

**THE EFFECTS OF DIRECT MARKETING
TECHNIQUES ON PERFORMANCE: AN
APPLICATION TO ARTS ORGANIZATIONS**

**Mark J. Arnold
Shelley R. Tapp**



MARK J. ARNOLD is Assistant Professor of Marketing at Saint Louis University, St. Louis, MO.

SHELLEY R. TAPP is Associate Professor of Marketing at Wayland Baptist University, Plainview, TX.

ABSTRACT

Prior research has affirmed the importance of direct marketing in various nonprofit industries, yet little guidance has been offered as to selection of those direct marketing methods that have significant effects on actual performance. This research investigates the effects of direct marketing on multiple measures of performance in the nonprofit arts industry. The results suggest that direct marketing techniques perceived as newer to the industry are likely to have differential effects on sales and fundraising performance depending on the communication program in which they are employed, and that the use of interactive direct marketing is positively related to both sales and fundraising performance. Generalized guidance is offered for arts organizations.

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INTRODUCTION

There exists a growing recognition that the “business” of managing nonprofit organizations is becoming more important than ever before. This is particularly so in the nonprofit arts industry, where people are increasingly rethinking, even revolutionizing, the way they operate, given disappearing government funding and increasingly discriminating audiences (DeLorme, Graham, Wood, & Laurin, 1995). As a result, direct marketing is increasingly viewed as an attractive marketing strategy within the nonprofit arts industry.

Yet researchers have noted that relatively little is known about the current state of direct marketing within any of the various nonprofit industries in the United States (Peltier & Schibrowsky, 1995). McCort (1994, p. 54) suggests that nonprofits “desire to implement and understand marketing strategies for the growth of their organizations, yet lack a sophisticated understanding of the possible nonprofit marketing strategies.” Even less is known about the effectiveness of direct marketing on objective measures of performance. Although some research has investigated perceived effectiveness of a variety of direct marketing methods (Peltier & Schibrowsky, 1995), no research has explicitly investigated the relationships between direct marketing and objective performance indicators in a nonprofit industry. Thus, the primary purpose of this research is to investigate how the implementation of various direct marketing methods by nonprofit arts organizations affects performance.

BACKGROUND

Prior research has affirmed the potential importance of direct marketing in nonprofit industries. For example, Bhattacharya, Rao, and Glynn (1995) suggest that nonprofit organizations can improve customer identification with the organization by concentrating on more “focused” communication strategies with their members—strategies that can be executed particularly well with direct and interactive marketing techniques. Likewise, McDaniel (1991) and

McCort (1994) have noted the growing importance of relationship marketing to gaining and maintaining competitive advantage, and that direct marketing strategies are integral to a successful relationship marketing approach. Peltier and Schibrowsky (1995) concluded that direct marketing is a vital strategic and tactical component of the overall marketing approach of U.S. fundraisers. Thus, evidence suggests that direct marketing can be a potent tool for achieving long-term organizational objectives.

The Effects of Direct Marketing on Performance

However, research in general on direct marketing has provided limited guidance in selecting appropriate media and implementing direct marketing programs in nonprofit industries. For example, Hughes and Wang (1995) examined media selection for database marketing and suggested that the best medium varies widely with the product and the industry. Even B. Stone (1988), while offering a comprehensive overview of the various direct marketing methods, gave little generalized guidance on appropriate direct marketing techniques for various target markets.

Common to some studies is the focus on subjective, or perceived, effectiveness of direct marketing methods. Peltier and Schibrowsky (1995) gathered data on nine direct marketing methods used in the fundraising industry, and how fundraising executives perceived their effectiveness. Their results indicated that direct marketing methods (e.g., direct mail), when used for differing objectives (e.g., donor relations), varied in perceived effectiveness. Importantly, although respondents were in general agreement that direct marketing has been effective in achieving organizational objectives, little insight was provided into the relationship between the usage of these techniques and actual performance variables.

Research Objective

Because of the unique needs of their various publics, nonprofit organizations would appear to benefit greatly from the efficient implementation of direct and interactive marketing tech-

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