

# **Marketing Strategy in Nonprofit Organizations: Price**

## **1. Introduction to Marketing Strategy in Nonprofit Organizations**

The application of management techniques, first in private firms only and then in public sector activities as well, is increasingly being applied to nonprofit organizations. Every section of a firm's management has a parallel in the management of NPOs. There is a strong need to assert the contents of this section in nonprofit organizations. The nonprofit sector in Italy, as in many other parts of the world, is salient and significant. Its structure is a result of the characteristics and interactions of different general economic, social, political, and religious phenomena. Marketing in nonprofit organizations is not a substitute for or a different face of management; still, selling has different objectives in the two. Nonprofit marketing serves other purposes than marketing in profit-oriented organizations. Nonprofit marketing is likely to develop a focus on identifying nonprofit publics and on the social value of transactions. Goals are different too, and competition is of a different nature.

Pricing is an important part of a marketing strategy. Similarly to marketing in profit-oriented organizations, it is important for nonprofit organizations to consider the product price. The non-material service that is offered by an NPO can also be an advantage for the customer who wishes to enhance their social status. In nonprofit marketing, pricing and the strategic options concerning the product can be linked with profit, but not in the direct sense, mostly in an indirect way. The strategic price may also have an image function for the association. The cause in favor of which a nonprofit organization operates must be shared by the people who come into contact with it. In a technical sense, an important aspect of NPOs is in the selling item. It is important to define the product by taking the interests of the target publics into consideration, as well as the strategic objectives of the organization and the reasons why it exists. Identifying one's target today is less problematic for some kinds of NPOs. The goal of marketing in nonprofit organizations is to set up in

people's minds an idea of the objective, of the cause for which the organization acts; that is, to make people accept and collaborate in the same cause. In this respect, it is important to implement a marketing plan. The present work is actually part of one of the most interesting areas and of the last, which took off lately in the analysis of the relationship between marketing and nonprofit business.

## **2. Understanding Price in the Context of Nonprofit Organizations**

Price has often been referred to as one element in the mix of marketing. Usually, pricing has at least implied some notion of recovering costs or generating revenue. More recently, thought has been given to the pricing of the products and services provided by nonprofit organizations. A "rate" or "price" is actually an exchange rate where an individual or funding source is willing to exchange resources in return for a specific good or service. It is contended that more than any other operational variable, the "right" price for goods and services is both quantitative and qualitative in determining the ability of an organization to generate revenue, develop alternative income opportunities, and/or reduce dependence on philanthropy.

There is evidence, therefore, that pricing or setting rates that "stick" is important for certain types of nonprofit organizations, e.g., social enterprises, community development organizations, umbrella or national organizations, and public-private partnerships. One treasure is probably leased multi-family living units where individual family capability and governmental subsidies are leveraged to cover building and operating costs. In this case, a basic lease price and per capita service fees must be carefully assessed and collected. To do this, an organization must evaluate not only explicit and legally authorized or unjustly collected fees, but the psychic, professional buy-in, and commitment of its intended beneficiaries and resident managers. In the price and cost-recovery equation, business decisions based thereon are found both evidence and lifestyle-variable factors to the stalled process of community development and supported living. Definition and dimensions of price are complex for many nonprofits, especially when the goal is to balance effectiveness and innovation for social outcomes while earning a commercially viable income.

## **2.1. Definition and Importance of Price in Nonprofit Organizations**

Pricing is seen as the exchange value for the offerings in for-profits, while a nonprofit faces only costs provided, not offered for a price. The unique perspective of nonprofit research suggests that price has five dimensions divided into two groups. In addition to the monetary aspect, a variety of stakeholders may participate and perceive price from a mutual stakeholder interaction process. The offered price may be transformed to possess an organizational subsidy value, which may demotivate the stakeholder from taking appropriate actions. Taken together, the nonprofit stakeholders set the perceived or reference value on price, which increases loyalty for the offered product. Powerful good works are based on the simplicity and clarity of the organization's marketing efforts. From volunteer engagement to donor behavior, almost every important role that pricing plays is based on an integrated marketing strategy.

Price communicates the nonprofit organization's reliability and mission alignment and demonstrates appreciation for patronage. Price also gives an idea about the integrity of the organization to its customers. Nonprofit price is generally separated into user charges and funding. The price signals the behavior and also supports the facilitation of current or potential clientele based on the price the organization is offering. The price offered emphasizes the value of the service to the stakeholders, and non-charging or low-charging may signal poor value. Value-based pricing supports the marketing of the organization. By putting a relatively higher price, a nonprofit organization may reflect value and thus generate engagement, loyalty, grants, or additional investment. This long-term pricing strategy will promote the work of the organization and communicate value to stakeholders in the community, making it simpler to carry out mission work, sustain efforts, and have a bigger impact. In addition, marketing efforts can have a unique strategy of influencing effective pricing. It shows stakeholders how the organization is different from other organizations and what the organization wants to accomplish.

## **2.2. Key Differences in Pricing Strategies between For-Profit and Nonprofit Organizations**

The pursuit of profit is the key characteristic distinguishing the economic activity of organizations from that of households or other entities. Sales are the usual form of organizations' contribution to social and economic value. Pricing strategy is the marketing managerial decision related to capturing value from the offer. For-profit

organizations' primary goal related to the offer is to maximize profit. Different strategies can be used depending on whether the organization wants to boost its short-term or long-term income, penetrate the market, or quickly recover costs. For-profit organizations are willing to provide their products below cost, on a break-even basis, or with minimized profit until the firm reaches a sufficient market share, covers its fixed costs, or crowds out small firms from the market. Nonprofit organizations, on the other hand, do not pursue profit maximization. When creating pricing strategies, nonprofits are mainly concerned about whether the activity helps to fulfill the core mission of the organization. The primary motivation for the operation of nonprofits is mission fulfillment and social impact, rather than income maximization.

Nonprofit pricing is a multidimensional problem that includes value-based pricing, the attitude of donors, who increasingly call for a fair pricing level of services, the role of performance-related pay in compensation, and demand-side considerations. Donor perceptions often consider direct ethical implications in pricing, including any negative or positive emotions or attitudes related to pricing and to non-shared signaling of lack of quality. Different from for-profit pricing, where channel pricing levels or consumer willingness to pay prevail as price drivers, nonprofit strategy is influenced by diverse stakeholders with diverse values combined with investment in social beliefs and interactions. One optimistic rule for nonprofit organizations is based on the empathy–altruism hypothesis—that people pay for goods or contribute money to a nonprofit organization without receiving indirect returns, even if close relatives or friends received help while they abstained from supporting an organization. Tailoring the strategies to the specific circumstances and aspects enabling asymmetric pricing and prediction of external effects are objects of research. For cognitive reasons, a slightly different view on pricing, focusing on pricing strategies, will be brought to the discussion.

### **3. Factors Influencing Pricing Decisions in Nonprofit Organizations**

Nonprofit organizations must be mindful of the different, often multifaceted factors that drive pricing decisions in their environment. The paths and possibilities of pricing strategies are thus related to the underlying goals of the prices for a value change based on the organization's mission and values. A broad insight into the multiple factors behind pricing strategy assists nonprofit managers and staff in

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creating a marketing strategy that should adequately balance the influence of the interconnected underlying forces, the aforementioned 'hows' as well as the equally important 'hows' of pricing decisions.

One of the primary activities in the strategy formation process is mission and value anchoring. Furthermore, stakeholders have been identified to have expectations and perceptions of how the nonprofit should set its prices. One group of stakeholders is donors with expectations that donated funds be efficiently utilized for maximum benefit for the beneficiaries. On the other hand, different donor groups also have different interests, with a few placing greater emphasis on financial performance than on actual social results. These aspects of an organization's environment influence the long-term sustainability of a nonprofit and its continued operation in the market. The connection between actual prices, stakeholder expectations of prices, and a broader collective understanding of prices affecting sustainability and pricing flexibility makes these environmental factors a significant factor behind pricing decision-making. Nonprofit transactions are notably free of reciprocal financial compensation for many stakeholders. Pricing and price setting are also sensitive to the regulatory settings of both the market in which the organization operates as well as the direct regulatory constraints placed on the organization as a result of its structures. NPO child and welfare services often operate on block funding schemes or competitive tendering that can limit the level of use pricing. Settings and regulatory compliance requirements restrict options for pricing strategy in its formulation. Thus, organizational structure, activities, and outputs in the service domain influence how pricing strategy is formed and put to use.

Finally, an additional factor behind pricing decision-making is the distribution of income that forms programmatic options. The degree can restrict the use of some services to the low income or require complicated pricing regimes to ensure temporal opportunities for further service use. When enacted, pricing strategy and the constrained flexibility within pricing decisions can influence how funds are received and set across a portfolio of income sources. While individually, none of these aspects can fully form a strategy understanding of price setting, they are areas of concern and shape the influential environment in which prices are determined.

Despite these factors behind price setting in NPOs' service domain, little empirical work exists at this level in not-for-profit price setting, especially in the child and welfare service domain. This omission within the marketing and strategy foundation

domain is substantial, given the normative marketing theoretical framework for services – notably customer-oriented services – in which price plays a significant role.

### **3.1. Mission and Values Alignment**

Pricing decisions are critical within nonprofit organizations. Price is an expression of value, and aligning price with mission or impact can add to an organization's credibility and cultivate trust among stakeholder groups. Additionally, consistent pricing decisions strengthen an organization's brand. An organization that expresses value through its price signals that its program alumni are worth their full membership price, which can positively influence future alumni. This section begins by presenting the theoretical underpinning of why mission and values alignment might influence a nonprofit organization's price setting and presents quantitative evidence about whether those concerns have any empirical validity.

From the perspective of values-based pricing, the strongest and most straightforward way to signal an organization's value for its alumni is to charge individuals its true cost, thus demonstrating that they find an alumni relationship to be intrinsically valuable. A theory of stakeholder signaling suggests that benefits might also extend into the broader community, economy, and government. When an organization charges alumni the full cost of their relationship to the organization, it is signaling the professionalism and societal value that it places on the education it has provided. These considerations suggest a number of implications for marketing practitioners. First, it implies that a well-missioned organization has the strongest support for the policy of charging individuals the full cost of an alumni relationship. Second, it suggests the importance of broadcasting an organization's commitment to these values as a way of establishing a strong, intrinsically motivated, long-term commitment between itself and its supporters. Finally, it suggests that understanding whether perceived alignment between price and mission or social good actually impacts decisions, as this is implied by specific theories of brand and emotional consumption.

### **3.2. Donor Expectations and Perceptions**

The unique features of nonprofit organizations and subsequently their products and services make their donors key participants in their pricing strategy. Many studies have shown that donors to nonprofit organizations do indeed hold expectations about their consumption experience, and that these expectations have an important

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impact on their donation decisions. Research suggests that donors' desired outcomes generally fall into one of four categories: 1) a desire for personal use of the organization's services and facilities; 2) a desire for a non-exclusive use of the services of the organization; 3) a desire to share the organization's accomplishments and/or identity of the beneficiaries; and/or 4) a desire to demonstrate one's social, moral, or religious values through the support of the mission. Many donors report having a combination of these desired outcomes. Thus, to accurately set prices for services and choose from a variety of fixed donation amounts that a donor is likely to perceive as most appealing, it is important for nonprofit organizations to know the outcomes that each donor cares about given the dollar amount they wish to donate.

In addition to transparency, when choosing from multiple price points that will carry different services, it is essential for nonprofits to know the extrinsic and intrinsic motives of a donor, as the former may play a role in shaping expectations. The literature suggests that because certain types of potential benefits trigger donations, the best approach to pricing is to uncover donors' rally point; this will indicate the main outcome donors seek and thus aid in setting the appropriate price. It is also suggested that looking at the abstract sensitivities to community mental health might offer help in pricing. Although these arguments are compelling, the findings of our interview suggest that organizations need to offer a variety of services at many different price points. Donors may hold a variety of motivations, but they can find a "fit" in some component of services provided. By offering a number of price points and a menu of services, donors may be motivated to give because the price is affordable to them or because the service meets their outcome expectations, a double reason for the individual donor to give. The main issue is the organization's balance between affordability of support to as many donors as possible and a sufficiency of price to ensure financial viability. At the end, our consensus is that donors do indeed hold expectations. By providing services that fit some expectancy, organizations may in essence be enhancing donor perceptions of the benefits given to beneficiaries to encourage their further support. The level and mix of those services are organizational determinations based on the beliefs concerning donor interests. This understanding, and not the elicited outcomes per se, therefore serve to match organizational objectives of service and price policy with donor expectations and enhance such policy definition in a way that meets current constituency preferences.



### **3.3. Cost Structures and Budget Constraints**

As we discussed, it is critical for nonprofit organizations to keep operational costs under control and at levels that they are able to sustain, especially in the absence of well-functioning markets or government agencies that prioritize these costs. This is because the goal of most nonprofit organization services is to have them accessible to the broadest range of beneficiaries. Affordability of services is critically important to establishing accessibility for most nonprofit organizations.

In short, for-profit organizations can only afford to be so low-priced because they do not have any objective beyond serving their owners. To ensure the services they provide are financially attainable, service organizations of all types must spend a good deal of thought establishing sustainable funding models. Naturally, a segment of this effort is focused on pricing approaches, and many organizations are careful to control their operations in a way that is viable within the budget constraints dictated by market-established charging constraints. As a correlate, most well-designed pricing models are sensitive to the fact that the price the market can bear is not fixed and has a significant influence on what the vendor can offer and maintain. The price, therefore, is determined by two chief factors: the cost of providing the goods and the funds available to the buyers. Even in markets as yet untainted by profiteering, the price of goods never exceeds the amount of cash with which the consumer has to part to make the purchase.

## **4. Challenges and Opportunities in Setting Prices for Nonprofit Services**

Nonprofit organizations face many challenges related to price, but operating in the context of these challenges also provides opportunities. Central among these challenges is the fundamental issue of financial sustainability in the face of cross-cutting economic and social safety nets. In this context of tension between the mission-free setting and the focus on mission impact, in addition to generating price revenue, it is part of organizations' service costs or donations oriented to service delivery. We delve into two issues as nonprofits seek long-term financial sustainability through price: (1) How to set affordable prices without reducing the inclusion of those who need services or excluding those who do not, and (2) service fees will cover the organization's full delivery costs. It will be expensive. In addition to the traditional type of situation, the new price set involves increasing public investment needs and service delivery, changing governments, insurance carriers,



and social service contracts. Align with funding, changing economic conditions, and potential customers.

The degree of tension between costs and mission-related social impacts, or between delivering financial missions and achieving income objectives, involves the four organizations listed here. To meet these multiple objectives, the organization adopts a typical business model and/or outsources service delivery in this deferred service model. In this regard, there is significant price-setting in management literature and the nonprofit literature. This chapter briefly discusses the theoretical contributions related to for-profit prices and then transfers them to the nonprofit context. This segment also addresses the desirability of establishing a preliminary model for nonprofit service entry based on a traditional market: service recipients and payers and outsourced service funding. The point of selling these products is that the services (and their pricing) offer the opportunity for community involvement and customer support. So we should all assume this possibility when we discuss pricing. In demanding the discussion of prudent prices, let's also set a price where every placement can sell something so that everyone can buy it.

#### **4.1. Balancing Financial Sustainability and Mission Impact**

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More than any for-profit business or any other type of nonprofit, social enterprises have pressure beyond simply making enough money to cover operating costs. Nonprofit social enterprises do not seek only to make enough money; they do not even seek to make enough money to offer their programs and services for a market rate. Most of them have a mission to make life better in some way and help a group of people or a community, and every penny they make needs to go to these ends. There is an ethical consideration that using volunteer money to support the actual services rather than paying salaries and energy will create greater impact.

However, it can be argued that when charging cheaper prices, the underlying financial problems of those communities could have a negative impact on nonprofits running this business model. It is very hard to balance the two. Over time, it is likely that a leaning toward the vision of the organization to increase income and to make a larger population use the service will get the direction of the mission. Mission Driven Pricing - Balancing financial sustainability equals profit from income-generating models with the social or community-impacting feature, which value is evaluated for an objective decrease in price. The service philosophy provides full

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service fee monitoring for reduced fees. Looking for income for clients who have used the service, you are expected to pay a percentage to your operating costs to use the service. Pricing levels need to bring in revenue to meet financial performance and provide strategic value to their employees. Resolve the ethical dilemma where pricing strategies challenge the mission? Value Trade Pricing - Pricing model in line with community capacity and willingness to pay. Provide different levels of experience that bring health benefits and quality of life to participants. Show participants what participation in the various experiences will provide them based on the services they care enough to donate in order to achieve the same impact for a fellow community member. Provide volunteer services supervised that some could afford if they had to pay. Strategy for addressing pricing and the dilemma? - Look at addressing capacity and regenerative systems as it relates directly to risk management in program development and execution. In Part II, we'll be looking at the two companies, each with their own Initial Ask - each will decide how much money they feel is the upper limit in the Initial Ask to seek in order to get the service they have agreed upon. This amount will take into consideration the effect on the mission and the intention to stay financially meaningful to their clients. Without violating our fiduciary duty to the individuals or organizations that support our mission, what is the highest amount of income that our client can afford to pay for the full cost of services?

#### **4.2. Ethical Considerations in Pricing Decisions**

One of the primary ethical considerations regarding pricing is fairness in pricing decisions. Hierarchical pricing structures create questions about the equity in allocations of scholarships or discounted tickets to those in need or the worth of some human interactions over others. For instance, does a community dinner have less value than assistance with a utility bill? Are all donors "worth" the same and, if not, are you stating to a donor that they are not as valuable merely by the size of the discount offered to other individuals, or do you in turn insult the donor by asking for a minimal donation justified by the meager cost of an item or program? Vulnerable populations, such as the homeless, may also question the ethics of pricing tactics or strategies. Additionally, what happens in the case of a market imbalance between oversupply of affordable or free products and high demand? Who should receive these discounts or scholarships, and how many should be available? Is there a priority system in place? The answers to such questions center largely around an organization's mission, core values, and ethics.

Many additional ethical concerns emerge when utilizing structuring and pricing in pursuit of revenue maximization, as this motivation strays from an overwhelming concern for serving the mission and focuses instead on making the greatest margin of profit. Though the capitalist exchange principle dictates that the price of a good or service is what an organization can reasonably ask for it, creating a profit-maximizing pricing strategy in a nonprofit culture that focuses on a client-centric approach may erode the organizational identity and, as such, the integrity of the organization, mission, and leadership. From an internal perspective, such practices may reduce staff morale and a robust sense of justice. Additionally, decision-makers should always keep in mind that current business practices, as nonprofit organizations rely heavily on their reputation in the larger community, have a profound effect on the local or national esteem for that organization.

Transparency must also be practiced. Regardless of whether the price is too high due to gross profit demands or too low that it may affect sustainability, in either scenario, the long-term reputability of the organization may also diminish. Despite the ethical depth of this philosophy, being aware of the complicated issues brings about singularity in the identification of nonprofit pricing practices that necessitates an allegiance to the principles of community and the ethical approaches of market justice. In order to ensure ethical practices in their pricing models, it is recommended to have frequent and pervasive discussions with all of those considered stakeholders in the firm, from the board of trustees to volunteers, and from organizational leaders to administrative staff. It is also advised that boards ensure at least annually that the organization engages those concerned through active efforts of outreach and dialogue, and then demonstrates that the model chosen is responsible, fair, and in the best interest of all of those who make the work possible.

## **5. Best Practices in Pricing Strategies for Nonprofit Organizations**

One of the most important components to think about when a social change organization decides to price something is the interrelationship among price, target audience, and the intrinsic motivation that drives them towards your work. Pricing decisions should be grounded not only in a deep understanding of who your audience is and what they are driven by – your audience segments – but also in values consistent with your overall approach to encouraging change in the world. A

value- or impact-based pricing approach is the most relevant for a social change or service organization. Looking closely at what your audience stands to gain from your services or programs and setting prices accordingly, aligned with this value, motivates their choice to support and purchase from you. Transparency from beginning to end is key for audiences and supporters to see the underlying value of and reasoning for your prices. Whether transparent from the start or unveiled at the optimal time, the reasoning for pricing must be simple to understand, consistent with and reflect the provided intrinsic value, realistic in the eyes of the audience, and legally and ethically sound. Presenting the reasoning clearly and effectively is essential in its ability to evoke more consumer acceptance of the price. The road to deeper accessibility is unpredictable and challenging; it may involve offering a small percentage of prices way above or way below the break-even point, where someone receives it for a very low cost or nothing at all. Other pathways to accessibility for those excluded from the unique value will involve blending a high-enough retail price with pay-it-forward opportunities for those who cannot afford it. When unexpected access is offered, it needs to be made clear so that people understand the choices being offered to them, and that there are options that allow others to benefit. There is no one perfect way to offer pricing that represents the value of what is being consumed. A price bracket strategy can engage potential consumers at different price points in the sliding scale. Once a pricing strategy is in place, a process of continuous evaluation informs the organization when to adjust. Small, incremental changes may be made to process or pricing in response to a disappearing target audience, increasingly complex as offerings grow into a larger suite or need to be paired with something else, when a loyal constituent base needs to be reactivated, as historical production or variable costs change, or when some other opportunity arises. There is no set period of time that should elapse between a current best-fit pricing strategy and the next iterative move. Progressive adaptation – with an understanding that strategy needs to respond quickly to the perceived value shifts and a long-term hypothesis about eventual positioning of the price – allows for optimization in a complex environment.

### **5.1. Value-Based Pricing Approaches**

Value-based pricing can be particularly beneficial when appropriate for an organization's services or programs. Some argue that value-based pricing is not only a sound strategy for attracting those who believe in and are passionate about the organization, but it specifically will drive away those focused mainly on low prices.

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Value-based pricing revolves around setting the price of the organization's services at a level equal to the perceived value of those services to the client or community. The approach is one of the most important strategies of organizations that rely on increasing client satisfaction, which will lead them to a kind of support to fulfill the mission and goals of the organization.

Stakeholder Satisfaction - Organizations that use principles of value-based pricing clearly and frequently will increase satisfaction and accordingly increase the loyalty and commitment of their stakeholders. This approach resolves the dilemmas for clients or co-funders that the services are priced high due to individual preferences or the impact of the services of the organizations. By setting prices at a level to cover costs, the value proposition is strengthened. Value-based pricing has the capacity to attain this result because internal measures are not the sole viewpoint underlying price determination. Because prices are based on the mission and strategic view of the organization, value-based pricing can join competing goals of ensuring client accessibility and maintaining the health of the organization. Since prices are based on mission impact and other factors, prices and fees are easier to justify. Accessibility for clients is also a very important factor. A number of approaches for the values of the services for value-based pricing rely on access by serving a community. There is a need to have a balance between costs put into context and values or impacts. With value pricing, the values or impacts transfer to the prices, transforming social values into financial values.

Organizational Communication and the Mission-Driven Model - To use value-based pricing effectively, managers need to assess the impact of their services from their clients' perspective and use cost information. In assessing the services, managers need to concentrate on what the clients "walk away with." They need an infrastructure that links the service to the organization and assesses the goals of the service with respect to the overall goals of the organization. While managers can lend considerable resources to understanding who the client is and what the client wants, most organizations do not develop mechanisms to specifically assess client satisfaction and willingness to pay for services. The physical value can vary from client care about the laudable goal of supporting public education, over the millennium with the Salvation Army found value reason why consumers donate, not the method for valuation or price enhancement.

## **5.2. Transparency and Communication in Pricing**

Not-for-profit pricing should be transparent, as this is valued by donors and other relationship stakeholders. Transparency makes pricing fair because it decreases any perceived inequity in fees. For example, participants in the research at a hospital appreciated that one group did not receive a better daily service because they were prepared to pay a higher price than another. Not only were all of the focus group participants who had some form of copayment comfortable knowing that some people had made higher donations because it was a way of subsidizing treatment costs for patients who were more in need, but they also said that the knowledge would make them more loyal to the hospital. Other research shows that donors to charities have been shown to increase loyalty, repurchases, and recommendations when the rationale behind pricing decisions is communicated clearly.

For higher-income patients and some other beneficiaries, it can minimize what is called “sticker shock”: pricing comes as less of a shock because it was explained in advance, preventing the close receipt of an invoice that may cause concern or offense. There are also norms about the value of what may be purchased with little or no cost, so the principal idea that not-for-profits’ low- or no-cost services are of higher quality is implicitly known by prospective beneficiaries. This may be particularly important when nonprofits rely on volunteer-produced goods or services, including entertaining presentations, to communicate the value of their programs. When the value of such programs exceeds the fee or donation which seems affordable or just, would-be beneficiaries and audiences may view such a presentation as a needless expense and perhaps wasteful of organizational resources. Providing expected costs and benefits in advance can avert much of this type of misunderstanding and free-ridership, which can be particularly challenging to manage for performing arts groups. Finally, external public scrutiny is high for not-for-profit organizations, which face heightened press coverage and reduced discretion when their financial statements are shared with a larger, often ill-informed public. Public health and educational nonprofits, for example, face unique scrutiny from government regulators and oversight agencies. All of these customs and norms combine to make establishing a transparent pricing strategy especially important in the realm of not-for-profits, particularly for those with low or no fees and an exclusively donor-supported budget. Because the reservation price for a free or low-fee service is mostly psychological and not peculiar to a market or product or donation amount, these different groups need to be addressed directly in this



process. Communicating with donors—about capacity, economic behavior, and other operational features of their favorite little charity—can be compelling as a source of their engagement in addition to simply a way to communicate a ticket or tuition policy.

### **5.3. Innovative Pricing Models**

Implementing an innovative approach

Pay-what-you-can, sliding scale payments, or some variation of the interactivity with customers remain relatively unusual at this time. However, this type of price permitting could look very familiar to most donors, volunteers, and other stakeholders at nonprofit organizations. Innovative pricing models offer more options to participants and passengers as part of your mission focus. Subscription services are an emerging trend in nonprofit services. They provide an option to plan for both expenses and services, knowing that the same significant costs are ongoing and will not take up more space in their budget or crowd out other financially important events. These types of services are also proving to be a plug for event income hardships despite financial stresses on individual families. Innovative pricing options can be realized with more access to technology such as online ordering interfaces and direct withdrawals from credit cards or bank accounts. When done properly, it can carry additional visibility for your organization through alternative marketing sites and can be added to events and more.

Pros and cons of setting a price point are well documented. However, in setting price points for your events and services at your organization, you should consider the full range of pay options, not just cash or credit cards accepted. The giveaway online cards with nonprofit services to aid and thank those participating in your event or utilizing your services. It is important for any gift to include some form of redirection to the receiver and invite guests to participate and make the experience more satisfying or robust. Ultimately, these alternatives are more about service management and delivery than about fundraising products to pay for the services. It is a path to capacity management and ensuring the bearer of services for those who need them in the community, whereas traditional pricing constrains this.

Examples of real-world usage: a mobile pantry provides food to those with income and expense concerns. In addition, presently a well-used discount ticket purchasing alternative freely admits those who cannot afford to attend, which is necessary for people to pause for social experiences. They will “make a contribution you feel is



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fair” model allows those who might be used to free entry even during ticketed time slots to re-evaluate the level of service they are receiving. And, it invites the guest into participating in his or her experience. A facility is recognized for serving the disabilities community with a model of inclusive infant and child care and education. They offer classes for children such as Exploratory and Music, as well as Enrichment classes that children with all abilities can participate in ways that are comfortable and enjoyable for them. Challenges and tips for use: The overhead costs can be somewhat higher, for example, transaction fees with credit card payments and financial liabilities. Misconceived perceptions of your values sometimes occur using the alternative payment model. How could it be of value? In offering more options for guests, there is more opportunity for guest satisfaction, which should increase repeat visits as well as supportive gestures, more donor potential, and serve more people, possibly increasing staff morale. Offering participants and donors additional options to support the mission of your nonprofit organization or support your organization financially is important to many citizens. Instead of lowering prices to get more attendees and donations to your events and services, it is viewed as a benefit.

## **6. Case Studies and Examples of Successful Pricing Strategies in Nonprofit Organizations**

Landscape of the Imagination is a creativity institute specifically designed for adults. The employees of the grantor who first learned about Loi were intrigued and enrolled in a two-day winter workshop that was held at a local inn. The price for the weekend included registration, accommodations, multiple meals, and a bottle of local wine. Over fifty participated in the program, making it a sell-out event. The organization decided to create another Loi series throughout the year and designed a subscription model. The subscriptions also sold out, and they implemented waiting lists for both the dinners and the workshops.

The Millay Colony for the Arts is a nonprofit organization, artists’ residency, and agricommons located in the Berkshire Mountains, three hours north of New York City. They provide exceptional artists in multiple creative genres with an environment where ideas are free to develop and germinate. Over 100 people participate in their artists’ residency programs each year. 200 people attend their public programming offerings, which include house tours, readings, open studios, and intimate salons featuring a lecture followed by a meal curated by their chefs. All

of their public programming utilizes a sliding scale price point and, where possible, a “buy one, send one” model. In 2019, they made a significant change to the pricing of their residency retreats. They offer two-week retreats during the fall and winter to anyone who follows a defined application process. The price of the retreat includes a private room and meals. In the past, the price for a retreat for two weeks was \$750. The cost of a week for a single resident is \$650. For the dinner party, the supper club fees range from \$35 to \$125. In 2019, they switched to sliding scale pricing for retreats during the off-peak season, offering the two weeks at reduced prices. The lower price range is \$175, with the upper price range for the retreat at \$750. The middle pricing was set at \$300. They offered a small number of \$1000 pricing for those who wanted to “buy one, send one.” And they created three “pay what you can” spots.

## **7. Conclusion and Future Trends in Pricing Strategies for Nonprofit Organizations**

Our conclusion in this chapter begins with our main findings that the proposition of our research is valid and presents pricing strategies in nonprofit organizations. Our main recommendation suggests that these prices should reflect the internal, personal, and empathetic nature of nonprofit organizations as well as their links with the mission of the organization to encourage greater community involvement, in turn leading to long-term organizational financial sustainability. Our findings also show that the interviewees see the community as the main focus for maintaining organizational continuity, and almost 70% adapt their prices in the presence of economic change. We therefore expect an increase in future trends of pricing to include changes in the economy, particularly technological and data-driven adaptation. We found that both the CCPM and LCPM are used in practice, with the two categories of price both mentioned in the interviews.

To the best of our knowledge, this theoretical framework does not exist in pricing strategies in nonprofit organizations. As organizations and economies change, future trends in pricing will continue to involve the adaptation of prices as described by the interviewees. This presents the ability of the nonprofit organization to have the appropriate data and experience to change in response to external stimuli. Our study concludes with evidence from the nonprofit sector that strategies are meant to reflect the mission, vision, and values of a tier in the community. Finally, the findings reflect the pressures of adaptation and the essential

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perceptions of pricing in these turbulent economic times, reiterating the role of price as a value offering, and the pressure of transparency regarding ethical behaviors within this organizational sector. The literature in pricing in nonprofit organizations is growing despite the slow progress, continuously transforming the thinking within the sector. Pricing is a balancing act between community benefit and organizational objectives, and when the market price for the products and services is zero, the balance must reflect one form of sustainability over the other in addition to the dynamic community voice and need over time.

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