

## SOCIAL ENTERPRISE: TOWARDS A MARKETING APPROACH

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### Abstract:

The increasing role of social enterprises in providing public goods and services has raised research interests, through multiple perspectives, namely social, economical, ethical, managerial, educational, marketing, governance, etc. However, and from the marketing perspective, social enterprises study did not get enough attention until recently. Thus, the aim of the paper is to bring up theories applicable to marketing in social enterprises, in conditions of successful market transactions.

In comparison with an ordinary market transaction, there will be highlighted specific conditions for the social enterprises economic exchange. As a result, it can be designed a socio-economical conditions chain within the market for social enterprises. Research methodology consisted in a literature analysis and the application of a questionnaire in a couple of Romanian social enterprises.

**Keywords:** *social enterprise; marketing; socio-economic conditions*

## LA EMPRESA SOCIAL: HACIA UN ENFOQUE DE MARKETING

### Resumen:

El creciente papel de las empresas sociales en la provisión de bienes y servicios públicos ha atraído el interés de investigadores de múltiples perspectivas, como la social, económica, ética, gerencial, educativa, de marketing, de administración, etc. Sin embargo, y desde la perspectiva del marketing, el estudio de las empresas sociales no ha recibido suficiente atención hasta hace poco. Por ello, el objetivo de este artículo es sacar a colación teorías aplicables al marketing en empresas sociales, en condiciones de transacciones de mercado exitosas.

En comparación con una transacción de mercado ordinaria, se destacarán las condiciones específicas para el intercambio económico de las empresas sociales. Como resultado, puede diseñarse una cadena de condiciones socioeconómicas en el mercado para las empresas sociales. La metodología de la investigación consistió en un análisis de la literatura y en la aplicación de un cuestionario a dos empresas sociales rumanas.

**Palabras clave:** *empresa social; marketing; condiciones socio-económicas*

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## 1. Introduction

According to Kotler and Levy (1969, p. 11), “every organization performs marketing-like activities whether or not they recognized as such”. However, literature on marketing social enterprise is a relatively new area to be explored. The study on marketing social enterprise has its roots in literature of marketing for non-business organizations, marketing for non-profit organizations, marketing in public sector and social marketing.

The concept of social enterprise could be seen as a progressive organizational form of traditional non-profit, not-for-profit, non-business organizations. All scholarly researches on marketing social enterprises are based on theories and principles of the above mentioned areas of marketing.

Thus, as marketing for social enterprises is not yet a “trodden” territory, any research on the field could represent added value.

## 2. Identifying the theoretical guidelines

The idea of applying traditional principles of marketing to some other kinds of organizations, different from the private sector, was introduced by Philip Kotler and Sidney Levy in 1969 when considering the possibility of “broadening the concept of marketing”.

The main emphasis of their thinking was that “marketing is a pervasive societal activity that goes considerable beyond the selling of toothpaste, soap, and steel” and the question considered was “whether traditional marketing principles are transferable to the marketing of organizations, persons and ideas” (Kotler and Levy 1969, p. 10).

Later on, based on these considerations and the critics that their ideas raised at those times, Kotler came with the discussion on the three existing stages of marketing consciousness (1972), namely:

- *Consciousness 1*: the conception that marketing is essentially a business subject.
- *Consciousness 2*: marketing analysis and planning are relevant in all organizations producing products and services for an intended consuming group, whether or not payment is required.
- *Consciousness 3*: marketing applies to an organization’s attempts to relate to all of its publics, not just its consuming public.

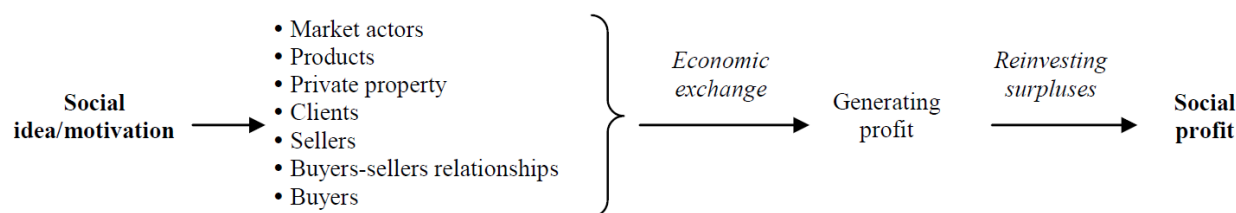
What makes the difference between these marketing consciousnesses is the type of transaction, which is defined by being “an exchange of values between two parties” (Kotler 1972, p. 48). An economic exchange approach describes the six conditions of occurrence of a market transaction: i) two or more parties; ii) a scarcity of goods; iii) concept of private property; iv) one party must want a good held by another; v) the “wanting” party must be able to offer some kind of payment for it; and vi) the “owning” party must be willing to forego the good for the payment.

But how can social enterprise be integrated through the eyes of these three stages of marketing consciousness? The first consciousness can raise some controversial opinions, such as the ones of characterizing social enterprise too “private”. Meanwhile, the second one carries forward the profile of social enterprise to describe the transaction organization-client as the base of marketing activity. Thus, the client belongs to a target-group of social enterprise, which benefits of a preferential price, called *social price*. Finally, and following Kotler, the third consciousness is the one that best profiles social enterprise, due to the fact that the activity of social enterprise goes beyond the relationship organization-client (consumer), with visible effects towards exterior (communities, public sector, awareness of public on specific social ideas, etc.).

Analyzing the conditions chain of the economic activity, we can observe one important missing condition, i.e. the idea/motivation that triggers the whole activity. If talking on a business organization, the motivation is obtaining financial profit; in case of social enterprises, it can be introduced in the conditions chain as a primordial condition at the bases of the activity: the *social idea/motivation*.

To connect the starting point with the activity outcomes in social enterprise perspective, an additional condition is proposed: *reinventing surpluses in achieving the social profit*.

The suggested design for the socio-economic conditions chain supporting the social enterprise performance in market is depicted in Figure 1.

**Figure 1.** Socio-economic conditions chain of social enterprise

Source: adapted from Kotler (1972, p. 47)

The *social idea/motivation* belongs to a person/group of persons who launches an idea related to the satisfaction of some particular social needs through business methods of the specific target-groups. Such person/group of persons is the so-called social entrepreneur. From the analysis of prominent ideas by authors as Jean Baptiste Say (on value creation), Joseph Schumpeter (about innovation and change agents), Peter Drucker (regarding the pursuit of opportunity) and Howard Stevenson (on resourcefulness), Dees (2001) states that the understanding of social entrepreneurship should be built on the tradition of entrepreneurship theory and research. Specifically, he considers that social entrepreneurs are one species in the genus of entrepreneur, that they are entrepreneur with social mission, and in achieving their mission they face distinctive challenges.

However, why a person becomes a social entrepreneur is still a question in research of the social entrepreneurship phenomenon (Orhei and Vinke 2012). Further research is still required regarding issues as social entrepreneur abilities, competences, or knowledge. Even so, there are many successful social entrepreneurs' stories in accomplishing a social idea (e.g. expertise in developing social business, supporting people in need to develop financial self-sufficiency, offering shoes to needy people, providing clean drinking water, protecting the environment, promoting literacy, developing rural communities, sustainable farming, improving the economic production or the quality of life of women<sup>1</sup>).

At the same time, *market actors* are represented by different interested parties, from the enterprise itself and its clients (consumer) to distributors, retailers, local public authorities, target-groups, other social enterprises (networking), private organizations, etc.

Through a social marketing perspective, the social enterprise can be the change agent and the target audience can be the adopter of the social idea (Kotler and Lee 2007). Its profile on the market is in accordance with the social idea promoted and the characteristics of the target groups (for example, for protecting environment –recycling enterprise, social inclusion– work integration social enterprise, women and children rights protection –special centers for victims of domestic violence–, etc.).

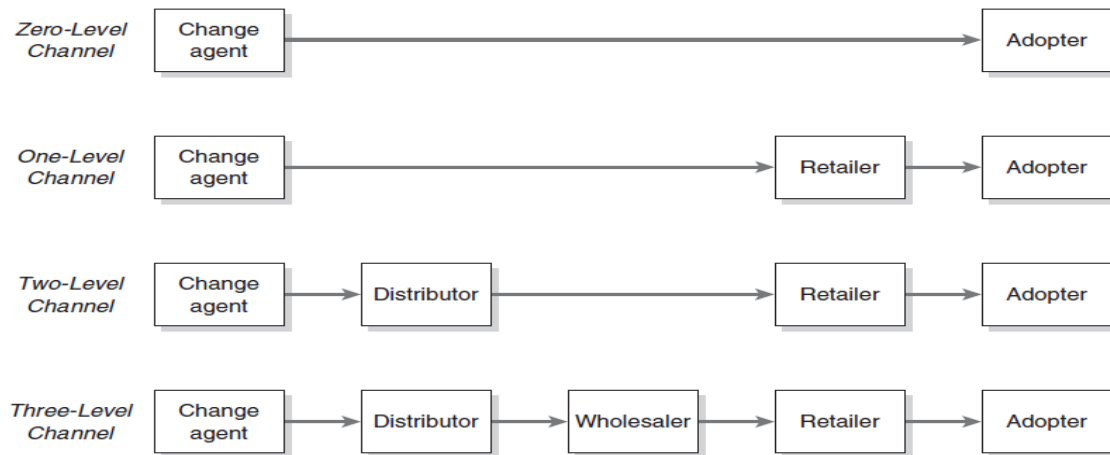
The clients (consumers) can be the target-group itself (for example selling products/services to some vulnerable groups to a special price- social price, in accordance to their low incomes) or “ordinary” clients interested in the enterprises products/services (reinvesting the profit to help targeted vulnerable groups). Distributors and retailers find themselves on the market through their role of distribution and selling the products/services of social enterprise; if this is not the case, the distribution level channel is Zero-Level.

The connection with other social enterprises, local public authorities and private organisations or NGOs is necessary in developing partnerships. Partnerships are important in obtaining financial support, in implementing projects or in promoting the social mission, etc.

Each one of these market actors has its own interest to be satisfied through the social enterprise's activity.

The marketing elements that regard the *economic exchange* (which defines the market transaction) are the product/service and the price, as one party must want *something* held by another; then the “wanting” party must be able to offer *some kind of payment* for it (as stated by Kotler 1972).

<sup>1</sup> Interesting evidences can be seen, for example, at Sebastian, J. (2012). The 10 greatest social entrepreneurs of all time. Socialnomics. <http://www.socialnomics.net/>.

**Figure 2.** Distributions channels at various levels

Source: Kotler and Lee (2007, p. 260)

The offer of social enterprises is characterized by a large variety of material goods, programmes, medical, educational services, events, people, places, organisations, information, ideas, etc. (Kotler and Lee 2008). Specifically, in case of work integration social enterprise, the product is “created” by the target-group itself (for example, manufactures enterprises that employ disabled people).

What is very important for the product within the market is the creation of the *differential advantage*, in the relation with other similar products. Thus, the differential characteristics are product attributes, branding, packaging, labelling and/or product-support services (Kotler et al. 2002).

As stated by Kotler and Andreasen (1996), in pricing their goods/services, social enterprises should take into consideration which is the concrete objective of pricing (surplus maximization, cost recovery, market size maximization, social equity, or market disincentive). *Generating profit* is essential for the sustainability and survival of the social enterprise. Due to this reason, cost recovery should be the minimum objective in pricing strategy. Moreover, to ensure a sustainable economic activity and to generate profit, social enterprise has to take into consideration specific methods of price-adjustment strategy such as discounts, price segmentation, psychological price, promotions or geographical pricing (Kotler and Lee 2007).

*Reinvesting surpluses in achieving the social profit* is what differentiates social enterprises from other types of organizations. In comparison with non-profit organizations, social enterprises develop economic activities to satisfy a social need, while non-profit organizations aim at satisfying social needs, but depending on external financial sources. If compared with private organizations, the economic activities generating profit in social enterprises mean *the way* to achieve the social mission, while for private businesses generating profit represents the mission itself.

### 3. Is the socio-economical conditions chain applicable in practice? Some empirical evidence in Romania

In order to better understand the mechanism of the chain-conditions for social enterprise in marketing, two Romanian social enterprises were analyzed: *association TONAL* (SE 1) and *Cooperative Bio Hrana Prietenia* (SE 2) These two examples were chosen exactly for that reason: they both deal with similar activities and their mission (social idea or motivation) is the social integration of mentally disabled people through therapy work. Other characteristics (as year of establishment and location) are also shown in Table 1. The observation on these two social organizations could reveal some similarities and differences in applying the socio-economical conditions chain.

The social mission of these two organizations is to support a specific target group, namely mentally disabled people. These people are not just beneficiaries of social services, more than this, they work within the organisations, they create values and they are valued.

**Table 1.** Features of targeted social enterprises

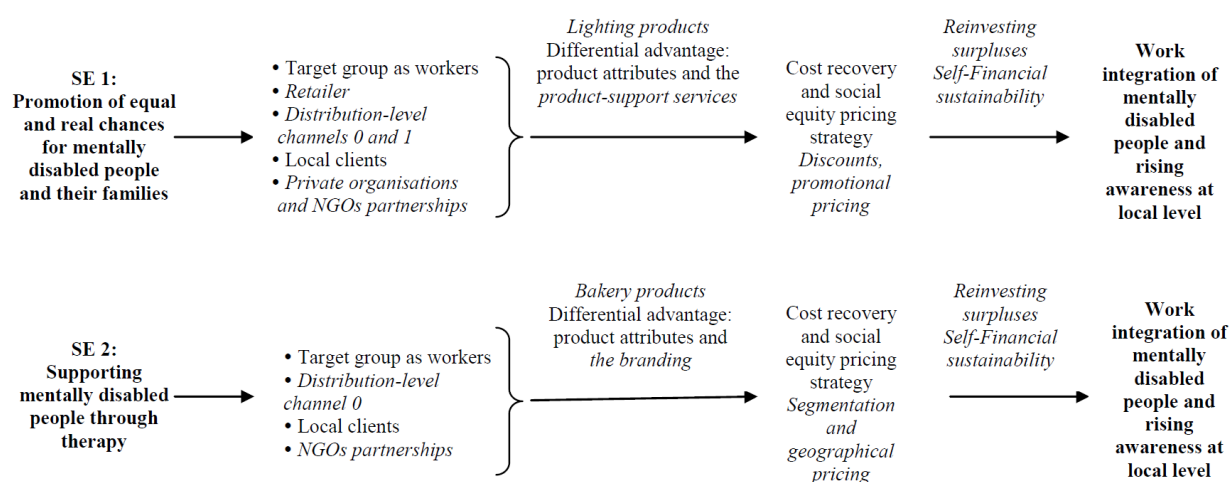
Organization	Year of establishment	Location	Activities / services	Social idea / motivation
Association TONAL (SE 1)	2005	Sibiu	Personal services and work integration	Promotion of equal and real chances for mentally disabled people and their families
Cooperative Bio Hrana Prietenia (SE 2)	2011	Bucharest	Work integration and local development	Supporting mentally disabled people through therapy

Regarding the distribution channels, according to the scheme by Kotler and Lee (2007), they were identified as “zero-level” (no distributors involved) and “one-level” (only one retailer involved) channels in case of SE 1, and as “zero-level” channel in case of SE 2.

From the results from a questionnaire applied to these enterprises (see Figure 3), it was evidenced that both of them prefer a direct seller-buyer relationship, as considering that they are more visible at local level through direct contact. Both SE 1 and SE 2 also develop projects at local level, with private organisations and NGOs (SE 1) or only with NGOs (SE 2). In SE 1 they work for producing lamps, table lamps, floor lamps, chandeliers, chandeliers and in SE2 they produce bio food in a bakery. The differential advantages for the products of SE 1 are the product attributes and the product-support services, and for SE 2 they are the product attributes and the branding.

In both social enterprises, the objectives of pricing their products are the *cost-recovery* and *social equity*. They apply different price-adjustment strategies, as discounts and promotional pricing for SE 1 and price segmentation and geographical pricing for SE 2. The financial objectives for SE 1 are explicitly stated from its establishment to secure its sustainability: obtaining of a self-financing 80%, in order to achieve in the firsts 6 years a turnover of 29,000 US\$<sup>2</sup>. SE 2 aims at financing from its activity with 20% from its annual budget with *The Centre of Social Therapy* of the association. In both SE 1 and SE 2 obtaining a social profit means the work integration and social inclusion of the mentally disabled people. Through their activities, they aim at raising the awareness within the communities of their social mission and at a continuous fight against social exclusion of their target groups.

*The differences* that could be identified are related to the distribution-level channel, to differential advantage of the product within the market and to the methods of price-adjustment. The conclusion was that the socio-economical conditions chain is applicable in practice, at least in these two cases.

**Figure 3.** Chain conditions in the targeted social enterprises

Source: own elaboration

<sup>2</sup> Some 21,300 € when writing these pages.

### 3. Final remarks and future research

The extension on marketing concept as well as applying the specific principles on different types of organizations from private organizations to non-profit and not-for-profit organizations became aspects beyond doubt (we could say even “obvious”) for academics and practitioners since early 70’s.

In this sense, it is true that for non-profit and not-for-profit organizations was a great challenge to admit that they need marketing activities, in order to become more and more visible. However, we consider that for social enterprises it is even a bigger challenge, due the complexity of their socio-economic activities and performance.

Specifically, these organizations face market obstacles and threats, then being continuously forced to reinvent themselves and to adapt their activities and products to the market challenges and to the changing social needs of their target groups.

In aiming their goal of changing society and changing socio-economical environment, a conditions chain for a market transaction occurrence has become a socio-economical conditions chain, just because (but not exclusively):

- vulnerable groups are becoming needier and the society has understood the necessity of social economy approach;
- marketing activities are absolutely important for the promotion and visibility of social enterprises; and
- even more, due the economical and financial aspects, marketing is important for the social enterprises’ sustainability.

As future research guidelines, it is clear that the application of the socio-economical conditions chain should be analyzed on a greater sample of social enterprises, either in different fields of activity and different countries/geographical contexts. At any case, the main aim of the research will be to observe and characterize the “behaviour” of social enterprises within the market and to identify successful marketing activities for these special types of organizations.

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