

BRAND EQUITY FOR NONPROFIT ORGANIZATIONS: ANTECEDENTS AND CONSEQUENCES FOR NGOs

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Abstract:

It has been demonstrated that brand equity is important for any entity, here being included nonprofit organizations, in this case particular NGOs. The present study aims to present a model to find brand equity for them, based on the models of Aaker (1991) and Faircloth (2005). After analyzing both models there have been identified five dimensions for the new scale: brand personality, brand image, brand awareness, brand loyalty and perceived quality. Another important aspect to mention refers to the notable results that derive from brand equity, and those are: fundraising, volunteers, projects and presence. The study has a cross-national character, between Spain and Nicaragua.

Keywords: *brand equity; nonprofit organizations; NGOs; Third Sector*

EQUIDAD DE MARCA PARA ENTIDADES NO LUCRATIVAS: ANTECEDENTES Y CONSECUENCIAS PARA ONGs

Resumen:

Se ha demostrado que la equidad de marca es importante para cualquier entidad, pudiendo incluirse aquí las organizaciones no lucrativas, en este caso particular ONGs. El presente estudio tiene por objeto presentar un modelo para encontrar la equidad de marca para ellas, basado en los modelos de Aaker (1991) y Faircloth (2005). Tras analizar ambos modelos fueron identificadas cinco dimensiones para la nueva escala: personalidad de la marca, imagen de marca, notoriedad de marca, lealtad a la marca y calidad percibida. Otro importante aspecto a mencionar se refiere a los notables resultados que derivan de la equidad de marca, que son: recaudación de fondos, voluntarios, proyectos y presencia. El estudio tiene un carácter transnacional, entre España y Nicaragua.

Palabras clave: *equidad de marca; organizaciones no lucrativas; ONGs; Tercer Sector*

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1. Introduction

There are three major sectors which are present in society: the public sector, the private sector and the Third Sector, also known as non-profit sector (Weisbrod 1975; Pérez and López 2003; García et al. 2005). Non-Governmental Organizations (NGOs) are included in the third one of these sectors. NGOs help shape the world we live in. The decisions they make affect every aspect of our lives in many different ways (Kovach et al. 2003). The civil society sector is thus a major social and economic force in countries throughout the world at the present time. Once considered to be present only in a handful of countries, these organizations turn out to be a significant presence in virtually every country and region (Salamon et al. 2003).

The Union of International Associations (UIA) database included in January 2013 more than 66,000 International Non-Governmental Organizations (INGOs). In the case of Spain, the Yearbook of the Third Section of Social Action mentioned the following data (Fundación Luis Vives 2012):

- an estimation of the number of active Non-Governmental Organizations (NGOs) around 29,000 for 2010;
- 1.25 million residents over the age of 18 in 2011 could be actively collaborating with support organizations;
- nearly 1.1 million active volunteers in the sector; and
- €207 million (some US\$283.5 million) were raised from campaigns in 2010, which were assigned to various programs in 2011.

Meanwhile, in the other side of the Atlantic Ocean, Nicaragua the study on the Nicaraguan Civil Society (Serra 2007) included the following data:

- US\$170 million (some €124.1 million) were mobilized in 2004, mainly from external sources;
- direct and indirect beneficiaries were estimated on 4 million people;
- 67% of Nicaraguans participate regularly in associations or civic groups; and
- according to the figures in the Register of Non-Profit Organizations (MINGOB), 1,172 of these organizations were active by the end of 2005.

Due to their growth and development over the past years non-profit entities have begun to take marketing seriously into consideration for their activities. As claimed by Smillie (1995), the importance of branding –and therefore understood that it leads to brand equity– is a critical issue for nonprofit organizations to succeed. In a similar sense, Aaker (1991) stated the vital importance of brand equity for companies and all kind of organizations, as providing them a substantial advantage over competitors.

However, even when some studies on brand, branding and brand orientation for non-profits have been conducted up to date, there are few studies on brand equity or specifying measurement scales (Faircloth 2005; Laidler-Kylander and Simonin 2009) and the least have discussed the results that brand equity can generate to entities. Thus, we can talk on the existence of a gap in research, and we will try to contribute to reduce such gap by introducing a scale with the aim of measure and assess brand equity in nonprofit organizations in a way adjusted to their reality. At the same time, the suggested scale is aimed at the purpose of contribute to a better understanding of the effect that brand equity generates.

Therefore the following objectives are considered:

- determining whether personality, image, awareness, loyalty and perceived quality are dimensions that form the brand equity construct for a non-profit organization (specifically NGOs) or not;
- developing a scale to specifically measure the brand equity level in nonprofit organizations; and
- analyzing the effect of brand equity on the performance of nonprofits from the donors, volunteers and services provided.

The present paper is a first step to approach these objectives and it is based on the literature review about branding and brand equity, aiming to propose a model with dimensions and results.

2. Theoretical background

2.1. Branding and brand equity

Nowadays brands are recognised as complex entities, which expression includes the perception of their product characteristics, personality and values (Veloutsou 2008). Therefore it is no surprising at all that a corporate branding perspective forms a veritable leitmotif in many CEO speeches and statements (Balmer 2010).

Following Aaker (1991), we can define brand equity as a set of assets and liabilities linked to a brand's 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. The model that was suggested by Aaker consists of the following four dimensions: i) *brand loyalty*; ii) *brand awareness*; iii) *perceived quality*; and iv) *brand associations and other proprietary brand assets*. The interest in the brand value has motivated numerous professionals and researchers to focus their efforts on developing the same measuring instruments (Buil et al. 2010).

2.2. Branding and brand equity in nonprofit organizations

According to Napoli (2006), branding is equally relevant to any type of organizations as adopting a brand orientation can result in notable improvements in terms of performance. In case of nonprofits, the leading brand element is their mission. If people are going to donate time or money, or become members or volunteers of NGOs, they want to know all about the brand and specifically they want to know the mission statement (Chiagouris 2005).

There are very few proposals in literature to measure brand equity. One of them was suggested by Faircloth (2005), which raises the value of brand for a nonprofit entity and states that it must be formed of three dimensions: i) *brand personality*; ii) *brand image*; and iii) *brand awareness*.

An alternative proposal was developed by Laidler-Kylander and Simonin (2009). In this case, four key variables are included in the suggested model: i) *consistency*; ii) *focus*; iii) *trust*; and iv) *partnership*.

3. Proposed model

3.1. Dimensions or antecedents

From the literature review we suggest a model which is formed by those dimensions valued as essential in each one of the reference models. To be precise, five major dimensions have been identified in brand equity for nonprofit organizations: i) *brand personality*; ii) *brand image*; iii) *brand awareness*; iv) *brand loyalty*; and v) *perceived quality*.

Brand personality refers to the set of human characteristics associated with a brand (Aaker 1997). Individuals can easily ascribe human personality traits to nonprofit organizations (Venable et al. 2003). As claimed by Venkateswaran et al. (2011), brand personality is usually understood as the distinguishing characteristic of the brand, what some call the "persona" of the brand.

Brand personality can influence consumer's preferences and choices (Swaminathan et al. 2009). Moreover the role of brand personality is essential in establishing consumer relationship bonds (Aaker et al. 2004). Venable et al. (2003) suggested that brand personality allows nonprofits to distinguish from the others, which in this case play the role of competition. The above considerations lead us to propose the following hypothesis:

H₁: Brand personality is a dimension that affects positively the brand equity in nonprofit organizations, namely NGOs.

According to Gensch (1978), "image" is an abstract concept incorporating the influences of past promotion, reputation and peer evaluation of alternatives. Whereas there has been general agreement that brands do have images, there has been far less consensus about what images are, whether they can be measured, how they are formed and, at the end, what they are worth (Biel 1993). In case of nonprofit organizations as a strong image is the key to community awareness, thus developing and maintaining a strong image through marketing will increase local support for the organization (Blery et al. 2010).

The *brand image* is vital to create value. It is also one of the main elements that affect the behaviour of consumers towards the brand and influences their decisions on it (Aaker 1992). It is necessary to bear in

mind an important relationship in the possible influence of the image in the current perceptions and preferences (Gensch 1978). On this basis, we suggest the following new hypothesis:

H₂: The brand image is a dimension that affects positively the brand equity in nonprofit organizations, namely NGOs.

Aaker (1991) suggests that *brand awareness* deals with the way consumers recognize the brand. It is related to familiarity and ability to remember it, and this also increases the probability of a concrete brand being chosen among the other brands. According to Rositer and Percy (1987), the brand awareness is the capability of the consumer for recalling or recognizing from memory the brand of the product category. It affects consumer decision making by influencing the formation and strength of brand associations in the brand image (Keller 1993). The entities expect that awareness will keep the brand in the consumer's evoked set, thereby increasing the probability that the brand will subsequently be purchased (Hoyer and Brown 1990). Wang and Yang (2010) claim that when consumers perceive that a brand has high awareness, i.e. it performs as a credible brand, it would be likely to exercise a larger impact on their brand purchase intention than when the brand awareness is low, then indicating a moderating effect of brand awareness. On such considerations, a third hypothesis is suggested:

H₃: The brand awareness is a dimension that affects positively the brand equity in nonprofit organizations, namely NGOs.

According to Aaker (1991), *brand loyalty* is the link that customers have with the brand, reflecting the probability that they will choose another brand in the case of price or attribute change of given brand. Brand loyalty can be defined as the customer's unconditional commitment and a strong relationship with the brand, which is not likely to be affected under normal circumstances (Khan and Mahmood 2012). Additionally, brand loyalty may be considered as an outcome of the functional utility that consumers derive from the brand (Bhattacharya et al. 1995). As Khan and Mahmood (2012) suggested, brand loyalty offers benefits like: i) willingness to pay higher prices increases; ii) they cost less to serve; and iii) they increase the number of customers by attracting new ones. Brand loyalty is important in marketing as it plays an important role in ensuring that customers return again and again to the same item. Brand loyalty is one way through which companies strive to prevent that consumers seek elsewhere (Healy 2007). Considering the above reasons, this leads to the following hypothesis:

H₄: The brand loyalty is a dimension that affects positively the brand equity in nonprofit organizations, namely NGOs.

Zeithaml (1998) defines *perceived quality* as the consumer's judgment about a product overall excellence or superiority. It is important to note that the perceived quality cannot be determined in an objective way, because it depends on the perception and assessment of what is important for the client (Aaker 1991). Farquhar (1989) suggested perceived quality is the cornerstone of a strong brand. A firm must have a quality product that delivers superior performance to the consumer in order to achieve a positive evaluation of the brand in the consumer's memory. Perceived quality influences in the differentiation and superiority of the brand, and therefore in the consumer's willingness to pay a price premium, as well in the choice and purchase intent (Netemeyer et al. 2004). Considering the above, this leads to the following hypothesis:

H₅: The perceived quality is a dimension that affects positively the brand equity in nonprofit organizations, namely NGOs.

3.2. Results or consequences

In addition to knowing the dimensions that form the brand equity construct, it is important to understand the consequences that it generates for a nonprofit organization. In this sense, Fresno (2009) emphasizes that it is important for these entities not to forget that their credibility is sustained by the results that they achieve. Four key consequences or results of brand equity arise from this research: i) *donors (fundraising)*; ii) *volunteers*; iii) *projects*; and iv) *presence*.

The acquisition of resources becomes an essential element for nonprofit organizations, without which none could carry out the activities for which it was constituted. The collected amount will depend largely on the image and credibility that the organization offers to potential *donors* and interested stakeholders (Herranz 2007). At this purpose, nonprofit organizations are faced with the challenge of ensuring demonstrable effectiveness, professionalization of management, and transparency of governance. If they

are successful, funding from public and private sources will increase and also the ultimate pursuit of their missions will be achieved.

Volunteers have a key and essential participation in the organizational performance (Fresno 2009). The dependence of these organizations on the contribution of voluntary collaborators is very high (Pérez and López 2003). Teegen et al. (2004) claim that the major players in the social purpose of nonprofit organizations are: i) individuals who contribute with their time or resources to the organization; ii) the staff, i.e. management and board members who direct and monitor the activities in the organization; and iii) those individuals, private foundations, governments and multilateral institutions that provide funding support to it (donors). Woller and Parson (2002) suggest that the social purpose of nonprofit organizations are accountable to the “clients” they serve –the objects of the social movement that gave rise to the constitution of the organization– and their ultimate success is measured by their impact on these clients and their communities (*projects* and *presence*). Considering all the above reasons, an additional set of hypotheses is suggested:

H_{6a} : A positive causal relationship exists between the brand equity in nonprofit organizations, namely NGOs, and their donors (fundraising).

H_{6b} : A positive causal relationship exists between the brand equity in nonprofit organizations, namely NGOs, and their volunteers.

H_{6c} : A positive causal relationship exists between the brand equity in nonprofit organizations, namely NGOs, and the projects developed by the entities.

H_{6d} : A positive causal relationship exists between the brand equity in nonprofit organizations, namely NGOs, and their presence in areas of interest.

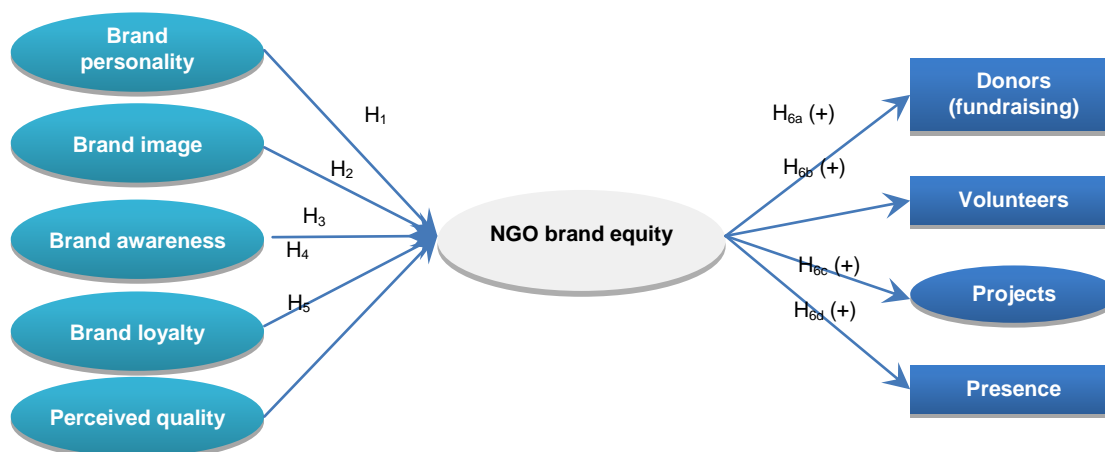
The Figure 1 shows the complete suggested model including the complete set of hypothesis.

4. Research methodology

The intended study can be considered as causal or explanatory research, because –just as Gutiérrez and Rodríguez (1999) claim– this type of research has as main function providing an understanding of the phenomenon under investigation. The approach is mixed, since both qualitative and quantitative methods will be used.

Our aim is to intend a cross-national study, including two countries from different contexts and continents. On the one hand, Spain will represent the European continent; on the other hand, Nicaragua will represent the American continent. The considered universe is composed of nonprofit organizations in both countries. Such kind of cross-national comparisons will allow, as stated by Frijda and Jahoda (1966), discovering universal aspects which will contribute to a better understanding of the human and/or the organizational behaviour in different cultures.

Figure 1. Proposed model on antecedents and consequences of brand equity for NGOs



Source: own elaboration

The methods of collecting data which are intended to be used are interviews (personal, telephone, mail), focus groups and structured survey questionnaires. For the processing and analysis of qualitative information, we will use tables of contents, tables of comparisons and diagrams.

The analysis of the quantitative part will continue to work with Structural Equation Models (SEM). As Keah (2001) claimed, structural equation modelling is a multivariate statistical technique for testing structural theory that has gained popularity in many business disciplines; the methodology takes a confirmatory, rather than exploratory, approach to data analysis and requires the a priori specification of relationships among variables. The SEM will allow to analyze simultaneously different relationships of dependence and, additionally, it will enable the measurement of the construct of the brand equity that we aim to validate.

5. Conclusions

Literature evidences and relevant data support the importance of nonprofit organizations. Recent years have witnessed a considerable surge of interest throughout the world in the broad range of institutions that occupy the social space between the market and the state (Salamon et al. 2003).

Previous researches show that throughout the years the Third Sector has become very competitive and this has generated in nonprofit organizations the need to differentiate and create a "brand" (branding) as well as manage brand equity. Although up to date there has not been done too much research on brand equity in nonprofit organizations, the few available findings point to its relevance in this kind of entities (Faircloth 2005; Hou et al. 2009; Laidler-Kylander and Simonin 2009). The brand value appears as a key factor to the success of any organization, either it is a nonprofit or not.

From the analysis of the two models which are more representative, i.e. the one by Aaker (1991) and the one by Faircloth (2005), we suggest a new model including five dimensions that, according to different authors and research findings, are relevant to define *brand equity*. These dimensions are: i) *brand personality* (Aaker 1997; Rose et al. 2003; Venable et al. 2003; Aaker 2004; Faircloth 2005; Swaminathan et al., 2009; Venkateswaran et al. 2011); ii) *brand image* (Gensch 1978; Aaker 1992; Biel 1993; Blery et al. 2010); iii) *brand awareness* (Rossiter and Percy 1987; Hoyer and Brown 1990; Aaker 1991; Keller 1993; Wang and Yang 2010); iv) *brand loyalty* (Aaker 1991; Bhattacharya et al. 1995; Healy 2007; Khan and Mahmood 2012); and v) *perceived quality* (Zeithaml 1988; Farquhar 1989; Aaker 1991; Netemeyer et al. 2004).

Another significant element in the model is the consideration of the results or consequences that brand equity can lead to in nonprofit organizations (namely NGOs). These results are (Woller and Parsons 2002; Pérez and López 2003; Teegen et al. 2004; Herranz 2007; Fresno 2009): i) *fundraising* from state and private donors; ii) the number of *volunteers* that are actively participate in the activities of the organization; iii) the various *projects* which are being carried out; and iv) the *presence* of the organization in the area.

The foregoing aspects show that as far as this research will continue, the possibility of reaching important and relevant results for the sector of nonprofit organizations and, specifically NGOs, will be very high.

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