - 4.6%, from local budgets - 0.8%, extrabudgetary funds - 0.7%.

Thus, it is worth noting that for the effective operation of NGOs, state financing is clearly insufficient, covering a rather low percentage of total funding. Most NGOs have to develop measures to attract additional financial resources, simply to stay afloat and carry out ongoing activities. In this aspect, the concept of marketing allows you to finance the activities of NGOs, and the more developed and effective they are, the more productive the activities of NGOs.

**Marketing models in non-profit organizations**

In their marketing activities, in order to ensure their usefulness, non-profit actors must perform the full range of traditional functions inter alia: marketing research and development, the implementation of product, product and pricing policies, the organization of distribution and communications.

The basis of marketing research of NPOs is a general, basic marketing model, in particular: product policy, price policy, sales policy, communication policy, physical environment, process and people. All of these aspects make it possible to implement the concept of marketing and attract financial resources for both the commercial unit and non-profit organizations equally.

The basic marketing mix is based on the idea of a basic or target product, which is a certain concept of a non-commercial product (aka NKP), which is aimed at satisfying social needs and having a certain social effect.

By offering the NCP to the market, the organization, as the basic idea of the product, suggests the “desired behavior” of the target audience or attitude to the social problem that society considers favorable, benefitting both the target audience and society as a whole (Belozerova & Chalova, 2016). This feature is explained by the fact that the product is offered by a non-profit organization, an organization whose main difference is the focus on obtaining a “social effect” rather than an "economic effect". Based on this, the organization accordingly builds its product, price, distribution (distribution policy NCP) policy, promotion policy, as well as a set of techniques for raising funds in the organization, or fundraising (Cherepov, 2016).
To determine the social effect of the NCP is rather difficult, and quantitatively not measurable, but it is possible with the help of such methods as: the method of expert assessments or focus groups. At the same time, experts and participants of the focus groups should be independent, actually representing the interests of consumers (for example, specialists from non-governmental non-profit entities or prominent public figures).

Using the concept of the NLO as a fundamental one in the NKO marketing model allows the following goals to be achieved:

- Enables NGOs to form activities based on the mission and characteristics of development, social purpose and scale;
- Allows NPOs to create a non-commercial product with certain consumer properties and having a qualitatively measurable social effect;
- Enables NGOs to finance their current activities from their own sources of financing, not to depend on the state and at the same time effectively satisfy the needs of society;
- Influences consumers, competitors and contact audiences by means marketing communications;
- Allows NPOs to be competitive, stay afloat and attract investments to finance their activities.
The main task of non-commercial marketing is to increase the social effect in data specific market conditions and marketing environment of the subject.

**Examples of Marketing in non-profit organizations**

As real examples of the implementation of marketing concepts in terms of the activities of NGOs, there are enough examples of effective management of the NPC.

So, for example, the Russian Museum of the East, located in St. Petersburg, provides services, not only related to the main type of activity, but also services, additional services, allowing to finance current activities.

As part of the marketing of this institution, the concept of the NPC is actively used. So the museum uses the following marketing tools: active advertising, working with the media, developing its own website and promoting the services of the museum, introducing innovative technologies - which allows the museum to organize thematic exhibitions, raise funds for charity and sponsorship, organize business activities on the museum's territory (cafe, kiosk) with printed and souvenir products), which brings additional financial resource base of the museum. Also, ECNA (European Computer Network for the Arts) can be cited as an effective example of NGO marketing. This organization develops a rather interesting approach to supporting a network of computer users in the sector of non-profit cultural and art organizations.

The essence of the project is to develop a site where all major cultural institutions (local and global) are concentrated and where you can develop cultural communication among experts from various fields, directions, evaluate the work of cultural, educational and scientific institutions, share experiences of effective interaction, invest in various areas and etc. As part of this project, participants can share not only cultural experiences, but also create projects, like-minded communities, communities of interest, organize internships within ECNA members for the transfer and enrichment of professional experience.

The activities of such uniting organizations in the field of culture and art demonstrate the technology of non-commercial marketing of the new generation or the so-called “next”. They become the most powerful resource of not only the prosperous development and preservation of culture in a rapidly changing society, but also a means of stabilizing the society itself. Another example of the effective use of marketing in NGOs is the National Council of Youth Organizations of the Republic of Azerbaijan (NSMOAR). NSMOAR is the only confederation of youth communities and organizations in the country, organizing and ensuring their international integration as a single coordination and cooperative center.

The Council was founded on November 21, 1995 by 11 youth organizations and was registered by the Ministry of Justice of the Republic of Azerbaijan on January 31, 1996. The task of the Council is to enhance the role of young societies and youth organizations in achieving civil society. From this point of view, a social integrated marketing policy was developed in order to attract young people to the organization and to benefit from the activities of the NSMOAR community. This is a very large youth organization, uniting 127 youth organizations as a confederation. The following figure shows the number of organizations that existed during the period from the date of creation of the NSMARA until 2018 in Azerbaijan.
The goal of the organization is to coordinate the activities of children’s and youth organizations within the framework of the NSMOAR, to create conditions for their development, to work on the national, regional and international interests of member organizations, to work together to solve the problems of young people and protect their interests and their rights and to achieve solidarity in resolving issues.

The organization operates in the form of an organization acting in the public interest, that works for any ideas and does not want to make a living at that time. NSMOA considers its mission to be a priority task on the knowledge and skills of young people to strengthen the state independence of Azerbaijan, and to allow them to take a worthy place in the international arena and build a democratic state.

The marketing objectives of NSMAR are more complex, because it is impossible to measure the goals of this form of marketing financially. An organization uses the following forms of action to accomplish its marketing objectives:
- Preparation of various programs, projects to address the problems of youth and their representation in the relevant state bodies, international organizations and funds;
- Carrying out activities on various forms and topics on youth issues;
- Searching for financial and moral support for young people and their organizations;
- Organization of joint or small enterprises, centers for leisure and social services, various charity events, marathons, prizes and sports charity lotteries;
- Creating media;
- Assisting members in events held in the republic and abroad;
- Organize various training courses for young leaders;
- Establishing contacts with youth organizations operating in foreign countries, international youth organizations, exchanging representatives with them.
- Other activities not prohibited by law.

In 2013, the Council adopted the “3G” strategy (“G” means “Youth”) in order to achieve its marketing goals and objectives, expand the knowledge and skills of young people and develop their youth organizations. Focusing on youth, the “3G” strategy combines three main priorities. The following are the organization’s market priorities:

a) Support youth policy;
b) Expand opportunities for youth cooperation;
c) Strengthening the institution of youth organizations.

The marketing activities of NSMAR cover three main strategic areas:

1. Cooperation with institutional partners;
2. Youth representation at the international level;
3. Implementation of international programs and projects.

Since the main goal of the organization is young people, various methods of stimulation were used to attract young people to NSMOAR. The Council set its activities on modern marketing strategy to fulfill its mission.

The strategy involves the identification of the following elements:

- Who is the target audience?
- What promises or suggestions should be made to the audience?
- What evidence should be made to show that the proposed proposal makes sense?
- What is the final impression you should leave behind?

Advertising over domain names. Each youth member of the National Council can receive a free domain name that has been redirected to the official website or website number. Domain names are provided in the submitted form www.teskilatinadi.nayora.az.

Map E-Youth (specifying items for promotional purposes). You can find more information about youth, organizations, measures and statistical indicators in the selected territorial unit in Azerbaijan with one touch of the “Electronic Youth Card” on the web portal www.nayora.az.

E-Youth Calendar. The "E-Youth Calendar" unit on the www.nayora.az web portal includes a number of memorable events both at the national and international levels, as well as on significant days of the National Council affiliates.

Alert system. Prompt notification of member organizations of the activities of the National Council and relevant issues is provided through SMS (Short Message Service) and by e-mail through the electronic database of organizations of the National Council members.

Discussion

In the course of studying the problems of this issue, namely the expediency of applying the conceptual foundations of marketing in NPO activities, the following should be noted: the marketing of non-profit organizations is essentially no different from the marketing of commercial business entities. First of all, in its structure contains analysis, planning, implementation and control, management of the target market, expanding the boundaries of mutually beneficial cooperation with target groups by creating a target product or NCP.

The main distinguishing feature of non-commercial marketing is a way to attract resources, namely:
- Direct financing through the sale of goods, works and services of NGOs;
- Indirect financing through the attraction of financial resources "from outside", for example, funds from charity and sponsorship, donations, investments, funds of the state budget and extra-budgetary funds, which in turn occupy the smallest share in the system of financing current activities of Russian NGOs.

The implementation of current activities of NGOs brings profit, as a rule, in the amount of less than 20%, the largest share of financing is occupied by commercial activities - the sale of additional services, charity, or sponsorship.

It is also worth noting that the marketing of a non-profit organization always includes two strategic areas:
- Presentation and promotion of the organization and its activities;
- Presentation and promotion of specific goods or services.
The purpose of marketing an organization is to increase the social significance of the activity, its mission and public demand, to create a well-remembered image of an attractive and reliable partner. This type of marketing is called image (or prestigious marketing). On the basis of this type of marketing technologies and fund-raising strategies of NKP are built (Ambler, 1999: 400). Systematizing the global experience of effective financial management of NGOs, it is worth noting the use of such a marketing tools as modern information technologies and communication capabilities. The marketing toolkit allows one to implement a marketing strategy, to establish the interaction of supply and demand in the nonprofit sector, creating a socially oriented product.

As the experience of effective use of marketing tools develops, namely, presentations, advertising, working with the media, online sales of services and products, booking, creating cultural communities shows, they can implement measures to attract financial resources as part of the NGO strategy. In fact, modern information technologies as a marketing tool ensure the availability of proposals for a global audience, and form successful activities of NGOs due to the scale of communication and illumination of problems, projects and areas of cooperation.

Conclusions and recommendations

Promotions of a non-commercial products or services imply the election of effective marketing communications for conveying information to target audiences. The message should make it clear to the consumer what benefits they will receive from acquisitions and stimulate them to act. When developing appeals to the consumer and choosing a channel for bringing information to target audiences, the marketing research conducted will be useful in the following ways:

- Consumers must understand the benefits they will receive from the purchase of goods or services;
- Well-chosen marketing communications will bring useful information to target audiences;
- Messages about goods or services should have an option for the consumer;
- Communication messages that are aimed at consumers should motivate them to action;
- Appeals to target audiences should be interesting.

Thanks to marketing research, NGOs can select the most effective channel for communicating information about goods or services to target audiences, and they develop messages for consumers that will stimulate them to action. It also allows one to carry out a timely change related to the provision of services or the production of goods. Thus, competent communication of information to consumers is the main goal of the institution, to the extent that customers will be aware of products or services. NPOs need to apply and develop marketing in institutions in order to attract more money to achieve their goals towards their sustainability.

References


