

The role of marketing and branding in creating value for charitable organisations

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Abstract

The marketing and branding of not-for-profit organisations, and specifically UK 'Charities' is changing significantly. This study aims to examine how Charities' performance was impacted by the recent economic crisis and secondly, the roles that charity branding has played. Specifically, it examines the relationships between income and spending levels and a charity's rank in the "Charity Brand Index." A significant relationship was discovered between Charity spending, voluntary income, and the Charity brand index ranking. This relationship was true for both current year measures, as well as lag effects. These relationships have managerial implications for the ways that small Charities and large Charities manage their brands, as well as their donors.

Keywords

Not-for-profit marketing; Charities; Charity marketing; Charity branding

Introduction

The way that the world views charities has changed dramatically over the past 200 years. Charitable organisations now exceed 160,000 in the UK alone. Income for the charitable sector has soared to new heights and now brings in an estimated gross income of over £ 62 Bn. The number of players entering the sector continues to grow and there are now 1005 charities bringing in an income of over £10Mn. Alongside this growth, a rise in branding practices and marketing principles used in the industry to better differentiate and communicate each charity's values, mission and work. Given the rise in prominence of charity brands, and the increased competition, this study set out with the aim of exploring two complimentary aspects of the charity industry. First the overall performance of the charity industry was explored to see how things had changed in recent years, especially given events like the economic crisis of 2008 and 2009 and secondly, the roles that charity branding has played for both individuals and charities were further examined.

1.0 Literature Review:

1.1 Brand Equity

Aaker defines brand equity as:

“A set of assets (and liabilities) linked to a brand name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers” (Aaker, 1995). For Aaker, brand equity is composed of four major asset categories which include; brand associations, brand name awareness, perceived quality, and finally brand loyalty.

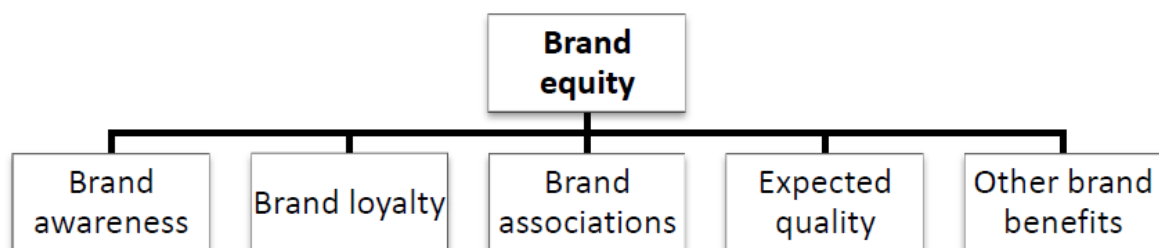


Figure 1: Aaker's brand equity asset categories (Source: Aaker, 1995)

Keller by comparison describes brand equity as:

“A brand has positive customer-based brand equity when consumers react more favourably to a product and the way it is marketed when the brand is identified than when it is not” (Keller, 2008). Keller's CBE “branding ladder” refers to four “building blocks” - “Who are you?” (brand salience), “What are you?”, (brand performance and brand imagery), “What about you?”,

(consumer judgments and consumer feelings) and “What about you and me?”, (consumer brand resonance), (Keller, 2008).

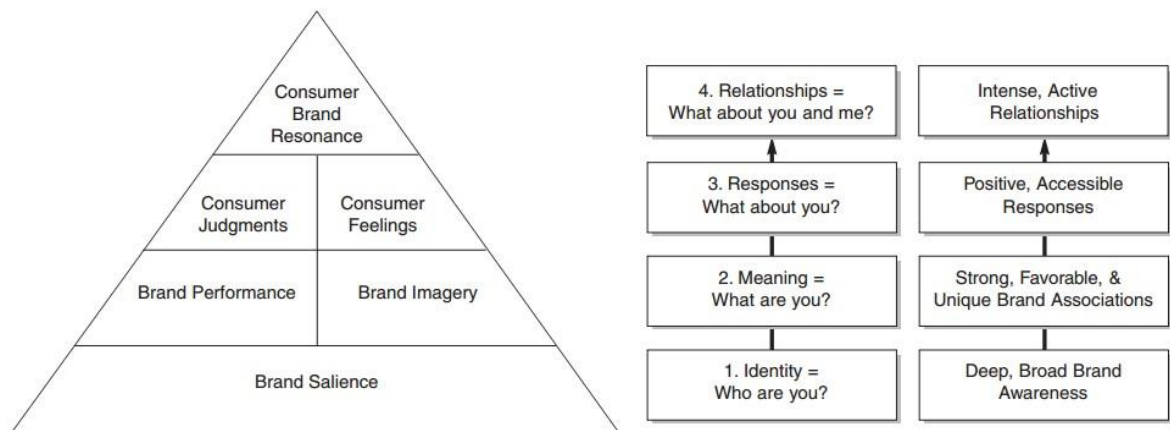


Figure 2: Keller's customer-based brand equity pyramid (Source: Keller, 2008).

1.2 UK Charity Sector Overview

Throughout time, charities have comprised a large section of what is commonly referred to as “the third sector”, non-governmental and non-profit-making organisations or associations, including charities, voluntary and community groups, and cooperatives. A charity is more generally defined as an organisation that is set up to provide help and raise money for those in need. In the UK alone, the charity sector is enormous; over 160,000 charities are registered in England and Wales alone. Total income from these charities amounted to £ 62.1 Bn in 2013, with total spending in the same year £ 58.6 Bn (Charity Commission, 2013). A relatively small number of players are responsible for the contribution a majority of income collected. In the UK, 69% of all income collected is earned by a mere 1.2% of large charities. The charity sector has many subsectors: Education and Training; Medical and Health; Disability; Relief of Poverty; General Charitable Purpose; Housing; Community Development; Arts and Culture. The Charity Commission splits income into five different categories:

- **Voluntary Income:** comprises incoming resources generated from the following sources:
 - gifts and donations received, including legacies; any tax reclaimed on amounts received under gift aid; grants from the government; membership subscriptions, donations; gifts in kind - (i.e. the donor receives nothing in return for their donation).
- **Trading to Raise funds:** Income from trading, by providing goods and services to the public - (i.e. the donor receives something in return)
- **Investment Income:** includes dividends, interest and rents.
- **Charitable Activities Income:** Income received as fees or grants specifically for goods or services supplied by charities to meet the needs of their beneficiaries.
- **Other:** including gains on the disposal of own use assets

- **Spending**, is split into six different categories by the Charity Commission. However, for the sake of this paper, only one part of charitable spending will be defined as this has perhaps the largest impact on branding :
- **Spending to generate voluntary income**: Defined as the costs incurred in encouraging other parties to make grants, gifts or legacies to charities. The costs may include:
 - fundraising; advertising; marketing and direct mail materials; payments to an agent; assembling funding applications (Charity Commission, 2013).

1.3 Charity Sector Performance over Time

The global financial crisis of 2008 and 2009 impacted upon all or most industries. The UK Charity sector, competing for individual and enterprise donations, was not wholly exempt. In 2009 alone, 4,839 charities left the sector, however gross income continued to grow (Charity Commission, 2013).

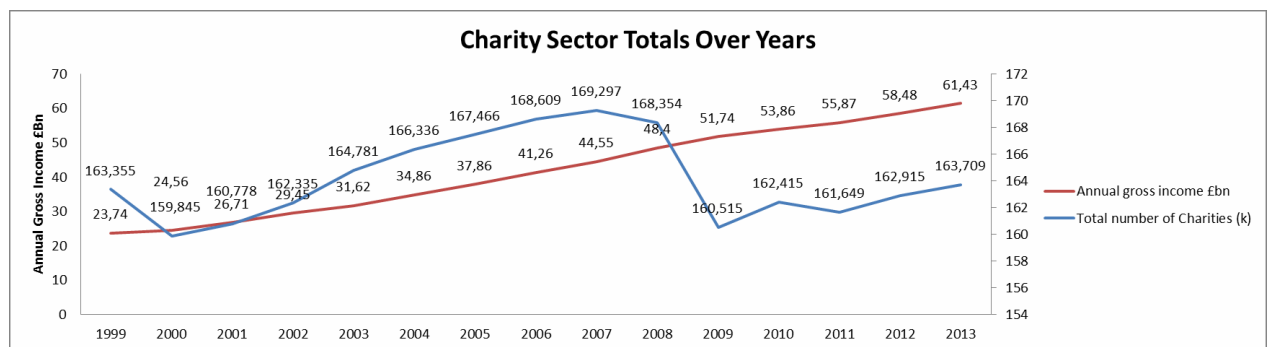


Figure 3: Total gross income and number of UK charities over the last 15 years (Source: Charity Commission, 2013)

The Charities Aid Foundation (CAF) found that between 2007 and 2009 charities with an income less than £10 million experienced little to no effect on the amount of voluntary donations (increase of 2.2%), whereas those above £10 million, witnessed an 11% drop in voluntary income (Arnott, 2011). This could possibly be linked to the fact that people prefer to donate in more local and smaller charities, and less in long-term structured commitments with larger charities when times are hard. In the most recent compilation by the Charity Commission, the total current £62 Bn has two primary elements, charitable income (32%) and income from charitable activities (52%).

2013 Total Income Breakdown			2013 Total Breakdown*		
Voluntary Income	19,77	32%	Generating voluntary income	2	3%
Trading to raise funds	4,91	8%	Trading to raise funds	2,6	4%
Investment income	3,5	6%	Investment management	0,51	1%
Charitable activities income	32,55	52%	Charitable expenditure	52,75	89%
Other	1,39	2%	Governance	0,79	1%
Total	62,12	100%	Other	0,95	2%

*in£Bn

Table 1: Breakdown of 2013 total charity income and spending into components (Source: Charity Commission, 2013)

The CAF also show that the UK is the 6th most generous nation in the overall ranking, 2nd worldwide in terms of the percent of people who donate monthly to a charity or organisation (76% of individuals surveyed), 9th in terms of helping out a stranger (65% of people surveyed), and finally they ranked 26th in terms of volunteering anytime monthly (29% of individuals surveyed) (Charitable Aid Foundation, 2013).

1.4 Branding within the Charity Industry

Branding and brand management within the charity sector appear to be in their nascent phases. In general, not-for-profit organisations (or NFPs) have been relatively slow in implementing branding practices. This is attributed to issues such as the difficulties in committing internal stakeholders to the process (Grounds and Harkness, 1998) and the opinion that branding is too “commercial”, so non-profit marketers even view the practice as immoral (Ritchie, Swami, and Weinberg, 1998). However, NFPs have long been concerned with “maintaining a consistent style and tone of voice”, an essential branding principle (Tapp, 1996). Sargeant and Ford (2007) have also suggested that charity brands even have a different brand personality distinctive from commercial brands (Sargeant, Hudson and West, 2008). Their proposed structure has many parallels with Jennifer Aaker’s original framework.

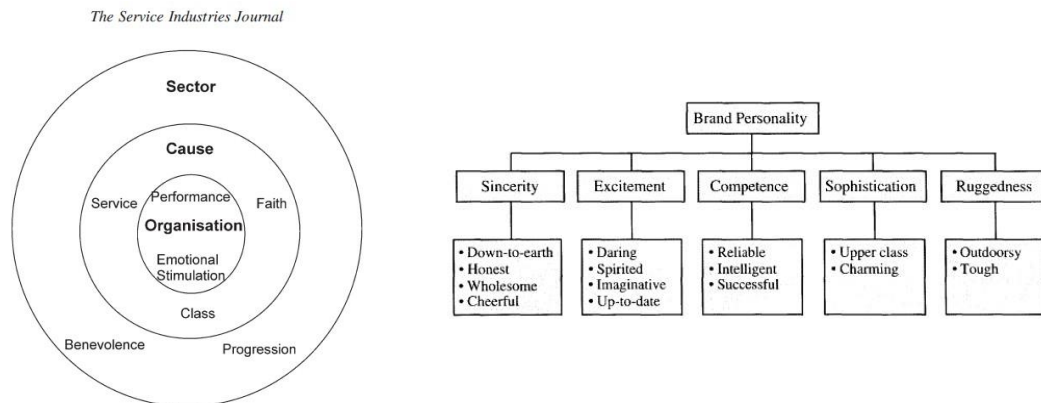


Figure 4: A Comparison of brand personality frameworks. Left: Hypothesised structure of a charity brand personality (Source: Sargeant and Ford, 2007) Right: J. Aaker's brand personality framework (Source: Aaker, 1997)

As branding in the charity and NFP sectors has become more prominent, organisations such as Third Sector Research have formulated charity brand metrics such as the “Charity Brand Index” (CBI) (Third Sector Research, 2013). In their approach to determining the top 130 brands in terms of effectiveness and performance, a survey of over 3000 UK adults is carried out by external agency, Harris Interactive, measuring attributes

such as recognition, willingness to donate, trust, and attitudes towards the charity's causes.

2.1 Research Question and Hypotheses:

How have UK charities performed in response to the economic recession, and how have current charity branding practices affected the way these charities perform? Hypotheses were then derived to address the central research question:

- Hypothesis 1: The use by practitioners of a 'Charity Brand Index' can be shown to be grounded in the literature on customer based brand equity (CBE).
- Hypothesis 2: Charities were relatively immune to the economic crisis
- Hypothesis 3: There is a positive relationship between Charity branding activity and brand performance
 - Hypothesis 3a: There is a positive relationship between total charity income and the charity brand index
 - Hypothesis 3b: There is a positive relationship between voluntary income and the charity brand index
 - Hypothesis 3c: There is a positive relationship between spending to generate voluntary income and the charity brand index rank
 - Hypothesis 3d: There is a positive relationship between voluntary spending and voluntary income

3.0 Analysis:

Testing Hypothesis 1

Although access to the individual factors and their relative contribution towards the brand rank was not publically available, the objective was to try to relate the CBI to existing brand equity models, such as that of Keller.

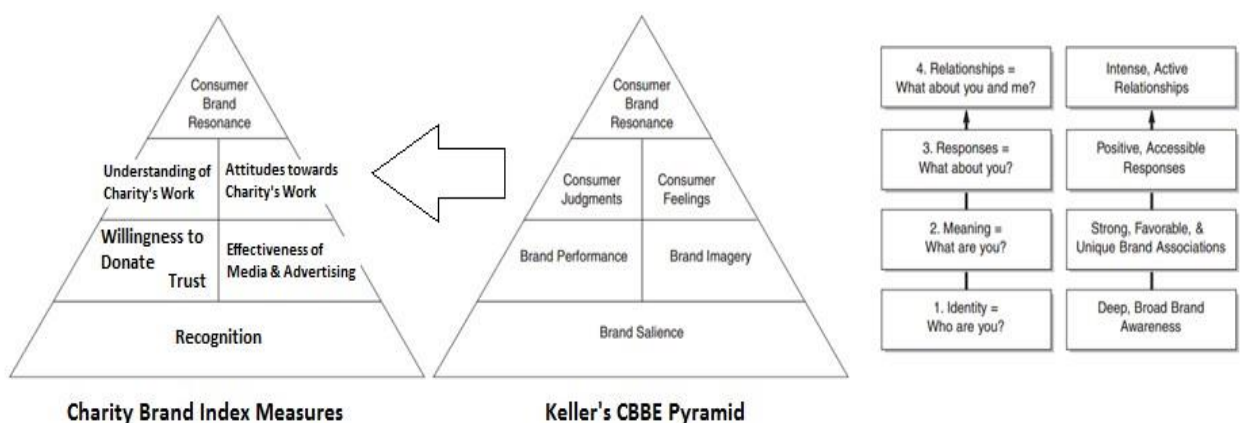


Figure 5: Charity Brand Index Measures compared with Keller's CBE pyramid

The charity brand index attempts to address the first step of the branding ladder by measuring the recognition level of different charity brands, (Keller's brand salience) and directly answers Keller's mention of 'the ease in which a brand is recalled

orrecognised”(Keller, 2008).Brandimageryis addressed with questions in regards tothe effectiveness of media coverageandadvertising. It appearsthat this reflects the“reinforcingthe extrinsic properties ofthe product or service such as meetingthe customers’socialneeds”(Keller, 2008). Willingness to donateaswellas trustlevelsappear to be the selectedmetrics in terms of measuringthereinforcementof theways in whichcustomers’functional needs or demandsaremet bythe underlyingproductorservice, orwhatKellerrefers to as“brandperformance” (Keller, 2008).For measuringthe upperlevels of brandequity, Third SectorResearchinvestigate consumer understandingof, and their attitudes to,acharity’swork, which reflects what Kellerrefers toas“consumer judgmentsandconsumer feelings”. One caveat here could be that Keller’s measure does not fully encapture consumer response, i.e. behaviour (loyalty, repeat purchase, sales, share, etc.), (Halliburton and Bach, 2012). Also, it appearsthat theconsumer brand index does not address thefinalstep in thebranding ladder,Keller’s“brandresonance” (Keller 2008). Overall therefore, the hypothesis can be partiallyaccepted in that this measure is able to provide a reasonably accurateinsight into currentlevels of brandawareness and brand equitywithin the UK charitysector.

TestingHypothesis2

Data from the Charity Commission as well asfrom theCAF showed a remarkable growth rate over the period for the 15years ofdataavailable with aCAGR of total income of 7.03% for the total charity sector. Thenumeroof largecharities(income>£ 10 MN.)has nearlytripled over the past 15years growing at a CAGR of 8.84%.

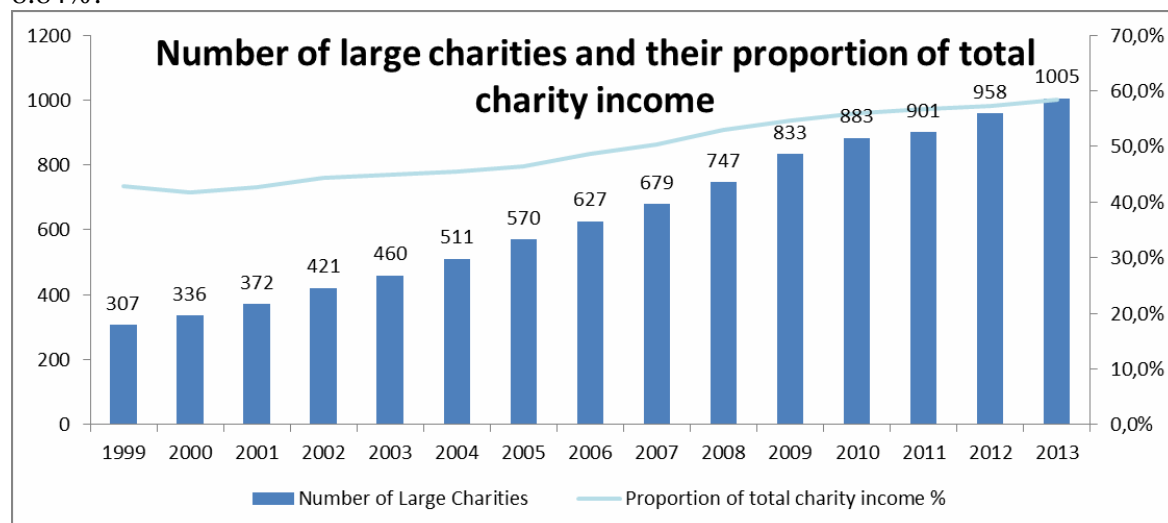


Figure6: Numberoflargecharities andtheir proportionoftotalincome(Source:CharityCommission)

Once the data for sampleset 1 was collected, theirrelevant financials (totalspendingandtotalincome over thepast fiveyear)aswellas theirassociated CBIRankingoverthe past 5years was created. Total income for the sample set grew(mean 4.7%from 2008-2009 and2.1%from 2011 to 2012).

Having tested the first sample set for consistency with the overalltrends in the charitysector, we analysed the relationship betweenbrand ranking and income andspending.Following this initial analysis the sample set was refined to allow more detailed analysis and to allow for outliers.Thesecondsample set had a CAGRfortotal incomeofonly2.62% compared to 5.59% for the overallcharity sector over this period.

Hypothesis 2 therefore is partially supported as charity income and spending continued to grow throughout the recession, but at a slower growth rates and different charity sizes were differentially affected.

Testing Hypotheses 3a to 3d

Regression analyses were undertaken for all four sub-hypotheses. For hypothesis 3a, no significant relationship was found between *total* income and the charity brand index (CBI). This could perhaps be explained by examining the different charity categories where some of them are less dependent upon the brand awareness and image (such as trading income and investment income).

Hypotheses 3b, 3c and 3d were investigated also using lag effects of current and previous two years. Significant positive results were found and the regression stayed relatively similar throughout the period.

Hypothesis 3b was partially supported as significant relationships were found over three of the four periods, either from the same period or a one year lag..

		CBI_RANK_2009
FY_2009_VOLUNTARY_INCOME	PearsonCorrelation	-.476 **
	Sig. (2-tailed)	,008
	N	30
FY_2010_VOLUNTARY_INCOME	PearsonCorrelation	-.329
	Sig. (2-tailed)	,076
	N	30
		CBI_RANK_2010
FY_2010_VOLUNTARY_INCOME	PearsonCorrelation	-.261
	Sig. (2-tailed)	,163
	N	30
FY_2011_VOLUNTARY_INCOME	PearsonCorrelation	-.307
	Sig. (2-tailed)	,099
	N	30
		CBI_RANK_2011
FY_2011_VOLUNTARY_INCOME	PearsonCorrelation	-.345
	Sig. (2-tailed)	,062
	N	30
FY_2012_VOLUNTARY_INCOME	PearsonCorrelation	-.370 *
	Sig. (2-tailed)	,044
	N	30
		CBI_RANK_2012
FY_2012_VOLUNTARY_INCOME	PearsonCorrelation	-.372 *
	Sig. (2-tailed)	,043
	N	30

Table 2: Voluntary income and Consumer Brand Index (CBI) ranking

For hypothesis 3c a significant relationship was found between spending to generate voluntary income and the CBI with a stronger link in period n-1 compared to n-2. For example the 2013 CBI showed a significant relationship with voluntary income spend in 2012 (and a slightly weaker relationship in 2011).

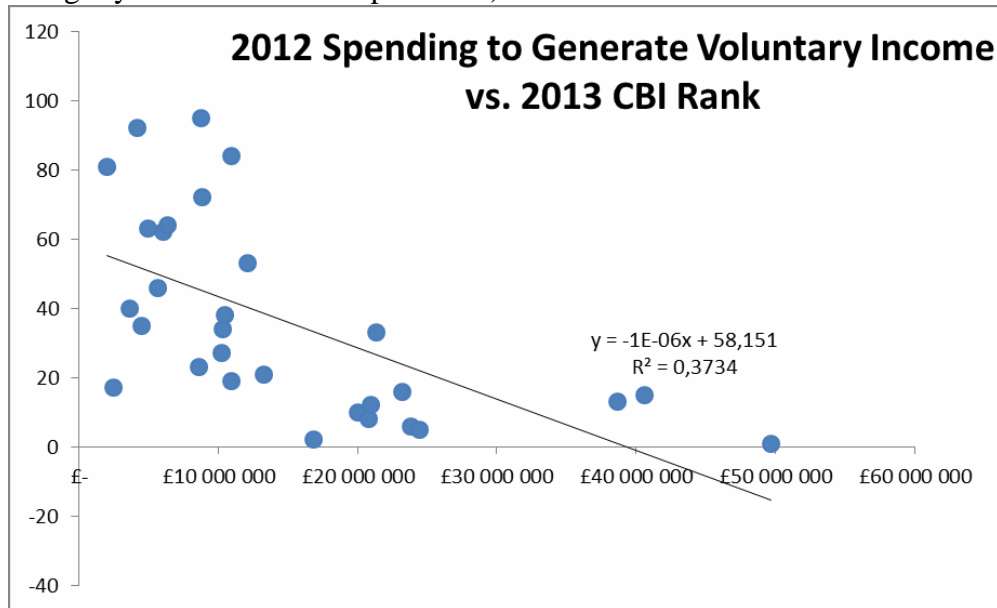


Figure7:2012 Spendingtogeneratevoluntaryincome and. 2013CBIRank

For hypothesis 3c, the results showed a significant relationship between the CBI and voluntary income over 3 of the 6 periods, therefore hypothesis 3c is only partially supported.

Finally hypothesis 3d was investigated .Voluntaryincomeshowed a strong relationship at significant levelsfor the whole period- see Figure 8 as illustration.

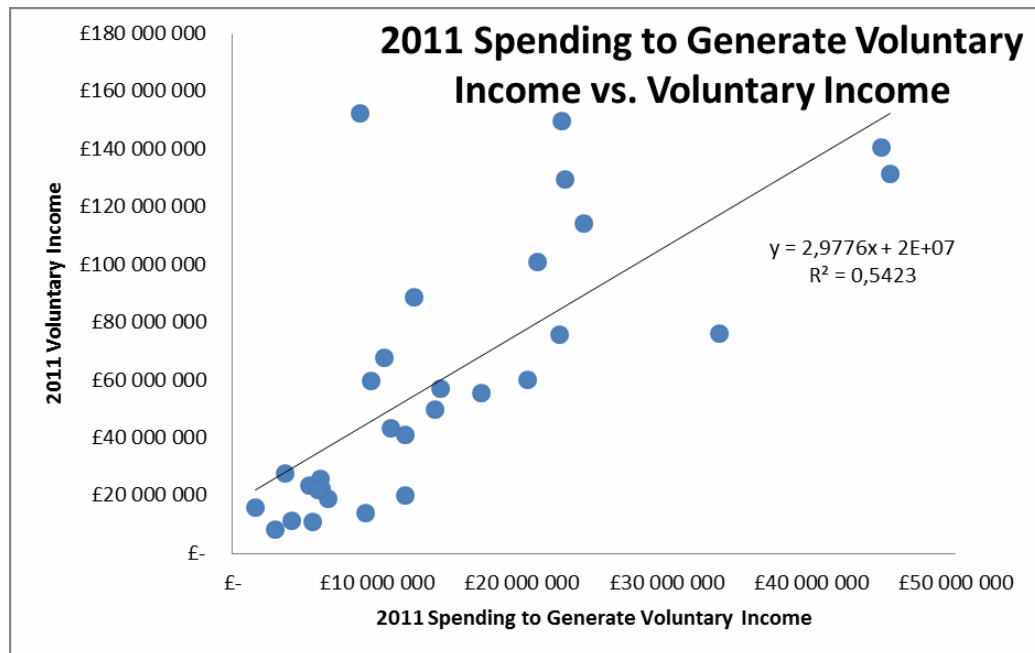


Figure8:2011 Spendingtogeneratevoluntaryincomeandvoluntary income

5. Conclusion

1. The Charity Brand Index appears to be consistent with the established models of consumer brand equity (as evidenced by frameworks such as Aaker and Keller) and therefore can reasonably be used by charity practitioners to assess charity brand awareness as well as other aspects of brand equity. Thus hypothesis one is confirmed.
2. Charities do not appear to have been wholly immune to the economic crisis. In 2009, dropping growth rates across the charity sector as a whole and within the sampled data set show that the sector did appear to be affected. However, the effect of the crisis appears to have been more of a slowing effect rather than an absolute decline.
3. Following refinement of the sample set only the relationship between the CBI and spending to generate voluntary income was determined to be statistically significant. This relationship held for hypotheses 3a, b & c for both period n-1 and period n-2. Overtime, the strength of the correlations as well as the R squared values fluctuated, but only by a small amount. The measures for period n and period n-1 appear to have moved in the same direction overtime and shown no large differences in any specific year. In looking into whether the CBI had an effect on income collected in the future, only a weak relationship was found for periods n+1 and n+2; however a strong relationship between spending to generate voluntary income and voluntary income was confirmed.

6 Managerial Implications:

The market is not only becoming more competitive in the sense that more charities are making more money, but the fact is that more charities are becoming more developed in their approaches to generating income and communicating their values. Differentiation is becoming an even greater factor and branding holds one of the keys to bringing about this differentiation. More than ever therefore the argument in favour of a clear branding strategy is becoming stronger. Charity managers are not only going to need to start recognizing the importance that a brand holds for a charity, but also, they will need to start investing more in brand building activities, as competition for fundraising is becoming more contested.

This is especially true for the portion of charities which are listed further down in the brand index. As shown in the analysis, brand awareness and perceptions appear to fluctuate more rapidly as a charity's rank decreases. This means that in order for charities to secure that their message, values, and work are consistently well communicated, charities need to place themselves as high as possible in these types of indexes. The only way to do this is to invest in spending to generate voluntary income and/or more creative and effective brand communications. Even for the charities in the list which did not have large voluntary incomes, this measure appears to be moving with the charity brand index ranking. Furthermore, this relationship appears to be stronger for mid and low ranked charities.

The research showed that larger charities were impacted more by the financial crisis, while donation patterns as a whole seemed to reflect a “fairly recession proof trend,” it appears that larger charities may need to better balance their revenue streams between donors who are greatly impacted by the crisis and donors who are likely to continue giving even during times of recession. This may mean shifting focus more towards private individuals and becoming less dependent upon relationships built with business entities.

7. Limitations and future areas of research:

Access to the detailed charity industry data was limited to the years 2007-13.

Charities are not required to go into heavy detail with respect to the individual aspects and line items that compose categories such as “voluntary income” and “spending to generate voluntary income.” Charities do not directly report “marketing expenses” or “brand based expenses.”

In terms of the CBI, the method and weights given to the different metrics of measurement are not publically available. The application of the different measures using Keller’s branding pyramid could be subject to different interpretations.

The charity brand index only collects information on a group of 150 charities and the second sample set was reduced to 30 total charities to allow for collection of relevant information across the different income and spending categories. This information could be collected for a larger number of charities. The influence that social media is having on all of these different measures could be explored.

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