

The Classification of Non Profit Organizations and The Significance of Marketing

Norichika Ogi

Harumi Suwa

1 . Preface

Recent years have seen considerable increase in the substantiality of the role which Non Profit Organizations (NPOs) take in both economic and social aspects of the society. The cause of such phenomenon can be traced to the augmentation of emphasis which the economic society puts on software and services, as well as the rise of necessity in various activities for such organizations. Furthermore, multitude of NPOs are becoming to focus on activities of profit organizations, which are based upon "Strategic Marketing". One will observe that the significance of marketing application has risen in the operation of NPOs which have, in the past, neglected economic and social issues. However, present circumstances indicate the need for these organizations to recognize the issues as their own, thus to construct strategies according to the theories formed by the predecessors in the field of "Strategic Marketing".

Progress has been made in examination of its relationship with NPOs in the field of marketing studies for more than quarter of a century. However, despite the fact that there are multitude of organizations which operate on non profit basis, varying both in characteristic and its status quo, the examinations made into the relationship between marketing

studies and NPO activities have not given enough consideration to this fact. One will observe that the researchers examining the topic either have taken all NPOs as a single category of organization, or have only made a study into a single specific organization. Thus, the lack of systematic examination in the relevancy study of marketing and NPOs is indicated. Similarly indicated is the obscurity of significance which the extensive application of marketing can take upon the search for NPOs' improvement of activities. The studies done in the field of NPO marketing cannot be referred to as extensive, thus pointing out the necessity for clarification of each NPO's characteristic and its status quo, followed by the application of marketing strategies corresponding each organization's need.

The main objective of this thesis will be to categorize NPOs according to its characteristic and its status quo, consequently facilitating the extensive application of marketing paradigm into each of the categories which is to follow. With this objective in consideration, review of past studies done in the field of marketing in NPOs will be made succeeded by clarification of focal point of the thesis. Furthermore, elaborate categorization of NPOs will be discussed through contemplation of characteristics and status quo, which will become the basis for constructing systematic marketing strategies applicable to each of the categories. Insights will also be made into the systematic apprehension which will facilitate the application of marketing techniques into the activities of NPOs. The thesis will conclude in the exhaustive discussion of future themes and prospects upon the subject of NPOs marketing.

2. Examination of the Preceding Researches

2-1 Existant Researches of marketing and NPOs

The application of marketing to the activities of NPOs originated not from realistic necessity which rose from the actual transaction in markets, but was invoked by the conceptual broadening of marketing paradigm. The origin of marketing paradigm expansion can be traced, as it is commonly known, to the controversy over the periphery of marketing which took place in 1969. Augmentation of the marketing concepts based upon the Transaction-Exchange theory can also be considered as the origin of marketing paradigm expansion. Due to these circumstances, conceptual studies, rather than practical researches have developed within the field of relation studies between marketing and NPOs activities. Lack of systematic construction of the relationship between the two is indicative of the necessity of practical examination into the field. Subsequently, in order to make evident the figure of organizations operating on a non-profit basis, the direction in which the conceptual expansion of marketing paradigm is to proceed will be examined from the aspect of NPOs, withstanding the preceding researches done by the predecessors both in and out of Japan.

2-1-1 Advocates Outside Japan

(1) Affirmative Opinions in Foreign Countries

The controversy over the application of marketing into the activities of NPOs have commenced in the publication "Broadening the Concept of marketing" written by P. Kotler & S. J. Levy [1969-A]¹⁾. Kotler, in the thesis, implies the restrictiveness of traditional marketing paradigm dis-

1) Kotler, P. & S. Levy, Broadening the Concept of Marketing, Journal of Marketing vol. 33, 1969-A, pp. 10-15.

played in the lack of examination into the activities of NPOs. Furthermore, Kotler represents a view that Political Parties, Churches, Universities, and Social Activist Groups pursue activities which are based on the concept of marketing. Thus, he concedes, the necessity exists in the study of marketing for the broadening of concepts and the embodiment of marketing activities by NPOs. Similarly in 1969, P. Kotler and S. J. Levy [1969-B] exhibit the opinion that activities which “strongly resemble marketing activities” occur in NPOs, since these organizations, as profit organizations do, possess within themselves material products, services, personnel, and ideas which they present to various customers. From such perspective, Kotler et al explain that the NPOs construct marketing mix strategies in order to satisfy the needs of the customers, through advancement of product development, pricing, distribution, and advancement of product development, pricing, distribution, and communication²⁾. These advancements will be in context of a long-term relationship which generate between NPO and its customers. Indicating their views that the marketing activities will take place not only in profit organizations but also in NPOs, Kotler et al proposed the “Broadening the Concept of Marketing”. Marketing studies of NPOs have shifted from market transaction theory which is a traditional marketing theory, to market exchange theory which is a marketing theory that attempted to expand the concept of marketing. The shift displayed that the same trend of paradigm exists within the study of NPO marketing as in the study of overall marketing, thus procuring the position of NPO marketing studies within the general study of marketing. Strictly defining “marketing as an exchange” which will become the core

2) Kotler, P. & S. Levy, A New Form of Marketing Myopia, Journal of Marketing vol. 33, 1969-B, p. 56.

upon examining NPOs as a subject of marketing studies, P. Kotler & G. Zaltman [1971]³⁾, P. Kotler [1972]⁴⁾ elaborated on the conceptual architecture of the Exchange Theory on this subject. Examination of NPO marketing will see its completion in "Marketing for NPOs" by P. Kotler [1975]⁵⁾. Kotler endeavors to examine NPOs in context of expansion of subject organizations, attempting to broaden the scope of marketing applications, rather than to elaborate on the minute aspects of marketing concept itself. Discussions are also made throughout the publication into attaining organizational goals, selecting the market segment which the organization will target its services, spontaneous exchange of values, apprehension of organizational products, and the exploitation of marketing mix, in such organizations as charitable institutions, museums, philharmonics, and district government offices. Organizational activities on social issues are also mentioned as which in need of a marketing perspective. Such perspective will be substantiated in the publication by P. Kotler & E. L. Roberto in "Social marketing" [1989]⁶⁾. Application of marketing principles the purchase of specific products and services, will be stated as a necessity in carrying out social campaigns such as AIDS Prevention, Anti-Smoking, and Auto-Accident Prevention. Definition of the area of study in the field of marketing will be thereby confirmed, through introduction of social contributions, social reform campaigns, public policy and social planning, and non-profit activities to the realm of marketing concepts.

3) Kotler, P., & G. Zaltman, Social Marketing, Journal of Marketing vol. 35, 1971, pp. 3-12.

4) Kotler, P., A Generic Concept of Marketing, Journal of Marketing vol. 36, 1972, pp. 46-54.

5) Kotler, P., Marketing for Non Profit Organizations, Prentice-Hall, 1975.

6) Kotler, P. & E. L. Roberto., Social Marketing, The Free Press, 1989.

Examinations made in 1984 by H. Lovelock & C. B. Weinberg [1984] similarly elaborate on the point that prospect of marketing are useful both in profitable organizations and NPOs. Pertinence to retain management facilities in organizations both profitable and non-profit are stated, and through supporting Kotler's Value Exchange Theory, implying that activities of these two types of organizations are executed based upon the same principles⁷⁾. Additionally, a considerable proportion of the case studies introduced in the publication are targeted on NPOs, thus indicating the significance of marketing studies within NPOs.

Application of marketing paradigm to public sectors can also be seen to have more activities. W. A. Mindak & H. M. Bybee, in 1971 have done a case study focusing on the application of marketing in fund raising activities⁸⁾. Similarly, in 1971, G. Zaltman & I. Vertinsky have employed marketing perspectives on health services⁹⁾. A survey targeted at marketing researchers, done in 1971 by W. G. Nichols, inquired whether NPOs are included in their research realms. According to results taken from this survey, up to 95% of the researchers answered that the expansion of marketing perspectives in order to include NPOs as subject of research is acceptable. One can deduce from this outcome, that the marketing in NPOs are important, and that it will be necessary to advance the research upon this subject in the future¹⁰⁾. In 1991, P. F. Drucker formulated the

7) Lovelock, C. H. & C. B. Weinberg, *Marketing for Public and Nonprofit Managers*, John Wiley & Sons, 1984, p. 12.

8) Mindak, W. A. & H. M. Bybee, *Marketing Application to Fund Raising*, *Journal of Marketing* vol. 35, 1971, pp. 13-18.

9) Zaltman, G. & I. Vertinsky, *Health Service Marketing*, *Journal of Marketing* vol. 35, 1971, pp. 19-27.

NPOs activities, examining them from the aspect of organizational management¹¹⁾. Drucker indicates the importance of managerial perspective based on singular features of organizations operating as NPOs. This perspective, which should be applied to NPO's operations, acquisition of financial resources, management of personnel, and organizational policies, Drucker explains, is missing in the present NPOs operations. Similarly, comparative studies from the standpoint of economic studies, which focused on the composition and on behavioral models of private NPOs and private corporations were completed in 1986 by E. James & S. Rose-Ackerman¹²⁾.

(2) Adverse Opinions in Foreign Countries

Although expansion of marketing paradigm into including NPOs in its realm has gained many supporters, there was also incisive criticisms concerning this expansion. The most blistering criticisms came from D. J. Luck and R. Bartels. In 1969, Luck asserted that marketing should be related to transactions taking place in market, claiming it to be characterized only through sales and purchases¹³⁾. Luck constated that traditional definition of marketing be regained. A fundamental question, asking whether a satisfactory concept can be comprehensively constructed to explain both the traditional marketing adopted by profit organizations and the marketing for NPOs, was instituted by Bartels in 1974. However, what had been stated by Luck and Bartels were, not a complete dismissal

10) Nichols, W. G., Conceptual Conflicts in Marketing, *Journal of Economics and Business* vol. 26. 1974, p. 142.

11) Drucker, P. F. *Managing a Non Profit Organization*, Harper Collins, 1991.

12) James, E. & S. Rose-Ackerman, *The Nonprofit Enterprise in Market Economies*, Harwood Academic Publeshers GmbH, 1986.

13) Luck, D. J., Broadening the Concept of Marketing-Too Far, *Journal of Marketing* vol. 33, 1969, p. 54.

of the trend, but a necessity to unify the ideas on marketing fundamentals¹⁴⁾. Similarly, being stated by Luck and Bartels in their opinions was that the criterion upon the construction of marketing concepts be clarified. It is then possible to conclude that marketing in NPOs gained its stature through such controversial.

(3) Affirmative Opinions in Japan

Most NPO marketing studies in Japan debate the legitimacy of, and the significance of investigations done by Kotler et al on the conceptual expansion of marketing. As in the United States, the group of researchers studying this realm is mostly pro-Kotler, who accept the legitimacy of marketing, especially Strategic marketing in NPOs. The most extensive study which elaborately reviewed the controversy over the periphery of marketing and which the legitimacy of NPO marketing was stated, was done by M. Tamura. In 1977, Tamura indicated that pluralization and rudiment of several interesting paradigms will be expedited through the conceptual expansion of marketing, thus influencing other researchers in Japan thereafter¹⁵⁾.

Among the researchers who displayed their affirmative stances toward Kotler's studies, one of the most elaborate studies on NPO marketing was done by K. Kaminuma. While most researchers in Japan only took obscure stances toward the examination into the marketing activities of NPOs, Kaminuma, in 1991, categorized the NPOs into 4 groups classifying them

14) Bartels, R., The identity Crisis in Marketing, *Journal of Marketing* vol. 38, 1974, p. 76.

15) Tamura, M., A Marketing Boundary, *Journal of National Economy* (Kobe University) vol. 135-6, 1977, pp. 95-104.

by the immanent marketing problems the organization possess¹⁶⁾. Accordingly, Kaminuma developed marketing Strategies for each group of NPOs through defining marketing mixes and other marketing techniques. Also indicated in his studies is that the marketing principle which is generally applicable for all organizations can be solely constructed through examination of all organizational types including NPOs, arguing that the traditional marketing theories be abdicated. In 1988, S. Umezawa expounded on the significance of marketing application in Non Profit and Public Organizations, upon the basis of de-marketing, which also took into context the studies done by his predecessors¹⁷⁾. Additionally, Umezawa indicates the significance of service and service evaluation systems in Non Profit and Public Sectors upon the speculation that marketing paradigms already exist in these organizations¹⁸⁾. Umezawa puts emphasis on his views that the product from these organizations should be limited to the services they provide to the public, a view which will be administrated throughout his studies. Other researchers who explored the realms of NPO marketing include K. Kageyama¹⁹⁾, who in 1980, elaborated on distinctive categorization of NPOs from the aspect of managerial science, and S. Furukawa²⁰⁾, who examined the marketing of Public Sectors (Administration activities and its projects).

16) Kaminuma, K., Marketing for Nonprofit Organizations and the Strategies, Marketing Strategy, 1991, pp. 35-51.

17) Umezawa, S., Marketing for Nonprofit and Public Sectors, Hakuto-syobo, 1988.

18) Umezawa, S., Marketing for Public and Nonprofit Sectors and The Quality Management (1)-(4), Takachiho University Press, vol. 25, 1991.

19) Kageyama, K., Nonprofit Organizations and Multi-Strategies, Science of Organizations vol. 14-2, pp. 38-51.

20) Furukawa, S., Marketing for Public (1)-(7), Self Studies vol. 69-11 & 12, vol. 70-2, 3, 4, 5 & 8, 1993-1994.

(4) Adverse Opinions in Japan

As was the case in the United States, the perceptual expansion of marketing concepts generate many adverse opinions as well as affirmative opinions in Japan. T. Mikami countered the studies of Kotler et al in 1978, explained that marketing has been developing in the environment in which free trade and rigorous competition were the motivation factors of market transaction²¹⁾. Thus, he stated, that profitability should be the dominant factor in marketing and thereby discrediting the applicability of marketing to the activities of NPOs. Another criticism came from M. Katayama in 1975, who cited the complete lack of symmetry between marketing in Profit Organizations and marketing of NPOs²²⁾. There are several other researchers who took on a contrary position to those studies which legitimated the application of marketing principles into NPOs activities.

2-2 Arrangement of Existant Theories and the Fundamental Stance of this Thesis

Through reviewing the studies done by the predecessors on the marketing in NPOs, one may percieve the fundamental difference in opinions on the subject, between pro and con. However, the researchers in favor of the application of marketing to NPOs exceed in number, compared to those against the application. Despite the realization of the necessity for marketing prospect in NPOs activities, the studies only took into perspective the conceptual elements upon examination of NPOs in the realm of marketing studies. The conceptual discussions are significant in the perceptual expan-

21) Mikami, T., *Social Marketing*, doubunnkann, 1978, p. 203.

22) Katayama, M., *Ecological Marketing*, Business Press, 1975, p. 10.

sion of marketing concepts. Nevertheless, if the studies lack in realistic viewpoints, the applicability of the results from these studies into the actual activities of NPOs will become minute. If one is to consider the significance of the formulated theories' applicability, it will be more useful to classify the NPOs according to its characteristic and status quo, examining the necessity of marketing in relation to the characteristics of each group. The objective of this thesis withstanding this point will be described subsequently.

If the prospect of marketing is seen to be essential in economic and social status quo, the application of marketing to such aspects must be permitted, since inhibition of such application do not possess any substantiality. Such application will indicate the interdisciplinarity of marketing studies. However, the thesis will differentiate between the marketing for Profit Organizations which is often referred to as traditional marketing and that of NPOs. The differentiation will attain its legitimacy in the fact that though marketing in NPOs originated from the Traditional marketing the NPO marketing formulates a completely new type of marketing through applying the techniques contrived by traditional marketing. Categorization based on the characteristic and status quo of NPOs will be then attempted which will be expanded into suggesting individualized marketing prospects, further signifying its essentiality and significance.

3 . Categorization of NPOs

The subject realm for the study of NPOs will be deduced from the combination of two organizational aspect indicators, one being public or private, the other being profit or non-profit. Included in the category of

Characteristics of Non Profit Organizations and its Realm

Characteristics	<p>Expansive Ambit of Customers</p> <p>Emphasis on Services and Social Activities</p> <p>Difficulty in Evaluating Achievements</p> <p>Acquiring the Ability to Meet Compound Needs</p>
Realm	<p>Public Profit Organizations</p> <p>Universities</p> <p>Hospitals</p> <p>Museums</p> <p>Postal Services</p> <p>Public Transportation</p> <p>Public Utilites</p> <hr style="border-top: 1px dashed black;"/> <p>Public Non Profit Organizations</p> <p>Police Departments</p> <p>Fire Departments</p> <p>Public Schools</p> <p>Judicial Branches</p> <p>Legislative Branches</p> <p>Government Organizations</p> <hr style="border-top: 1px dashed black;"/> <p>Private Non Profit Organizations</p> <p>Charity Organizations</p> <p>Volunteers</p> <p>Various Associations</p> <p>Various Unions</p>

NPOs are all organizations excluding the private profit organizations, such as public profit organizations, public non-profit organizations, and private non-profit organizations.

The categorization introduced above is not applicable in constructing adequate, systematic employment of marketing techniques, since the categories contain organization of various activities and limitations. In order to appropriately categorize NPOs, it is necessary to do so according to the "Activity Item" and limitation each organization possess. The "Activity Item" mentioned here will consist of the NPO's characteristic and status quo which originate from its activities and limitations. The categorization made in this study will be based upon indicators derived from the characteristic and its status quo. These indicators are: Products & Services, Customers & Targets, Financial Resource, Status Quo, and Organizational Objectives. Deduction from such categorization will display the existence of the following five types of NPOs: Commercial, Administrative, Charity/Donation Dependent, Public Intervention, Interest Consistent. Figure 1 will demonstrate in what manner the 5 types of NPOs are differentiated, through the employment of the indicators mentioned above²³).

NPOs whose activities resemble that of the Profit Organizations are included in Type 1. Universities, Hospitals, Museums, Postal Services, Public Transportations, Public Utilities can be classified into this category. The customers of these organizations are the users of the Products & Services which the organization provides. Operational costs of these

23) References :

- Kaminuma, K., Marketing for Nonprofit Organizations, Contemporary Marketing, Yachiyo-Syuppann, 1990, p. 419.
Furukawa, S., op. cit. (2), pp. 44-47.

organizations are financed through the fees paid by the customers. Status Quo of these organizations are Product & Service environment, inefficiency of operation, and customer environment. In contrast, Organizational Objectives are improving the quality for their Products & Services, gaining efficiency in their operation, establishing appropriate correspondance toward the customers, and improving their public images.

Organizations which provide administrative services are classified as Type 2, Administrative group. these groups are such organizations as administrative bureaus, police and fire departments, public schools, libraries, and Self Defense Forces. Customers receiving the services provided by these organizations are the general public, although the specific services customers will receive differ significantly from one organization to the other in this category. Financial resources are supplemented by taxation. Products & services environment, appropriate use of financial resources, and customer environment are the key issues which can be described as the status quo for those organizations classified in this category. Organizational Objectives for these organizations would be improving the quality of products & services, appropriate usage of financial resources, attaining pertinency in their customer relations, and improving their public images.

Classified into the third type, charity/donation dependent category, are such organizations as charity organizations, volunteer organizations, environmental organizations, public welfare institutions, and ombudsman organizations. Those who receive the services provided by the organizations will be their customers, and the product & services provided to these customers will mainly be the charity and volunteer activities carried out. Supplimentation of finances is done through donations, and the indifference

of general public as well as the financial environment are cited as their status quo. Assistance, participation, and understanding from the general public, efficient operation, and obtaining financial resources, are the three main organizational objectives for these organizations.

On Type 4, public intervention organizations includes judiciary and government branches. Customers for this type of organization are the general public, its products & services being the governance of society. Taxes become the main financial resource for the organizations which are classified in this category. The lack of justice and fairness will be the status quo of these organization essentializing the application of marketing prospect to achieve impartial and fair system of activities.

Various unions, political parties and religious groups are classified under Type 5, interest consistent organizations. The consistituents of these organizations are their main targets, and membership fees that these targets pay will be the main source of their finances. Status quo for these organizations is the dissipation of common interests, and the objective will be strengthened the unification of the organization.

Figure 1 : Categories of NPOs

Type	Organizational Structure	Product-Service	Customers/Targets	Revenue Sources	Issues	Organizational Mission
Type 1 Commercial	Universities Hospitals Museums Public Transportation Postal Services Public Utilities	Education Medication Intelligence Transportation Distribution Civic Services	Students Patients Visitors Passengers Users Citizens	Fees	Service Circumstances Unefficient Operation Customer Circumstances	Upgrading the Service Quality Efficient Operation Gaining Customers Better Service for the Customers
Type 2 Administrational	Regular Administrations Police Fire House Library Public Schools Self-Defense Forces	Administrative Services Safety Safety Education/ Culture Compulsory Education	Citizens	Tax	Service Circumstances Usage of the Tax Customer Circumstances	Upgrading the Service Quality Adequate usage of Tax Better Service for the Citizens Earning Better Image
Type 3 Charity/ Donation Dependent	Charity Groups Volunteer Groups Environment Groups Public Welfare Institutions Ombudsman Groups	Charity/ Volunteer Charity/ Volunteer Environmental Protection Public Welfare Auditing	Volunteers	Domations	Unefficient Operation Apathy of the Citizens Financial Circumstances	Effective Operation Social Participation, Support, Understanding Obtaining Domation
Type 4 Public Intervene	Government Judiciary	Rule/System Judge	Citizens	Tax	Unequalness Unfairness	Establishment of Equality Establishment of Faimness
Type 5 Interest Consistent	Associations Political Parties Religious Groups	Common Interest Advocacies Advocacies	Members	Member- ship Fees	Rarefying Common Understandings	Strengthen Unify

4 . Application of marketing Prospects into NPOs

Discussed in this chapter will be method in which the prospects of marketing can be efficiently and effectively applied to the activities of NPOs. In order to attain this goal, one will need to extract essential techniques from the pre-existant marketing paradigms.

4-1 Application of marketing Techniques into NPOs

Upon actual application of specific marketing techniques to the activ-

ities of NPOs, it will be initially essential to extract the elements of these marketing techniques and to discuss these elements.

(1) Products & Services

In contemplating the improvement of products and services provided to the customers by the organization, and consideration for its customers as well as the environment surrounding them will be indispensable. This factor must be employed to all categories of NPOs.

(2) Pricing

Legitimacy of the pricing will become particularly evident upon deciding the price range of the products and services of the organization, and upon determining the efficient distribution of taxes and donations. In Type 1 organizations, the significance and necessity of this activity will become evident in such activities as determination of product/service prices and facilitation of fiscal resources. For organizations classified into categories 2 to 5, it will become necessary upon putting contemplation into the facilitation of taxes, donations, and other financial resources.

(3) Information on Distribution

The activity discussed hereby will be necessary upon considering and establishing an effective distribution of products and services, and also upon the strife to correspond demand information of the customers and supply information of the service providers. Additionally, this activity will be essential in determining disposition of venues. Significance will considerably rises upon the malfunction of distributive routes for products and services, or upon a situation where the demand information and supply information do not correspond eachother. Where it is necessary, the establishment of intermediaries must be considered to attain efficiency in such activities.

(4) Customer Relations

Stimulation of customer demands in context of public relation activities will be indispensable in the attempt to establish marketing prospect within NPOs. Communication with the customer through various surveys will reveal the needs and wants of the customer, as is done in marketing researches. Furthermore, the communication will secure the organization's relationship with the community surrounding it, thus improving the image it presents to the social environment. The significance becomes particularly considerable for organizations classified into Type 1, which and therefore requires extensive care in retaining their support.

(5) Intra-Organizational Coordination

This is an action to attempt management inspection, facility reform, actualizing business efficacy, creation of organizational atmosphere, and advancement of organizational motivation. To those organizations which supply their financial resources through government aids and donations, the aforementioned points can be essential in obtaining their success.

(6) Coordination of Extra-Organizational Relationships

It is similarly important for any organizations attempting to acquire success in its own activities, to improve the relationship between its external environment and itself. A prompt, friendly response to meet the customers' needs, as well as a quick action taken in order to solve problems which arise in course of the organization's activities, would result in success, while other organizations lacking in these elements may have failed. Outsourcing these relational activities is also a possibility, especially if obtaining these elements without investment of manpower is necessary.

Next, considerations will be made into the marketing techniques of NPOs through applying the structure of pre-existent categories (applying

Figure 2 : Significance of Marketing Method within Categorizing NPOs

		Services	Price	Circulation Information	Communication with Customers	Internal Coordination	External Coordination
Type 1 Commercial	Universities	☆☆☆	☆☆	☆☆	☆☆☆	☆☆	☆☆☆
	Hospitals	☆☆☆	☆☆	☆☆☆	☆☆☆	☆☆☆	☆☆☆
	Museums	☆☆☆	☆☆	☆	☆☆	☆☆	☆☆☆
	Public Transportation	☆☆	☆	☆☆	☆☆	☆☆	☆☆☆
	Postal Services	☆☆☆	☆☆	☆☆	☆☆	☆☆	☆☆☆
	Public Utilities	☆☆	☆☆	☆☆	☆☆	☆☆	☆☆☆
Type 2 Administrational	Regular Administrations	☆☆☆	☆☆	☆☆	☆☆☆	☆☆☆	☆☆☆
	Police	☆☆☆	☆☆	☆☆☆	☆☆☆	☆☆☆	☆☆☆
	Fire House	☆☆☆	☆☆	☆☆	☆☆	☆☆	☆☆
	Library	☆☆☆	☆☆	☆☆	☆☆	☆☆	☆☆
	Public Schools	☆☆	☆☆	☆☆	☆☆	☆☆	☆☆
	Self-Defense Forces	☆☆	☆☆	☆☆	☆☆☆	☆☆	☆☆☆
Type 3 Charity/ Donation Dependent	Charity Groups	☆☆☆	☆☆	☆☆	☆☆☆	☆☆☆	☆☆☆
	Volunteer Groups	☆☆☆	☆☆	☆☆☆	☆☆☆	☆☆☆	☆☆☆
	Environment Groups	☆☆	☆☆	☆☆	☆☆	☆☆	☆☆
	Public Welfare Institutions	☆☆☆	☆☆	☆☆☆	☆☆	☆☆☆	☆☆☆
	Ombudsman Groups	☆☆☆	☆☆	☆☆	☆☆☆	☆☆	☆☆☆
Type 4 Public Welfare	Government	☆☆☆	☆☆	☆☆	☆☆☆	☆☆☆	☆☆☆
	Judiciary	☆☆☆	☆☆	☆☆	☆☆	☆☆	☆☆
Type 5 Community of Interest	Associations	☆☆	☆☆	☆☆	☆☆	☆☆	☆☆
	Political Parties	☆☆	☆☆	☆☆	☆☆	☆☆☆	☆☆
	Religious Groups	☆☆	☆☆	☆☆	☆☆	☆☆☆	☆☆

The mark, ☆ represents the significance of each essence. The number of ☆ signifies its internal relativity. (Maximam is ☆☆☆)

the structure of categories mentioned in Chapter ? Section ?).

As can be deduced from Figure 2, all the fundamental marketing techniques are essential to NPO. Among these techniques, however, product service, customer relations, and extra-organizational coordination are relatively more important. With these points in perspective, an organization must consider the selection of the techniques and develop its own marketing strategy which is best suited for their activities. In the following sections, the individual characteristic of each type will be discussed.

In type 1, monetary transaction between the organization and its customers occurs frequently. Therefore the necessity for coordination of product services, product prices, customer relations, and extra-organizational relations will rise considerably. For universities, hospitals, and the postal services, the benefits that they will receive from application of the aforementioned marketing techniques are significant, and thus, a positive policy toward realization of these strategies are to be anticipated.

Activities of those organizations which will be categorized in type 2 are mainly administrative. These services are indispensable to the life of the citizens (civilians), and thus formation of a close relationship between the organization and its customers can be seen. The relationship, however, can evolve into one in which the organization, rather than the customer, takes on a higher position. This possibility makes it essential for the organization to focus on Product Services, Customer Relations, Intra-Organizational Coordination, and Extra-Organizational Coordination. Police Departments and Self Defence Forces, in particular, must realize the importance Customer Relations and Extra-Organizational Coordination, in determining the image the organization presents to the society. Also, in administrative bureaus, forming a system in order to check the monetary transactions which makes these transactions clearer to the public will become extremely important. In other words, these bureaus must improve the Intra-Organizational Coordination from the aspect of marketing.

These are three key elements that Type 3 organizations will be expected to fulfill. Firstly, they must present the customer with adequate, high-quality products. The second element is appropriate accumulation of information. Thirdly, these organizations need to establish a relationship

based on reliability, between themselves and the customer. Thus, fulfilling marketing factors such as Product Services, Acquiring information on Distributive Structures, Customer Relations, Extra-Organizational Coordination will be inevitable. The management of information will be particularly important to acquire demand-supply equilibrium for volunteer organizations.

Represented in type 4, they are government and judiciary. It is important for a government to establish a reliability-based relationship with its customers, and therefore it is equally essential for them to obtain Product Service, Customer Relations, and Extra-Organizational Coordination. Similarly, judicial branches need to put particular emphasis on the ability to manufacture products, on which impartial judgement concerning its value is possible. Therefore, these organizations must realize the importance of Product Services.

Organizations cited in type 5 frequently have the need to appeal its activities to the society, and to adjust intra-organizational environment. This results in the need to obtain the two elements mentioned above: Customer Relations and Intra-Organizational Coordination.

4-2 Application of Net System in NPOs

In applying marketing perspective to the activities of NPOs, one must realize that the need for such application originate in the need to acquire balance in the organization activities as well as in the need to solve inherent problems. In the subsequent sections, an examination will be made into the subject of activity facilitation and marketing technique application.

(1) Intermediary System

Immediately following the Hanshin Earthquake, the active participa-

tion of the volunteers in the aiding of the victims drew public attention. However, the inefficiency of their activities also rose to the center of controversy. This inefficiency was caused by the lack of information management, which resulted directly in a situation where "right people" were not in "right places". Inefficiency has been an inhibition factor for many NPOs activities. The Intermediary System is the first system that will be discussed in this thesis. This intermediary system attempts to curtail the inefficiency within, and to facilitate the organization's activities. An introduction of this system will likely result in dissipation of demand-supply imbalances, a cut-back in the cost that will originate from product transactions, and in retaining the two types of customers essential to an NPO activity: financial sponsors and recipients of service. Of the NPO categories, Hospitals, Police Departments, Administrative Bureaus, and Volunteer Organizations are the most suited organizations for this system. For example, the function intermediaries will take in a hospital will be to distribute patients among the hospitals within the district, and to recommend specialized hospitals to patients who need expert examination. Intermediaries for Police Departments and Administrative Bureaus will stimulate a dialogue between the organizations and its customers, and will prompt recovery of mutual trust. In volunteer organizations, intermediaries will take on a role of information management and arranging the human resources. A question will be asked then, if the intermediary will be organized within the subject organization, or to establish it as an independent organization. Several factors must be considered upon examining of this point, such as amount of transaction cost, difficulty of gathering information, and efficiency of supply and distribution.

(2) Ombudsman System

For NPOs willing to pursue efficiency and fairness in its operations, examining the introduction of Ombudsman system (inspection and evaluation system of an organization by a third party) will have considerable significance. The Ombudsman System can also be expressed as a system in which the organization's financial resources, its activities and the outcome, are inspected from an objective prospect. Thus the organization will be established either as a related civic organization or as an independent organization under the jurisdiction of the government. The categorization of NPOs will signify that in types 1, 2, and 3, a system that evaluates the organizational activity and its outcome is necessary. The ombudsman for organizations categorized into types 2 or 4, will need to be audited the financial resources and inspect the organization's activities. One of the characteristics seen in types 1, 2, and 3 is that a lack of objectives and plans, refusal of responsibilities, and a lack of awareness can have a large negative impact on the organization. Inspection of the organization's activities and their results can be executed in order to avoid the decline in the members' motivation. The inspection may, within the organization, raise the members' awareness on responsibilities, elevate their motivations, and increase the competition among them. In the latter type of NPOs, the resources are financed mostly through taxes and donations. Therefore, the appropriate, impartial use of the funds, and clear revenue and expenditure reports become a necessity. The usage of public funds and the task of auditing systems within Administrative Bureau and Government sectors have given rise to numerous public discussions in the recent years. Considering the malfunction of the audit systems within the organization, and from the aspect of maintaining the fundamental rule of fairness and impar-

ality, a system in which independent organizations inspect the activities of NPOs will be essential. This system will quicken the process in which the realization and understanding of the organization's goals and missions are renewed, and thus urge the normalization of NPOs functions.

(3) Consumer Echo System

It is customary for NPO services to be regionally limited, resulting in lack of competition. The lack of competition causes their service to be viewed not truly as a service, but more as an obligation. Viewing the services as obligations may lead to the deterioration of quality, which will be crucial for both the organization and the customer receiving the "service". Competition between NPOs with similar activities would be the most rational solution to this problem. However, for organizations whose activities are limited regionally, finding and identifying other organizations of similar mission, goal, and services may be extremely difficult. Thus, it will be necessary for the organization to form a system in which the voices of the customers can be taken in to improve the product service quality and to rectify the inadmissible environment. This system, which is the third point of recommendation in this thesis, is called Consumer Echo System. Systematic reflection of the customer opinions, which will be realized in a form of product services, is essential to all NPOs. Particularly, this system will have a significant importance in administrative branches where the target is, in most cases, the general public. The organizational structure of this system should either be instituted within the organization or be outsourced to other independent organizations.

5. Overview and Topics for Further Research

The objective of this research has been to categorize NPOs according

to their distinctiveness and status quo, and to apply marketing techniques to each of the organization categories. Upon viewing the activities of NPOs from the perspective of marketing, more efficient, more facilitated development of activity had been denoted. This perspective, which had been somewhat neglected non profit and public sectors, is an approach to resolve the numerous problems that existed within their activities. Nevertheless, there will be several steps remaining unsolved before the detailed study upon this subject be completed. Subsequently, three additional elements which need further examinations will be mentioned in an effort to contribute to future research development.

Firstly, the categorization introduced in this thesis will need to be expanded in order to establish more objective, more detailed structure of organizational categories. An objective and appropriate categorization will result in a more productive study of NPO management. Furthermore, the extensive categorization will also contribute to future marketing studies, establishing consequentiality for studying the NPOs as target of strategic marketing and determining the course the future marketing studies will take.

Secondly, advancement of the actualization of three Net Systems explained in preceding sections must be pursued. The development of these systems will result in vitalization of NPO activities, therein stimulating the improvement of activities' efficiency and substantiality (legitimacy).

Thirdly, the studies to establish the relation between NPOs and marketing will need to be expanded to further details. Quantitative analysis using various data, qualitative analysis in which questionnaires and interviews will be the source of data, methodological analysis, study of characteristics and structures which are singular to NPOs in Japan. The exami-

nation of specific NPOs, and comparative inspection between NPOs in Japan and those around the world, are only few of the possible courses the study can take in the future. Accumulation of these studies from various perspectives will result in synergetic effect, thus enable the mutually deeper understanding on each of the topics.

Continuous examination of the aforementioned topics will clarify the significance the perspective of marketing will take in NPOs, and will also clarify the position of NPOs in the marketing studies. The fact that the marketing techniques are being applied by NPOs is indisputable, and an act to inhibit this application cannot be justified from any prospect. Therefore, one must discern the foundation of future researches in the point of the tangency of marketing.