

# Measuring nonprofit marketing strategy performance: the case of museum stores

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## Abstract

Marketing activities in museum stores offer significant opportunities to evaluate distinct strategies and their related performance in a nonprofit setting. Whereas the museum store was originally intended to provide financial support for the institution with which it was associated, it now provides an educational or mission-related opportunity as well. This research identifies financial and educational museum store strategies and then measures effectiveness in terms of those strategies, providing a measurement for perceived educational performance based on findings from museum stores in America. Implications for museum marketers, museum retailers, nonprofit marketers, and retail marketers involved with social causes are presented.

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## 1. Introduction

While measuring the performance of marketing strategies has been undertaken in numerous contexts, it presents unique challenges and illuminating possibilities for nonprofit organizations. Profit-oriented firms generally evaluate their performance using financial measures (Morgan et al., 2002; Sheth and Sisodia, 2002). However, in the nonprofit world, where the goal of the organization is likely to be nonfinancial (Gallagher and Weinberg, 1991), the measurement of the performance of marketing strategies needs to be accomplished in terms of total effectiveness (Morgan et al., 2002; Sheth and Sisodia, 2002), which means a nonprofit organization's performance should be evaluated in both financial and nonfinancial terms. Some nonprofit marketing strategies are designed to raise funds with which to further the objectives of the organization (Kotler and Andreasen, 1996), while other marketing strategies directly target the overall objective. Investigation of this phenomenon is needed in order to gain an understanding of the relationships

between a marketing strategy designed to raise funds for nonprofits, a marketing strategy with a goal of furthering the nonprofit organization's altruistic objectives and their respective performance measures. Additionally, development of means for measuring the nonfinancial performance in nonprofits is needed.

This research seeks to study this problem in museums in America, and in particular, the unique hybrid of retailing and museums—the museum store. The number and size of museum retail operations are escalating, and museums are increasingly relying on them as a source of funding (Lovell and Weinberg, 1989), especially in a time when federal support for many museums is deteriorating (Dess, 1998; Hughes and Luksetich, 1999). Museum stores provide an opportunity to identify and distinguish a marketing strategy that is associated purely with the financial or fundraising objectives of the museum as well as a strategy that may be perceived as running counter to the financial strategy of the museum—that of education. This research establishes two unique objectives for the American museum: (1) to raise funds and (2) to educate the public. These objectives are manifested by two specific marketing strategies (financial and educational) that are identified by the literature. Measures of performance in terms of these two strategies are identified, and a comprehensive measurement

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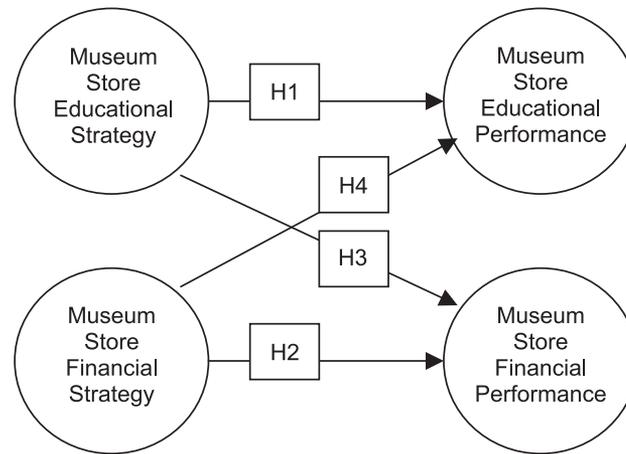


Fig. 1. Museum store strategy and performance objectives.

vehicle for educational performance for museum stores is developed. Finally, as shown in Fig. 1, the relationships between the two strategies and the two performance measures are examined.

## 2. Museum strategies and objectives

The overall marketing of museums (McLean, 1994) and the marketing of the arts in general (DiMaggio, 1986; Mokwa et al., 1980) have been discussed in the literature as has the application of marketing management to nonprofits in general and museums in particular (Kotler and Kotler, 1998; Kotler and Andreasen, 1996). The focus of much of the marketing initiative literature is aimed at increasing or managing membership (Wilson and Jones, 1984), increasing admissions (Lovelock and Weinberg, 1989), fund raising in terms of donations, market orientation as a means to the end (Ames, 1988) and museums as a service (McLean, 1994). With the exception of McLean (1994), the literature generally does not address the link between the museum mission and its specific marketing strategies. Voss and Voss (2000) measured the strategic orientation of nonprofit theatres against financial data and attendance measures. Hein (1998) discussed the broad scope of how learning occurs in museums, but noted that it is extremely difficult, if not impossible, to measure in traditional terms. Overall, however, empirical linkages between specific strategies, such as an educational strategy on the part of the museum, and subsequent performance are missing.

Museums are nonprofit institutions that educate people as well as collect and conserve objects (American Association of Museums [AAM], 2000; Alexander, 1996; McLean, 1994; Ames, 1988; Wilson, 1988; Yorke and Jones, 1984). They may also facilitate research, serve as cultural centers (AAM, 2000), and even provide entertainment (Burgers, 1992). They are centered on the objects they collect and conserve (Kotler and Kotler, 1998; McLean,

1994) and, in America, uniformly have an educational mission (AAM, 2000; Hein, 1998). Therefore, the nonprofit American museums are engaged in activities that are educational and therefore in the public interest, or for a social good, and marketing efforts undertaken on the behalf of the museums fall within the scope of social or nonprofit marketing (Kotler and Zaltman, 1971; Levy, 1969).

While museums in America seek to fulfill their educational objectives, their need for financial support has grown more acute since the 1970s (Galambos, 1993; DiMaggio, 1986). Marketing efforts aimed at financially supporting museums have resulted in the increasing size and scope of museum store operations (Kotler and Kotler, 1998; Museum Stores Association [MSA], 2000), restaurants (Ames, 1988), site rental, fund raising (Kotler and Andreasen, 1996), ticket and admissions marketing (Ames, 1991), membership drives, and more “market”-oriented exhibits (Kotler and Kotler, 1998).

## 3. Museum store marketing strategies

Although the museum store was originally conceived as a means of generating financial contributions to museums (Lovelock and Weinberg, 1989), they necessarily fulfill a part of the museum’s overall objectives, particularly that of education (Theobald, 2000). Therefore, museum stores have dual objectives, financial and educational, and as such have strategies that are intended to meet one or the other of these objectives or both. Based on extant literature, several tactics connected either to an educational or to a financial marketing strategy have been identified and are shown in Table 1.

Since retailing is considered to be a form of services marketing, these tactics are organized using the seven P’s framework of services marketing (Booms and Bitner, 1981) for discussion purposes. Relevant tactics within the constraints of the literature available are identified. Any tactic associated with both strategies is purposely not included.

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