

A Case Study Examination into How Charities Enhance Fundraising
Effectiveness through Managing Relationship with Donors and Beneficiaries

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ABSTRACT

It is becoming increasingly apparent that nonprofit organisations are more focused on raising funds through relationships that they have built with their donors. Nonprofit organisations have borrowed from business management concepts and theories for example Customer Relationship Management (CRM) and Services Management for guidance on how to effectively build and maintain relationships with their donors. This trend of applying business concepts in nonprofit context in particular for the purpose of generating fundraising income has attracted attention of researchers. Due to the lack of research in this area, this research builds on existing CRM literature by addressing a number of gaps. Firstly, little empirical evidence exists as to the relevance of CRM to nonprofit organisations. Secondly little investigation was carried out on the challenges and barriers facing charities. Thirdly, there are insufficient empirical data to serve as evidence to assess the outcomes of implementing CRM practices in a nonprofit context.

In the process of investigating these research gaps as identified above, it is found that a considerable amount of donation to nonprofit organisations are contributed by service beneficiaries or people who have close relationship with them. This finding implies a certain connection between beneficiary service satisfaction and their giving behavior thus triggering the second phase of study within the area of Services Management.

In this research, the case study method is adopted to encourage the use of multiple research techniques. The case study was carried out in a Devon-based charity over a period of two years. Firstly, the findings of this research empirically validate the relevance of key CRM implementation areas suggested by existing literature in nonprofit organisation and contribute to a fuller understanding of how CRM can be implemented in charities. The results identify six key factors which are critical to the success of CRM implementation in nonprofit organisation as well as the impact of CRM in four major areas.

Further investigation carried out on the complexity of the relationship between main stakeholders for example service beneficiaries and donors indicate a

positive connection between beneficiary service satisfaction and their willingness to donate. This important finding suggests the relevance of Services Management concepts especially the Service Profit Chain to nonprofit organisations. Whilst this thesis contributes to a better understanding of how CRM and services management are related to the effectiveness of fundraising in the nonprofit sector, further research in particular on the strength of the relationship between beneficiaries' service satisfaction and their donation will be needed in the future.

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TABLE OF CONTENTS

ABSTRACT	2
ACKNOWLEDGEMENT	4
TABLE OF CONTENTS	5
LIST OF FIGURES.....	8
LIST OF TABLES	9
APPENDIX	9
CHAPTER 1 INTRODUCTION	10
1.1 Introduction	10
1.2 Research Context	10
1.3 Theoretical Context.....	12
1.3.1 Customer Relationship Management	12
1.3.2 CRM in the Nonprofit Sector	13
1.3.3 Services Management.....	14
1.4 Research Aims and Objectives	15
1.5 Significance of Study	16
1.6 Organisation of Thesis	17
1.6.1 Chapter 2: Customer Relationship Management Literature Review .	18
1.6.2 Chapter 3: Services Management Literature Review	18
1.6.3 Chapter 4: Research Methodology.....	19
1.6.4 Chapter 5 Case Background	19
1.6.5 Chapter 6 Findings and Discussions	19
1.6.6 Chapter 7 Conclusions	20
CHAPTER 2 LITERATURE REVIEW: CUSTOMER RELATIONSHIP MANAGEMENT	21
2.1 Introduction	21
2.2 Origins and Development of CRM Concept	22
2.3 Definitional Aspects of CRM	24
2.3.1 Customer Relationship Management	24
2.3.2 Difference and Similarity between CRM and RM	25
2.3.3 Key Constructs and Rationale in CRM Concept.....	26
2.4 Implementation of CRM	28
2.4.1 Conceptual Frameworks for CRM Implementation.....	28
2.4.2 The Framework by Sue and Morin	29
2.4.3 The Framework by Winer	32
2.4.4 The Framework by Payne and Frow	33
2.4.5 Critical Factors for Successful CRM Implementation in the Commercial Sector.....	35
2.5 Applications of CRM in the Nonprofit Sector	39
2.5.1 An Introduction to the Nonprofit Sector	40
2.5.2 Customers in the Nonprofit Sector	41
2.5.3 The Relevance of CRM to the Nonprofit Sector	43
2.5.4 Applications of CRM in Managing Relationship with Donors.....	44
2.5.5 Challenges to CRM Implementation in the Nonprofit Sector	46

2.5.6 Applications of CRM in Managing Relationship with Beneficiaries ...	48
2.6 Summary	54
CHAPTER 3 LITERATURE REVIEW: SERVICE MANAGEMENT.....	56
3.1 Introduction	56
3.2 Service and Service Concept.....	57
3.3 Service Quality and Customer Satisfaction	59
3.3.1 The Definition of Service Quality	59
3.3.2 Distinction and Relationship between Service Quality and Customer Satisfaction	61
3.4 Measurement of Service Quality: SERVQUAL	64
3.5 The Service Profit Chain	69
3.6 Service Provision in the Nonprofit Sector.....	74
3.7 Summary	77
CHAPTER 4 RESEARCH METHODOLOGY	78
4.1 Introduction	78
4.2 Stance in This Research.....	79
4.3 Selection of Research Methodology	80
4.3.1 Difference in Research Paradigms.....	80
4.3.2 Case Study.....	83
4.4 Research Design	84
4.4.1 Research Objectives and Phases	86
4.4.2 Selection of Research Methods	87
4.4.3 Research Methods for Phase 1 Research.....	88
4.4.4 Research Method and Data Source for Phase 2 Research.....	92
4.5 Summary	103
CHAPTER 5 CASE BACKGROUND	104
5.1 Introduction	104
5.2 Services Provided.....	104
5.3 Financial Status	106
5.4 Summary	109
CHAPTER 6 FINDINGS AND DISCUSSIONS	110
6.1 Introduction	110
6.2 Phase 1: CRM Implementation	110
6.2.1 Donor Information Management.....	112
6.2.2 Development of New Fundraising Product to Promote Long-Term Giving	120
6.2.3 Promotion of Cross-Functional Operation	121
6.2.4 Discussions	122
6.2.5 Challenges and Barriers	122
6.2.6 Impact of CRM Implementation.....	131
6.3 Phase 2: Connectivity between Beneficiary's Satisfaction and Giving ..	136
6.3.1 Initial Investigation on the Relationship between Service Quality and Giving	136
6.3.2 Journey of Service Beneficiary	140

6.3.3 The Complexity and Duality of Relationship between Charities and Beneficiaries and Donors	141
6.3.4 Different Service Perception.....	142
6.3.5 Building Relationship with Beneficiaries: Blending Fundraising into Service Provision	143
6.3.6 Connectivity between Donor’s Giving Behaviour and Service Experience	144
6.3.7 Relationship between Beneficiaries Level of Satisfaction and Giving Behaviour	147
6.3.8 High-Level Satisfaction Leading to Donation.....	149
6.3.9 Discussions	150
6.4 Summary	150
 CHAPTER 7 CONCLUSIONS AND LIMITATIONS	 152
7.1 Introduction	152
7.2 Review of Research.....	152
7.3 Review of Outcomes.....	154
7.4 Contributions to Theory.....	156
7.5 Implications for Practice	158
7.6 Limitations.....	159
7.7 Future Research	160
 REFERENCES.....	 162

LIST OF FIGURES

Figure 2.1 CRM Strategic Framework by Payne and Frow.....	33
Figure 3.1 Service Concept Model.....	58
Figure 3.2 The Links in the Service Profit Chain.....	70
Figure 3.3 The Service Profit Chain.....	71
Figure 3.4 The Performance-Satisfaction Link.....	72
Figure 3.5 The Relationship Diad.....	76
Figure 4.1 The Structure for Research Methodology.....	85
Figure 5.1 Hospiscare's Core Services and Service Providers.....	105
Figure 5.2 Hospiscare's Income in 2006/7.....	107
Figure 5.3 Fundraising Income Streams in 2006/7.....	108
Figure 5.4 Benchmarking Hospiscare's Income with Farleigh Hospice.....	108
Figure 6.1 Processes for Data Protocol Development.....	112
Figure 6.2 Results of Demographic Analysis on Gender.....	118
Figure 6.3 Results of Analysis on Major Donors.....	119
Figure 6.4a Complexity in Relationship.....	129
Figure 6.4b Complexity in Relationship.....	129
Figure 6.5 Blueprint of the Service Provision Process.....	138
Figure 6.6 Blueprint of the Fundraising Process.....	139

LIST OF TABLES

Table 3.1 Condensed Dimensions and Scales.....	67
Table 3.2 Different Types of Services.....	75
Table 4.1 Comparison of Quantitative and Qualitative Research Approaches.....	81
Table 4.2 Advantages and Disadvantages of Qualitative vs. Quantitative Methods.....	82
Table 4.3 Strengths and Challenges of Participant Observation	90
Table 4.4 Strengths of In-depth Interviews versus Focus Groups.....	98
Table 4.5 Key Messages Obtained from Interviews	100
Table 6.1 Sample of New Data Protocols.....	117
Table 6.2 Question No.7.....	144
Table 6.3 Results Generated by SPSS for Question No.7.....	145
Table 6.4 Question No.8.....	146
Table 6.5 Results Generated by SPSS for Question No.8.....	146
Table 6.6 Key Messages Obtained from Focus Group Interview.....	149

APPENDIX

Appendix 1 Survey Questionnaire.....	182
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CHAPTER 1 INTRODUCTION

1.1 Introduction

This chapter aims to introduce the topic, scope and structure of research contained in the thesis. The proceeding chapter is arranged as follows: Section 1.2 describes the research context and outlines the rationale for the research. Section 1.3 positions the research within the current literature and introduces the relevant theoretical perspectives. Section 1.4 describes the aims and objectives of the research. Section 1.5 considers the significance of the study. Lastly, Section 1.6 outlines the organisation of the research and summarises the remaining chapters.

1.2 Research Context

This thesis presents an empirical study based on the case of a local charity organisation, which was conducted under a two-year Knowledge Transfer Partnership (KTP) scheme. The initial investigation, Phase 1, focuses on Customer Relationship Management (CRM) as the management theory and tool for improving fundraising effectiveness. The challenges associated with the implementation of CRM in a local charity present some important theoretical and practical issues in relation to fundraising, for instance “*Can CRM be applied in nonprofit organisations?*” and “*How to implement CRM in nonprofit organisations?*”. As such, the first phase of research explores the relevance of CRM initiatives suggested by literature in the nonprofit setting, identifies challenges and barriers associated to CRM implementations and evaluates the outcomes of implementing CRM strategy. The findings from the first phase of study indicate the motivations of beneficiary’s giving and its relationship to service satisfaction, thus triggering a second phase of research, which is designed to explore the relationship between beneficiary service satisfaction and beneficiary intention to give, therefore drawing upon Service Management theory and in particular the Service Profit Chain.

In the UK, charities are widely recognised for playing a vital role in shaping the economy and contributing to the sustainability of community development and social capital development (Tarling, 2000). In 2004, there were around 200,000 charities listed on the government register, a 53 per cent increase since 1989, with an aggregate annual income of around £21 billion and about 600,000 employees accounting for 2 per cent of the total workforce (Wilding et al., 2004; NCVO, 2004). Although the statistics seem to suggest that this sector appears to be thriving, in reality charities are under increasing pressure due to changes in the market environment in which they operate in. Moreover, in the recent years, government, foundations, and individual donors have decreased funding for most charities (Wilding et al., 2004), and the economic downturn has increased the demand for nonprofit services as more people find themselves in need of these services (NCVO, 2004). In response to the challenges and changing conditions, many charities have consciously shifted from traditional practices, where the focus would have been on cutting administrative costs, to actively adopting management concepts and theories to maximise fundraising effectiveness.

Hospiscare (the case upon which this research is based), is a local hospice in Devon. It provides integrated palliative care to patients who are approaching the final stages of their lives and offers support to patient's family. Reflecting its mission of 'providing seamless care for patients and families', its core services cover the following aspects: 1) Hospital Services, 2) Specialist Community Nursing, 3) Day Care Services, 4) In-patient Unit and 5) Bereavement Services. In recent years, it has been under the pressure to meet the increase in operational costs while facing the competition from other charities. They realise that in order to maintain their high quality services and to ensure the company's survival, in the long run, there is a need for a more proactive and innovative approach to secure a stable fundraising income.

The Knowledge Transfer Partnership between Hospiscare and the University of Exeter Business School, allows this research to be carried out alongside day-to-day fundraising management and operations, including various fundraising planning and decision making tasks. It offers access to confidential and private information over the period of research, such as information about finance,

donors and medical records of beneficiaries. In return, the research creates an opportunity for Hospiscare to gain access to new streams of knowledge from the University to address some of the pressing issues it is facing, particularly in the area of fundraising.

1.3 Theoretical Context

1.3.1 Customer Relationship Management

Under increasing pressure to secure fundraising income, an increasing number of charities are actively adopting marketing principles, in particular CRM (Andreasen, 1996; Bennett and Gabreil, 1998; Bennett, 2005) to reap benefits already demonstrated in the business sector.

CRM is considered as a key driver in the change from product-based to the customer-based structure in business organisations (Anderson, 2004). It is underpinned by the integration of information systems and the development of supporting software to significantly improve the implementation of relationship marketing principles (Winer, 2001). The focus of relationship marketing is to improve long term profitability by shifting from transaction-based marketing with its emphasis on winning new customers to customer retention through effective management of customer relationships. CRM has been developed from the relationship marketing literature mainly the findings contributed by the research work carried out by Berry (1983). It was defined by Chen and Popovich (2003) as a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do and what they are like.

Although it is widely recognised that CRM emphasises customer retention and relationship development (Bhattacharya and Bolton, 2000), there is no consensus over the definition of CRM. Anton (1996) characterized CRM as an integrated approach to managing relationships. The result of this work was the underpinning of relationship management with a continuous improvement or re-engineering of customer value through better service delivery and competitive

positioning of the offer. Other scholars emphasise a technological rather than a relational perspective to CRM. Peppers and Rogers (1993) claimed that the marketing of the future is undergoing a technology-driven metamorphosis, which Kutner and Cripps (1997) encapsulated as data-driven marketing. Lynette and Knox (2001) argued that CRM is theoretically relationship-oriented and emphasised that customer retention and the creation of superior customer value through process management and information technology is the glue that holds the theoretical and technological parts together and enables the whole concept to be operationalisable.

1.3.2 CRM in the Nonprofit Sector

Charities' attempts in introducing marketing theory and concepts into the nonprofit sector has attracted interest from academics and led to a number of studies carried out on the applicability of CRM in a nonprofit context (Sargent, 2001; Bennett 2005). It is widely accepted that the relationship between a charity and its donors is based on an exchange (Weir, 2000; Bennett, 2005). Namely, donors provide monetary support to charities and in return gain recognition and respect from charities. From a fundraising perspective, the fundraising service offered by charities is "a vehicle through which donors can help others" (Weir, 2000). This exchange is similar to that between a commercial service supplier and its customers. The service provided by charities to donors, being intangible, heterogenic, inseparable and perishable, are very much likened to commercial services (Zeithaml, 1985). Therefore, it is regarded appropriate for charities to adopt service marketing concepts for guidance. In this respect, relationship marketing, one of the key developments in services marketing offers potential. Furthermore, as services provided by charities are based on personal contacts with beneficiaries, they reveal a high degree of interactivity, which suggests that the nonprofit sector is an ideal domain for employing CRM practices (Brennan, 1999a).

A review of CRM literature reveals that charities have increasingly applied CRM within their organisation in the recent years, with the aim of boosting fundraising income (Bennett, 1998; Bennett and Sargeant, 2004). Moreover, the adoption of CRM often takes the form of relationship and database fundraising with the

application of modern technologies and the assistance of information about donors. Although a number of research (Sargeant 1995; Sargeant 2001) have examined the implementation of specific CRM techniques for the purpose of fundraising, several gaps in the current literature are identified. Firstly, there is a lack of sufficient empirical studies carried out to validate the applicability of CRM critical success factors (CSFs) in the nonprofit sector. Secondly, very limited investigation was carried out on the challenges and barriers facing charities during CRM implementation. Thirdly, there is a lack of empirical data which can serve as evidence to assess the outcomes of CRM strategies. These gaps lead to the formulation of research questions which will be detailed in Section 1.4 Research Aims and Objectives.

1.3.3 Services Management

The rapid growth of service in both the commercial and nonprofit sectors has led to a number of questions being raised, such as “*What does service mean?*” and “*What is the nature of service?*” These questions have significant implications for the success of organisations, the welfare of societies, and the quality of customers’ lives (Bitner and Brown, 2008). More than ever, research has been carried out by scholars and practitioners to address these issues, which are arguably caused by the complex nature of services. There has been an overwhelming consensus that the improvement of service quality will enhance customer satisfaction and will therefore result in better business performance. However, there is considerable debate (Bitner and Brown, 2008) as to the nature of service and its relationship with customer satisfaction. The research carried out by Parasuraman et al. (1985) conceptualised the characteristics of services and argued services are distinguished from goods in four critical dimensions: intangibility, heterogeneity, inseparability and perishability. These distinct characteristics inform the measurement instrument of service quality and the relationship between customer satisfaction and service quality.

There is also a substantial body of literature (Gelade and Young, 2005; Silvestro and Cross, 2000) surrounding the “Service Profit Chain” which was firstly proposed by Heskett et al. (1994). The model establishes the relationship

between profitability, customer loyalty, employee satisfaction and productivity. The following propositions are used to specify the links in the model: “Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal and productive employees. Employee satisfaction, in turn, results primarily from high quality support services and policies that enable employees to deliver results to customer.” (Heskett et al., 1994). The Service Profit Chain is considered as one of the most influential contributions in the customer service quality literature (Duncan and Elliott, 2004) and is often described as “an established model of service management” (Voss et al., 2005). Its popularity is also evident in the case studies reported by practitioners (Rucci et al., 1998). However, a review of service management literature shows a lack of investigation on its application in understanding the relationship between service quality and the charitable behavior of service beneficiaries in a nonprofit setting. The insufficiency identified in existing research provides a foundation for the research questions presented in the following section.

1.4 Research Aims and Objectives

This research seeks to understand and explain the application of CRM within the UK nonprofit sector. Existing CRM literature suggests three key areas for CRM implementation. They are: 1) understanding customers via the use of modern technology; 2) creation of customer-focused product to enhance the value for both the organisation and customers; 3) implementation of cross-functional strategies to maximise the value to customers. However, there is a lack of sufficient empirical data to validate the applicability of these suggested activities and to demonstrate their impact on the organisation in the aspect of organisational culture and fundraising. These gaps provide causes for identifying the following research questions:

Question 1: What are the major activities associated with CRM implementation in charities?

Question 2: What implementation issues exist in terms of challenges and barriers during implementation?

Question 3: How does CRM implementation impact the performance of charities?

The research carried out on the above questions reveals that a considerable amount of donation are contributed by service beneficiaries or people who have a close relationship with them. This finding implies a certain connection between service quality and giving behavior of service beneficiary and triggers the following research question for Phase 2 study.

Question 4: What is the relationship between beneficiary service satisfaction and charitable behavior?

Previous research indicated that Services Management theory offers a suitable theoretical platform to explore the above-mentioned relationship. An understanding of existing theories and in particular the Service Profit Chain which explains the relationship between service satisfaction and financial return is obtained through a review of literature. Relevant research strategies are formulated to meet the needs of above research questions.

1.5 Significance of Study

This study contributes to theory in two ways: through the application of CRM in nonprofit organisations and in the exploration of the relevance of service management theory in the same setting.

The empirical study undertaken in Phase 1 contributes to existing CRM theory and practice as follows; firstly, it validates the applicability of three major CRM implementation areas which are identified in the review of CRM literature. Secondly, it identifies the challenges and barriers charities may encounter in the process of implementation, thus offering valuable guidance to practitioners in the non-profit sector. Thirdly, it evaluates the impact of these activities on

fundraising effectiveness. In addition, the first phase of research implies a connection between beneficiary service satisfaction and their monetary donation, which leads on to the next phase of the study.

The study undertaken on Phase 2 contributes to the understanding of relevance of Service Management theories, particularly the Service Profit Chain, in a nonprofit context. The research findings indicate a positive connection between beneficiary satisfaction of services and their willingness to give. In doing so, the research challenges the adequacy of existing Service Profit Chain theory which is based on a one-to-one relationship between suppliers and customers. It also provides valuable implications for practice, in relation to fundraising. The research shows the touch points which are identified in the research can be leveraged to instigate the cross-functional performance across the organisation and to considerably enhance the fundraising income. The research also highlights the need for further investigation on the strength of the relationship between beneficiary's service satisfaction and giving behavior.

1.6 Organisation of Thesis

The research presented in this thesis will be structured as follows: firstly the review of CRM literature will be presented with a focus on its conceptual development and current applications in the nonprofit context to identify the insufficiency in investigation undertaken on application of CRM in managing charity's relationship with donors and beneficiaries. Secondly, the review of Services Management literature particularly its conceptual development and the Service Profit Chain theory are presented. Next, the research objectives and methodology for both phases are detailed. This is followed by the presentation and analysis of data obtained from multiple data sources. Finally the implications for theory and practice, the conclusion and the perceived limitations and research opportunities are discussed. The following sections outline the content of the chapters which will form the remainder of this thesis.

1.6.1 Chapter 2: Customer Relationship Management Literature Review

This chapter establishes the theoretical foundations for the research on Phase 1. Both the origin and evolutionary development and the key elements and characteristics of CRM are explored with consideration given to various definitions of CRM. The implementation of CRM including various customer relationship management frameworks and the critical factors for success are further examined and discussed. The objective is to understand the conceptual platform of CRM concept and the confusion surrounding it as well as the key issues in relation to CRM implementations in the commercial sector. The second objective is concerned with the applicability of CRM in the nonprofit context. The review of the literature reveals the challenges as well as opportunities faced by charities in applying CRM concepts in developing a positive or even profitable relationship with donors and beneficiaries. The synthesis of the literature provides a point of departure for subsequent empirical research by identifying three major areas for CRM implementation and the critical success factors for the success of CRM in both sectors.

1.6.2 Chapter 3: Services Management Literature Review

The objective of Chapter 3 is to gain an understanding of services concepts, service quality and its relationship with customer satisfaction. This chapter firstly explores the nature of service and service concept and subsequently reviews the definition of service quality and the debate concerning its characteristics, its relationship and distinction with customer satisfaction. The literature in two major theoretical perspectives: the Service Profit Chain and SERVQUAL are reviewed with consideration given to various criticisms. The strong causal relationship between service quality and customer satisfaction has been evident in the Service Profit Chain literature. This chapter provides a theoretical platform for the application of Service Profit Chain in explaining the relationship between service quality and charitable behavior of the service beneficiary.

1.6.3 Chapter 4: Research Methodology

This chapter describes and justifies the research methodology for this study. It provides a brief review of research philosophies and methodology. Consideration is given to the strengths and weaknesses of two major research methods, namely quantitative and qualitative from the perspectives of positivism and phenomenology. The adoption of a case study approach reflects a stance of pragmatism, which is essential for this research as it supports the high level of data that have been generated from the multiple methods approach used for this study. The triangulation of research findings is achieved by having data available from various different research sources. Based on this research stance, the logic and relevance of method selection and how they are deployed to contribute to answer research questions are discussed in detail.

1.6.4 Chapter 5 Case Background

This chapter reports the understanding of the contextual knowledge of the case including its core services income and expenditure and the status quo of fundraising. The data are mainly collected from the organisation's published documents, meeting minutes reports database, these material provide an insight into the background in which CRM was implemented.

1.6.5 Chapter 6 Findings and Discussions

This chapter reports the findings of the empirical research which was carried out through the case study of a local charity during two phases. The first phase of the study focuses on identifying major CRM implementation activities, the associated challenges and barriers and evaluating the impact of CRM implementation on fundraising effectiveness. Comparing the data of actual CRM implementation processes in a charity with the findings from Phase 1 of the study, suggest a high level of relevance of major CRM implementation activities that is recommended in CRM literature. Findings drawn from the further analytical study posit the differences and commonalities between critical success factors identified by this study and those identified by previous

literature. Findings drawn from the evaluation of CRM implementation exhibit a positive impact of CRM initiatives on fundraising effectiveness. It also reports the findings revealed by the investigation undertaken on Phase 2 with the aim of examining the relationship between service quality and charitable behavior of the beneficiary.

The findings from the second phase of study provides a better understanding of how service quality relates to the charitable giving made by service and indicates a positive relationship between service quality, beneficiary service satisfaction and their giving.

1.6.6 Chapter 7 Conclusions

This chapter summarises the research and draws a number of conclusions. The research objectives are revisited, the outcomes measured and reflections on the research process are presented. Also the contribution of the research to theory and management practice is reviewed and the limitations and further research opportunities are identified.

CHAPTER 2 LITERATURE REVIEW: CUSTOMER RELATIONSHIP MANAGEMENT

2.1 Introduction

As the donor pool is shrinking (Chew, 2003), charities have struggled to make donor-acquisition activities work in recent years (Chew, 2003). Charities have therefore turned their attention to maximising their investment through retaining existing donors. Researchers for example Burnett (1992) and Sargeant (2001) argued that the tools and techniques of marketing in particular CRM, might have much to offer the Third Sector in achieving this goal. In order to gain a better understanding of existing research work around CRM, a review of existing literature was carried out and summarised in the following six sections.

In the next section of this chapter, it reviews the origin and conceptual evolution of CRM concept. In the third section of this chapter, it examines the different definitions of CRM and explores the key elements and characteristics. Following from this, it further discusses the implementation of CRM, in particular the major CRM conceptual frameworks and the critical factors for the success of CRM initiatives. The objectives are to understand the conceptual platform for the evolution of CRM concept, clarify the confusion surrounding CRM and understand the key areas of its implementation and associated challenges in the for profit sector.

The fifth section starts with introducing an overview of the challenges and opportunities faced by charities. It then discusses the definition of customer in the nonprofit context, and CRM applications in building a positive or even profitable relationship with both donors and beneficiaries based on literature review.

The literature review highlights a number of gaps. Firstly, limited investigations have been carried out to identify the major CRM implementation activities that can benefit charities financially. Secondly, there is a lack of sufficient empirical data which can serve as evidence to support the applicability of these activities

and demonstrate their impact on the effectiveness of fundraising. In all, CRM in nonprofit charitable context is an under-researched phenomenon. The end of this section summarises and proposes the research questions formulated based on the gaps in the literature mentioned above.

2.2 Origins and Development of CRM Concept

Originated from relationship marketing, CRM is used as the synonym of relationship marketing (RM) in the academic society (Parvatiyar and Sheth, 2001). The phrase of relationship marketing was firstly coined by Berry (1983), and defined as “attracting, maintaining and in multiservice organisations enhancing customer relationships” (Berry, 1983). Though Berry (1983) coined the term ‘relationship marketing’, earlier conceptual contribution to it can be traced back to Levitt (1983)’s marketing idea that marketing should be needs-focused instead of product-focused and the proposed concept of ‘augment of product’, which stated that customers were interested in a total buying experience not just a product. Levitt (1983) also recognised that ‘needs focus’ equals ‘value focus’ and the creation of value for customer and firms. From there it was developed into the key component of CRM - the dual creation of value. In the 1990s, with the development of information technology, many organisations were overwhelmed with customer data and sought solutions that would promote management of useful information. Against this background, software vendors captured the ‘one-to-one marketing’ idea introduced by Peppers and Rogers (1993), which highlighted the importance of establishing an individualized marketing and mutually beneficial relationship between the customer and their suppliers and the ‘mass customization’ concept by Pine (1998) to provide IT solutions to the collection and storage of customer’s information (Payne, 2006).

Compared to previous marketing concepts, Berry’s term has come to represent a more balanced emphasis on continuing relationships rather than simply individual transactions. The influential study carried out by Reichheld and Sasser (1990) shows that large improvements in profitability can be achieved by relatively small increases in customer retention rates and therefore, the more

recognition and attention should be given to the management of customer relationships in the long term as well as prior to the first sale. This argument is further strengthened by data which shows that the relative cost of retention to acquisition is lower (Blattberg and Deighton, 1996; Filiatrault and Lapierre, 1997; Wilson et al. 2000) and the increasing profitability of customers the longer the relationship lasts (Reichheld,1996; Wilson et al., 2000). The popularity of these opinions has presumably influenced the adoption of the term “customer relationship management” (CRM) over more recent years.

The concept of relationship marketing, which forms the backbone of CRM emphasises marketing intangible products, constant reselling and the need to improve the performance of service personnel as a key to retaining customers. As Berry (1983) admitted, relationship marketing is an “old-new” concept, and the idea of gaining business earnings through meeting customer’s needs and wants was known to the earliest merchants.

Although CRM is based on relationship marketing philosophy, it is neither a simple assembly of existing ideas nor a management fad. Instead, in spite of the technological perspectives, CRM is fundamentally based on the philosophy of improving customer retention and lifetime value through cross-functional management (Ryals and Knox, 2001). It requires a “cross-functional integration of processes, people, operations, and marketing capabilities that are highly enabled through information, technology and applications” (Payne and Frow, 2005). It is the “outcome of the continuing evolution and integration of marketing ideas and newly available data, technologies and organisational forms” (Boulding et al., 2005). This is what distinguishes CRM from other previous relationship management.

In order to proceed with the further exploration of theories and concepts of CRM, we need to be clear about what CRM exactly means. Therefore, in the following section, we will try to clarify the confusion around the definitions of CRM.

2.3 Definitional Aspects of CRM

2.3.1 Customer Relationship Management

The CRM concept and its applications have become a major area of interest in the last decade in both the commercial sector and academia (Boulding et al., 2005). However, a number of researchers for example Zablah et al. (2003) observed that the practitioner and academic literature have failed to produce a consensus definition for CRM and the large number of CRM definitions have caused confusion.

It is agreed widely that Berry's definition of relationship marketing, which is used inter-changeably with CRM means a shift from the transaction-based marketing with the emphasis of winning new customers to the relationship-based marketing which focus on customer retention (Christopher et al., 1991). However, there is no consensus on how CRM should be defined. After a review of CRM literature, different definitions of CRM, each with a different focus and scope can be categorised into three broad perspectives, i.e. analytical, operational and strategic.

From the operational perspective, CRM is defined narrowly by IT vendors of CRM programmes as the software applications used to deposit customer's personal or transaction information for the purpose of data analysis and segmentation (Buttle, 2004). The definition given by Ryals and Payne (2001) supports this, by arguing that CRM is about "using information technology in implementing relationship marketing strategies". However, Payne and Frow (2005) pointed out that seeing CRM solely as a technology initiative in practice and considering technology as equivalent to CRM is a key reason for CRM failure.

Other researchers emphasised a relational rather than technological perspective of CRM. Anton (1996) and Ryals and Knox (2001) described CRM as an integrated approach to manage relationships. Alternatively, CRM may be defined on an analytical level as a specific marketing technique or program, e.g. database marketing or loyalty program. Buttle (2004) pointed out that analytical

CRM is concerned with exploiting customer data to enhance both customer and company value, and that analytical CRM builds on the foundation of customer information. He argued that operational CRM will struggle to reach full effectiveness without analytical information on the value of customers. In practice, analytical CRM is reflected in customer segmentation tactics, loyalty schemes, database marketing and etc. (Buttle, 2004).

The above two definitions are challenged by many scholars (Boulding et al., 2005; Payne and Frow, 2005). They argued that CRM is not just about installing the software or managing touch points with customers, but the restructuring of the organisation around the customer's need and being customer-centric (Boulding et al., 2005). Ryals and Knox (2001) supported this argument by pointing out that a combination of the availability of affordable software solutions to meet the challenges of "mass customisation", and the rapid growth of the services sector facilitate companies to shift from "product focus" to a "customer focus". Transformation from "product focus" to "customer focus" requires the re-orientation of companies and imposes a great impact on the organisational culture and structure (Parvatiyar and Sheth, 2001). Therefore, CRM is also defined as a management approach that enables organisations to identify, attract and increase retention of profitable customers by managing relationships with them (Wilson and McDonald, 2002).

In this thesis, CRM is regarded as "the core business strategy" (Buttle and Burton, 2002) grounded on high quality customer data and enabled by IT to develop a long-term profitable relationship with customers through cross-functional integration of processes, people, operations and marketing capabilities. More enterprises will consider CRM critical to corporate strategy in the next few years (Buttle, 2004).

2.3.2 Difference and Similarity between CRM and RM

As CRM is always referred to relationship marketing (RM), it is worth spending some length to explore the difference and similarity between them.

The review of CRM literature reveals that there is still a lot of confusion as to how CRM differs from RM, although some of the researchers have used both the terms almost interchangeably (Sin et al., 2005). Das (2009) argued that significant differences exist between these two constructs. First, RM is relatively more strategic in nature, whereas CRM is more tactical in its approach. According to Ryals and Payne (2001), CRM is all about implementing while RM is about using information technology.

Secondly, RM goes beyond the traditional customer-supplier dyad (Gummesson, 1994; Mitussis et al., 2006) and includes building relationships with the entire range of stakeholders (Hunt et al., 2006; Payne et al., 2000). On the other hand, CRM is more focused on building relationships with profitable customers (Ryals and Payne, 2001; Sin et al., 2005).

Finally, the emphasis of RM is different from CRM. RM focuses on concepts such as bonding, empathy, reciprocity and trust (Sin et al., 2005; Yau et al., 2000). While CRM relatively emphasise how management can make concerted efforts in attracting, maintaining and enhancing customer relationships (Sin et al., 2005).

RM and CRM also have strong similarities: both strongly focus on individual buyer-seller relationships, accept that these relationships are longitudinal in nature and both buyer and seller benefit in the relationship (Sin et al., 2005). According to Das (2009), CRM can be regarded as, to some extent, a subset of RM. This justifies the presence of RM-related research papers in the current CRM literature review.

In this thesis, we will consider CRM and RM are two exchangeable terms while bearing in mind the differences between these two terms.

2.3.3 Key Constructs and Rationale in CRM Concept

In order to reveal the motivations for companies to adopt CRM strategy, this section explores key constructs of CRM. The most important construct in CRM is “R”, meaning the relationship. It is composed of a series of episodes between

dyadic parties over time (Buttle, 2004). According to Dwyer (1987), awareness, exploration, expansion, commitment and dissolution are five general phases through which relationship can evolve. A highly developed relationship should contain two important attributes: trust and commitment (Dwyer, 1987). Trust and commitment are also two important components in CRM for a successful, long-term relationship (Buttle, 2004). Morgan and Hunt (2006) defined relationship commitment as: “an exchange partner believing that an on-going relationship with another is so important as to warrant maximum effort to maintaining it, that is the committed party believes the relationship is worth working on to ensure that it endures indefinitely” (Buttle, 2004). Many literature confer that the relationship between companies and customers should be mutually beneficial and the core of CRM lies in the concept of dual creation of value (Boulding and Staelin, 2005)

Boulding and colleagues (2005) noted that CRM has the potential to enhance both business performance and customer benefits through the dual creation of value. A key objective of CRM strategies is to improve customer’s retention rates, which will lead to the increase in the size of the customer base and the reduction in the churn rates. The rationale for CRM is in the form of the satisfaction profit chain model as Buttle (2004) described. The logic is that CRM improves business performance by enhancing customer satisfaction and driving up customer loyalty because customer insight allows companies to understand their customers better, and create improved customer value propositions. As customer satisfaction rises, customer’s repurchase intentions also increase. This in turn will influence the actual purchasing behaviour, which has a significant impact on business performance. Meanwhile, customers do expect to be able to deal with companies when they want, where they want and how they want, and gain more value when companies meet their specific needs.

The summary of characteristics of CRM by Ryals and Knox (2001) provides a clearer illustration of the relationship theories in CRM concept.

- 1) CRM is based on a customer relationship perspective and aimed at the long-term retention of selected customers;

- 2) It involves collecting and integrating information on customers; the use of dedicated software to analyse this information; segmentation by expected customer lifetime value; micro-segmentation of markets according to customers' needs and wants;
- 3) Customer value is created through process management and delivered through service tailored to micro-segments, facilitated by detailed, integrated customer profits;
- 4) CRM presents a shift from managing product portfolios to managing portfolios of customers, necessitating changes to working practices and sometimes to organisational structure.

2.4 Implementation of CRM

2.4.1 Conceptual Frameworks for CRM Implementation

It is doubtful that businesses can implement an effective CRM strategy if they do not have a framework for developing and implementing their strategy. Grabner-Kraeuter and Moedritscher (2002) pointed to the lack of an adequate CRM strategic framework, as being one reason for the disappointing results of many CRM initiatives. Kale (2004) concurred with this view and argued that a critical aspect of CRM involves identifying all strategic processes that take place between a company and its customers (Payne and Frow, 2005). Payne and Frow (2005) examined CRM adoption in a range of industry sectors and concluded that 75 per cent of companies did not have a definition of CRM and 61 per cent did not have a framework for CRM strategy.

A number of authors proposed CRM strategy frameworks. Buttle (2001) proposed a "CRM value chain" that identifies a series of "primary stages": customer portfolio analysis; customer intimacy; network development; value proposition development; and manage the relationship. It also identifies a series of "supporting conditions" including: culture and leadership; procurement processes; human resource management processes; IT/data management processes; and organisation design. This is one of the more detailed approaches.

2.4.2 The Framework by Sue and Morin

Sue and Morin (2001) developed a strategic CRM framework based on CRM initiatives, expected outcomes and contribution. As they admitted, the framework is conceptual and general, and it doesn't suggest a particular strategy or a particular sequence of initiatives. However, it shows a way of structuring the elements of a strategy, and of articulating the reasoning behind it. They claimed that any sound CRM strategy or CRM initiative should fit within the construct of the framework.

Five key constructs in the framework are known as “knowing customers”, “divesting customers”, “increasing added value”, “customer interaction” and “customer base”. It is believed that customer knowledge is the necessary starting point for any CRM strategy. A company will fail to address its customers' needs and wants, and thereby offer value, unless it understands clearly what these are.

Construct 1: Knowing Customers

Three complementary initiatives contributing to the creation of increased customer knowledge were defined as “capture and integrate customer information from multiple sources”, “create customer profiles” and “segment customers”. The outcome of knowing customers is the increased customer knowledge which leads to the ultimate objective of CRM - increased profitability.

Initiative 1: Capture and integrate customer information

Customer information needs to be captured from multiple sources. For instance, it can be collected from internal sources through customers' interactions with different departments of the company, different communications channels, or from external sources. Information to be captured includes customers' demographic and psychographic data, buying histories, preferences, customers' responses to marketing and sales campaigns. The data is used to create customer profiles and to segment customers in order to develop appropriate products and services, as well as marketing and relationship programs. Capturing information is usually facilitated by the development of a database to integrate data from both the internal multiple systems as well as from the

external sources. The integration of data is important to give a company a 360° view of customers.

Initiative 2: Create customer profiles

Business intelligence tools such as reporting, data mining, on-line analytical processing, and data visualisation are used to derive information from customer data to provide understanding of customer behaviour and preferences, in support of marketing and product/service development programs.

Initiative 3: Segment customers

Segmentation based on customer profiles is needed to identify who are the most profitable customers, and can be supported by business intelligence tools associated with data warehousing.

Construct 2: Divesting Unprofitable Customers

Discouraging or declining business from customers who are not profitable will allow the company to re-direct and focus their resources on customers that are of more value.

Construct 3: Increasing Value-add

The basis of any customer relationship is the value that can be provided to them. Value was interpreted by Sue and Morin (2001) as something that the customer appreciates in a positive way and is associated with positive customer care experiences, quality of product or service offerings. They believed that adopting a business model that takes a customer-centric perspective is the key to increasing value-add. Two initiatives were suggested:

Initiative 1: Implement targeted customer care / relationship programs

Customer care programs are those that satisfy customer needs at all stages of the customer life cycle. Customer relationship programs are those that are explicitly designed to enhance customer relationships, e.g. loyalty and customer recognition programs. Customer information is used to identify those who should be targeted by such programs.

Initiative 2: Implement targeted marketing programs and targeted product/service offerings

Product and service offerings can be developed based on identified customer needs and the service expectations of the target segments. Targeted marketing programs build value in targeted market segments by linking products and services to what customers in those segments value.

Construct 4: Customer Interaction

Creating flexible integrated channel architecture with the use of information systems is critical to the construction of multiple channels from the company to the targeted segments. The integration of different channels increases the value to both customers and businesses by enhancing the convenience provided to customers and reducing costs of managing relationship with customers. Sue and Morin (2001) believed that “this seamless, individualised response to the customer at multiple touch points is perhaps the most difficult challenge that organisations face in CRM”, since it places heavy demands on systems, processes and people. The obvious outcome includes increased marketing, sales and customer care effectiveness.

Construct 5: Customer Base

The increased loyalty of existing profitable customers, acquisition of new and profitable customers and divestment of unprofitable customers results in an increased share of profitable market segments.

It was suggested by Sue and Morin (2001) that the framework can be used in two major aspects. Firstly, it can be used for strategy development by treating it as a starting point and a conceptual context. Though the CRM strategy will be more specific and detailed than the framework, the type of mapping used to illustrate the framework can also be used in outlining the detailed strategy. The outcomes and initiatives depicted in the framework can be expanded into a detailed breakdown of sub-components. Secondly, it can be used for assessing the completeness of a CRM initiative.

2.4.3 The Framework by Winer

Winer (2001) outlined a model, which contains 7 basic components: a database of customer activity; analysis of the database; decisions about which customers to target; tools for customer targeting; how to build relationships with segmented customers; privacy issues; and metrics for measuring the success of the CRM program. As Winer (2001) claimed, the framework provides a managerially useful, end-to-end view of the CRM process from a marketing perspective.

The framework stressed that the first step to a complete CRM solution should be the creation of a customer database as it provides the foundation for any customer relationship management activity. It also considers that “analysing the data” makes the definition of customer segmentation possible by using a variety of multivariate statistical methods to develop different product offerings or direct marketing campaigns.

“Customer selection and targeting” are approaches used to consider which customers to target with the firms marketing programs. The various descriptive variables for these segments provide information for developing useful marketing tools. One to one marketing is used to facilitate the individual relationship building with customers. One of the popular forms of direct marketing is using personalised emails.

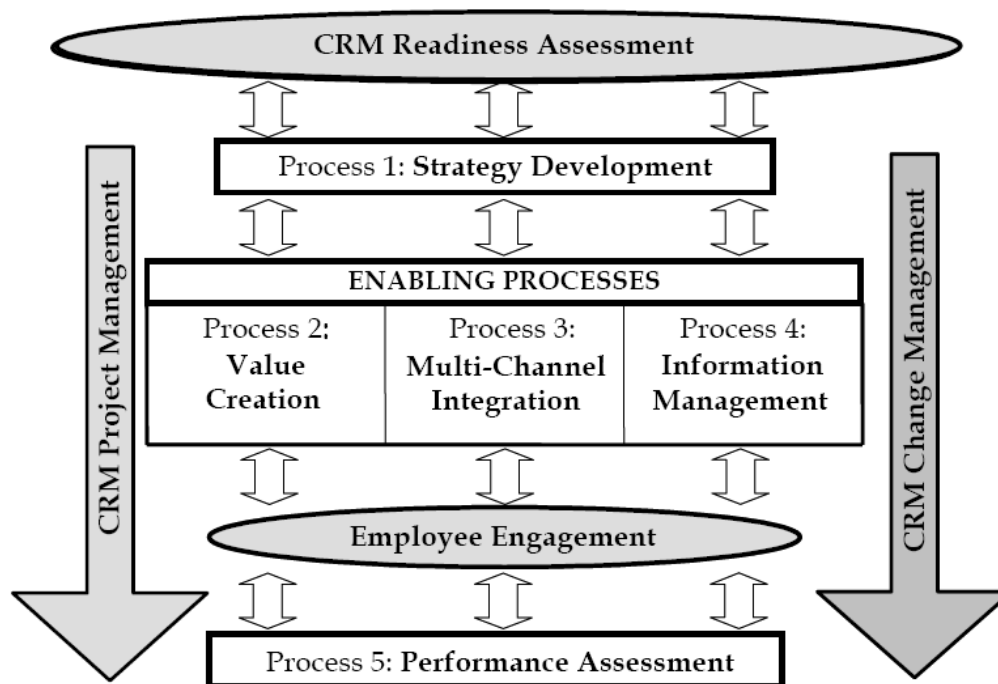
“Relationship marketing program” is devised to deliver a higher level of customer satisfaction than competing firms can deliver. Research undertaken in this area has shown that it is critical for firms to deliver performance at higher and higher levels as expectations increase due to competition, marketing communications and changing customer needs. It has also shown that there is a strong positive relationship between customer satisfaction and profits.

“Management of customer contact” is to manage the touch points that a customer has with a firm. Touch point is a customer service encounter (Winer, 2001) and therefore has the potential to gain repeated business and helps CRM.

2.4.4 The Framework by Payne and Frow

Whilst all these frameworks provide insight into CRM, none adopt an explicit cross function process-based conceptualisation (Payne and Frow, 2005). So far, Payne and Frow's framework appears to be the most detailed and commonly accepted. The framework has two main components: key CRM implementation elements and core cross-functional CRM processes. They also identified four critical elements for successful CRM implementation initially developed from interviews, extensive discussions, group work at workshops and from the literature. The four identified critical elements are: CRM readiness assessment; CRM change management; CRM project management; and employee engagement. They then integrated these four critical elements for CRM implementation with five core CRM processes in a conceptual model for CRM strategy and implementation (Payne and Frow, 2006).

Figure 2.1 CRM Strategic Framework by Payne and Frow (2006)



The core CRM enabling processes include value creation processes, multi-channel integration processes and information management processes.

Value creating process extracts and delivers value. Recent emphasis on viewing the customers as a co-creator or co-producer of value (Prahalad and

Ramaswamy, 2004; Vargo and Lusch, 2004) becomes increasingly important in CRM activities. The value creation is an interactive process between the company and customers and the value creation CRM programmes can identify both the value the customer receives from the company and the value the company receives from the customer (Payne and Frow, 2006). The organisation must be able to target specific customers and develop a value proposition which explains the relationship between the performance of the product, the fulfilment of the customer's needs and the total cost to the customer over the customer relationship life cycle.

The multi-channel integration process can facilitate the achievement of a superior customer experience within and across all the channels in which the company interacts with customers.

The multi-channel integration process and strategy involves decisions about the best combination of channels; how to ensure that customers have premium experience when they interact with those channels, where customers interact with multiple channels and how to create and present a single view of customers. From the perspective of customer services, it involves managing every contact point between the customer and company and creating better ways for customers to experience the company and ensuring the communications and services a customer receives through different channels are co-ordinated, coherent and tailored to their particular interest. While the various channels create the opportunities for improving customer relationships, it presents considerable challenges in managing the complexity of the channels both profitably and in an integrated manner.

The information management process is thought as an engine that drives CRM activities. It consists of several elements that need to work closely together including a data repository that provides a corporate memory of customers; IT systems including the organisation's hardware, software and middleware; analytical tools, and front office and back office applications. This process is concerned with two key activities: the collection and collation of customer information from all points of customer contact; and, in combination with other relevant data, developing customer insight that can be used to enhance the

quality of the customer experience (Payne and Frow, 2006). As customer information is spread across disparate functions and departments, interactions with the customer may be based on partial or no knowledge of the customer. This complexity presents one of the major challenges.

2.4.5 Critical Factors for Successful CRM Implementation in the Commercial Sector

According to the Gartner Group, a research and advisory group, as many as 55% of all CRM projects do not produce results and the failure rate is expected to be 80% in 2003 (Kristoffersen and Singh, 2004). These figures are in accordance with findings of similar consultancy groups like Meta Group, which found that up to 75% of CRM efforts fail to meet their objectives (Kristoffersen and Singh, 2004). While the problem of these disappointing results is quite a complex one which cannot be solved by simplistic solutions, researchers do agree on some major factors influential for a CRM endeavour to reach its goals (Kristoffersen and Singh, 2004).

Wilson et al. (2002) stressed that among the critical success factors identified by their research, the importance to the success of CRM initiatives lies in the need to design and manage IT infrastructure for flexibility. Though technology element is recognised as an important facilitator in CRM processes, other researchers argue that the success of the CRM depends more on the strategy and CRM should be looked at as a strategy instead of as a technological innovation (Kotorov, 2003). Strategy consists of allocating scarce resources in such a way that they provide a competitive advantage with superior company performance (Kristoffersen and Singh, 2004). Having a strategy not only helps a company maximise the benefits from its resources but also helps employees better understand any changes they might encounter during the implementation of CRM initiative (Kristoffersen and Singh, 2004). Rigby et al. (2002) in their research emphasised that one of perils of CRM that should be avoided at all costs in order for a CRM initiative to be successful is implementing CRM before creating a customer strategy. Looking at CRM as a strategy rather than as a solution is what many enterprises fail to do (Kristoffersen and Singh, 2004). It is

because of this lack of attention to having a strategy that there are numerous examples of CRM programs failing. According to the Gartner Group, stressing CRM as a technological innovation is the major reason causing numerous CRM failings (Kristoffersen and Singh, 2004).

Existing literature also shows that the involvement of employees is one of the most important factors influencing the success of CRM applications. McKean (2002) emphasised the need to select, develop and empower employees to bring about their full engagement and commitment to delivering an outstanding customer experience in the following eight overall areas, which include leading the 'human' firm; acknowledging customers; treating customers with respect; building trust; communicating in a personal way; implementing the human touch consistently; understanding and applying the human touch as a process; and implementing technology to "humanise". Kotorov (2003) emphasised in particular that the support, involvement and commitment of top management is essential in the promotion of CRM undertakings through the organisation (Kristoffersen and Singh, 2004). This support is deemed even more vital in situations where work processes and functional activities might need to be modified to accommodate CRM implementation. Enthusiastic endorsement of the new changes in the organisation by the top management helps to diminish any resistance from the employees in acceptance of these changes (Croteau and Li, 2003).

Payne and Frow (2005) identified four key implementation elements vital to success of CRM. "Employee engagement" is a vital element alongside CRM readiness assessment, CRM change management and CRM project management (Payne and Frow, 2005). Therefore it is believed that it is important to engage them to support the various initiatives that comprise the overall CRM programme. Payne and Frow also supported the view of Croteau and Li (2003) and Kotorov (2003) about the significance of getting support from an organisation's stakeholders and senior management team for the development and operation of customer-focused systems and processes.

Another important CRM success factor identified is change management. CRM on the strategic level emphasise the development of a customer-centric

business culture which is reflected in the changes in leadership behaviours, the design of formal systems of the company, and the myths and stories that are created within the firm (Buttle, 2004). This culture is dedicated to winning and keeping customers by creating and delivering to customers the value higher than its competitors (Buttle, 2004). Wilson and Daniel (2002) in support of Buttle's point of view claimed that the successful change management needs to deal with cultural change issues associated with CRM implementation. McKean (2002) emphasised in his research that effectively leading and managing the employees through the changes being brought about by a CRM initiative (Kristoffersen and Singh, 2004) as one of the major areas that enterprises need to focus on to achieve the successful management of customer relationship. Payne and Frow (2006) also pointed out in their research by claiming that in order to implement a large-scale and complex CRM initiative, companies will typically have to undergo substantial organisational and cultural change. They emphasised "CRM change management" as a critical dimension of any large CRM programme in addition to other three key implementation elements i.e. CRM readiness assessment, CRM change management, CRM project management and employee engagement.

As implementing CRM initiatives is a complex issue, its success relies on different factors on various dimensions suggested by following researchers. Chen and Popovich (2003) suggested that the success of CRM initiatives rely on three key dimensions i.e. people, process and technology within the context of an enterprise-wide, customer driven, technology integrated, cross-functional organisational strategy. Kristoffersen and Singh (2004) pointed out that the significant aspects to CRM are strategy, customers or market, people, technology and processes. Wilson and Daniel (2002) summarised various success factors based on their studies: the importance to the success of IT/marketing initiatives of a market orientation; the need for business system convergence on a single view of customers and other entities such as competitors; the need to include cultural change issues within the project's scope; the need to design for flexibility; and the need to manage IT infrastructure. Buttle (2004) in his research summarised the critical success factors on strategic, operational and analytical levels and also pointed out that the integration of these three levels are the key to success. Operational CRM

identified by Buttle means the automation of the customer-facing parts of businesses. The major applications within operational CRM include marketing automation, sales force automation and service automation. The optimisation of processes is the basis on which the automation can be created (Buttle, 2004). Analytical CRM is concerned with exploiting customer data to enhance both customer and company value by using the right type of CRM software. The aim of CRM on the analytical level is to build the foundation of customer information.

It is revealed by the literature review that the integration of cross-functional activities is regarded as one of the most important success factors. Kristoffersen and Singh (2004) stressed in their research the important role “multi-channel integration” plays in elevating the CRM strategy from the department to the corporate level. They believed that having a holistic CRM strategy not only helps to define a fit for the CRM strategy with the needs of the business, but also helps determine the scope of the project. This in turn helps to identify the necessary cross-departmental infrastructure changes that make it possible to face the tactical challenges of business process and systems integration (Kotorov, 2003).

In support of this view, Payne and Frow (2005) in their research highlighted that the multi-channel integration is one of the most important factors influencing the success in implementing CRM strategies, as it enables the achievement of a superior customer experience within and across all the channels in which an organisation interacts with them. In the commercial sector, the multi-channel integration process and strategy involves decisions about the best combination of channels; how to ensure that customers have superior experience within those channels, where customers interact with multiple channels and how to create and present a single view of the customer. From the perspective of customer services, the integration means managing every contact point between customers and the company to ensure customers are given the superior experience and the communications and services a customer receives through different channels are co-ordinated, coherent and tailored to their particular interest.

Other success factors mentioned by existing literature include “CRM readiness assessment” (Payne and Frow, 2006). It is believed that CRM readiness assessment is important to the success of CRM strategy application, as it can help managers to assess the overall position to progress with CRM implementation and to identify how well developed their organisation is relative to other companies. They also stressed that CRM project management has become increasingly important as the size and complexity of CRM initiatives increases.

In summary, the widely accepted critical success factors include: 1) looking at CRM as a strategy instead of a technological innovation, 2) involving and empowering employees in particular senior management and other stakeholders, 3) change management, 4) multiple dimensions and integration and 5) integration of cross-functional activities.

2.5 Applications of CRM in the Nonprofit Sector

The Charity Commission provides a legal definition of a charity as an organisation whose purpose is “charitable by reference to case law developed by court decisions” (Charity Commission, 1992). To avoid confusion, the terms charity and nonprofit organisations are used interchangeably within this text.

Under the pressure of securing fundraising income, charities have turned to business marketing concepts for guidance and solutions (Polonsky and Sargeant, 2007). As a result of the reported benefits in significantly improving company’s financial performance, CRM and Relationship Marketing (RM) have attracted a considerable amount of interest from academia and practitioners from the voluntary sector. In response to calls from leading researchers for more studies on CRM/RM in a nonprofit context (Payne and Frow, 2006), a number of studies have been carried out on adopting CRM principles and strategies in the development of donor relationships from a fundraising perspective.

This section discusses the applications of CRM theories and concepts in the nonprofit sector and explores the concept of “relationship fundraising” and

“beneficiary relationship management” as the variants of relationship marketing/CRM in the charitable context. The review of relevant literature implies that the importance of further studies on developing and managing relationship with beneficiaries and identifies a number of gaps which underpin the future research work.

2.5.1 An Introduction to the Nonprofit Sector

In the UK, organisations established for the public benefit (relief of poverty, healthcare, prevention of domestic violence, child protection, etc.) are permitted to register with a UK government agency as “charities”. Registration confers important tax and other financial benefits and represents an official approval of the organisation’s philanthropic activities. About 200,000 charities were listed on the government register in the year 2004 (a 53 per cent increase since 1989), with an aggregate annual income of around £21 billion and about 600,000 employees (2 per cent of the total UK workforce) (NVCOa, 2004). They are widely recognised for their vital role in shaping British civic society and their contribution to the development of community and social capital (Tarling, 2000).

Approximately 60 per cent of the UK’s top 500 charities (defined in terms of donor income) are involved in “human welfare” of some type or other, as opposed to international aid, animal welfare, heritage and environment, etc. (NVCO, 2004). Today these “people charities” represent a major source of national welfare provision, reflecting the governmental withdrawal from healthcare and social services activities (Bruce, 1994; Hibbert, 1995; Sargeant, 1995). People charities are those which provide “some form of human service activity that primarily impacts on the quality of life” (Weerawardena and Mort, 2001). Examples of people charities include organisations concerned with various forms of addiction or disability, domestic violence, eating disorders, depression, welfare of the elderly, debilitating medical conditions, and so on.

Since November 1998, the UK government has recognised its reliance on the voluntary sector for welfare provision via a “compact” which set out a framework for relations between central and local government on the one hand, and charitable organisations on the other. This Compact promised state funding for

the voluntary sector while guaranteeing the sector its independence. In return, charities agreed to maintain high standards for users of their services and to be fully accountable to the government (Tarling, 2000).

In recent years, it is widely recognised that charities have been operating under a severe economic environment and are subsequently competing for a decreasing number of donors, and for less available money (Etherington, 2004). The recent research published by the Charitable Aids Foundation and the National Council for Voluntary Organisations reports an individual charitable giving of £9.5b in 2006/7, a 3% decrease from the 2005/6 levels. Further pressure comes from increasing new entrants into the charitable sector due to the withdrawal of public funding in many areas previously invested by the government (Chew, 2003). It is estimated by NCVO that there are about 6,000 new charities registering each year with the Charity Commission (NVCOa, 2004).

Moreover, from 1992/3 onwards, the central government has encouraged local authorities to make the maximum use of voluntary sector services in relation to “medical welfare” services (i.e. cancer care; assistance to the blind, the deaf and the physically handicapped; hospices; and HIV/AIDS) (Hibbert, 1995). As the government has shifted considerable chunks of public welfare provision to the voluntary sector, it has become necessary for the charities involved to embrace the latest marketing methods in relation to both the maximisation of donor income and the promotion of services to the individuals that a charity was set up to help (Balabanis et al., 1997; Bennett, 1998; Bennett and Sargeant, 2004; NCVO 2004b).

2.5.2 Customers in the Nonprofit Sector

The process of classifying who are customers in nonprofit organisations is one of the key arguments about the applicability of CRM in nonprofit context. This is not an easy question to answer. Nonprofit organisations have an array of customers with various names such as clients, patrons, patients, donors, volunteer workers and advocates and trustees and etc. apart from these end-users of a charity’s services, charities have also a whole range of intermediary

customers who are crucial to the operation of charities (Bruce, 1995). The existence of these vitally important relationships between charities and so many customers is believed to be one of the most basic differences between nonprofit organisations and businesses. A nonprofit organisation normally has a multitude of constituencies to manage and it is essential for them to work out the relationship with each of them (Drucker, 1989).

In order to support the application of marketing theories in the nonprofit sector, Bruce (1995) examined the relationship between nonprofit organisations and the groups of customers and proposed the following framework. The customers are divided into four major categories: beneficiaries, supporters, stakeholders and regulators. To gain a better understanding of “customer” under the non-profit context, Mokwa (1990) further explored the definition of non-profits and their main roles. He defined non-profit organisations as ones that have a main purpose “to organise and oversee voluntary social action directed at humanitarian problem solving” and identified their main roles as follows:

- (1) to attract resources (e.g. funds and volunteers);
- (2) to establish priorities for social action programme; and
- (3) to allocate resources to beneficiaries.

Based on the understanding of the roles of charities, Kotler and Andreasen (1991) proposed that “exchange” is at the heart of the operation of nonprofit organisations. They also argued that the content of exchanges between nonprofit organisations and their “customers” involve economic costs, sacrifices of old patterns of behaviour (i.e. quitting smoking) in return for the economic, social and psychological benefits received by the customers.

Shapiro (1973) classified nonprofit customers into two main groups: the “donors” and “beneficiaries”. Resources are generated from the donor market and subsequently are allocated to the beneficiary market. The return on offer to donors in exchange for their funds, time and/or energy, are mainly psychological and social and involve “relief of guilt”, “the need of self-esteem” and “concern for humanity”.

Balabanis and his colleagues (1997) pointed out that the focus of existing research was on donors and rival charities and suggested an extension of the concept should incorporate additional dimensions of market orientation towards beneficiaries and other public stakeholders that affect their charities' operation (e.g. media, government, etc.). Tactically, being donor-oriented means that charities can generate, circulate (internally) and act on information about their donors' needs or preferences and the factors that influence them.

2.5.3 The Relevance of CRM to the Nonprofit Sector

This section discusses the relevance of CRM to nonprofit organisations from the perspective of the nature of charitable organisations and their relationship with both beneficiaries and donors.

Studies were firstly carried out on the applicability of CRM in a nonprofit context. It is widely recognised that the relationship between a charity and its donor is based on an exchange. Namely, donors provide monetary support to charities and in return gain the recognition and respect from the charity. From the fundraising perspective, the fundraising service offered by charities is "a vehicle through which donors can help others" (Weir, 2000). This exchange is similar to that between a commercial service supplier and its customers. The service provided by charities to donors, being intangible, heterogenic, inseparable and perishable, are very much likened to commercial services (Zeithaml, 1985). Therefore, it is appropriate for charities to adopt service marketing concepts for guidance. Relationship marketing, one of the developments in services marketing has offered potential of being applied in managing a charity's relationship with its donors. Furthermore, three further reasons why charitable organisations should adopt relationship marketing (Conway, 1997) are suggested as follows;

- (1) the growing trend towards charities charging for their services (and hence having to market these services effectively);
- (2) increasing recognition that decisions about a charity's service provision should be based on market forces; and

(3) governmental demands that charity services be of high quality in line with compact agreement

In conjunction with the facts that charities' services are based on personal contacts with beneficiaries, previous research reveals a high degree of interactivity which means "the charity sector is an ideal domain for relationship marketing" (Brennan and Brady, 1999). Furthermore, it is well noted that intimacy is presented in the relationship between charity and its beneficiaries who are patients with terminal illness and patients' family. In this circumstance the relationship is likely to be intense, private and close.

Customer retention appears to be as much of an issue for nonprofit organisations as it is for businesses. It is well recognised that the cost of recruiting a new donor customer is up to five times of keeping existing donors. The studies carried out by Sargeant and Kaehler (1998) show that this pattern has been evident in the nonprofit sector. For instance, the returns from donor recruitment activities are between seventy and ninety pence per pound of investment depending on the forms of medium used, but returns from activities designed to further develop relationship with existing donors exceed five pounds for every pound of investment (Bennett and Sargeant, 2004).

2.5.4 Applications of CRM in Managing Relationship with Donors

The outcome of developing the relationship with donors to its full potential is to increase fundraising revenue. In the nonprofit context, in order to maintain and develop the profitable relationship with donors, it is important to make sure donors perceive that they have a meaningful relationship with the organisation. Considering the competition in the marketplace, donors have a wide variety of choice. Therefore, it is more important to adopt a marketing approach which values donors' needs and desires and reflects it in fundraising activities.

A lot of charities operate in what marketers would call a "production mode" (Bruce, 1995) with their concentration on processes instead of the needs of donors. As result of this, donors often claim to be "bled dry" by strident and too frequent demands, which treat them as impersonal groups to be "milked" of

their money. They complain about not being sufficiently appreciated and thanked or not being thanked in a way which recognises them as individuals as opposed to a class. Donors whom receive direct mails complain about the frequency of approaches, the lack of recognition of previous donating actions and the not infrequent double and triple mailings caused by transcribing errors in the address or, even worse, the donor's name (Bruce, 1995).

The study carried out by Polonsky and Sargeant (2007) shows that donors are motivated by a complicity of emotional and extrinsic factors. This finding indicates that it is more difficult to have an insight into customer's needs in a nonprofit context than that in the commercial settings. The insufficiency in understanding donors could have a potential adverse impact on donor advocacy and make an organisation lose more than 50 per cent of their donors after their first or second donation (Polonsky and Sargeant, 2007). It is also shown that the employment of relationship management tools can not only increase the value of donation but also reduce the costs caused by direct mailing campaigns (Polonsky and Sargeant, 2007). Fostering a long-term relationship with donors is regarded by many charities to be very important as they are facing high attrition rate. However, the implementation of a CRM initiative is the challenge to many charities. (Polonsky and Sargeant, 2007). The cost associated with implementing CRM especially in the area of manipulating and coordinating huge amounts of information and the substantial investment on technologies and skilful personnel has put a constraint on nonprofit organisations' resources, especially small nonprofit organisations, thus limiting the possibility of introducing CRM activities.

When being adopted in the context of fundraising, the variant of CRM/RM in a charitable context is known as "relationship fundraising" meaning an approach to the marketing of a cause which centres on developing the unique and special relationship that exists between a charity and its supporters. Burnett (1992) who coined this phrase defined it as "an approach to the marketing of a cause which centres not around raising money but on developing to its full potential the unique and special relationship that exists between a charity and its supporter".

In the context of fundraising, CRM may be employed to target those individuals most likely to respond to a particular appeal, either for donation or in the context of volunteering time. With the aid of information technology, CRM is used by charities to integrate the complex information about donors into a database that enables charities to gain insight into donors' giving behaviour and to identify the most profitable donors (Polonsky and Sargeant, 2007). It is also used to segment donors into groups based on their demographic features, giving histories and the method of support such as type of payment. These segmentations facilitate fundraisers to design distinctive targeted fundraising strategies to maximise the results from a targeted campaign, while ensuring that the resources expended to achieve this response are effectively used. It can also be used to manage the value of donors, both by developing segment profiles over time and ensuring that appropriate solicitations are made of those individuals with the capacity to offer higher-value gifts. Furthermore, CRM is employed to maximise donor's life-time value by reducing their attrition rate and to optimise the effectiveness of fundraising campaigns by targeting those who are likely to respond to a particular appeal (Polonsky and Sargeant, 2007).

Among the frameworks for building relationship between customers and organisations, the loyalty ladder developed by Raphael and Considine has been widely accepted (Weir and Hibbert, 2000). The principle of the loyalty ladder works as follows: the organisation starts with all individuals, i.e. the total population. From this, they identify suspects, those who are potential buyers. Once the organisation has generated interest the suspects become prospects and with the right marketing mix, prospects can be converted into customers. Successful organisations should develop relationships so that customers become regulars and then advocates who have total loyalty and are committed customers.

2.5.5 Challenges to CRM Implementation in the Nonprofit Sector

Although CRM implementation has happened to a certain extent in the nonprofit sector, some nonprofit organisations have encountered challenges which hinder CRM practices. Sargeant (2007) summarised some of the reasons for failure in applying CRM in the nonprofit sector as (1) it requires a substantial investment

of resources across the organisation (Reinartz et.al, 2004), (2) it requests the management of vast amounts of information (Corner and Hinton, 2002), and (3) it is difficult to coordinate information and processes across the organisation (Corner and Hinton, 2002). He pointed out that these complexities are potentially more difficult to manage for smaller nonprofit organisations (McGowan et al. 2001; Preston, 1989; Schneider, 2003) and those that have only limited managerial expertise in key business areas (Andreasen, 1996; Alexander, 2000; Brown and Yoshioka, 2003).

In addition to the three challenges mentioned, Sargeant (2007) pointed out that the lack of extensive computer technology and expertise (Beckley et al., 1996; Forster, 2003) is another factor that limits the success in introducing CRM activities in non-profit organisations (Schneider, 2003).

Other studies suggest that the adoption of a business model will likely result in dangers to charities' culture, public image and mission (Landsberg, 2004) and therefore charities should be cautioned in their implementation of CRM. This danger is caused by the difference in complexity, transferability, motivation, and values between the for-profit and nonprofit organisations. Firstly, Anheier (2000) proposed that the nonprofit environment requires managing diverse constituencies and stakeholders, including a professional core of managers, a governing board of experts and community representatives, a client or user base and their representatives, a volunteer and supporters, and actual service providers. He added that nonprofit organisations also manage a set of contractual relations with both government and business, as well as multiple revenue sources, including donation, fees, charges, subsidies, grants, and contracts. In sum, the profitable model may be too unsophisticated to meet the needs of nonprofit organisation.

Secondly, there are differences existing in the goals of commercial businesses and nonprofit organisations. The goal of a commercial business enterprise is profitability, not the specific product or service it provides. This differs fundamentally from a nonprofit organisation that exists solely to accomplish its mission, which for most of cases is to provide services to people. For nonprofit organisations, financial health is a means to the end; for the profitable

organisations, financial health is the end. Different goals lead to different motivations of commercial organisations and nonprofit organisations. They also differ in values. A fundamental conflict exists between the moral foundations of the public sectors (government and nonprofit organisations) and those of commerce (Public Vs Private Sector, CRM). Jacobs (1992) describes them as the “guardian moral syndrome” and the “commercial moral syndrome”. Kolthoff and Huberts (2003) pointed out that nonprofit organisations by adopting a business-style approach to management such as CRM also adopt some values of the business sector and therefore will face moral and functional dilemma.

As nonprofit organisations increasingly adopt business models from commercial organisations, they look less and less like the charities that they are meant to be. As a result, donors are less inclined to support organisations outside their traditional notions of charities.

In summary, the most critical issues associated with CRM applications in nonprofit context include: 1) a substantial investment of resources across the organisation, 2) difficulty in managing vast amounts of information and coordinating information and processes across the organisation, 3) lack of extensive computer technology and expertise and 4) dangers to charities’ culture, public image and mission.

However, review of existing literature about CRM applications in both commercial and nonprofit sectors shows that there were no empirical studies carried out to investigate the differences and commonalities in CRM critical success factors between commercial and nonprofit sectors.

2.5.6 Applications of CRM in Managing Relationship with Beneficiaries

Prior research has suggested that the main aspect of CRM relevant to the nonprofit sector is adopting CRM for the purpose of donor relationship development from the fundraising perspective. The existing relationship fundraising model is based on the relationship between a charity’s fundraiser and its donor. However, apart from the above fundraiser-to-donor relationship,

there is another relationship which exists between nonprofit organisations and their beneficiaries. The following discussion on this relationship will lend the important insight into how it is related to the effectiveness of fundraising.

Bennett and Barkensjo (2004) argued that relationship marketing was particularly relevant for organisations offering complex and personalised services (which is frequently the case in charitable organisations) and where the client “identifies” with the service provider. The latter criterion will normally be satisfied in the people charity sector, as beneficiaries usually regard the service provided as important and involving and hence will want to enter into a deeper relationship with the organisation who supplies the services. Thus, for example, a person recently diagnosed with HIV will be eager to learn as much as possible about the services the organisation can offer and about how he may benefit from the services. Once the person begins to participate in the charity’s activities (counselling, help with insurance claims, employment assistance programmes, etc.) it is likely that he or she will desire continuity with the same service supplier. Thus, relationship marketing should in principle have a strong appeal to beneficiaries, who characteristically will want to be dealt with on a personal basis. Moreover, people charities manage all aspects of interactions with clients and, if they are operating effectively, should be constantly seeking to offer a better quality of service. It follows that interacting with beneficiaries and hence establishing their needs and how well the charity’s offer is satisfying these needs is highly desirable (McLeish, 1995). As the helping and caring services provided by charities are based around personal contact with beneficiaries and exhibit high degrees of interactivity, “the charity sector is an ideal domain for relationship marketing” (Brennan and Brady, 1999). It is relevant to note in this connection that exchanges between a helping and caring organisation and a beneficiary are very often highly intimate in character. Consider, for example, the relationship between a hospice and a patient who is facing the life-threatening illness, the relationship is likely to be private and close.

The research carried out by Bennett and his colleagues (2004) outlined the modern techniques employed in managing relationship as follows.

Relationship Advertising

Advertising, which can be in the form of media advertisements, flyers, leaflets, letters, brochures or Internet postings are used to inform and educate potential clients about a charity and its services, to persuade people to use those services, and to remind clients about service availabilities. Some charities provide beneficiaries with insight into the experience of real persons through producing case stories (Stern, 1997) in publicity programs to arouse thoughts, feelings and actions and to delineate an implied relationship model. This potentially affects the beneficiary's judgement of the costs and benefits of starting, remaining with, or leaving a relationship with an organisation. Moreover, Bhattacharya and Bolton (2000) noted that relationship advertising can "facilitate intimacy", "create a sense of identification with the organisation", and "convey the message of being helpful and friendly" to the service recipients. Stern (1997) suggested that relationship advertising should follow a movement from "acquaintance" to "build-up" to "continuation". On the stage of "acquaintance", the charity will attract the client's attention so that he or she could form an initial image of the organisation. This first impression determined whether beneficiaries want future interactions with the organisation (Perlman and Fehr, 1987). "Personally relevant messages" are able to draw attention by stimulating an individual's knowledge of themselves (Celsi and Olson, 1988) and therefore are "more effective the more pressing the person's innate or situational need for a service" (Bennett and Barkensjo, 2004). The relationship between the charity and service recipients will move from the stage of 'acquaintance' on to 'build-up' when the recipient was encouraged to start to interact with the organisation and assess the outcome. If the supplier's responses are "sympathetic" and "supportive", repeat actions might take place (Duck, 1988). Eventually, "build-up" would develop into a "continuation" of interaction between the organisation and the service recipient, which was characterised as "familiarity and predictability" by Perlman and Fehr (1987).

Two-way Communications

The relationship advertising is only effective when it can ensure that people are presented with sufficient and correct information to enable them to be aware of the range of services available and to make their choices (Goodinge, 2000). Integrating one-way relationship marketing communications such as

advertisements or direct mail letters into a planned on-going process can not only generate but also maintain and enhance relationships (Gronroos, 2000). Therefore, a two-way communication such as a free-post mail reply address, e-mail, or through a web site will encourage the recipient to interact with the organisation more effectively and therefore it will foster a good relationship (Bhattacharya and Bolton, 2000).

Database Marketing

The development in the area of database marketing has created a lot of opportunities for introducing relationship marketing in a cost effective way. The development of modern database technologies allows even a small charity to build, manage and evaluate relationships with specific beneficiaries efficiently and effectively (Bennett and Gabriel, 1998). Once the database of beneficiaries is established, information about beneficiaries can be used for direct mailing and telemarketing as well as for detailed market segmentation activities such as differentiating various groups of beneficiaries based on socio-economic and other characteristics, levels of need and nature of problem. Therefore, marketing communications can be customised for each different group of beneficiaries and the information relevant for particular groups may be offered. The knowledge, systematically accumulated can be analysed and utilised for the development of new services.

Face-to-Face contacts

Face-to-face encounters between beneficiaries and charity employees or other representatives such as supporters can encourage the development of a relationship when beneficiaries come to trust the charity and their doubts are reduced. Positive face-to-face contacts encourage commitment because they make clients believe that they are cared for and genuinely respected by the charity. As a result, charities need to train their staff to be excellent at face-to-face communications over encounters with beneficiaries. For instance, coffee mornings and group counselling sessions, which are used by hospices and other self-helping charities are good examples of providing opportunities for developing face-to-face contacts.

Listening

Effective two-way communication requires charitable service providers to listen to beneficiaries in extensive ways and to act upon the feedback provided by beneficiaries (Duncan and Moriarty, 1998).

Charities can also proactively create opportunities for beneficiaries to express their views and provide feedback. Listening activities can include service surveys, events such as “open days” at which people can openly express their views, feedback options within direct marketing communications, personal contacts with beneficiaries to obtain feedback, detailed analysis of enquiries received, focus groups and formal market research. Charities that listen to beneficiaries are more likely to make beneficiaries feel “wanted” and “taken care of” (Conway, 1997). The feedback collected enables a charity to explore the needs of individual beneficiaries and to segment them into meaningful categories to determine their actual requirements (Pyne and Robertson, 1997). Useful information includes beneficiaries’ motives, preferences and characteristics, when and why they are most likely to use a charity’s services (Brennan and Brady, 1999), and their needs and expectations (Conway, 1997).

Another positive effect of listening to beneficiaries, according to Bennett (2004), is the potential of engaging beneficiaries in reshaping the content and format of public information which is relevant to them. For example, local council care providers sometimes allocate extensive resources to the promotion and dissemination of value statements concerning equality and social justice issues yet spend little time communicating with beneficiaries, or trying to establish the types of public information that beneficiaries really want.

Other Relationship Marketing Devices

Bhattacharya and Bolton (2000) pointed out that public relations events can develop a sense of affiliation with an organisation through creating norms and expectations for service performance. Therefore, it contributes to the formation of perceptions of its identity. The creation of a brand image possessing real meaning for beneficiaries may help to forge a relationship as well. In particular, the systematic cultivation within a brand image of shared values between the

charity and the beneficiary can facilitate relationship building (Morgan and Hunt, 1994).

As noted previously, all kinds of communication between a charity and its beneficiaries should contribute to the generation of beneficiary's feeling of trust and commitment. Trust involves the belief that the beneficiary's needs will be fulfilled by the charity (Morgan and Hunt, 1994) and the charity is credible, reliable, honest, sincere and truly benevolent (Anderson and Narus, 1990; Morgan and Hunt, 1994). The perception that an organisation is benevolent implies that it is concerned for the beneficiary's welfare and, in the words of Roberts et al. (2003), that it "has intentions and motives beneficial to the customer".

The "commitment" of a beneficiary to a charity is their desire to remain within, and to continue a relationship with, the charity (Shemwell et al., 1998). Indeed, Morgan and Hunt (1994) argued that commitment is the key construct which differentiates a successful relationship from an unsuccessful one. Commitment was also posited by Dwyer et al. (1987) to represent a key indicator of relationship quality. According to Dwyer and his colleagues (1987), commitment represented the "highest stage" of relational bonding, evidenced by strong feelings of attachment and obligation to the organisation. "Bonding" should occur as beneficiaries come to believe that a charity is motivated by a genuine concern for their welfare (Waring et al., 1980). It can be facilitated through marketing, according to Waring et al. (1980), via communications themed around "caring", commitment to the beneficiary, compatibility between the organisation and the client and trust. Caring is evidenced by expressions of affection, warmth, and protectiveness, and facilitates comfort (Bowlby, 1982). Comfort is associated with a sense of security and the relationship in turn can reduce fear and feelings of uncertainty (Bowlby, 1982). All these positive feelings possessed by beneficiaries towards a charity can imply a long-term relationship which potentially presents some opportunities for fundraising.

2.6 Summary

This chapter gives a full view of the origin of CRM, the conceptual development and the major CRM implementation framework. The review of CRM literature leads to the identification of the following implementation actions that are believed to be critical to the success of CRM strategies in the business setting.

- 1) Understanding customers through collecting and integrating customer information and through carrying out the segmentation analysis and portfolio management of customer information;
- 2) Creating and increasing the value to customers through the development of customer-focused product;
- 3) Enhancing the value to customers through achieving cross-functional performances across the organisation.

This chapter also discusses the theories and practices relative to the application of CRM in enhancing charities' relationship with their donors and beneficiaries. The review of literature shows that charities, compared to their commercial counterparts, have been slow to recognise the importance of their relationship with donors (Burnett, 1992). Approximately half of those who gave to a charity once never donated to the same charity again and only 8% of them were still responding to cash appeals after 5 years. This stunning figure implies there is a distinct lack of understanding of donors and a lot of charities are not meeting the social and emotional needs of donors. Therefore, charities need to treat donors as individuals with different reasons for giving, and with different requirements of their donor–charity relationships.

This chapter also addresses the critical factors for successful CRM implementation in both commercial and nonprofit sectors. In summary, five factors are critical to the success of CRM in commercial sector. They are 1) looking at CRM as a strategy instead of a technological innovation, 2) involving and empowering employees and stakeholders, 3) change management, 4) multiple dimensions and integration and 5) integration of cross-functional activities.

The most critical issues associated with CRM applications in nonprofit sector can be summarised as 1) a substantial investment of resources across the organisation, 2) difficulty in managing vast amounts of information and coordinating information and processes across the organisation; 3) lack of extensive computer technology and expertise and 4) dangers to charities' culture, public image and mission.

The literature review also shows that there is a lack of empirical studies to validate the applicability of major implementation activities suggested by literature in a nonprofit setting, to identify challenges and barriers in the process of implementation and to assess CRM's impact on charity. These gaps provide basis for identifying the following research questions:

Question 1: What are the major activities associated with CRM implementation in charities?

Question 2: What implementation issues exist in terms of challenges and barriers during implementation?

Question 3: How does CRM implementation impact a charity's fundraising performance?

In order to answer the above questions, relevant research methods and strategies are formulated and will be discussed in the subsequent chapters.

CHAPTER 3 LITERATURE REVIEW: SERVICE MANAGEMENT

3.1 Introduction

The world is becoming characterised by services. The growth of services either provided by both business and nonprofit sector led to an ever-growing array of questions that need to be addressed - questions that have significant implications for the success of organisations, the well-being of societies, and the quality of customers' lives worldwide (Bitner and Brown, 2008). Research has been carried out by scholars and practitioners to address these issues because of the complex nature of services. This chapter offers a brief review of existing literature on services management and marketing to examine the relationship between customer satisfaction and service quality, the nature of services and its characteristics, the service concept, and the complexity of conceptual frameworks related to this issue.

It has been acknowledged that the improvement of service quality will enhance customer satisfaction which results in better business performance. However, there is considerable debate as to the nature of service and its relationship with customer satisfaction. Grönroos (1984) concluded in his work that major components of service quality should include technical quality, functional quality, and corporate image. Woodall (2001) pointed out that recent literature interprets service quality as customer service and service quantity consequently stands proxy for service quality. Lewis (1995) further categorised service into hygiene factors, enhancing factors and dual threshold factors. The influential work is carried out by Parasuraman et al. (1985), who conceptualised the frequently cited characteristics of services. They argued services are distinguished from goods in four critical dimensions: intangibility, heterogeneity, inseparability and perishability. These distinct characteristics inform the measurement instrument of service quality and the relationship between customer satisfaction and service quality. In line with the disconfirmation theory, Parasuraman et al. (1988) proposed SERVQUAL, as service quality instrument. Though SERVQUAL has been subject to criticism from either a theoretical or operational perspective it remains the most influential and most quoted model.

It is also shown through literature review that there is a substantial body of literature surrounding the “Service Profit Chain” (SPC), which proposes the linkage between employee satisfaction and profit, and customer satisfaction is driven by service quality and value (Heskett et al, 1994). The concept of SPC has been redefined and re-scoped reflecting different research priorities and perspectives.

This chapter is organised into seven sections. Following the introduction, the second section explores the nature and concept of service. In the third section, it reviews the definition of service quality and the debate concerning its characteristics and its relationship and distinction with customer satisfaction. SERVQUAL as the major service quality measurement instrument is examined in the fourth section whilst the concept of SPC and research surrounding it is examined in the fifth section. The sixth section reviews the research which was carried out on the application of services management concept in the nonprofit sector. This chapter concludes by summarising various perspectives and identifying the research gap which underlines the research question. The empirical studies which were carried out surrounding the formulated research question will be discussed in Chapter 4 Research Methodology.

3.2 Service and Service Concept

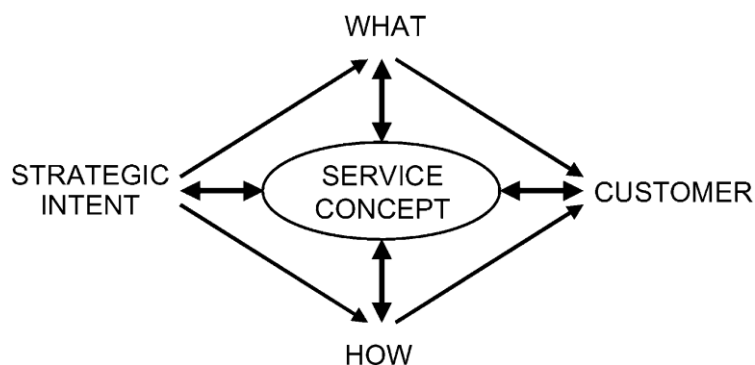
While a lot of research were carried out to study how “quality” pertains to their particular view of “service quality” and on the linkage between “service quality” and “customer satisfaction” in the service management, there is no consensus on how service should be defined. As the different interpretation of service could affect the empirical or theoretical research, we will discuss the possible meaning of the term in this section.

Woodall’s interpretation of service (2001) has profoundly affected the possible meaning of the term service quality and any subsequent empirical or theoretical research. According to Woodall (2001), “service” within the debate as to the nature of service quality could mean any or all of the following interpretations:

1. The entire manifestation of a business/not for profit structure perceived to reside within the service sector (e.g. Restaurant, insurance company, local council repair depot) – service as an organisation.
2. The key commercial outputs of a service organisation (e.g. bank account, insurance policy, holiday) – service as core product.
3. Any peripheral activity designed to enhance the delivery of a core product (e.g. provision of a courtesy car, complimentary coffee) – service as product augmentation.
4. Any product-or-customer oriented activity that takes place after the point of delivery (monitoring, repair, up-dating) – service as product support.
5. Service as a mode of behavior (helping out, giving advice) – service as an act.

Whereas Goldstein(2002)'s research on the service concept provides insight into the understanding of how customers and service providers view services— as a sum of components (processes, facilities, tasks, etc.) or as a singular outcome that is sought from the service process. The service concept is the customer's and provider's expectation of what a service should be and the customer needs it fulfills. Goldstein's service concept model highlights the critical factors in this relationship.

Figure 3.1 Service Concept Model by Goldstein (2002)



This model provides a foundation for developing the *what* (marketing content) and *how* (operations content) of a service as well as facilitating alignment between the strategic intent of the firm and the delivery service itself (Goldstein 2002). The important domain of the service concept is addressed by answering

“how customer needs and wishes are fulfilled by customers’ experience” and “how a service is valued”. The multi-dimensional service concept shows that numerous derivatives of the same core service can be developed and marketed to a variety of target segments. The service concept serves as the foundation upon which the components of the service delivery system are built. It also provides a framework for service design and components in service encounters.

3.3 Service Quality and Customer Satisfaction

3.3.1 The Definition of Service Quality

Service quality has become an important research topic because of its apparent relationship to costs (Buttle, 1996), profitability (Buzzell and Gale, 1987; Rust and Zahorik, 1995), customer satisfaction (Boulding et al., 1993), customer retention (Reichheld and Sasser, 1990), and positive word of mouth. “Service quality” has been widely regarded as a driver of corporate marketing and financial performance (Buttle, 1996). There is no unified agreement on how service quality should be defined. In extant service management literature, different definitions, interpretations and points of focus have been addressed.

According to the prevailing Japanese philosophy, quality is “zero defects-doing it right the first time”. Crosby defined quality as “conformance to requirement”. Garvin (1983) measured quality by counting the incidents of internal failures and external failures.

Grönroos (1984) in his work deconstructed service quality and concluded that the major components of service quality should include technical quality, functional quality, and corporate image. In which, technical focuses on what is concerned with the outcome of the service encounter, e.g. have the dry cleaners got rid of the stain? Functional quality focuses on “how”. It is concerned with the process of service delivery, for example “where the dry cleaners counter staff courteous?” and involves consideration of issues such as the behavior of customer contact staff, and the speed of service. Reputational quality is a reflection of the corporate image of the service or organisation and is primarily determined by both conventional and emergent marketing techniques,

but is also substantially dependent upon both expectations and perceptions regarding the first two components. As a result they bring their past experiences and overall perceptions of the company to each fresh service encounter.

Woodall (2001) pointed out “the essence of quality - doing things better, consistently -has been lost in transaction”. In interpreting service quality, Bennington and Cummane (1998) cited Lewis’s (1995) categorisation of service quality as:

1. Hygiene factors – those things expected by the customer and causing dissatisfaction when not delivered
2. Enhancing factors – those things which may lead to customer satisfaction but when not delivered do not necessarily cause dissatisfaction
3. Dual threshold factors – those things which when delivered above a certain level of adequacy lead to satisfaction but when delivered at a performance level believed to be below that threshold cause dissatisfaction.

Despite the above arguments, the study done by Voss et al. (2004) on overall perspectives of service quality is often quoted in service quality literature. Voss et al. (2004) pointed out that the provision of services occurs with the service encounter, or the point of contact between the customer and service provider. This represents a “dyadic interaction between a customer and service provider” (Surprenant and Solomon, 1987) or a “form of human interaction” (Czepiel et al., 1985). Based on the work done by Garvin (1984), they generalised the following two different perspectives on service quality. One is from the marketing lens (the customer’s perspective) and the other from an operations lens (the service provider’s perspective).

The Marketing “lens” represents the customers perspective and measures the service quality in terms of the difference between the customer’s expectations for and perceptions of the service (Zeithaml et al., 1996). It is pointed out that from the customer’s perspective, if their expectations with respect to the delivered quality are fulfilled, then the customer is satisfied; if the service quality

falls below the minimum expected level, the customer is dissatisfied (Zeithaml et al., 1996). The Marketing perspective is underpinned by a view that there are a number of important differences between the nature of goods and services which have profound consequences for consumers' quality evaluations.

Unsurprisingly, the operations management literature defines the service quality from the service providers' perspective, viewing service quality in terms of the ability of the provider to consistently meet or exceed established certain established service standards. This definition is consistent with interpretation given by some quality pioneers such as Crosby (1979), Deming (1986) and Juran (1989). It is pointed out that quality is differentiated from notions of prestige, luxury and exclusivity in favor of "conformance to requirements" (Garvin, 1983) and "zero defects" (Crosby, 1979). A key requirement is to deliver the promise, first time, every time (Crosby, 1979).

Brady and Cronin (2001) and Rosen et al. (2003) described this difference in terms of a perspective which focuses on functional dimensions of quality that affect the service encounter and a European/Nordic perspective which emphasis technical quality.

3.3.2 Distinction and Relationship between Service Quality and Customer Satisfaction

The service quality theory originated from the product quality and customer satisfaction literature. Early conceptualisation of service quality is based on the disconfirmation paradigm where quality is a result of the difference between perceived and expected service (Ting, 2004).

Different definitions were given to explain service quality and customer satisfaction. For example, Kotler and Levy (1969) noted that customer satisfaction could be related to values and prices whereas service quality generally does not depend on prices. Although the price-cost relationship is evident in performance objective, quality should be in accordance with the needs and expectations of the customers. Parasuraman et al. (1991) pointed out that customers expect service companies to do what they are supposed to

do (which includes the fundamentals), not indulging in fanciness, performance, and not empty promises.

Oliver (1981)'s definition of satisfaction is as follows: satisfaction is a summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience. It is the "feeling or attitude of a customer towards a product or service after it has been used" (Jamal and Anastasiadou, 2007). Zeithaml and Bitner (2000) defined customer satisfaction as the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service. Satisfaction is dependent on the ability of the supplier to meet the customer's needs and expectations (Dwyer et al., 1987; Fornell, 1992). According to Kotler (1991), satisfaction is the post-purchase evaluation of products or services given the expectations before purchase. Commitment to customer satisfaction is an on-going process. This is because no matter how good the services are, customers will continually expect better services (Conlon and Murray, 1996).

It is generally believed that service quality and customer satisfaction are distinct constructs (Bitner, 1990; Newman 1997; Robinson, 1999). In order to differentiate service quality from customer satisfaction, Oliver (1993) identified a few major elements which suggest:

- The dimensions that comprise quality judgments are quite specific to the service delivered. As for satisfaction, it can be determined by a broader set of factors including those which are outside the immediate service delivery experience (e.g. a bank customer's satisfaction with his/her bank may be influenced by whether his/her mood is good on that particular day).
- Service quality judgments are made based on ideals and excellence in relation to service delivery, while satisfaction judgments are based on predictions/norms for service delivery.
- Perceptions on service quality do not depend on experiences with the service environment or service providers, while judgments for satisfaction depend on past experiences.

- Quality is believed to be determined more by external cues (e.g. price, reputation) whereas satisfaction is more driven by conceptual cues (e.g. equity, regret).

Based on this evidence from the service literature, service quality and satisfaction will be viewed as two different constructs. However, Lacobucci et al.'s (1996) review of the debate surrounding the conceptual and operational difference between service quality and customer satisfaction suggests that the constructs have not been consistently defined and differentiated from each other. She suggested that the two constructs may be connected in a number of ways. First, they may both be different operationalisation of the same construct, 'evaluation'. Second, they may be orthogonally related, i.e. they may be entirely different constructs. Third, they may be conceptual cousins. Their family connections may be dependent on a number of other considerations, including for example, the duration of the evaluation.

Robinson (1999) also suggested that the exact nature of the distinction between service quality and customer satisfaction "seems to be somewhat blurred". Whereas some researchers believe that distinction between service quality and customer satisfaction is consistent with the distinction between attitude and satisfaction (Parasuraman et al., 1988). They suggested service quality represents a global judgment or attitude towards the superiority of the service whereas customer satisfaction is related to a specific transaction. In contrast, Boulding et al. (1993) noted that many companies use the term "customer satisfaction" to mean a cumulative measure. Meanwhile Teas (1993) argued that service quality is not just an overall attitude but that it is also transaction specific.

Researchers have yet to come to a conclusion on the antecedents to service quality and satisfaction (Ting, 2004). A study carried out by Bitner (1990) on 145 tourists in an international airport suggested satisfaction as the antecedent to service quality. On the other hand, there are many other researchers who concluded that service quality is the antecedent to satisfaction (Jamal and Naser, 2002; Cronin and Taylor, 1992). The predominant belief is that service quality is the logical predecessor to customer satisfaction and partial

determinant of customer satisfaction (Parasuraman et al., 1985; Cronin and Taylor, 1992).

Some empirical studies have been done to test the relationship between service quality and customer satisfaction. For instance, Ting (2004) tested this causal linkage via regression analysis of data from a large sample within the Malaysian banking sector and reinforces a positive relationship between service quality and customer satisfaction.

3.4 Measurement of Service Quality: SERVQUAL

Though there is no consensus on how service quality should be interpreted, there is some agreement that service quality is a complex and multi-dimensional construct instead of a single aspect of the service package (Johnston, 1995). Therefore, the explication and measurement of quality present challenges for researchers.

In 1985, Zeithaml, Parasuraman, and Berry conceptualised the most frequently cited characteristics of services and argued services are distinguished from goods in these four critical dimensions.

1. Intangibility: services are intangible and they are performances instead of objects. Because of intangibility, it is difficult to measure and define how customers perceive services and evaluate service quality (Zeithaml, 1981).
2. Heterogeneity or non-standardisation: performances vary from provider to provider and from consumer to consumer from time to time.
3. Inseparability or simultaneity: production and consumption are inseparable and consumer's involvement is critical to the quality of service delivery.
4. Perishability or inability to inventory and storage.

These distinct characteristics make service quality more difficult to be measured and evaluated than goods quality. Further investigation and literature review carried out by Parasuraman et al. (1985) reveals that service quality perceptions result from a comparison of consumer expectations with actual service

performance. It is also shown that evaluations of service quality are not made solely on the outcome of a service instead they involves evaluations of the process of service delivery.

Building on these distinctions, Parasuraman et al. (1985) further developed and promoted an instrument for measuring and managing service quality, SERVQUAL, which is prevailing in academic and practitioner perspectives in either commercial or nonprofit settings (Buttle 1996). It is founded on the view that the customer's assessment of service quality is paramount and conceptualised as a gap between what the customer expects. The following ten components are identified in Parasuraman's original work.

1. Reliability involves consistency of performance and dependability. It also means that the firm performs the service right first time and honours its promises. Specifically, it may involve:

- accuracy in billing;
- keeping records correctly;
- performing the service at the designated time.

2. Responsiveness concerns the willingness or readiness of employees to provide service. It involves timeliness of service:

- mailing a transaction slip immediately;
- calling the customer back quickly;
- giving prompt service (e.g. setting up appointments quickly).

3. Competence means possession of the required skills and knowledge to perform the service. It involves:

- knowledge and skill of the contact personnel;
- knowledge and skill of operational support personnel;
- research capability of the organisation.

4. Access involves approachability and ease of contact. It may mean:

- the service is easily accessible by telephone;
- waiting time to receive service is not extensive;

- convenient hours of operation;
 - convenient location of service facility.
5. Courtesy involves politeness, respect, consideration, and friendliness of contact personnel (including receptionists, telephone operators, etc.). It includes:
- consideration for the consumers property;
 - clean and neat appearance of public contact personnel.
6. Communication means keeping customers informed in language they can understand, and listening to them. It may mean that the company has to adjust its language for different customers. It may involve:
- explaining the service itself and how much the service will cost;
 - explaining the trade-offs between service and cost;
 - assuring the consumer that a problem will be handled.
7. Credibility involves trustworthiness, believability, honesty. It involves having the customer's best interests at heart. Contributing to credibility are:
- company name and reputation;
 - personal characteristics of the contact personnel;
 - the degree of hard sell involved in interactions with the customer.
8. Security is the freedom from danger, risk, or doubt. It may involve:
- physical safety;
 - financial security and confidentiality.
9. Understanding/knowing the customer involves making the effort to understand the customer's needs. It involves:
- learning the customer's specific requirements;
 - providing individualized attention.
10. Tangibles include the physical evidence of the service:
- physical facilities and appearance of personnel;
 - tools or equipment used to provide the service;

- physical representations of the service, such as a plastic credit card;
- Other customers in the service facility.

Parasuraman subsequently condensed 10 originally conceptualised dimensions into 5 distinct dimensions in 22 scales, as Buttle (1996) summarised in Table 3.1.

Table 3.1 Condensed Dimensions and Scales by Buttle (1996)

Dimensions	Definition	Items in scale
Reliability	The ability to perform the promised service dependably and accurately	4
Assurance	The knowledge and courtesy of employees and their ability to convey trust and confidence	5
Tangibles	The appearance of physical facilities, equipment, personnel and communication materials	4
Empathy	The provision of caring, individualized attention to customers	5
Responsiveness	The willingness to help customers and to provide prompt service	4

SERVQUAL as a concise multiple-item scale can be used to better understand the service expectations and perceptions of consumers and as a result improve service (Parasuraman et al., 1998). However, SERVQUAL has been subject to a number of criticisms. Buttle (1996) in his early review of literature categorised the criticisms into two groups namely theoretical and operational. The major theoretical criticism is raised against the expectation-disconfirmation model, which SERVQUAL is based on. Cronin and Taylor (1992) suggested that service quality and customer satisfaction are distinct constructs but are related in that satisfaction mediates the effect of prior-period perception of service quality and causes revised service quality perceptions to be formed. They questioned SERVQUAL is paradigmatically flawed because of its ill-judged adoption of this disconfirmation model and claimed that 'perceived quality is best conceptualised as an attitude' and the adequacy-importance model of attitude measurement should be adopted for service quality research.

Further criticism refers to the value and meaning of gaps identified in the disconfirmation model. Whilst Parasuraman et al. cited Lehtinen and Lehtinen (1982) as theoretical sources, Cronin and Taylor disagreed and suggested that the marketing literature lends more support to performance than measures. They developed an alternative model SERVPERF which uses the same 22 items as SERVQUAL, and the measurement is based upon customer's assessment of performance rather than the gap between performance and expectations. Their empirical test of four alternative models suggests that SERVPERF performs better than the other models, offering greater predictive power. Parasuraman et al. (1994) defended SERVQUAL against the concerns raised by Cronin and Taylor (1992) and Teas (1993) about the gap theory and SERVQUAL by reexamining the underlying arguments and evidence.

SERVQUAL has also been criticised for focusing on the process of service delivery rather than outcomes of the service encounter. Gronroos (2001) argued that the outcome quality is concerned with what the customer actually receives from the service transaction, whereas the process quality relates to the service approach and or the manner in which the customer receives the service from the service provider. Critics argued that outcome quality is missing from SERVQUAL. Richard and Allaway (1993)'s empirical test into Domino Pizza's process and outcome quality shows that the process-and-outcome is a better predictor of consumer choice than process or outcome alone. It has been reported that the inclusion of the outcome quality component into the model/measurement scale significantly improves its explanatory power and predictive validity (Powpaka, 1996).

Andersson (1992) objected to SERVQUAL's failure to draw on established economic, statistical and psychological theory. A further source of criticism concerns the dimensionality of SERVQUAL. Criticism on SERVQUAL from the operational perspectives includes:

1. Expectations: the term expectation is polysemic; and SERVQUAL fails to measure absolute SQ expectations.
2. Item composition: four or five items cannot capture the variability within each SQ dimension.

3. Moments of truth (MOT): means interaction between a customer and a firm that gives the customer an opportunity to form an impression about services or the firm. Customers' assessments of SQ may vary from MOT to MOT.
4. Polarity: the reversed polarity of items in the scale causes respondent error.
5. Scale points: the seven-point Likert scale is flawed.
6. Two administrations: two administrations of the instrument causes boredom and confusion.
7. Variance extracted: the over SERVQUAL score accounts for a disappointing proportion of item variances

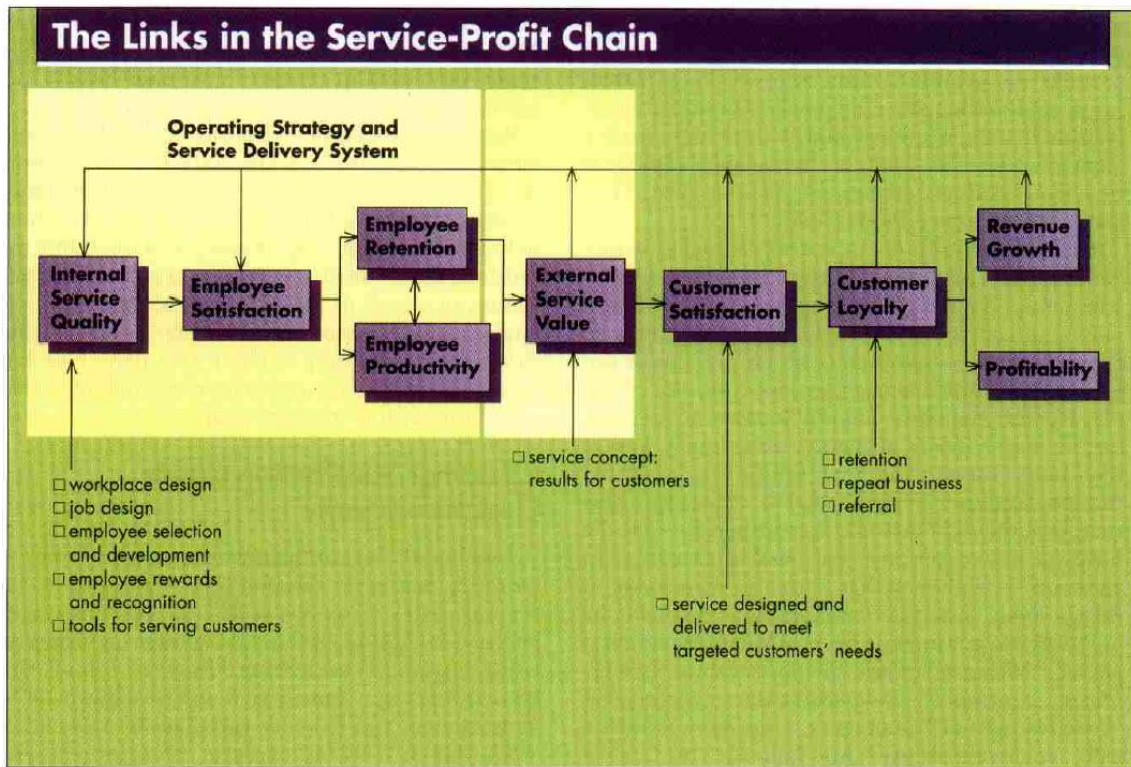
Lovelock and Gummesson (2004) and other scholars challenged the validity of four characteristics categorized by Parasuraman et al., which is the fundamental platform of SERVQUAL and question the distinctive dimensions between services and goods. Despite the enquiry and criticism that SERVQUAL has inevitably attracted (Buttle, 1996) especially a highly critical stance by Lovelock and Gummesson (2004), and evidence that consumers view quality and satisfaction attributes as separate and distinct (Lacobucci et al., 1995), SERVQUAL remains the most widely applied measure of service quality today (Sivadas and Baker-Prewitt, 2000).

3.5 The Service Profit Chain

Heskett et al. (1994) firstly proposed the model of service profit chain, which establishes relationship between profitability, customer loyalty, and employee satisfaction, loyalty and productivity. Through the model, they argued that the causal relationships between profitability/growth and the factors which inform employee satisfaction are "direct and strong". The following propositions are used to specify the links in the model: "Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal and productive employees. Employee satisfaction, in turn, results primarily from high quality support services and policies that enable employees to deliver results to customer". Leadership is an important factor underpinning the chain. "Leaders who understand the service-

profit chain develop and maintain a corporate culture centered around service to customers and fellow employees” (Heskett et al., 1994)

Figure 3.2 The Links in the Service Profit Chain by Heskett et al.(1994)



The service profit chain provides one of the most powerful and widely supported perspectives on the issue of service quality and customer satisfaction. Duncan and Elliott (2004) considered that the Service Profit Chain offers “perhaps the most influential contribution” in the customer service quality literature, whilst Voss et al. (2005) described it simply as “an established model of service management”. Its popularity is also evident in the numerous case studies reported by practitioners, the most notable being its application at Sears (Rucci et al. 1998).

In order to facilitate the implementation of SPC, several attempts have been made to model various aspect of the SPC (Kamakura et al., 2002). For instance, Voss et al. (2005) proposed a generic modern representation of SPC. This simplified model breaks SPC down into the following critical components as follows.

Figure 3.3 The Service Profit Chain by Voss et al. (2005)

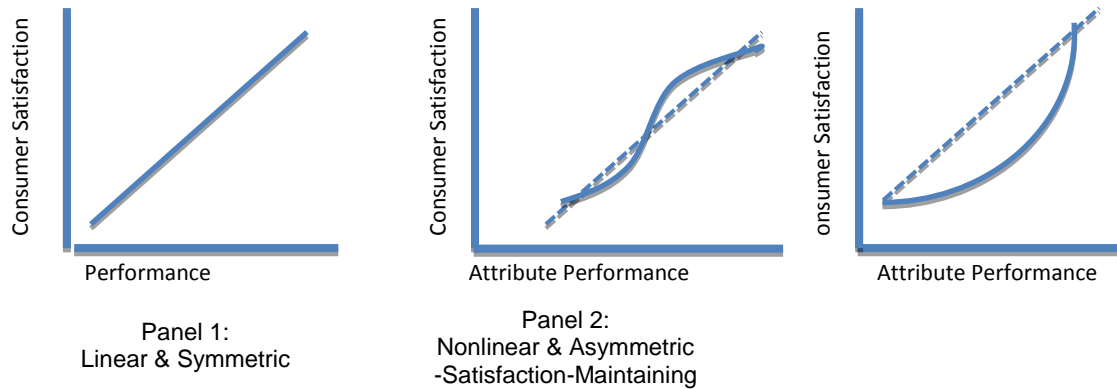


As noted by Soteriou and Zenios (1999), most studies focus on individual aspect of the SPC rather than the comprehensive approaches to model the SPC (Zeithaml, 2000). For instance, leadership wasn't considered in the empirical review of SPC and the mediating role of service and quality was ignored by some researchers, for instance Gelade and Young (2005), Vilares and Coehlo, (2003) and Snipes et al. (2004). Others have focused on the employee satisfaction/profit link, largely ignoring the mediating role of service quality. Silvestro et al. (2000) pointed out that the original work based on some 20 large service organisations lends support to the linkages in the chain but appears not to subject any single organisation to an analysis of all the linkages in the chain. From a research perspective, a comprehensive empirical application that simultaneously assesses all of the links of SPC and examines these links both at the strategic and operational levels is missing (Kumar et al., 2002).

Anderson and Mittal (2000) followed the conceptual logic underlying the satisfaction-profit chain and sought to develop more sophisticated explanatory models to provide managers with practical application tools. Their study identifies two important characteristics of the links in the satisfaction-profit chain.

First, the links are often *asymmetric* (Anderson, 1993; Mittal et al., 1998). It is shown that the impact of an increase is different from the impact of an equivalent decrease, not only in terms of direction but also in terms of size (Anderson and Mittal, 2000). Asymmetry implies that both increasing positive performance and mitigating negative performance are necessary actions for companies who wish to improve customer satisfaction. Second, the links are also nonlinear. That is, each additional one-unit increase in an input has a smaller impact than the preceding one-unit increase.

Figure 3.4 The Performance-Satisfaction Link by Anderson and Mittal (2000)



Panel 1 depicts the traditional view of the relationship between performance attribute and customer satisfaction. In this conceptualisation, the relationship is both linear and symmetric such that a one unit change in performance can lead to an equal change in satisfaction. However, as Anderson and Mittal (2000) found in most cases the relationship follows the patterns demonstrated in Panels 2 and 3.

Panel 2 shows an attribute that exhibits asymmetry impact on satisfaction. At certain points in the satisfaction-profit chain, nonlinearity appears in the form of *diminishing returns*. That is, each additional one-unit increase in an input has a smaller impact than the preceding one-unit increase. For instance, consecutive performance increases in speed will have less of an impact on satisfaction. Satisfaction-maintaining attributes are core attributes that customers take for granted. Therefore, they are more likely to exhibit negative asymmetry. This means that for particular attributes (e.g., timeliness), a decrease will have a greater impact on satisfaction than an equivalent increase in the same attribute.

Panel 3 demonstrates the situation when attribute performance has an impact on overall satisfaction that is asymmetric with increasing return. Here, changes in the positive-performance domain have a greater impact on satisfaction than

changes in the negative-performance domain. This is typical of positive asymmetry. Performance changes towards the extreme of the upper end of the scale are described as “surprise” or “delight” attributes. Such attributes are usually unanticipated or unusual relative to what customers normally envision a product or service experience to entail. For instance, a sense of humor gains in performance may outweigh losses. In such cases, the relationship between performance and customer satisfaction exhibits *positive asymmetry*.

Asymmetry and nonlinearity are not only found in the link between performance and customer satisfaction but also demonstrated in the customer satisfaction and retention linkage. It has been found that increasing overall satisfaction leads to greater repurchase intentions (Zeithaml et al., 1996), as well as to actual repurchase behavior (Bolton, 1998). Many researchers calculate the relationship between satisfaction and repurchase intention by using certain techniques. Like the majority of the studies, the asymmetric and nonlinear aspects of the link aren't considered in Ralston's study (1996). Instead, Anderson and Mittal's study shows that the impact on repurchase intention is greater at the extremes. For example, very satisfied customers are much more likely to repurchase than merely satisfied customers. This view is supported by Jones and Sasser (1995) who found that totally satisfied customers were six times more likely to repurchase products than satisfied customers.

Empirical support for each of these linkages can be now found in the satisfaction literature (Anderson and Mittal, 2000) and a consensus has been reached based on empirical research that the service quality is a strong driver of customer satisfaction and profitability.

The study carried out by Anderson and Mittal (2000) also shows that the impact of customer retention on profitability, the final link in the service profit chain is not only asymmetric but also nonlinear. Based on the data from 125 firms, they also claimed that a 1% increase in customer satisfaction is associated with a 2.37% increase in Return on Investment (ROI), whereas a 1% decrease is associated with a 5.08% drop in ROI. This suggests that on average, a decrease in customer satisfaction is twice more deleterious than the benefit associated with an equivalent increase in satisfaction.

The asymmetric and non-linear nature of the links in satisfaction-profit chain identified by Anderson and Mittal (2000) is critical to both a theoretical understanding and the practical application of the model. Their research moved from the first-generation review of the satisfaction-profit chain as linear and symmetric to the second generation perspective and revealed the greater complexity in these links (Zeithaml, 2000).

Another framework proposed by Rust et al. (1995), known as return on quality (ROQ) model is similar to SPC though it differentiates itself with an explicit model in relation to costs and benefits of quality related investments. It models the relationship between service quality improvements and profitability as a “chain of effects”. Successful improvement efforts result in an improvement in service quality, which in turn leads to improved perception of service quality and customer satisfaction. The improvements can generate cost reductions. Increased customer satisfaction ensures greater customer retention. It also generates positive “word of mouth” communication which attracts new customers. Overall revenues grow via new customers and higher revenues from retained customers. Profitability is improved as a result of increased revenue and reduced costs.

In summary, ROQ approach is characterized by the following assumptions:

1. quality is an investment
2. quality efforts must be financially accountable
3. it is possible to spend too much on quality
4. not all quality expenditures are equally valid

Both the SPC and ROQ have several commonalities. For instance, both frameworks are different from the recently emerging customer equity framework, where the focus is on identifying profitable customers.

3.6 Service Provision in the Nonprofit Sector

Different sectors face different challenges and have different component in the services provided (Johnstons and Clark, 2008). For example, the nonprofit

services are different from B2B, B2C and public services in aspects described in the following table.

Table 3.2 Different Types of Services by Johnstons and Clarks (2008)

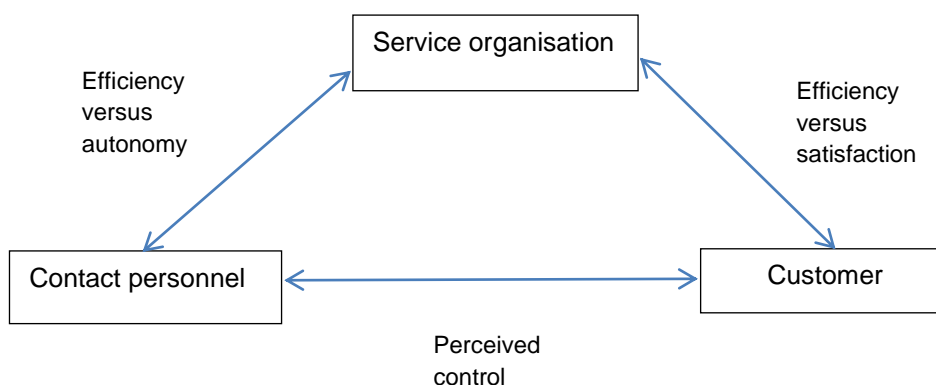
	B2B services	B2C services	Internal services	Public services	Non-for-profit services
Description	Service provided for businesses	Service provided for individuals	Services provided by internal function with organisation	Services provided by central or local government	Services provided by non-government organisations or charities
Examples	Maintenance Consultancy Training Catering	Shops Hotels Banks Food	Finance Purchasing IT Personnel	Prisons Hospitals Schools Leisure	Hospisce Counseling Faith organisations, Aid agencies
Customers and purchases	Frequently purchased by professionals, who are not necessarily the end users	Usually purchased by the individual consumer	Users have little or no choice of provider; frequently funded by central budget	Users may have little day-to-day choice; funded through taxation with the allocation of resources influenced by political processes	Beneficiaries are self-selecting or chosen recipients; funded through individual and organisational giving
Challenges	Providing high-quality services to business consumers who frequently have high purchasing power	Providing consistent service to a wide variety of consumers	Demonstrating value for money against possible external alternatives	Balancing the various political pressures and providing acceptable public services	Dealing with difference between volunteers, donors and beneficiaries; dealing with emotional and sometimes overwhelming needs

As Johnston and Clark (2008) pointed out, most of charities are engaged in the mixture of activities composing of fundraising and supplying and distributing services/aids needed. They also briefly discussed in their research the challenges facing charities of various types through the lenses of service operations management.

- Managing a workforce of volunteers who, though highly motivated, may not follow the organisation’s procedure.
- Managing the allocation of resources to ensure that maximum funds flow to the beneficiaries of the organisation, while developing effective processes and people.
- Dealing with differences between the activities that might influence and impress.
- Working in a highly emotional area, sometimes being overwhelmed by demand for service.

From the perspective of service encounters, Fitzsimmons and Fitzsimmons (2008) adapted the relationship triad from John E.G. Bateson (1995) to describe the interaction between a customer and a service provider in the service production and provision process and explain the different role of service provider, customer and contact personnel. The relationship triad is also used to describe the active interaction between three parties, which is believed to be one of the unique characteristics of services.

Figure 3.5 The Relationship Diad by Bateson (1995)



The ideal situation is that the above three parties can interact with each other to create a beneficial service encounter. However, nonprofit organisations might replace effectiveness with efficiency while they still need to provide non-chargeable services under the funds available (Fitzsimmons and Fitzsimmons, 2008). In contrast, in order to minimise cost and remain competitive, commercial organisations would be under a higher pressure to deliver service as efficiently as possible (Fitzsimmons and Fitzsimmons, 2008).

3.7 Summary

This chapter reviews literature on Services Management to gain the understanding of findings related to services concepts, service quality and its relationship with customer satisfaction and profitability as well as its application in a nonprofit setting. The literature review shows that a strong causal relationship between service quality, customer satisfaction and profitability has been evidenced in SERVQUAL and the service profit chain. However, it is also shown limited research were carried out to investigate the applicability of services management in particular service profit chain in explaining the relationship between charitable service beneficiary's service satisfaction and their giving behavior in the nonprofit context

The identification of this research gap provides basis for the formulation of the following research question:

Question 4: What is the relationship between beneficiary service satisfaction and their charitable behavior?

This research question will be further discussed in the following chapters based on the theoretical platform provided by the literature review.

CHAPTER 4 RESEARCH METHODOLOGY

4.1 Introduction

This chapter provides an overview of research philosophies and methodology, and outlines the detailed research design and individual research method for this study. It is organised in 5 sections.

Section 4.2 explores the role of undertaking this research under the Knowledge Transfer Partnership (KTP) Scheme and the stance taken in this research, which informs later decision-making on research philosophies and methodologies.

Section 4.3 reviews the literature on research philosophies and methodologies. Consideration is given to significant differences between two major research methods, namely quantitative and qualitative from the perspectives of positivism and phenomenology in particular the strengths and weaknesses of each method. This section concludes by adopting a stance of pragmatism in this study. This choice is mirrored in the employment of case study approach and multiple research methods, which will be discussed in detail in the subsequent section.

Section 4.4 drawing upon the aim and objectives of this study, examines various sources where data has been collected and how this data contributes to meet research objectives. It also presents the overall research design in which the fit between research questions and research methods is explained. Subsequently, it studies the logic relevance as well as the process and method for data collection and analysis for each research technique employed in this research.

Section 4.5 summarises the research methodologies and techniques adopted for this research. In brief, recognizing the specific requirements of research objectives, this research employs both qualitative and quantitative methods in a single case study.

4.2 Stance in This Research

Hospiscare, the case upon which this research is based, is one of the leading charities in the region of Devon. It provides integrated palliative care to patients at the end of their lives and support to their family. The figures in the financial year of 2007 shows that 24% of its revenue comes from charitable donation. Under the pressure to meet the increase in operational costs, Hospiscare realised a urgent need for a more proactive and innovative approach to ensure a stable fundraising income, which will not only guarantee the quality of services provided to patients and their family, but also be critical to its survival. To address this issue, they purchased a specialised CRM database to process the information of over 20,000 donors. However, the lack of experience in implementing a CRM project has hindered them reaping the benefits from their valuable donor resources. The partnership between Hospiscare and the University of Exeter Business School, under which this research was conducted, creates an opportunity for Hospiscare to gain access to new streams of knowledge and skills from the University and to address some of its pressing challenges, particularly in the area of fundraising.

KTP scheme allowed research to be carried out alongside day-to-day fundraising management and operations, including various fundraising planning and decision making tasks. It offered access to confidential and private information over the period of research, such as information about finance, donors and beneficiaries. The various ways of being involved in an organisation is important especially when interpretive research was undertaken (Walsham, 1995). Meantime, as a researcher, I endeavoured to remain independent during the study and to avoid developing theories through interpreting my personal thoughts and observations thus minimising any bias and manipulation. The stance taken to undertake a fair and rigorous research work is reflected in the selection of research methodology and the discussion on research findings.

4.3 Selection of Research Methodology

4.3.1 Difference in Research Paradigms

Two broad philosophical perspectives dominate the methodological debate: positivism and phenomenology. Often, these two methodological frameworks are considered synonymous with quantitative and qualitative methods. The deep rooted differences between the two perspectives, quantitative and qualitative methods are however “more than just differences between research strategies and data collection procedures”(Filstead, 1979). Instead, these different research methodologies reflect the philosophical distinctions and represent fundamentally different epistemological frameworks.

As some researchers e.g. Guba and Lincoln (1994) argued, paradigm is which we define as the basic belief system or world view that guides the investigation, not only in choices of method but also in ontologically and epistemologically fundamentally different ways. It underpins our research strategy and the methods we choose as part of that strategy (Saunders et al., 2007). Therefore, the approach we adopt for this study is not only influenced by practical considerations but also by our particular view of the relationship between knowledge and the process by which it is developed.

The debate on both epistemology and ontology is often framed in terms of a choice between the positivist or interpretivist research philosophy, which contains important differences. In addition to the debate on research philosophies, there are differences between quantitative and qualitative research methods, which Bryman (1999) summarised in the following aspects:

- their analytical objectives
- the types of questions they pose
- the types of data collection instruments they use
- the forms of data they produce
- the degree of flexibility built into study design

The distinctions are reflected in Bryman’s (1999) comparison of the differences between Quantitative and Qualitative research.

Table 4.1 Comparison of Quantitative and Qualitative Research Approaches by Bryman (1999)

	Quantitative	Qualitative
General framework	Seek to confirm hypotheses about phenomena. Instruments use more rigid style of eliciting and categorising responses to questions. Use highly structured methods such as questionnaires, surveys, and structured observation	Seek to explore phenomena Instruments use more flexible, iterative style of eliciting and categorising responses to questions. Use semi-structured methods such as in-depth interviews, focus groups, and participant observation.
Analytical objectives	To quantify variation To predict causal relationships To describe characteristics of a population	To describe variation To describe and explain relationships To describe individual experiences To describe group norms
Question format	Open-ended	Close-ended
Data format	Numerical (obtained by assigning numerical values to responses)	Textual (obtained from audiotapes, videotapes, and field notes)
Flexibility in study design	Study design is stable from beginning to end. Participant responses do not influence or determine how and which questions researchers ask next. Study design is subject to statistical assumptions and conditions.	Some aspects of the study are flexible (for example, the addition, exclusion, or wording of particular interview questions). Participant responses affect how and which questions researchers ask next. Study design is iterative, that is, data collection and research questions are adjusted according to what is learned.

The data collection techniques and analysis procedures used for quantitative and qualitative studies reflect the difference in philosophical ground and have

their own strengths and weakness. The advantages and disadvantages of the different perspectives have been articulated by a number of authors (Saunders et al., 2003; Bryman, 1999; Meredith, 1998) and are synthesized in Table 4.2.

Table 4.2 Advantages and Disadvantages of Qualitative vs. Quantitative Methods by Saunders et al. (2003)

	Positivism/Quantitative	Phenomenology/Qualitative
Advantages	<ul style="list-style-type: none"> • Clear theoretical focus from the outset • Precision and reliability • Standard Procedures • Testability • Economical collection of large amount of data • Greater opportunity for the researcher to retain control • Easily comparable data 	<ul style="list-style-type: none"> • Relevance and understanding by studying phenomena in the natural setting • Facilitates understanding of how and why • Exploratory depth where variables unknown • Enables researchers to be alive to changes which occur during the research process • Good at understanding social processes • Can reveal covert practices
Disadvantages	<ul style="list-style-type: none"> • Sampling difficulties • Trivial data • Model-limited • Low explained variance • Inflexible • Weak at understanding social processes • Often doesn't discover the meanings people attach to social phenomena 	<ul style="list-style-type: none"> • Access and Time • Triangulation requirements • Lack of controls • Unfamiliarity of procedures • Data collection is time consuming • Data analysis is difficult • Clear pattern may not emerge – uncertainty for researcher • Generally seen as less credible by 'non researchers'

This is echoed in the argument over the independence of method and philosophical perspective. Onwuegbuzie and Leech (2005) argued that ‘the most effective way of attaining epistemological universality involves using mixed-methodological approaches. Such views are mirrored by Amundson (1998)’s suggestion that indicates the use of a broader set of data collection and data analysis methods would increase the range of research questions that could be addressed. As Sale et al. (2002) pointed out in their review of the quantitative vs. qualitative debate, the use of mixed methods has become increasingly popular, which suggests that many researchers can now freely use mixed-method designs to carry out relevant and valuable research.

4.3.2 Case Study

Qualitative and quantitative data are both needed in order to reflect the width and depth of this research. The case-based research methodology, which is widely recognised as an effective tool for the development of exploratory theory (Polonsky and Sargeant, 2007) is considered for this research and chosen for the following reasons.

First, it allows a rich analysis on a contemporary issue within its real life context (Robson, 2002). Hospiscare is a local charity providing care to people with terminal illness. The study on the employment of CRM strategies for the purpose of fundraising will not only shed light on how the implementation of CRM initiative impact a charitable organisation’s fundraising initiatives but also provide insight into the obstacles and challenges practitioners face.

In addition, the use of case-based research allows views to be triangulated by identifying commonalities or differences in opinions (Perry, 1998), making it highly appropriate for exploring the issue discussed in later chapters. As pointed out by Woodside (2003), while case study research is often associated with using qualitative research methods, it is not restricted to one set of research methods. Quantitative methods, including statistical analysis on survey results, are appropriate for case study research as well. The value of case study research will be enhanced considerably by using multiple tools, both qualitative and quantitative methods, in the same study. In brief, the data collection

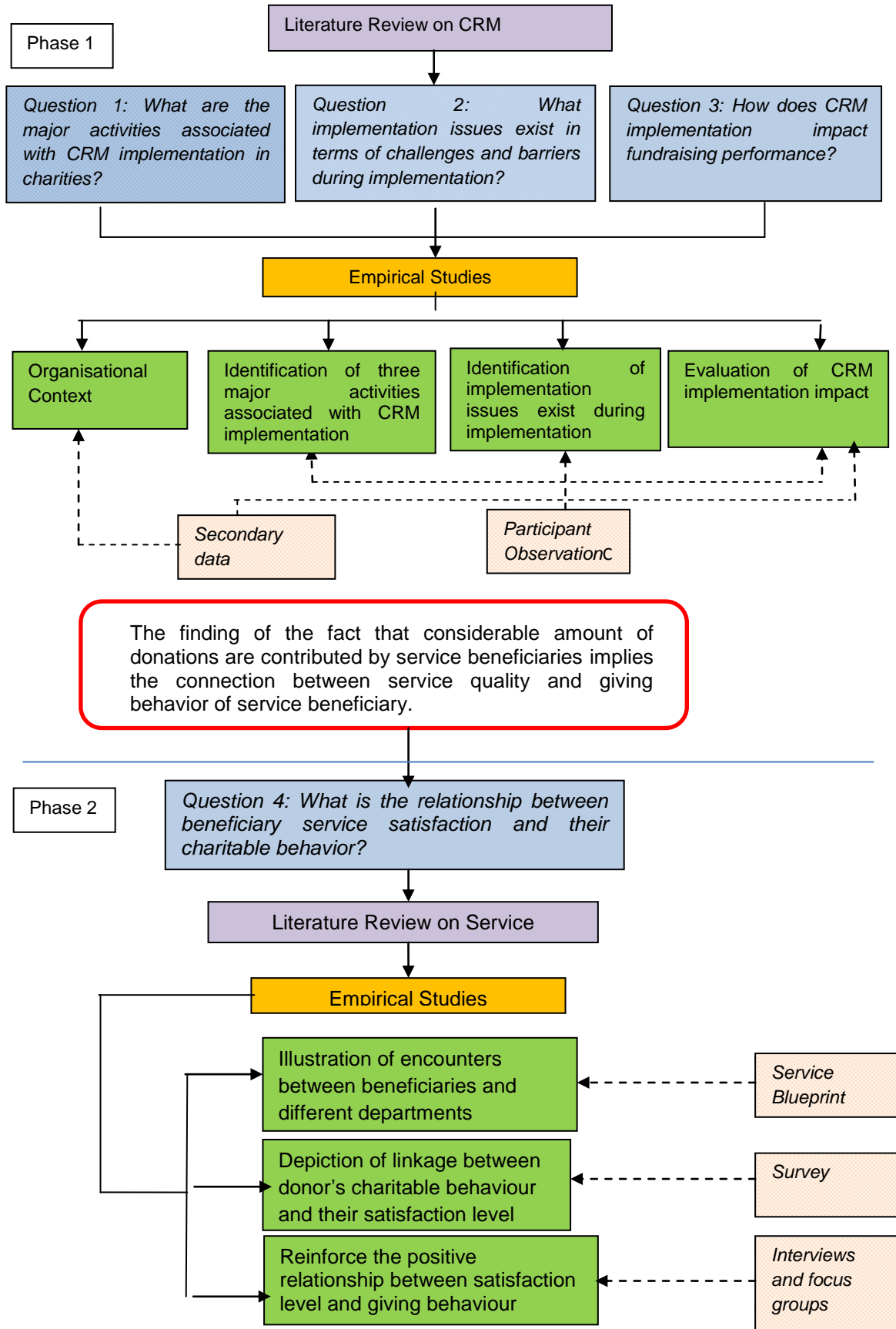
techniques employed in the case-based research can be various and used in different combinations. The triangulation of multiple sources of data is also commonly used in case study.

Moreover, the need for a case-based approach is emphasised by the importance of obtaining detailed information on all aspects of the service encounter with beneficiaries and donors, requiring access to multiple sources of evidence from beneficiaries, donors, the organisation's managers, and operational employees. Last but not least, the case-based approach helps to achieve deep understanding of processes in service provision and donation exchange and other concept variables (e.g. beneficiaries' perceptions of services, intentions of giving).

4.4 Research Design

A research design, which is sought to employ methods best suited to the delivery of each research objective was developed. In all, this study is composed of a systematic literature review of CRM and Service Management and subsequent empirical research carried out in a single chosen case. The framework representing the research design is presented with the assistance of Figure 4.1.

Figure 4.1 The Structure for Research Methodology



The detailed explanation of each research method employed and their data collection and analysis methods will be presented in the following sections.

4.4.1 Research Objectives and Phases

Research objectives address gaps in current theories and practice in CRM and Service Management. For the convenience of discussion, the research objectives including the relationship between two research phases are repeated below.

Phase 1

The research on stage 1 seeks to understand and explain the application of CRM within the UK nonprofit sector. Existing CRM literature suggests three key areas for CRM implementation. They are: 1) understanding customers via the use of modern technology; 2) creation of customer-focused product to enhance the value for both the organisation and customers; 3) implementation of cross-functional strategies to maximise the value to customers. However, there is a lack of sufficient empirical data to validate the applicability of these suggested activities and to demonstrate their impact on charitable income. These gaps provide cause for identifying the following research questions:

Question 1: What are the major activities associated with CRM implementation in charities?

Question 2: What implementation issues exist in terms of challenges and barriers during implementation?

Question 3: How does CRM implementation impact charity's fundraising performance?

Phase 2

In the process of researching the above phenomena, it is found that about 75% of donation received is contributed by service beneficiaries or people who have close relationship with them. This finding implies a certain connection between

service quality and giving behavior of service beneficiary and triggers the following research question for Phase 2 study.

Question 4: What is the relationship between beneficiary service satisfaction and their charitable behavior?

Relevant research strategies are formulated to meet the needs of the above-mentioned research questions. Different research methods are selected to reflect different focuses and different research objectives. In the next section, we will discuss the research methods which are employed to suit and explore the above research objectives.

4.4.2 Selection of Research Methods

As far as this research is concerned, multiple methods are particularly useful as it provides better opportunities to answer research questions and allow us to better evaluate the extent to which our research findings can be trusted and inferences made from them. The following two reasons explain why to choose multiple methods.

Firstly, different methods can be used for different purposes in a study. For instance, we can employ interviews at an exploratory stage in order to get a feel for the key issues before using a questionnaire to collect descriptive or explanatory data. Second, it enables triangulation to take place. Triangulation refers to the use of different data collection techniques within one study in order to ensure that results are cross-examined (Saunders et al., 2007). For instance, semi-structured interviews can be a valuable way of triangulating data collected by other means such as questionnaire.

Both secondary and primary data are collected in this research. Secondary data is the data collected by someone other than researcher. The sources of secondary data in our research include existing organisational information and figures and the data collected through previous quantitative analysis. By contrast, primary data are collected by researcher. Both secondary data and primary data have their own disadvantages and advantages. For instance,

secondary data analysis saves time that would otherwise be spent collecting data and, particularly in the case of quantitative data, provides larger and higher-quality databases than would be unfeasible for any individual researcher to collect on their own.

4.4.3 Research Methods for Phase 1 Research

With regard to the first phase of research, the major source of data comes from participant observation and allows the researcher to explore the challenges and barriers facing the Charity when it implemented CRM strategies.

4.4.3.1 Case Context Based on Secondary Data

Secondary data is information gathered for purposes other than the completion of a research project. It is classified in terms of its source, either internal or external. Internal, or in-house data, is secondary information acquired within the organisation where research is being carried out. External secondary data is obtained from outside sources. The two major advantages of using secondary data in market research are time and cost savings.

The secondary data is able to present a full picture of the context of the sector and the organisation where the research was carried out. The process of actual data collection and analysis allows the researcher to be familiar with the culture and environment in the case organisation. The invaluable contextual knowledge about the sector and the case helps us identify and understand research questions. Furthermore, the quantitative analysis conducted by benchmarking Hospiscare's fundraising income with other hospices with similar size and service population provides us with a better understanding of the status quo of fundraising in the case organisation and potential scopes for future development.

Secondary data is gained from industrial reports, internal published newsletters, annual accounts, departmental meeting minutes, executive reports etc. as well as its existing donor database. Data collected covers the following three areas 1) the knowledge and expertise of Hospiscare, 2) its financial status, 3) its

fundraising income streams. The documentation of data will be exhibited in Chapter 5 Findings and Discussions.

4.4.3.2 Participant Observation

The source of data for Phase 1 research mainly comes from the observation made by the researcher. The understanding of actual CRM implementation and the diverse perspectives existing in the case is achieved through both observing and participating.

Participant observation is a type of research strategy and a widely used methodology in many disciplines. Observing and participating are integral to understanding the breadth and complexities of research questions. Its aim is to gain a close and intimate familiarity with a given group of individuals and their activities or practices through an intensive involvement with people in their natural environment, usually over an extended period of time (Mack et al., 2005). Participant observation as a distinctive research method allows us to approach participants in their own environment rather than having the participants come to us. Participant observation is also used in this research to gain an understanding of the contexts in which the chosen case exists; the relationships among and between people, contexts, ideas and events; and people's behaviours and activities – what they do and how they do it. In addition, this method enables us to develop a familiarity with the cultural milieu that will prove invaluable throughout this research project. Data collected from participant observation provides valuable context for understanding the data collected through other methods. Thus, what we learn from participant observation can help us not only to understand data collected through other methods (such as interviews, focus groups, and quantitative research methods), but also help to understand the phenomenon being studied.

The challenges of using participant observation are firstly time-consuming and secondly the difficulty of documenting the data – it is hard to write down everything that is important while we are in the act of participating and observing. As researcher, we therefore relied on our memory to write down and expanded the observations as soon and as completely as possible. But,

because memory fades quickly, postponing the expansion of notes can lead to loss or inaccurate recording of data. Another challenge is that it is an inherently subjective exercise, whereas research requires objectivity. It is therefore important to understand the difference between reporting/describing what we observe (more objective) versus interpreting what we see (less objective) by filtering out personal biases. One way we used in this study is to write down objective observations of a given activity on one side of a page, and then offer more subjective interpretations of the same activity on the other side of the page, as illustrated in the box at left. Table below summarises the strengths and challenges of employing participant observation in qualitative research (Mack et al., 2005).

Table 4.3 Strengths and Challenges of Participant Observation by Mack et al. (2005)

Strengths	Challenges
<p>Allows for insight into contexts, relationships and behaviour</p> <p>Can provide information previously unknown to researchers that is crucial for project design, data collection, and interpretation of other data</p>	<p>Time-consuming</p> <p>Documentation relies on memory, personal discipline, and diligence of researcher</p> <p>Requires conscious effort at objectivity because method is inherently subjective</p>

In this research, participant observation is used together with other qualitative methods, such as interviews and quantitative analysis. It is an integral part of the iterative research process. At the beginning stage of a research project, participant observation was used to facilitate and develop positive relationships between researchers and stakeholders and activity participants, whose assistance and approval are needed for the study to become a reality. These relationships are essential to the logistics of setting up the study, including gaining permission from appropriate officials, and identifying and gaining access to potential study participants.

We also used data collected through participant observation to improve the design of other methods, such as interviews and focus groups. For instance,

they helped to ensure the cultural relevance and appropriateness of interview and focus group questions. Participant observation data is invaluable in determining whom to recruit for the interview study and how best to recruit them. When acting as interviewers or focus group facilitators, we are guided by the cultural understanding gained through participant observation, allowing us to discern subtleties within participant responses. Knowing what these culturally specific cues mean allowing us to ask more appropriate follow-up questions and probes.

When conducting participant observation, we paid attention to the ethical issues e.g. disclosure of ourselves in the observation and confidentiality. We realised that the observation should be discreet enough about whom we are and what we are doing so that we do not disrupt normal activity, yet open enough that the people we observe and interact with do not feel that our presence compromises their privacy. It is essential that we openly state our identity and purpose in all situations. During the research, we always alert relevant people as to our presence and purpose and we aren't secretive or deliberately misleading about the research project or our role in it.

As with all qualitative methods, researchers involved in participant observation must make a personal commitment to protect the identities of the people they observe or with whom they interact formally or informally. Maintaining confidentiality means ensuring that particular individuals can never be linked to the data they provide. For instance, beneficiaries and donors in the case organisation are either patients or their family or friends and therefore they are very vulnerable in their own situation. During this study therefore, we didn't record identifying information such as names and addresses of people we met during participant observation. If it becomes necessary to get such information, these names and locations may be documented in field notes and shared with other research staff, but they should never be coded and eliminated upon entry of the field notes into the computer, with the code list kept in a separate, secure computer file with limited access.

In this study, the activities in the following three areas were documented and analysed as the main source of data collected through participant observation.

- 1) Donor information management including understanding the needs of different data users, understanding the functionality of database, designing and piloting new data protocol, providing staff training and implementing new data protocols;
- 2) Development of donor-focused fundraising product including understanding the context of the chosen product, designing, planning and promoting the product.
- 3) Promotion of cross-functional coordination in the organisation.

Information collected via participant observation was analysed by using template coding technique. Template technique is widely used approach in qualitative research and it is sometimes referred to by other terms as “codebook analysis” or “thematic coding” (Baron, 2011). The advantage of using this technique, as King (1998) stated is that it doesn’t come with a lot of prescriptions and procedures and its consequent flexibility enables it to be modified to suit the needs of any study in a particular area. The essence of this approach is that we can produce a list of codes (a template) representing themes identified in textual data. They will be modified and added to record, read and interpret qualitative data (King, 1998). The framework developed by Arnould et al. (2006) was adopted to identify the categories under which the salient themes emerged. These themes reflect the challenges and barriers facing charities in the process of implementing CRM as well as its impact on the organisation with assistance of secondary data collected from internally published financial report. The detailed analysis and findings will be discussed in Chapter 5 Findings and Discussions.

4.4.4 Research Method and Data Source for Phase 2 Research

There are four types of research method employed in Phase 2 study. They are blueprint of service encounters, survey questionnaire, semi-structured interviews and focus group interviews. The logic which explains the selection of these methods as well as how they are employed in this research is presented in this section.

4.4.4.1 Service Blueprint

Service blueprint is a customer-focused approach for service improvement and innovation (Shostack, 1984). In comparison to other process-oriented design techniques and tools, service blueprints are first and foremost customer-focused, allowing us to visualise the service processes, points of customer contact and the physical evidence associated with their services from their customers' perspective. It also illuminates and connects the underlying support processes throughout the organisation that drive and support customer-focused service implementation (Bitner, 2008).

Service blueprinting is adopted in this case study for the following reasons. The services provided by Hospiscare involve extensive interactions among multiple parties. This complexity is one of major reasons why mapping those service encounters from the point of view of beneficiaries is so important. The complexity is reflected in the following aspects. Firstly there are different forms of care patients can choose to have, e.g. being cared at home, in hospice's in-patient unit, coming to the day care centre to socialise with other patients. Different departments and teams are engaged with patients in the service provision process based on the different types of care they receive. For instance, if patients choose to receive palliative care from home, they may not have any contact with nurses and doctors who work in the hospice's in-patient unit. Instead, the community-based nurses and doctors will become the main point of contact in respect of service provision.

The complexity also comes from the heterogeneity of highly personalised care for patient families. The supportive care offered to patient families ranges from helping them cope with bad news, applying for financial support for them, helping them with housekeeping. Taking these complexities into account, it is difficult and even impossible to map all of the different scenarios with one single blueprint. Therefore, we choose the real case of Lily (patient) for blueprinting to demonstrate literally the engagement from different departments with patient and their family. As the provision of care for beneficiary and the fundraising services are managed separately in the organisation, Hospiscare's relationship with beneficiaries and donors is presented in two separate service blueprints.

Secondly, as one of the strengths of the blueprinting technique is its versatility and flexibility, we will be able to modify the generic blueprint in order to suit the context of the case.

The aims of blueprinting in this case are firstly to depict the complexity of relationship between beneficiaries and different departments within Hospiscare, and secondly to reveal opportunities for service improvement and innovation through presenting the detail of service encounter between beneficiaries and various departments. The illustration of the “real life” gives researchers and practitioners insight into the contact points which are the opportunities for service improvement and innovation.

Following the guidance given by experienced scholars e.g. Bitner (2008), the blueprint was built in the following order. As one of research questions of this study is to investigate the possible relationship between service satisfaction and fundraising capacity, personnel from both the service provision and fundraising are involved in process of building service blueprint.

According to Bitner (2008), a generic service blueprint consists of five components. They are:

- Customer actions: all of the steps that customers take as part of the service delivery process. As they are the central to the creation of the blueprint, they are laid out first so that all other activities can be seen as supporting the value proposition offered to or co-created with the customer.
- Onstage/visible contact employee actions: actions of frontline contact employees. They are separated from the customer by the line of interaction
- Backstage/invisible contact employee actions: separated from the onstage actions by the line of visibility
- Support processes: all of the activities carried out by individuals and units within the company who are not contact employees that need to happen in order for the service to be delivered. It is separated from contact employees by the internal line of interaction.

- Physical evidence: tangibles that customers are exposed to. It is normally described at the very top of the blueprint.

In the case of Hospiscare, beneficiaries and their family interact with both the Service Provision Department and the Fundraising Department for different purposes at different stage of relationship development therefore separate sheets were used to describe the services they received at the different time. As different teams under the Service Provision Department might interact with patients and their family at different time, a solid line is used to illustrate the interaction between the Department with patient and dashed line for the interaction between it and patient's family.

During the mapping, focus is given to what typically occurs during the service process. One of the advantages of doing so is that the blueprint can be compared to ideal process or the process adopted by other charities to show the difference. Two separate service blueprints are used to illustrate the provision of care to beneficiaries and the fundraising services are managed separately in the organisation. They are the blueprint of the service (palliative/supportive care) provision process and the blueprint of the fundraising process. The data used in devising the service blueprint is based on the real case of a patient's (Lily) journey with Hospiscare. The data was collected from both primary and secondary data sources, namely from interviews with personnel from different departments involved in the service provision and interviews with donors who experienced the service in the past. Beneficiaries were asked to comment on the completed blueprint processes and their views were taken into account in revising the blueprint.

4.4.4.2 Survey Questionnaire (by mail)

It has been generally recognised that questionnaires can be used for explanatory research to enable researcher to examine and explain relationship between variables in particular cause-and-effect relationships. This method is adopted here with the purpose of finding out the satisfaction level of donors and the relationship between the service they received and their charitable behavior. Donors in this case can be patients, their family and friends.

Survey questionnaire can be carried out by personal administration or by telephone or email, and each method has merits as well as shortcomings. Mail survey is chosen to use in this study because of its following advantages. Firstly, it is cost saving. Secondly, it can be completed at the respondent's convenience. On the other hand, we are aware of that mailed questionnaire have a lower response rate than other methods, involve longer time periods, and are more affected by self-selection, lack of interviewer involvement and lack of open-ended questions.

In this study, the objectives of conducting a survey on donors are to understand the reasons for people's giving and donors' satisfaction level for services they received from fundraising department and service provision departments Mail survey in this study was carried out in the following steps.

All the questionnaires were enclosed with the quarterly newsletter and were sent to over 7,000 existing donors for the following reasons. Firstly, it is a cost effective way as neither KTP funding nor the investment from the charity is sufficient for a larger scale survey with extra cost for mailing. Secondly, donors who received these questionnaires have various demographic characteristics. This provides a better understanding of a donor's view of fundraising.

One of the main characteristics of the survey is that it relies on a structured instrument to collect information (Forza, 2002). Following the principles given by researchers e.g. Forza (2002) and Saunders (2007), the following instruments were developed

1. Wording: Defined the way questions were asked to collect the information on a specific concept. Attention was given to the sensitivity of the wordings as this questionnaire would be completed by those who have lost their friends or family members in the past.
2. Scaling: The scale on which the answers are placed for each question. When we choose the appropriate scale from nominal, ordinal, interval and ratio, we also consider the way will be used to analyse them.
3. Questionnaire design: Questions were put together in a way that facilitates and motivates the respondents to respond.

In the process of designing the questionnaire we follow the rules of “courtesy, presentability and readability” (Forza, 2002). An attractive and neat questionnaire with an appropriate introduction, instructions and a well-arrayed set of questions with good alignment and response alternatives make it easier for the respondents to answer the questions.

It is remarkable that the number of problems that testing can highlight even when all the design steps have been followed with maximum attention (Forza, 2002). The pilot questionnaire was pre-tested on Hospiscare’s staff, academic supervisors and donors for the following reasons: First, to test whether the questionnaire accomplishes the study objectives (Dillmann,1978); second, to prevent the inclusion of some obvious questions that might reveal avoidable ignorance of the investigator in some specific area (Forza, 2002); third, to feedback on factors that can affect answering by and the answering of the targeted respondents (Forza, 2002). A few problems in wording, design and measurement have been flagged. After amendments, the final questionnaire is composed of 14 questions which most of people can complete between 5 and 10 minutes.

Three weeks were given to the donors to respond. The follow-up activities to increase the response rate were discussed with Hospiscare e.g. sending a postcard to everyone to serve as a reminder and as a thank you, writing a letter or sending a replacement questionnaire to non-respondents or promoting a lucky draw for participants. However, due to the constraints in finance and human resources, these ideas were abandoned.

In terms of data processing, answers were coded to facilitate the input of data into a database (Forza, 2002). SPSS was used for data entry and the analysis of the collected data. The result of analysis will be discussed in Chapter 5 Findings and Discussions.

4.4.4.3 In-Depth Interviews

In-depth interview is a technique often used in case study research and is designed to elicit a vivid picture of the participant’s perspective on the research topic (Saunders et al., 2007). It is an effective qualitative method for getting people to talk about their personal feelings, opinions, and experiences. It also provides an opportunity to gain insight into how interviewees interpret the research question (Saunders et al., 2007). In this research, attention was given to the causal relationship participants see between particular events and phenomena based on their personal experience and belief. Questions were posed in a neutral manner during the interviews. Participants’ responses were listened attentively and following questions were asked.

Interviews are also especially appropriate for addressing sensitive topics such as their personal emotions which they might be reluctant to discuss in a group setting. In-depth interviews are useful to learn about the perspectives of individuals, as opposed to, for example, group norms of a community. The table below summarises the strengths of in-depth interviews in comparison to focus groups (Mack et al., 2005).

Table 4.4 Strengths of In-depth Interviews versus Focus Groups by Mack et al.(2005)

	Appropriate for	Strength of method
Interviews	Eliciting individual experiences, opinions, feelings Addressing sensitive topics	Elicits in-depth responses, with nuances and contradictions Gets at interpretive perspective, i.e. the connections and relationships a person sees between particular events, phenomena, and beliefs
Focus groups	Identifying group norms Eliciting opinions about group norms Discovering variety within a population	Elicits information on a range of norms and opinions in a short time Group dynamic stimulates conversation, reactions

In order to reflect one of research objectives of exploring the causal relationships between beneficiary service satisfaction level and their intention of giving, the non-standardised (qualitative) research interviews were adopted and carried out in this exploratory study. A lot of skills were required to conduct a productive interview which can generate superior data by relating participants to a richly detailed, sincere account of how the research issues occur in their lives. For instance, social and conversational skills and techniques for effective questioning are needed.

The interviews are employed in this study is to provide empirical support to the finding revealed from previous analysis i.e. blueprints and to establish the causal relationship between beneficiaries service satisfaction level and their donation. As allowing interviewees to talk freely throughout an interview is unlikely to lead to a clearly focused discussion on issues relevant to the research topic (Easterby-smith et al., 2002; Robson 2002), clear objectives were formulated and interview questions were devised beforehand. The sample objectives and questions are presented in Appendices.

Four semi-structured interviews were conducted with staff whom were chosen to represent different posts, seniority, as well as their different roles in donor and beneficiary relationship management. They are Fundraising Director, the Lottery Manager, and the Community Fundraising Manager. The first three interviews contribute to the understanding of donors and their motivation of giving from a managerial perspective. Interviews were audio-recorded and transcribed verbatim; their duration was 45 minutes on average. Interview questions were formulated surrounding the following themes.

1. *In your opinion, what are the factors which trigger people's giving?*
2. *In which circumstance people give their first donation?*
3. *Do people continue to give after their first-time donation?*
4. *What are the most popular fundraising events? What made them popular?*
5. *Who are committed supporters in community groups? What is their motivation?*

The interview with the Education Officer lasted approximately 60 minutes. The Education Officer had experience of different roles in the organisation i.e. being a community nurse, and therefore had an extensive knowledge about services needed by patients and their families. She also gained a lot of understanding of this research through being involved in developing service blueprints. Understanding how beneficiaries and their families/friends respond to services they received and any implications to their future donation is the central topic of the interview.

Ways of documenting the interview include making tape recordings, writing field notes, and later expanding those notes. Typed transcripts are the most utilised form of interview data in this research. During the process of data collection, we expanded the interview notes for the following purposes:

- during interviews, to remind ourselves of questions we need to go back to, where we need more complete information, etc.
- during debriefing sessions with other field staff and investigators i.e. the communication officer.
- during transcription of interview recordings, to clarify and add contextual details to what participants have said.

In line with the suggestion given by Strauss and Corbin (1990), we reviewed participant responses to each question and conducted analysis on the themes emerging across the set of interviews. In this research, using Excel spreadsheet we organised the raw data to reflect the key messages in participants response. The key messages were then integrated into themes which we use as the framework for presenting findings in the next chapter.

Table 4.5 Key Messages Obtained from Interviews

Organisational level	Interviewees	Key messages
Fundraising Department	Fundraising Manager	1. In memorial events are appealing to donors for instance 'Tree of Light' is the most successful fundraising event in terms of size of participants and income.

Organisational level	Interviewees	Key messages
Fundraising Department	Fundraising Manager	<p>2. Strong emotion involved at donor's first-time giving as it normally happened at family/friend's funeral.</p> <p>3. Donors get to know Hospiscare through their personal experience or word-of-mouth.</p> <p>4. Donors believe they support a good cause, the service vital to many local people.</p> <p>5. Donors normally stay with Hospiscare for 2 years and drop out.</p>
Fundraising Department	Lottery Manager	<p>1. Lottery players are not necessarily people who have personal connection with Hospiscare.</p> <p>2. Canvassing lottery playing for a good course raise the awareness of Hospiscare.</p> <p>3. Canvassers normally have a stronger attachment to Hospiscare based on their personal experience.</p> <p>4. People do attend different events apart from playing lottery to support Hospiscare.</p>
Fundraising Department	Community Fundraising Manager	<p>1. Locality: regional fundraising events are very self-contained.</p> <p>2. Leaders in local groups are emotionally attached to Hospiscare as their family members were looked after by the Charity in the past. They often have a strong sense of loyalty and commitment.</p> <p>3. Dealing with people who lost their family is a sensitive issue.</p>

4.4.4.4 Focus Group

A focus group is a qualitative data collection method in which one or two researchers and several participants meet as a group to discuss a given research topic (Saunders et al., 2007). These sessions are usually recorded, and sometimes videotaped. A principal advantage of focus groups is that they yield a large amount of information over a relatively short period of time. They

are also effective for capturing information about the variety of opinions or views as opposed to achieving group consensus. The richness of focus group data emerges from the group dynamic and from the diversity of the group. Participants influence each other through their presence and their reactions to what other people say. Because not everyone will have the same views and experiences – because of differences in age, gender, education, access to resources, and other factors – many different viewpoints will likely be expressed by participants.

Within this study, focus groups are one method among many that are used to create a complete picture of connection between beneficiaries' satisfaction and willingness to give. The meeting was held with a focus group consisting of 5 committed donors within an age range of early 30's to late 60's at the premises of Hospiscare. During the interview, the relationship between the level of service satisfaction and beneficiary's long-term relationship with the Charity was explored. Interviewees came from different background. They are family or extended family of patients who were taken care of by Hospiscare. As committed donors, they have been supporting Hospiscare in different ways by holding cream tea parties on special occasions or organizing fun events e.g. letterboxing to raise money, helping collecting payment from local lottery players, or raising sponsorship for various fundraising events. The conversation was carried out surrounding the theme "What makes you do all these?" and lasted 1.5 hours.

Focus group data consist of transcripts of tape recordings, the notes taken from the discussion during the focus group meeting and notes from the debriefing session held after the focus group meeting. Notes are initially handwritten in field notebooks and on the focus group guide. After data collection, all handwritten notes are expanded into more complete narratives and then entered into a computer. Typed transcripts are the most utilised form of data in this study. The notes obtained from the mentioned sources were also expanded to serve as a reminder for when the questions needed to be revisited and for when more complete information is required and to clarify and add contextual details to what participants said.

Upon the completion of data collection, we distinguished the key messages from the participant's responses and analysed the most salient themes emerging from them. As explained earlier, the themes emerged are used as the framework for presenting findings in the next chapter.

4.5 Summary

This chapter firstly reviews the argument over different research paradigms and methodologies over the times. Drawing upon the views held by many experienced scholars on the research methods appropriate for management research, the case study is adopted to be the research methodology for this study. The adoption of case study as the research methodology reflects the objectives of this research and meets the need of collecting and analysing a wide range of data. It also allows the triangulation of research findings, which is achieved by having data available from various different research methods such as participant observation, interviews, blueprint, survey and focus group.

This chapter also explains the principles, data collection processes, forms of data collected and analytical method employed for research methods. For the convenience of readers, the detailed findings and discussion will be presented in Chapter 6 Findings and Discussions.

CHAPTER 5 CASE BACKGROUND

5.1 Introduction

This chapter reports the understanding of contextual knowledge in relation to the case including its core services, income and expenditure and the status quo of fundraising. The data are mainly collected from the organisation's published documents, meeting minutes, reports and database, these material provide an insight into the background in which CRM was implemented.

This research was carried out on the basis of a knowledge transfer project, which commenced in October 2007 and finished in June 2009. The data presented in the subsequent section were collected during the above-mentioned period. Data about services, financial and fundraising status of Hospiscare provides insights of the background in which this research was conducted.

5.2 Services Provided

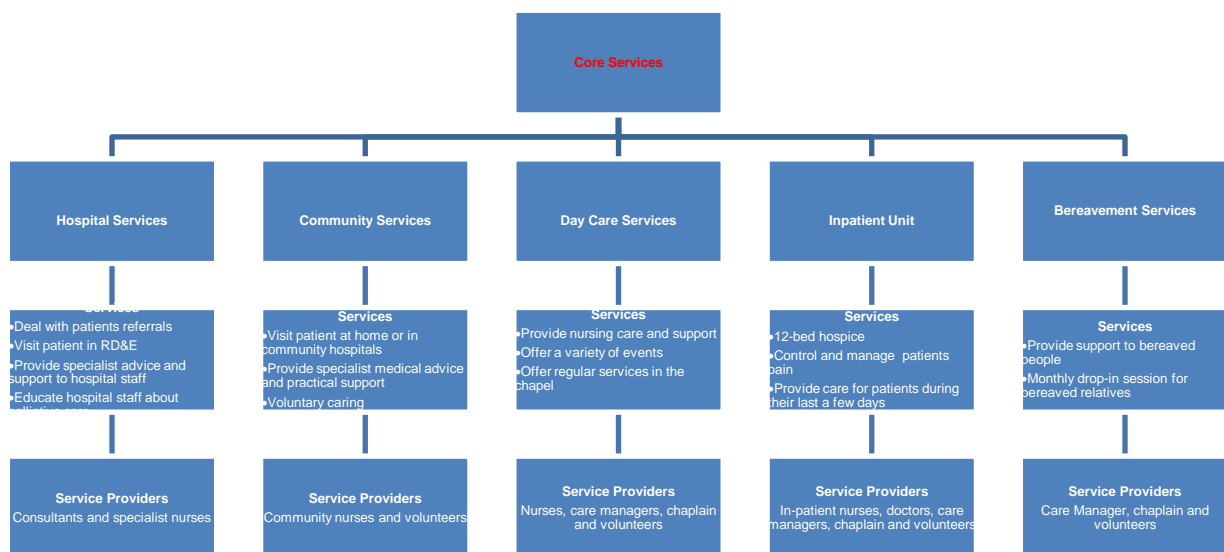
Hospiscare is the sole provider of professional palliative care in Exeter as well as the mid and east of Devon. The charity provides clinical nurse specialists, volunteers and therapists, the provision of a 12 bed in-patient unit and a day-care unit that provide activities, education, support and medical care to the communities they operate in. It also employs a specialist nursing team at the local acute hospital (Royal Devon & Exeter Foundation Trust). These free-of-charge services provided integrated care for patients at the end of their lives and also support to their families, which reflected its value of "providing seamless care for patients and families". Its core services cover five areas, namely Hospital Services, Specialist Community Nursing, Day Care Services, In-patient Unit and Bereavement Services. The segments of each main service are as follows.

- Hospital Services: 3 senior nurses supported by doctors and consultants working between Hospiscare and RD&E.

- Specialist Community Nursing: Community nurses look after average of 690 patients at any one time and they also make average 15,000 visits per year.
- Day Care Services: The day care centre runs 51 weeks of every year, with a possible 15 places a day over 4 days.
- Inpatient Unit: There are 12 beds for patients with complex symptoms that cannot be stabilised in home environment. The average length of stay is 7.25 days.
- Bereavement Services: Provides emotional and practical support to people who are in bereavement.

Each service provision team endeavoured to meet beneficiary’s needs at different stages. Considering the complexity existing in co-ordinating activities among various teams and managing numerous contact points with beneficiaries, the biggest challenge to the organisation is to achieve a “seamless” service to maximise beneficiary’s service satisfaction. The figure presented below shows the breakdown of Hospiscare’s core services and service providers demonstrating the complexity of service provision in a visual friendly way.

Figure 5.1 Hospiscare’s Core Services and Service Providers



5.3 Financial Status

According to Hospiscare's financial report, its funding in 2005/6 came from 30% Primary Care Trust grant funding, 24% community donation, 15% legacies and the remaining came from volunteer fundraising, shops, a lottery and sister charities. In order to maintain the quality of services and make it available to people who need it, it expected to spend £3.8m during 2007/8 and needed to raise £2.8m from fundraising.

In addition, Hospiscare in recent years was facing increasing pressure to meet operational costs. Whilst across-the-board increases in operating cost can be attributed to various factors, the biggest increase is the NHS pay review. It also saw an increased demand/expectation from patients and their families and a clear prospect of more patients requiring their services in the coming years in the coming years as demand for specialist palliative care extends beyond cancer.

In 2006/7, Hospiscare's total income was £3,776,000, which came from three major income streams, 1) voluntary incomes, 2) incomes generated by Hospiscare's trading arm and 3) others. The breakdowns of income are as follows.

Voluntary incomes

- Community donation - £841,000
- Legacies - £702,000
- Sister charities - £349,000 (Hospiscare's sister charities in Exmouth, Sidmouth and Budleigh Salterton)
- 16 volunteer fundraising groups - £266,000

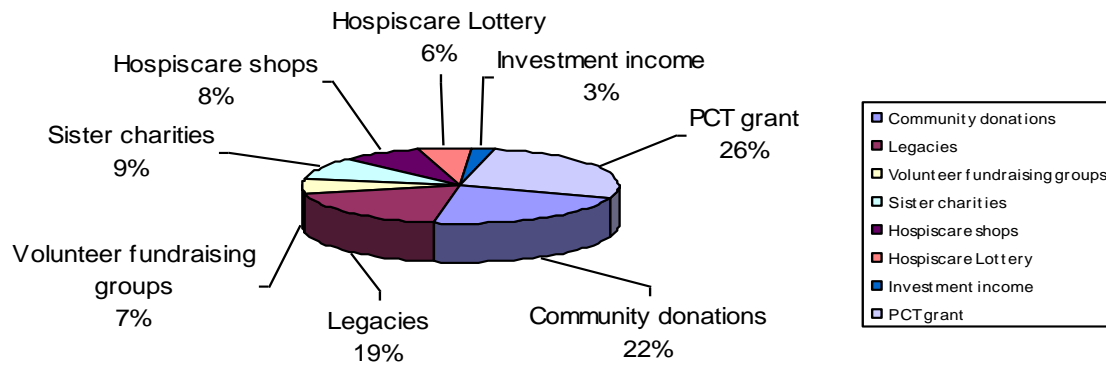
Income generated by Hospiscare trading arm

- 16 Hospiscare shops- £293,000
- Hospiscare Lottery - £212,000

Income from other resources

- Investment income - £98,000
- PCT grant income - £1,015,000

Figure 5.2 Hospiscare's Income in 2006/7



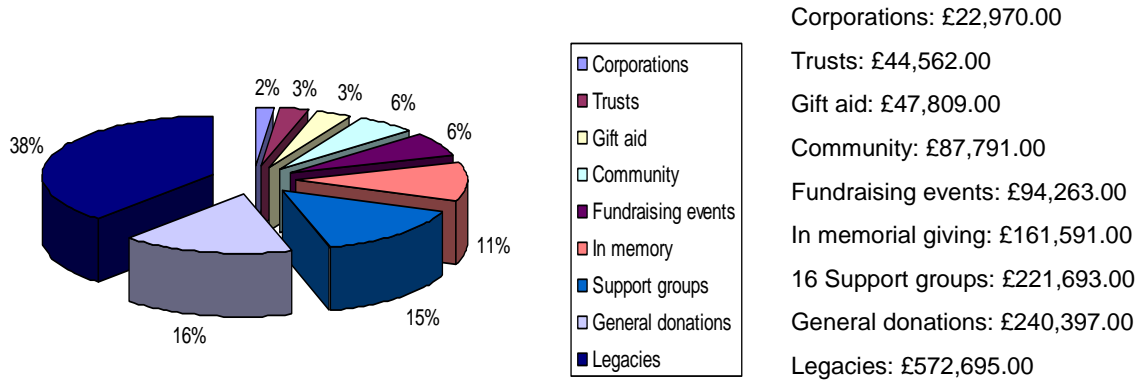
The above figures show that the donation raised from individuals i.e. community donation, legacies and the donation raised by 16 local groups together account for 48% of volunteering fundraising income.

In addition to the pressure to meet increasing operational cost, Hospiscare faced the competition from other national and local charities and even commercial commodities i.e. other charity shops and lotteries. The insured income brought by fundraising not only guarantees the quality services provided to patients and their families but is also critical to its survival.

The understanding of Hospiscare's existing fundraising streams helped identifying the areas of fundraising which were in need of further development. An initial investigation shows that Hospiscare's major fundraising products included community donation, fundraising events, legacies, general donation, donation given through support groups, general donation, corporation giving and gift aid. lotteries and shops, as Hospiscare's trading arms are positioned under the

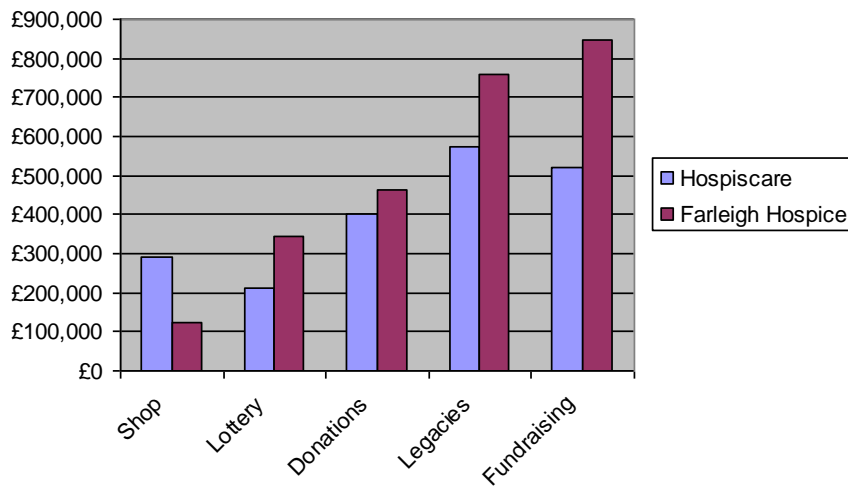
umbrella of fundraising making a considerable contribution towards the total income.

Figure 5.3 Fundraising Income Streams in 2006/7



The income brought by fundraising products for 2006/7 was benchmarked with Farleigh Hospice, which has a fundraising team and a population of services with similar size, so as to have a better understanding of how Hospiscare performed in terms of fundraising.

Figure 5.4 Benchmarking Hospiscare’s Major Income with Farleigh Hospice



This figure shows that there was huge potential for Hospiscare to increase income in the area of individual giving which includes community fundraising and legacies.

Another data analysis also shows that people who were donating to Hospiscare as individual only accounted for 2% of the total population within the area covered by its services. This result indicates that the expansion of the donor base will make a huge potential contribution to its overall revenue growth. Arguably this can only be achieved by adopting a more proactive and innovative approach.

5.4 Summary

Hospiscare is a local charity well received and recognised by the public. It has expertise in the provision of palliative care and shows a track record of excellence in service provision. It has also achieved a healthy growth and expansion over the past years. However, in order to offer quality services in a high demand in local area and to meet the need of the increasing operational cost, it needs to raise more income. This has a need for a more proactive and innovative approach for revenue growth. As its management team realised, the adoption of a CRM strategy will go a long way to improve the management of their donors thus improving its fundraising income.

CHAPTER 6 FINDINGS AND DISCUSSIONS

6.1 Introduction

This chapter reports the findings and relevant discussions based on the case study. The following four sections explain how the case study was carried out to meet the research objectives.

Section 6.2 reports how CRM was implemented in the case of Hospiscare and gives a detailed account of implementation activities in the following three major areas: 1) managing donor portfolio via data protocol development, donor information segmentation and analysis, 2) launching donor-centric fundraising product, 3) initiating the cross-functional cooperation. This section also identifies challenges and barriers in the process of implementation and evaluates the impact of CRM implementation on both fundraising income and organisational culture. It concludes by validating three synthesised CRM implementation areas and through evaluating challenges/barriers associated to CRM implementation and its impact.

Section 6.3 presents in detail the investigation designed to provide a better understanding of how service quality relates to people's charitable giving. It reports findings drawn from multiple research methods such as service blueprint, survey, interview and focus group and concludes by indicating a possible positive connection between service quality, beneficiary service satisfaction and their charitable behavior.

Section 6.4 summarises the findings for both phases.

6.2 Phase 1: CRM Implementation

In the process of deciding the priorities of a CRM implementation, Hospiscare adopted a systematic approach. It firstly gained information and intelligence from various sources which include the fundraising auditing report produced by external fundraising consultant and a market survey conducted by external marketing

research company. It also gained knowledge from existing CRM literature about CRM applications in both commercial and nonprofit sectors including implementation frameworks and critical success factors. The existing literature on CRM implementation in the commercial sector has suggested three key areas. Based on the above information intelligence and knowledge, Hospiscare's senior management team set clear aims and objectives for CRM strategy. In light of resources available, Hospiscare decided to place emphasis on the following three areas.

Area 1: Donor Information Management

Although Hospiscare developed a designated fundraising department and purchased a database to manage their contacts and donors, they realised that "the lack of competence in manipulating the database and a confident development plan" stopped them achieving the highest level of returns from this activity. They felt an urgent need to develop "a robust effective data development plan" and to acquire the ability to "categorise, interpret and identify typical patterns within the data that will lead to the development of an effective donor targeting strategy".

Area 2: Development of New Fundraising Product to Promote Long-term Giving

Long-term giving, and hence revenue maximisation, can be achieved through an understanding of the propensity to donate and the subsequent management of donor commitment through a maturity life-cycle. This facilitates the implementation of an effective "pyramid of giving", where small value donors become associated with a charity and progress through a lifecycle towards the top of the pyramid, which represents a higher value of giving. Hospiscare realised that they can only maximise the potential exploitation of its donor base if it can target appropriate products to prospective donors by meeting donor's needs. Thus, developing and promoting a new fundraising product to stimulate a long-term donor relationship becomes its priority.

Area 3: Promotion of Cross-functional Cooperation

Although increasingly sophisticated approaches to customer segmentation and value proposition development can help an organisation to understand how value could be generated for both customers and the organisation, it can only be realised by ensuring a superior customer experience across all the channels in which the organisation interacts with customers. It is realised that a single view of donors and the coherent and tailored way in which donors received communications through different channels are important to create a superior customer experience. In line with this, Hospiscare placed the emphasis on the promotion of cross-functional collaboration during its CRM implementation.

In the following sections, the implementation activities undertaken by Hospiscare in the above three areas are presented and the challenges and barriers it encountered as well as the economic and cultural impact brought by CRM are discussed.

6.2.1 Donor Information Management

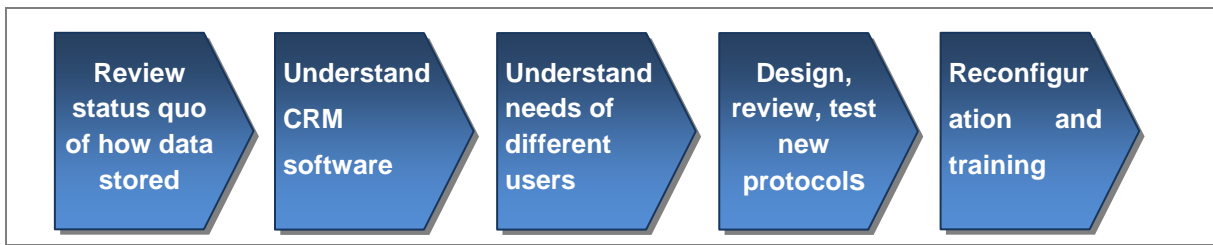
The Data Protocol Development Team consisting of the database officer and main users led the implementation of donor information management. The task of data information management is broken down into Part 1 Data Protocol Development and Part 2 Data Segmentation and Analysis.

6.2.1.1 Data Protocol Development

The team started with developing a concrete plan for devising new data protocol to facilitate future donor portfolio management. The process of data protocol development is illustrated in the following diagram.

Figure 6.1 Processes for Data Protocol Development

An Overview of the Data Protocol Development Process



Step 1: Review Status Quo of How Data Stored

As part of the project development, the Development Team carried out the review of status quo of data collection and storage across the organisation. Through their communications with staff from various departments, they found that donors played multiple roles, such as volunteers helping in charity retail shops could also be a lottery player. This means donors' information can be captured and stored in different ways by different departments. The key points revealed by their review are summarised as follows.

- **Data Source 1: Central Fundraising Team**

The Raiser's Edge (RE), used by the team is the most comprehensive software currently used by many non-profit organisations and it is also the biggest database within Hospiscare. It contained the information of 28,000 donors, among which around 20,000 were active donors who had been giving in the last 3 years.

- **Data Source 2: Lottery Team**

Pathway Sterling was the software used and it contains information about more than 8,000 lottery players. Some of their information was captured by the RE as donor. The practice was that a list of new players was given to the Fundraising Department regularly for updating.

- **Data Source 3: Local Support Groups**

There were 16 local support groups organising fundraising events locally. The group leaders had rich information about volunteers and event participants in

their own local communities. Interestingly, none of them shared donors' information with the Central Fundraising Team.

- Data Source 4: Retail Shops

Although Hospiscare's 16 retail shops, as the focal point for community communication and visible driver for public awareness had the potential of providing valuable information about potential donors, data about shoppers and donors weren't collected.

- Data Source 5: Medical Team

The Medical Team provided the Central Fundraising Team and the Lottery Team with a weekly list of patients who deceased or were discharged as well as with the information of next of kin. However, these data were only used by the Fundraising Department to take deceased donors off the donor and lottery database.

- Data Source 6: Volunteer Team

The Volunteer Team held data about 850 volunteers. Their data appeared on the RE database only when they donated. Due to the lack of contact information, the Fundraising Department could not ask volunteers who were not giving donation.

- Data Source 7: Bereavement Team

The Bereavement Team contacted the next-of-kin of deceased patients at least twice, at the week of when the patient has deceased and in the 3rd months afterwards via writing or telephoning to make sure they were provided with services when they needed them.

To summarise, according to the Development Team's discovery, local groups were not sharing their rich knowledge of local supporters and donors with the Central Fundraising Team. Similarly, no information about shop donors and shoppers was collected from 16 local charity shops though they were particularly helpful to

fundraisers in building relationship with prospective donors and could bring in sizable amount of income through claiming gift aiding. It was shown by the findings that the Medical Team has not realised the potential of using beneficiary's data for fundraising purpose and their role of being an ambassador for the charity. For the similar reasons, the Volunteer Team did not share data about volunteers with the Central Fundraising Team.

Step 2: Understand CRM Software

It appeared that data collected on RE database by the Central Fundraising Team was unable to present a complete picture of donors for the above reasons. The Team also found that the database has not been used to its full potential such as capturing different ways of support received, information about prospects and etc. The lack of training on database impeded the Central Fundraising Team using its functionalities at an advanced and level. Trainings were organised accordingly to meet the following objectives.

- Understanding of giving patterns of major donors e.g. how often people give, how much they want to give and how they want to give;
- Understanding of frequency and recency of giving;
- Understanding of donor's attrition rate identifying prospects in general and for new fundraising product e.g. Tribute Fund;
- Understanding of the connection between individual donors, between donors and corporate donation;
- Understanding of how to maximise the efficiency of data manipulation;
- Understanding of how to integrate data stored on other systems;
- Understanding of how to interrogate database for queries;
- An in-depth data analysis, which will provide an important platform for the decision on future donor acquisition and retention strategy.

After a series of formal training provided by the software supplier, the team acquired the competence of conducting complex queries, analytical reporting and etc. This laid a sound foundation for future donor data segmentation on an advanced level.

Step 3: Understand the Needs of Different Users

To maintain a long-term relationship with donors requires the charity to initiate different ways to communicate with donors. Also, the promotion of different type of fundraising product is facilitated by the knowledge of different prospects. In order to ensure the new protocol can meet different needs of main data users, the team carried out a thorough review within the fundraising department.

They collected different opinions through circulating a list of questions designed to enable users to list out information useful to them and the preferred way of storage and collection. In addition, discussions were carried out to gain the consensus of the usage of new data protocols and incorporate different needs of different users into the new protocols.

Step 4: Design, Review and Test New Protocols

This task started with identifying information essential for relationship management and finding out whether they were collected and stored. A spreadsheet with information about entry fields, an action column and a rule column was created. The rule column is designed to classify clearly where and how data should be entered onto the database. The original objectives of protocol development were reviewed iteratively with the main users to ensure achieving the maximised benefit from applying data protocols. The draft data protocols were agreed and tested on a sample database and optimised based on the test results subsequently, to facilitate the execution of queries and analysis required by data segmentation and portfolio management.

Table 6.1 Sample of New Data Protocols

Bio1 Zone 1								
	Entry Field in RE	Status quo	Essential	Desirabl	Conditional	Entry Rules	Why need it	Where to obtain
<i>Basic bio information</i>								
1	Surname	√	√					Donation receipt and form
2	First name	√	√			Full spelling		Donation receipt and form
3	Middle name	√	√		√	Full spelling		Donation receipt and form
4	Title	√	√					Donation receipt and form
5	Gender	√	√					Donation receipt and form
6	National Insurance Numbers	not collected		√				
7	Birth Date	not collected	√				Help identifying legacy prospects	Donation receipt and form
8	Deceased Box	√	√		√			RIP list from Medical Team
<i>Individual Relationships</i>								
1	Spouse Tab -name	Uncompleted	√		√		Identify link between individuals and the financial ability to give as a household	Donation receipt and form
2	Spouse Tab-contact	Uncompleted	√		√			Donation receipt and form
3	Spouse Tab-address	Uncompleted	√		√			Donation receipt and form
4	Spouse Tab-attribute	Uncompleted	√		√	Record hobbies or		Along relationship building
5	Spouse Tab-business	Uncompleted		√	√			Along relationship building
6	Spouse Tab-education	Uncompleted		√	√	Only highest degree		Along relationship building
<i>Exceptions to the rule</i>								
1	Solicit code	Uncompleted	√			Convenient method for flagging constituents as		Donation receipt and form/survey

Step 5 Reconfiguration of Database and Training for Users

The protocols for corporate donors were updated and the database was configured by the database administrator. In order to avoid any misunderstanding, the team devised and provided a series of training programs for staff and volunteers, which ensured a thorough understanding of new protocols and facilitated the smooth transfer from the use of old protocols to new protocols.

6.2.1.2 Data Segmentation and Analysis

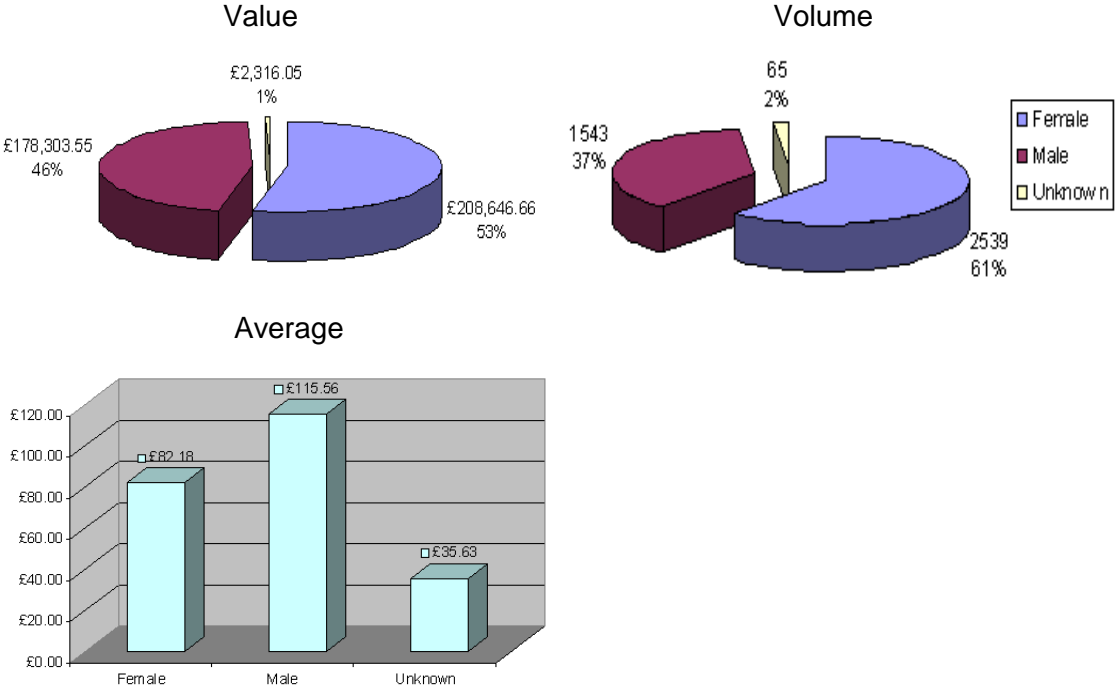
To optimise profit performance across the entire donor base, by offering differentiated value propositions to different segments of donors, the team carried out data segmentation and analysis as part of donor portfolio analysis. This task aims to find out patterns of donor's demographic features, level of wealth and giving history so as to provide useful information for devising strategies specific to certain groups of donors. The segmentation analysis was carried out based on the data for the financial year of 2007.

The criteria used for demographic analysis included genders, age and geographic locations to provide a comprehensive understanding of donor's giving behaviours and difference caused by these criteria. As the strength of relationship between a charity and its donors is reflected in the length of relationship and the amount of donation, further analysis on the attrition and refresh rate of in memorial donors was carried out. Analysis was also carried out to find out the giving patterns of major donors (people who donated more than £1,000 in the last financial year). The results of data analysis are presented as follows.

Analysis 1: Demographic Analysis Based on Genders

The result showed that there were 4,147 donors in total in the financial year of 2007. Among them, 61% were female and 37% were male, the rest 2% were anonymous. However, female's giving amount on average was only 55% of male's. Compared to males, females were more willing to give but the amount per gift given by females was less.

Figure 6.2 Results of Demographic Analysis on Gender



Analysis 2: Demographic Analysis Based on Geographic Locations

The result showed that the individual donation mainly came from Exeter with postcodes of EX2, EX4 and EX1; this revealed that there is potential in increasing the awareness of Hospiscare and its work in some wealthy areas such as Sidmouth, Exmouth, Budleigh, Ottery and Topsham.

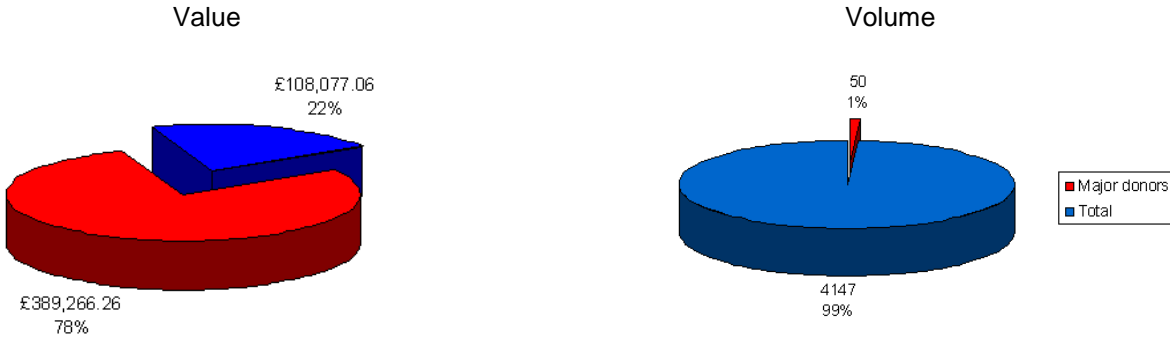
Analysis 3: Attrition Point and Refresh Rate for In-memorial Donors

The analysis showed that in total 300 people who gave their first in memorial donation between Aug 06 and Jan 07, 208 of them (70% of the total) stopped giving afterwards. The total amount of first giving totalled £32,388.06 and £155.71 per gift per person. 67 donors remained (22% of the total) in the relationship till Jan 07. These people donated £32,120.74 in total since Aug 06, which was £143.40 per gift and £479.41 per person. 25 of them (8% of the total) gave more than one gift during the above period but stopped giving since Feb 07. They contributed £13,008.69 in total, which was £245 per gift and £520.35 per person. Another analysis on the data during the last three financial years showed that 70-73% of first-time inmemorial donors dropped out in the next year and 40% of remaining donors dropped out in the third year.

Analysis 4: Analysis on Major Donors

The analysis was carried out on major donors’ contribution as a percentage of total fundraising, the rate of drop-out and the propensity to make repeated donation. It was found that 1.2% of total donors give 78% of total donation and only 4 out of 50 major donors remained. In the meantime, Hospiscare acquired 46 new major donors.

Figure 6.3 Results of Analysis on Major Donors



TY: this year LY: last year

6.2.2 Development of New Fundraising Product to Promote Long-Term Giving

The team realised that they need to target specific group of donors and develop a value proposition which can create fundraising income for the organisation as well as meeting donor's needs. They started with exploring a range of fundraising products through brainstorming and networking with other charities. Their attention was drawn to a relatively new fundraising product called the "Tribute Fund". From a charity's perspective, the Tribute Fund is a virtual fund which serves well as a marketing tool to build up and maintain a successful long-run relationship with donors. In practice, it can be set up by donors and named in honour of their loved ones. By providing bereaved people with a special way to remember someone special to them and with the ownership of the fund, the Tribute Fund plants seeds of loyalty and commitment and encourages donors to raise more donation towards this dedicated fund. This fund also provides an opportunity to charities to build a long-term relationship with donors and effectively manage donor's lifetime value by promoting cross-selling and up-selling. The benefit for charities to promote Tribute Fund is very evident. As White water (a well-known fundraising consultancy company) claimed, their bespoke Tribute Fund programme branded as "Our Lasting Tribute" can increase the in memorial giving by between 100% and 400%.

The Product Development Team consisted of a Legacy Officer, Fundraising Officer and a Publicity Officer, who were engaged in product development and promotion. As a first step, they drafted a plan for product development and the marketing materials that was required for the activity, and after agreeing on the plan they consulted with senior management and fundraisers. The plan gives a clear account of the major steps, all the marketing materials needed at the different stage of the development, targeted audience of marketing materials and contents. Meanwhile, prospect analysis was conducted on the donor database to identify the specific group of people who are target groups. After the success in introducing the Fund to the first group of audience, the team approached all the memorial donors including next-of-kin of patients with marketing materials.

In brief, the marketing materials included the promotion package comprised of an appeal letter, a brief leaflet and a follow-up package that includes a welcome letter, detailed product information pack and fundraising newsletters. Once the donor has signed up, they would receive a thank-you letter together with a certificate. The Tribute Fund owners would also receive an annual report of how much funding was raised. In order to raise the awareness of the Fund, all the donors who received a standard thank-you letter after their donation would receive a copy of information leaflet about the Tribute Fund. In detail, the purpose, audience and contents for the above marketing materials were described in the plan. In the process of development, the team placed themselves into the donor's shoes; this was an effective way to recognise why donors' contribute, and by understanding the motivations the charity would be more informed on how they can recruit more people to sign on their personal fund through their personal network.

6.2.3 Promotion of Cross-Functional Operation

The team learnt from their experience that different departments had a different service interface with donors and prospects. A large number of channels created many opportunities for improving customer relationships (Payne and Frow, 2006). The integration of communication and marketing channels helped to inform members of information relating to the charity. Various communication channels were coherently co-ordinated and tailored to deliver the message effectively. It also enabled the charity to manage its contact point with donors in a more efficient way (Payne and Frow, 2005). The integration process involved decisions about the best combination of channels to ensure that the donor/prospect will have highly positive interactions within those channels.

The team was aware that the key to implementing a holistic CRM strategy is to manage various touch points in an integrated way across all the channels. The development of the Tribute Fund is an ideal opportunity to promote and implement the initiative of managing various contact points with prospective donors. For instance, the Bereavement Team offered patients' family emotional and practical support. The Development Team leveraged the Bereavement Team's contact point

with beneficiaries to raise the awareness of the Tribute Fund and gain support from beneficiaries. They also integrated information about the fund into the Bereavement Team's service leaflet and correspondence for beneficiaries. The team also organised workshops across the organisation to advocate the value brought by this new fundraising product to both beneficiaries and the organisation as well as to stress the importance of integration in improving relationship with donors/prospects.

Based on the feedback from beneficiaries and the Bereavement Team, a holistic process of integrating the promotion campaign for the Tribute Fund into different stages in bereavement services was implemented. Staff from both teams co-designed plans, processes and communication materials.

6.2.4 Discussions

The sections above discussed the CRM concept and techniques, which were originated from the commercial sector and embraced by charity through the case of Hospiscare. The documentation of the actual CRM implementation activities undertaken by Hospiscare validates the applicability of three key CRM implementation areas. They are suggested by the synthesis of CRM literature in a nonprofit setting as the donor information management, the donor-centric fundraising product development and the promotion of cross-functional collaboration. In addition to highlighting their significance to a successful adoption of CRM strategies, the findings provide fundraising practitioners a detailed step-by-step guidance to implement CRM initiatives.

6.2.5 Challenges and Barriers

Drawing upon the data collected through participant observation and secondary data source, the challenges and barriers facing Hospiscare are discussed to provide a fuller view of CRM applications in a nonprofit setting. Findings also reveal the following six key factors which are significant to the success of CRM. They are 1) role of people i.e. employees and volunteers, 2) knowing donors, 3) lack of

integrated processes, 4) challenges to value and ethos, 5) challenges brought by the emerging social networking and 6) the complexity of relationship. Each of them will be discussed subsequently in detail. At the end of this section, these six factors are compared to the critical success factors identified by the synthesis of existing literature.

6.2.5.1 Role of People in the Success of CRM

Recognising the importance of engaging employees and volunteers in donor relationship management, Hospiscare involved the initial stage of strategy formulation. The support received from the senior management e.g. its CEO and the board of trustees is one of the key factors for the success of CRM implementation. For instance, Hospiscare's CEO plays a significant role in driving the implementation of CRM strategy by allocating resources required. Her support and passion throughout is the key to making the CRM strategy succeed.

However, some managers in the Service Provision Department were found to be complacent with the status quo and did not see the real need for CRM implementation. Overall, the Service Provision Department showed little interest in the implementation activities. There are a few reasons behind their reluctance. Firstly, due to some historical reasons, the Fundraising Department was alienated from the rest of organisation. Fundraising was thought to be pushy and its way of adopting marketing models was thought to be contradictory to the ethos of 'providing free service for patients' held by the Service Provision Department. Staff and volunteers who worked in the department did not recognise the importance of sharing information about donors and beneficiaries with the Fundraising Department. To remove the barrier between the Fundraising Department and other departments in particular the Service Provision Department, it is important to establish an effective way of communication.

Secondly, fundraising had long been regarded as the "sole responsibility" of fundraisers by the Service Provision Department, who communicated with prospective donors directly or indirectly on daily basis. Staff and volunteers working

in the department can potentially play a much proactive role in raising awareness of the charity's financial needs and disseminating information about fundraising ideas among beneficiaries. Same with a majority of nonprofit organisations, volunteers as an important unpaid workforce played a wide range of roles, such as interacting with donors and beneficiaries for both of fundraising and service provision purposes. In order to successfully manage a long-term relationship with donors, it is important to engage volunteers in cross-functional exercises, such as the integration of different information systems, the optimisation of donor acknowledgement process, and the launch of data collection in shops. Selecting, developing and empowering staff and volunteers to bring about their full engagement and commitment to delivering an outstanding customer experience are some of the most important factors in successful CRM implementation.

6.2.5.2 Knowing Donors

Existing literature has addressed the importance of understanding customers as the way leading to the increased customer knowledge and ultimate objective of CRM - increased profitability (Sue and Morin, 2001). The lack of knowledge about how to store and analyse information about customers and prospects among CRM software's main users led to the deficiency in establishing and completing data storage and analysis process. The low level of integration within the organisation and the boundaries between different departments made it difficult to share information across the organisation, resulting in duplication of work, ineffective use of resources and ineffective communication with existing and potential customer (Beckley et al., 1996).

Our observation shows that donor/prospect data was spread across disparate functions and departments in Hospiscare. For most of the time, the interactions with donors initiated by the Fundraising Department were based on partial knowledge. The consequences were that multiple copies of the same marketing material were sent to the same donor, and sometimes wrong information was also sent, thus this can give donors a negative impression of the charity's fundraising

efficiency and quality. Furthermore, the charity missed out opportunities for fundraising as result of incomplete information about donors including their preferred way of communication and support.

6.2.5.3 Lacking Integrated Processes

In the case of Hospiscare, understanding what donors want from their relationship with the charity and subsequently delivering the value to donors is essential for a long-term successful relationship with donors. Existing literature have suggested that the relationship between a charity and donor is based on an “exchange” and donors provide monetary support to charities and in return gain the recognition and respect from the charity. In order to maintain and develop the profitable relationship with donors, it is important to make sure donors perceive that they have a relationship with the charity.

However, it is noticed in Hospiscare that the donor recognition process was far too inefficient therefore it was in need of significant improvement. The donor recognition process normally starts when a donation is received and takes place at both of the Finance Department and the Fundraising Department. Cheque or cash is firstly opened by two secretaries and was entered onto the daily Banking Sheet and passed to the Finance Department for banking. Finance volunteers counts the cheques and cash on Mondays, Tuesdays and Wednesdays, process the money and generate the paying-in slip for collection by a security company for banking. Donation banked on the same date are put together as a batch. After bank processing, the Finance Department passes on a copy of paying-in slips together with original donation paperwork to the Fundraising Department for processing. In the Fundraising Department, the Data Administrator records donor’s personal information and details of the donation onto the Raiser’s Edge and constructed a “batch”. The donation input is coded for analysis and SAGE coding for finance. Once the batch is input and verified, a personalised “thank-you” letter is generated from the CRM system and posted to donors acknowledging the donation received and thanking them for their support. Although the Fundraising Department aims to

achieve the turnover time for acknowledgement within 7 days, the average time is between 11 and 14 days.

It is found that a bottleneck existed in the Finance Department due to the lack of manpower to bank donation, to improve this process needs to be streamlined and integrated between the Finance and the Fundraising Department. The delay in acknowledging donor's giving potentially causes the loss of donors, especially first-time donors as they can sometime feel neglected.

In addition, this case study also reveals a challenge on how to best integrate the activities and communications between the Central Fundraising Team and the local fundraising groups. In Hospiscare, there were 16 geographically distributed local support groups who communicate with local donors in their own independent ways and organise their own fundraising events. However, as the management team realised, limited information was shared between these local groups and the Central Team. As such, it was impossible to identify what they were communicating or with whom they were communicating with. The lack of integrated communication system and donor's information causes donors to receive information with variation or sometimes even conflicting information. From a CRM perspective, building the integrated communication system into the organisation is required to facilitate coherent information flow between local and central teams. This helps to ensure a quality donor experience.

6.2.5.4 Managing Relationship with Donors through Social Networks

As the development of the Tribute Fund progressed, Hospiscare started to realise the opportunities in building relationships with supporters through social networking. The newly created Tribute Fund offers the possibility of creating a mini-website under the name of the fund encouraging people to donate online. However, like many charities it shared a profound lack of understanding of the nuances of social media and needed an approach that is both strategic and long-term. By engaging supporters on social networks, Hospiscare can build credibility and trust. The

benefits generated out-weighs the time and cost spent in building relationships with supporters.

The major benefits to Hospiscare are reflected in the following aspects. First of all, social networking such as Twitter and Facebook provide a new platform for relationship building because they are accessible by a diverse range of users even those who had never engaged with the charity before. Online donors are likely to be new to giving, younger and more affluent than the average donor, making the internet an attractive channel for fundraising. Apart from improving a charity's social media presence, the new social networking platform expands the demographic being targeted by engaging with those who are not necessarily expecting to hear from the charity and getting the message across in a different way. Social networking tools also offer Hospiscare a flexible way of connecting with donors and help to increase generic knowledge of donors to improve its services. The use of social networking tools could also dramatically reduce the transaction costs of fundraising and communication.

6.2.5.5 Challenges to the Value and Ethos

It has been commonly acknowledged that in a competitive business environment, with shrinking support from both government contracts and private donors, and with society's increasing need for its services, charities need to embrace the best practices of the business sector in order to survive and thrive. However, in spite of the benefits i.e. efficiency, flexibility and innovativeness to charities, the adoption of business models could present challenges to the charities' culture, mission, and public image.

People are drawn to different roles. It is found that the fundraising staff that focused on increasing income revenue and medical staff were concerned with mission delivery. Sometimes, employees failed to understand and communicate with each other. It is observed that medical staff was uncomfortable with the changes made towards more business-like management. Some of them were not convinced of the necessity for these changes. There was also concern that the

organisation wasn't living up to its mission of providing sufficient services to the local community. The priorities of senior management, financial versus mission were also questioned.

6.2.5.6 Complexity in Relationships

The findings from analysis show that a considerable amount of total donation comes either directly from beneficiaries, e.g. patients, their family and friends or through direct fundraising efforts. This presents the challenge of how to deal with the complexity of relationships to maximise fundraising effectiveness. Based on the knowledge about donors/beneficiaries as well as the internal service and fundraising structures, the following diagrams are designed to depict this relationship.

Figure 6.4a Complexity in Relationship

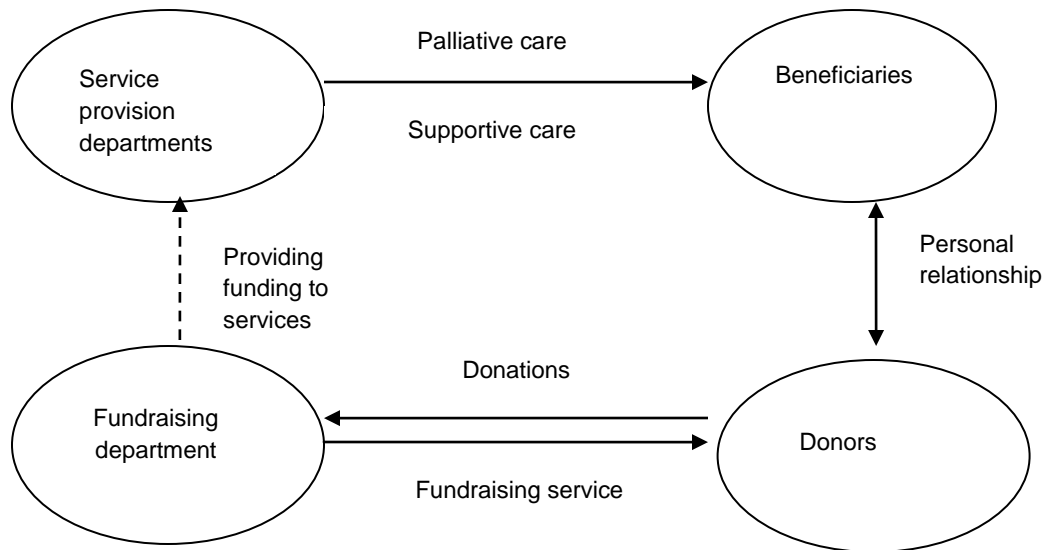
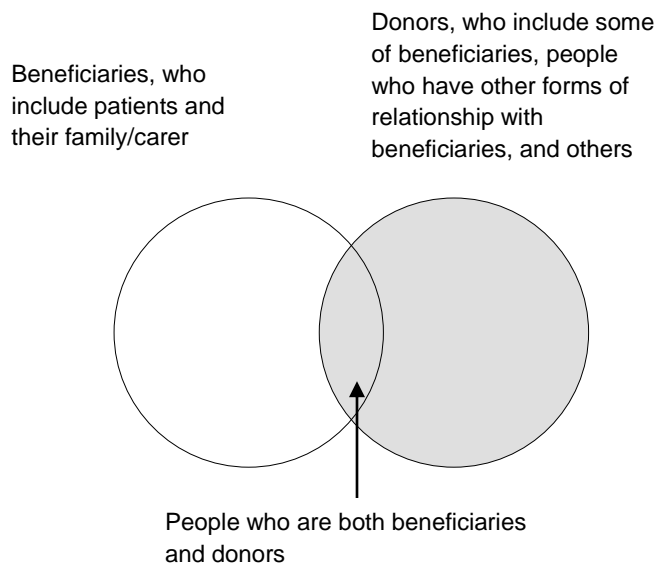


Figure 6.4b Complexity in Relationship



In Figure 6.4a, a simple version of duality of relationship is presented. Here, the “dual relationship” means duality of relationship, one between the charity and its donors and the other between it and its beneficiaries. In Figure 6.4b, a close interrelationship between donors and beneficiaries is demonstrated. It is suggested that the development of a good relationship with beneficiaries could be the starting point of a journey of converting them into donors (Bennett, 2005). This implies that beneficiary relationship management has an important role to play in nurturing a

long-term profitable relationship with donors. The review of CRM literature has shown that studies on CRM in the nonprofit context are dominated by emphasis on how donor relationship management impacts on the optimisation of fundraising revenue. However, the discovery of duality of relationship, which is described in Figure 6.4a and Figure 6.4b call for studies on CRM's application in managing beneficiary relationships to maximise the fundraising effectiveness. By applying the Service Profit Chain concept (which suggests a strong positive link between customer's satisfaction and increased profit) in understanding the duality of relationship, it is not difficult to find that the level of beneficiary's satisfaction might have an impact on their willingness to give. Further studies will be required to provide further understanding about the relationship between beneficiary satisfaction and their willingness to give.

6.2.5.7 Discussions

The phase 1 study reveals six major challenges which Hospiscare faced during the process of implementing CRM applications. These challenges are summarised as: 1) people's role, 2) lack of understanding of donors, 3) lack of integrated processes, 4) challenges to value and ethos, 5) challenges brought by social networking and 6) the complexity of relationship.

Comparison is made with CSFs identified by using existing CRM literature to offer further understanding of commonalities or difference in CRM's implications between business and the case of Hospiscare. It is found that the first three challenges are common to both commercial organisations and Hospiscare. In the case of Hospiscare, challenge No 1 (people's role) is reflected in the support of CEO, the reluctance and resistance found in the service provision staff to accept CRM concepts and the ignorance of roles service provision staff and volunteers can play in improving relationship with donors. Challenge No 2 (lack of knowledge of donors) as one of main barriers was addressed by existing CRM frameworks. It is also reflected in lacking single-point of contact with donors and integration of information across the organisation through managing various touch points. Challenge No 3 (lack of integrated processes across the organisation) is reflected

in the dis-integrated donor recognition process and the dis-coherent communication between the Central Fundraising Team and the local teams.

The above comparison shows that challenge No 4 (challenges to values and ethos) hasn't been studied by existing research on CRM applications. The challenge brought by the implementation of CRM to values and ethos is unique to nonprofit organisations as result of fundamental differences existing in cultures, aims and ethos between commercial and non-profit organisations.

As discussed in Section 6.2.5.6 Complexity in Relationships, employing emerging social networking is a new means to manage relationship with donors. The comparison highlights the implications of social networking to theory and management as a new area for research that requires more attention. Therefore, further investigation is required to generate more knowledge around this topic.

Relating back to the challenges and critical success factors summarised in Chapter 2 CRM Literature Review, it is found that Challenge No 6 (the complexity in relationship) is revealed for the first time in the case of Hospicare. However, as the charitable courses and donor population of nonprofit organisations vary, further investigation will be needed to generalise this finding within the entire nonprofit sector.

6.2.6 Impact of CRM Implementation

The following findings are drawn from data collected from participant observation and secondary data including the organisation's internal financial reports, meeting minutes, feedback and comments written by staff. In the following sections, the impact of CRM implementation on the insight of donors, value creation, organisational culture and fundraising incomes will be discussed.

6.2.6.1 Gaining Insight of Donors

Before the adoption of CRM, no segmentation analysis of active and potential donors was carried out and therefore there was no sufficient information for the organisation to devise a strategy for building relationship with donors. This deficiency was addressed by establishing new data protocols and conducting data analysis and segmentation as well as donor portfolio management. Data management as a major step towards achieving a complete picture of donors and donor's giving provided fundraisers with the insight the functionalities of database.

Firstly, the data management protocol provides Hospiscare with a set of consistent and robust rule for collecting and integrating data on donors and therefore it facilitates the Fundraising Department to obtain a fuller view of donors. A better understanding of donors also provides the important information for decision making on developing new stream fundraising income streams. In addition, the data protocol implementation activity enables the Fundraising Department to shift from the previous focus on superficial data recording to proactively designing processes to create values for both donors and the charity. During the data protocol development, staff and volunteers in the Fundraising Department also gained the knowledge about how to use the database in an efficiently way. They are also equipped with the ability to conduct donor portfolio analysis at an advanced level.

Based on a comprehensive understanding of the functionality of the CRM database, fundraisers carried out segmentation using a variety of multivariate statistical methods to develop different product offerings or direct marketing campaigns. This enabled the analysis of frequency of giving, informs fundraisers about donor's first-time giving, and provides information about the largest donation. The result of major donor analysis demonstrates the importance of major donors' giving to the overall fundraising income and shows the importance of developing a long-term relationship with major donors. The findings about the attrition point stressed the importance and urgency of retaining existing donors. The analysis facilitates fundraisers to develop targeting strategies for both segmented groups of donors

and for one-to-one individual relationship building. Based on the in-depth analysis conducted by using new data protocols, the team successfully launched the direct marketing scheme within selected affluent areas and a mailing campaign targeted lagged inactive donors. The mailing campaign successfully regained support from 52 donors registering them as regular giving donors with standing orders. The annual donation estimated from this activity is £6,240.

6.2.6.2 Generating Value by Meeting Donor's Needs

As an innovative fundraising product, the Tribute Fund was developed to strengthen the relationship between Hospiscare and its donors through meeting donor's emotional needs. Within four months after its launch, there are 7 donors setting up their funds which raised over £5,000. The Fundraising Director commented on these activities stating that "the Tribute Fund provides a steady increase in donation...it was once set up will not end so people can give whenever they want and see how the fund grows as the time goes...it is more appealing than traditional fundraising solicitation as what is perceived by people is the personal association with their loved ones".

With the assistance of modern IT and internet technology, the Tribute Fund enables people from different geographical locations to contribute to the Fund online and to share loving messages, photos and music on the web page. It also distinguishes itself from traditional in memorial giving products with its multiple effects. The Tribute Fund can reach a wider audience, whether they are friends, families, colleagues and employers. It can be appealing to donors of young age whom are not normally targeted by Hospiscare's services and fundraising campaigns. In addition, the Tribute Fund expands the base of in memorial gift by recruiting people who wouldn't otherwise give and inspire a greater level of legacy giving. As the Fundraising Director pointed out, "it works better on people who do not regard themselves as charity supporter or have less commitment to charities but prefer a relationship or association with a dedicated fund".

The response from donors and prospects reinforced the belief that the Tribute Fund isn't only a fundraising tactic but also a way to meet the emotional needs of people who have experienced bereavement. It provides bereaved people a special way of remembering loved ones by giving personal gifts to a dedicated fund and encouraging other people contribute to it. The Fund, named in honour of their loved ones encourages loyalty and commitment to grow and develop into an invaluable asset for a long-run success of fundraising for charities. The Fundraising Director proudly commented on staff meeting saying that "in addition to the rise in memorial giving, we see growth of voluntary income across the board".

6.2.6.3 Cultivating Cultural Change

The development work of the Tribute Fund cultivated the cultural and behavioural change towards a cross-functional collaboration by involving the input and collaboration from staff and volunteers of different departments to achieve a common goal.

It was revealed from the process of development that the Fundraising Department was not the only department who provides services to donors. For instance, the Bereavement Team had a close relationship with the next-of-kin of patients through providing them the vital emotional support. The success of the Tribute Fund relied on the joint efforts achieved through the cross-functional performance. The activities of developing the Tribute Fund promote a new way of proactive thinking and enable staff working outside of the Fundraising Department to understand how the donor relationship management concept is employed in fundraising and how the funds raised helps to improve services for beneficiaries and donors. This also helps to remove the obstacles between fundraisers and service providers and to lay the foundation important for further culture change within the organisation. As CEO of Hospiscare said on the final KTP meeting "the joint efforts between the Fundraising Department and various service departments to promote the Tribute Fund to service recipients is a good example of cultivating the proactive attitude towards fundraising".

6.2.6.4 Impact on Fundraising Revenue

The data collected from this research shows that CRM applications in Hospiscare generated a positive impact on fundraising income generation. The data obtained include the increase in renewal of regular giving made by dormant donors and the increase in charitable income and the number of donors generated by the Tribute Fund. As the benefit to the fundraising revenue can only be demonstrated over a period of time, it is advised to carry out data collection in future research to demonstrate further impact of CRM implementation on revenue generation over time. More data reflecting changes in donor recruitment, maintenance and loyalty will provide further understanding of this issue and justify the cost associated with CRM applications. The cost mainly includes investments on technology and human resources. Its immediate impact on fundraising revenue generation might be negative sometimes for a short run and the payoffs for these investments are more likely to be realised over a longer period. Therefore, the impact of CRM strategy and applications need to be considered over time.

6.2.6.5 Discussions

The major impact of implementing a CRM-based strategy on Hospiscare can be summarised as:

- Providing valuable insight into donors including their giving patterns, propensity to donate, preferred way of communication.
- Achieving increase in fundraising income through developing the Tribute Fund to meet donor's emotional needs.
- Laying foundation for a co-ordinated multi-channel collaboration across the organisation and moving toward a culture of proactive fundraising
- Contributing to donor recruitment and loyalty. Collection of quantitative data is suggested to be carried out in future research to measure the enhancement in revenue against investment.

Though most of the impacts discussed above are reflected in qualitative data, it is believed that CRM applications can optimise the effectiveness of fundraising and enhance the awareness of the charity therefore for longer term it will improve its charitable income.

6.3 Phase 2: Connectivity between Beneficiary's Satisfaction and Giving

The findings from Phase 1 of the study have shown that a considerable amount of donation was contributed by service beneficiaries and people who have close relationship with them. This triggers the second phase of study which aims to gain a better understanding of the connection between beneficiary service satisfaction and their giving behaviour.

The research on Phase 2 firstly explored the interaction of beneficiaries and the donors to the charity and the possible connection between beneficiary service satisfaction and their giving behaviour via the use of service blueprint. The findings drawn from the service blueprint are triangulated through data collected from survey, interviews and focus group interviews. The findings generated by the above research methods will be discussed further in subsequent sections.

6.3.1 Initial Investigation on the Relationship between Service Quality and Giving

Service blueprint is used to investigate the complexity of a dual relationship of beneficiaries and donors to the charity and illustrate various service encounters in the service process. To depict the real service experience of beneficiaries and donors, this study employs both primary and secondary data in devising the service blueprint. For instance, data are collected from interviews with staff and volunteers who provide various types of services, from interviews with donors who received fundraising services, from documentary records about patients' interaction with different departments as well as from brainstorming sessions with staff who works in different service provision areas. Beneficiaries, donors and selected staff are asked to comment on the draft blueprint processes and their views were

reflected in the final version of blueprints.

To reveal the complexity of the relationship between service beneficiary and the Charity in particular the service provision and the Fundraising Department, the journey of patient (called Lilly Brown) with the charity was used as a sample to reflect the extensive interactions between service beneficiary and key departments in the charity. The story of Lily and her family was provided by the Education Officer of Hospiscare.

Lily and her family's interaction with the charity was illustrated in two separate service blueprints based on two stages i.e. before the death and after the death. They are Figure 6.5 Blueprint of the Service (Palliative/Supportive Care) Provision Process and Figure 6.6 Blueprint of the Fundraising Process.

Figure 6.5 Blueprint of the Service Provision Process

Beneficiaries
(Lily and her family)

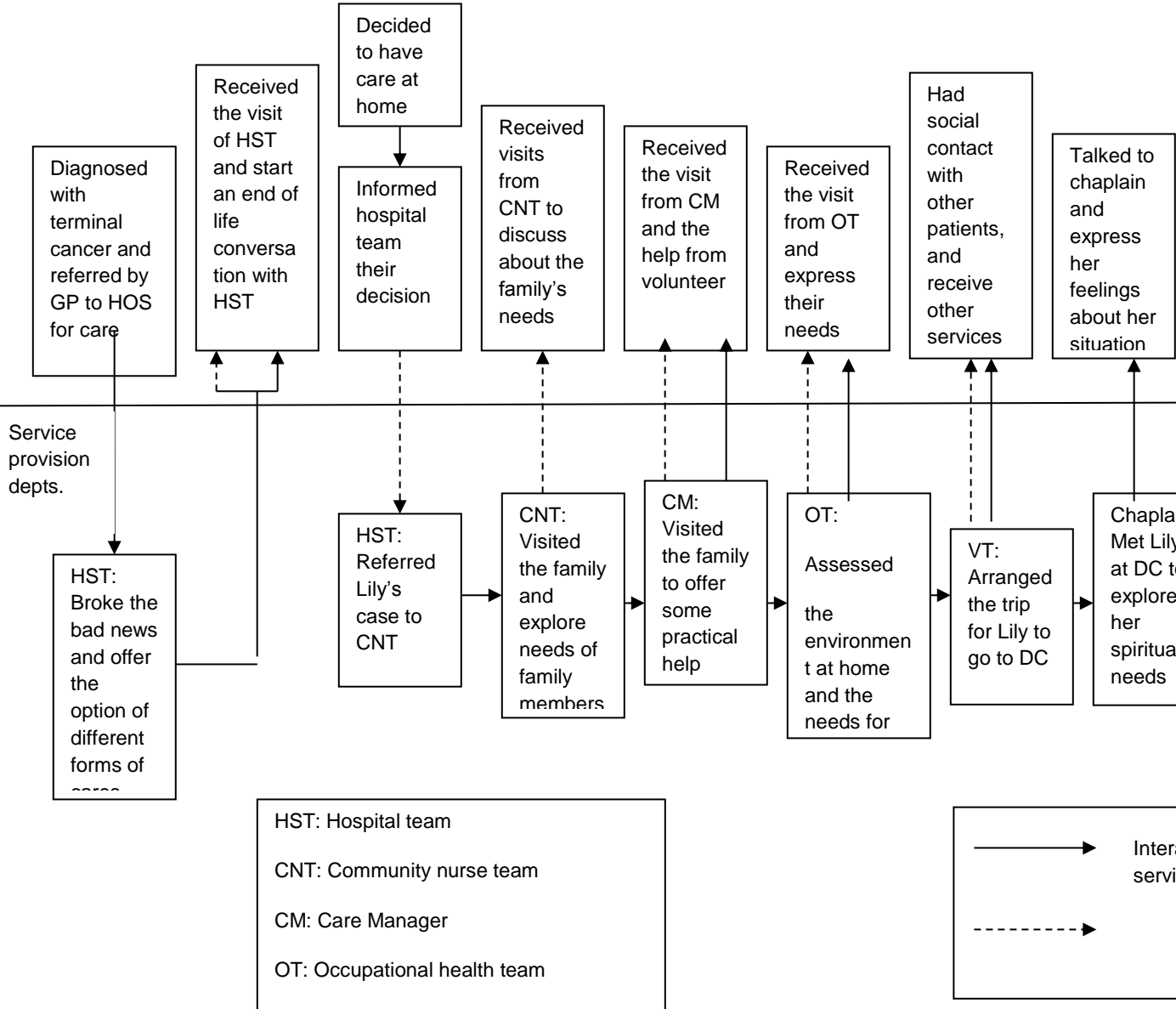
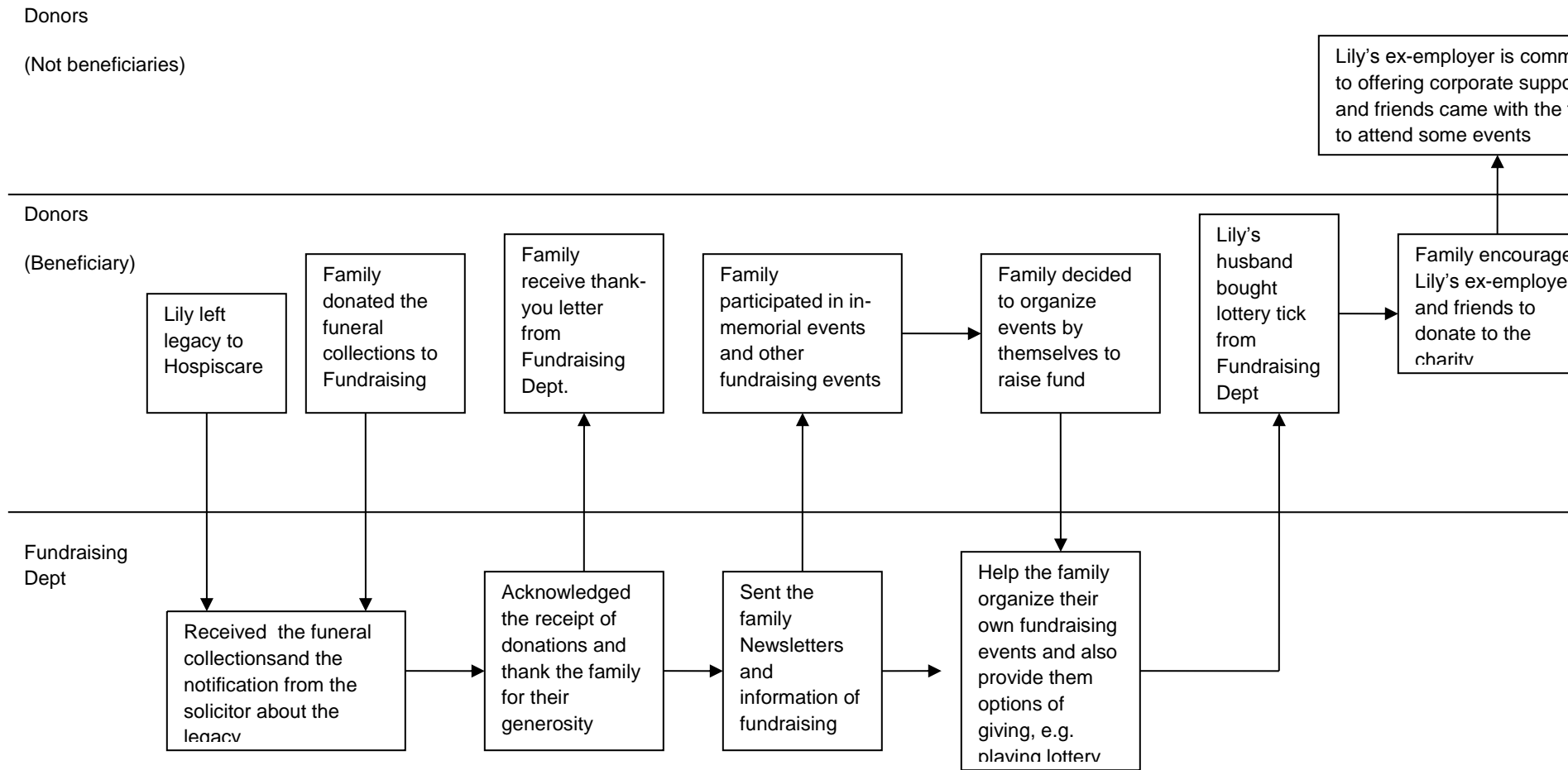


Figure 6.6 Blueprint of the Fundraising Process



6.3.2 Journey of Service Beneficiary

Lily is a 52 year old mother of three children. She was diagnosed with ovarian cancer 10 months ago and has completed her courses of palliative chemotherapy. Investigations in RD&E revealed that her disease had become much worse and the surgery could not resolve her problem. The hospital doctor suggested a referral to Hospiscare.

Hospiscare's hospital team visited Lily at home and broke the bad news to her and her husband. The team also discussed with them the option of different forms of cares offered by Hospiscare and started to establish rapport and trust. They also started an end of life conversation. As Lily's choice was to be cared for at home, The Hospital Team planned for her symptom control and discharge planning and arranged the seamless referral to a community nurse team.

Lily and her family received visits from community nurses to discuss their practical needs at home. Lily was also referred to the occupational health team, who visited Lily at home to assess the environment for her care at home and needs for special equipment.

Meanwhile, Lily attended the Day Care Unit (DCU) weekly. A volunteer driver escorted her so that her husband could continue to work. She particularly enjoyed the social contacts with other patients and the massage and having her hair washed and cut at the DCU. Whilst she attended the unit she also had a number of conversations with the staff and the chaplain and over time was able to express her feelings about her situation. During her time spent at the DCU, she approached the chaplain about taking her funeral. She also spoke to her community nurse team about her great desire to remain at home to die, being surrounded by all her familiar things and lovely garden. The care manager also visited Lily and her family to offer help including benefits and grants they might need to meet their financial needs.

The Bereavement Team also visited her at home. Lily discussed her fears about talking of dying with their family and of how to do so with all the different

members of children and grandchildren. The Bereavement Team offered help to ensure resources and support was given to help family members cope with bad news.

As Lily's situation got worse, she was admitted into Hospiscare's in-patient unit. The IPU provided symptom relief and comfort during Lily's stay. IPU's consultant doctor performed assessment and prepared for very end of life decisions e.g. informing Lily's son overseas. Lily agreed to stay though it although it was not her initial choice. She died comfortably in Hospiscare's family room after two days and her family felt that this decision was best for Lily and the family.

Following Lily's death the chaplain took her funeral. Lily's husband was contacted by the bereavement service and all family members were offered support. At Christmas Lily's family attended the Tree of Light services and were in contact with the Fundraising Department to donate to Hospiscare. Lily's old boss committed to offering corporate support from his firm. Lily's mum has just started as a volunteer in the charity's shop in her town one morning a week.

6.3.3 The Complexity and Duality of Relationship between Charities and Beneficiaries and Donors

Figure 6.5 and 6.6 reveal a high level of complexity existing in the relationship between patients and the Service Provision Department, which firstly arises from the fact that there are different forms of care patients can choose to have, e.g. being cared at home, in hospice's in-patient unit, coming to the day care centre to socialise with other patients. As a result, different departments and teams were engaged with the patient in the service provision process, based on the different types of care they received. For instance, if patients choose to receive palliative care from home, they may not have any contact with nurses and doctors who work in the hospice's in-patient unit. Instead, the community-based nurses and doctors will become the main point of contact in respect of service provision.

Secondly, the complexity comes from the heterogeneity of highly personalized care for patient families. The supportive care offered to patient families ranges from helping them cope with bad news, applying for financial support for them, helping them with housekeeping.

The results also show that in Lily's case donors were service beneficiaries e.g. her mum and husband and someone who has close relationship with her e.g. her ex-employer. Being both beneficiaries and donors, Lily's family had interactions with both the Service Provision and Fundraising Departments at different stages of their journey with the charity. The start of this co-relationship is when various departments and teams interact with them.

In spite of distinct differences in the nature and content of services provided through the Service Provision Department and the Fundraising Department, both services are provided to the same group of people with different purposes. This duality of relationship means some people who received services from the Service Provision Department also have interaction with the Fundraising Department. This also implies a positive relationship between beneficiary service satisfaction and their intention to give, meaning the higher the beneficiary service satisfaction is the more likely they will give.

6.3.4 Different Service Perception

As the above service blueprints and discussion indicate, donors can also be beneficiaries and their relationship with charity starts when they received palliative/supportive services as beneficiary. Studies on services management in business setting have demonstrated the linkage between customer's perception of service and their need and their satisfaction level (Bennett, 2005). As the relationship between beneficiaries and a charity resembles the exchange between customers and commercial suppliers in business setting, it is implied that the concept of service management might be applicable in the nonprofit setting. This means that beneficiary's perception of services might have impact on their service satisfaction.

However, considerations need to be given to the unique circumstances in the charitable context. It is found that charities provide services to beneficiaries free of charge and in the nonprofit context, beneficiaries often place critical dimensions of their lives in a charity's hands and want desperately to be assisted (Bennett, 2005). In the case of Hospiscare, beneficiaries are facing a life-threatening situation and may feel vulnerable, powerless and dependant. Therefore, any help provided by a charity may be deeply appreciated, and the smallest indication that a charity can improve the beneficiary's condition could be a huge source of satisfaction. It suggests that compared to customers who normally pay for services or products, beneficiaries who are in extreme need of help can be more easily pleased during their interaction with charities that have helped them, than people who buy product or services from commercial sellers.

6.3.5 Building Relationship with Beneficiaries: Blending Fundraising into Service Provision

It is shown from Figure 6.5 and 6.6 that a large number of people including staff and volunteers playing different roles in the Service Provision Department are the key to the provision of quality services. They are engaged directly or indirectly with patients and their family over various service encounters. As previous studies show, increasing beneficiary's service satisfaction can generate positive sentiments towards a charity thus having a positive implication to fundraising (Bennett, 2005). However, it is shown that there was no strategy in place in Hospiscare to ensure various touch points over service encounters are co-ordinated for the purpose of fundraising. It is important to ensure that a genuine concern for raising beneficiary's awareness of significance and options of fundraising suffuses the entire organisation.

Leverage of touch points for the purpose of fundraising can also lead to the improvement of the effectiveness of fundraising at a comparatively low cost by blending the fundamental idea of fundraising into the process of beneficiary service provision. For instance, touch points depicted in Figure 6.6 can be regarded as potential opportunities to raise the awareness of significance of financial support among beneficiaries and various fundraising options available. In order to achieve this, it is important to devise a holistic relationship strategy to

integrate the processes for both fundraising and service provision to facilitate the information sharing freely within the organisation and to cultivate relationship with beneficiaries during service provision by maximising the potentials of service touch points with beneficiaries. However, it is noticed that in practice the actual application of this initiative is a controversial and sensitive topic as clinical and service provision staff might argue that any kind of asking from beneficiaries can create unnecessary anxiety for them and their family.

In all, the findings revealed by the service blueprints posit the relevance of service management theory in a nonprofit context and exposes the complications in the dual relationship. Findings also identify various service touch points which can be used to improve the effectiveness of fundraising.

6.3.6 Connectivity between Donor's Giving Behaviour and Service Experience

A questionnaire survey was designed to gain insight of donor's preferred way of communication and supporting the charity and their experience of services with consideration given to giving motivations and possible connection between service satisfaction level and giving behaviour. The questionnaire contained 14 questions, among which 2 are directly related to research question. In total, 727 donors replied and the data collected from respondents were analysed by the use of SPSS. The original questions in the survey and the relevant analysis are presented as follows.

Table 6.2 Question No.7

Factor	Least Important	1	2	3	Most important 4
Hospiscare is a trustworthy charity		1	2	3	4
Hospiscare is a local charity					
I am supporting a worthy cause					
I want to give something back for services I received					
I want to give something back for services my family or friend received					

I may need to use Hospiscare's services one day

Other, please advise _____

Results and Analysis

SPSS is used to calculate the sum for different scale of each option. The higher the sum is, the greater impact it has on influencing people's giving. The sum generated by SPSS for each option is shown in Table 6.3.

Table 6.3 Results Generated by SPSS for Question No.7

1. ***'Hospiscare is a trustworthy charity'*** ranked the most important factor which influences people's decision on which charity they give to. The sum is 2363.
2. ***'I am supporting a worthy cause'*** is the second important factor. The sum is 2274.
3. ***'Hospiscare is a local charity'*** is the third important factor. The sum is 2235.
4. ***'I want to give something back for services my family or friend received'*** is the fourth important factor. The sum is 1899.
5. ***'I may need to use Hospiscare's services one day'*** is the fifth important factor. The sum is 1719.
6. ***'I want to give something back for services I received'*** is the least important factor. The sum is 921.

Two important findings can be drawn from the above result. Firstly, it suggested that people's perception of the Charity being "trustworthy" plays a significant role in determining people's decision on giving. Literature on beneficiary relationship management has suggested that "trust" involves the belief that the beneficiary's needs are fulfilled by the organisation and the organisation trusted by its beneficiaries and supporters is credible, reliable, honest and sincere, and truly benevolent (Bennett, 2005). "Trust" as an important variable in relationship also reflects the fact that beneficiaries were satisfied with the services they received.

The option No 4 (***I want to give something back for services my family or friend received***) and No 6 (***I want to give something back for services I received***) indicate the relationship between people's giving and services they

received directly and indirectly. The sum for No 4 and No 6 generated by SPSS totalled 2,920 to be the highest figure. A higher figure means a greater impact on giving behaviour. Therefore, this finding suggests people's experience of services to be the most influential factor determining people's decision on giving.

In brief, the above findings indicate a connection between beneficiary's experience of service, their service satisfaction and future giving.

Table 6.4 Question No.8

<p>Q8 If you, your family or friend experienced care provided by Hospiscare, please choose it from the type of care listed below. You may need totick more than one box.</p> <p>In-patient care in the hospice Day care in the hospice Community nurse visit at your home Bereavement support None of these</p> <p>Other, please advise _____</p>
--

Result and analysis

Result and relative analysis are shown in Table 6.5.

Table 6.5 Results Generated by SPSS for Question No.8

- | |
|--|
| <ol style="list-style-type: none">1. 594 donors answered this question.2. 61% have experienced in-patient care.3. 53% have experienced the community nurse visits.4. 36% have experienced the bereavement services.5. 19% have experienced the day-care.6. 9% haven't experienced the above services. |
|--|

The results show that 91% of respondents had an experience of various services provided through different channels and over various service encounters. The results of analysis also reinforce the findings identified by Question No.7 and service blueprints about the linkage between service experience and donation and imply the significance of enhancing beneficiary service quality and satisfaction in generating a positive impact on donation.

6.3.7 Relationship between Beneficiaries Level of Satisfaction and Giving Behaviour

To triangulate findings drawn from the service blueprints and survey on the connection between beneficiary satisfaction and giving, interviews were carried out respectively with the Fundraising Director, the Lottery Manager and the Community Fundraiser. An interview was also carried out with the Education Officer. These findings will be discussed according to the following themes which emerged from interviews. They are 1) motivation of giving, 2) lifetime of donors, 3) different roles played by donors, 4) barriers and 5) proactive fundraising are identified as below.

Theme 1: Motivation of Giving

The result strengthens previous findings on relationship between service provision and donation, by showing the main reason to give is that they are grateful for the quality care provided by the charity to themselves, their friends or family at a difficult time of their life. It also shows that donors grow a strong emotional attachment to the charity. As a way to express their appreciation, they supported the charity by giving donation to enable it to continually provide quality services to other people who need it in the future. The success in in-memorial fundraising events is a good example.

It is revealed from interviews that not all the donors were beneficiaries or have a close relationship with beneficiaries. However, the result shows that giving behaviour of this group of people is largely influenced by beneficiary's word-of-mouth. Their witness of real impact brought by Hospiscare on their local community made them believe that they made a right decision to support the charity. This finding suggests that beneficiary service satisfaction can have a positive impact on other people's giving.

Theme 2: Lifetime of Donors

It is found that the average lifetime a donor has with the charity is about two years. Short lifetime means a high acquisition cost and therefore less fundraising profit. Therefore, it is very important to promote a long-term

relationship with donors. But, how to keep donors stay longer or be loyal to the charity remains a challenge to the Fundraising Department.

Theme 3: Different Roles Played by Donors

Donors often play various roles in supporting the charity. Apart from giving money, they attend local fundraising events, help to organise events or raise fundor awareness through their social networking. Understanding different roles donors play will greatly help to develop an integrated way to communicate with them.

Theme 4: Barriers

It is realised that barriers caused by historic reasons exist between the Central Fundraising Team and its local support groups. This barrier prevents the sharing of important information e.g. feedbacks from supporters and resources between them. It can only be removed by embedding a fair and supportive culture. In addition, the level of data integration between two teams is very low. This results in the ineffective use of resources within the charity and the ineffective communication between donors and prospects.

Theme 5: Proactive Fundraising

As most of patients who receive care suffered terminal illness, the idea of leveraging service encounter points, meant approaching beneficiaries when they were alive can receive criticism from service provision staff. They felt this approach will lay burden on patients and their family. However, the Education Office who used to work alongside with patients as medical nurse revealed during the interview that *“I was asked more than once by patients and their family how they could help (Hospiscare) in a way of giving...They should be offered the opportunity to give when they are still alive if they wish to...”*. As the interviewee said, *“fundraising doesn’t have to be in a pushy way”*, fundraising is not just about asking for money but making people aware of the ways in which they can express their appreciation. The interview removes the concerns raised by medical staff and shows a great potential of establishing a proactive fundraising approach which can be welcomed by both medical staff and beneficiaries. Again, it stresses the importance of using various touch points to

nurture a positive relationship with beneficiaries to create more fundraising opportunities.

6.3.8 High-Level Satisfaction Leading to Donation

As part of triangulation, an interview was held with a focus group at the premise of Hospiscare to explore the relationship between the level of service satisfaction and beneficiary’s long-term relationship with the charity. The group consists of 5 committed donors with the age ranging from early 30’s to late 60’s. They are parents, children or extensive family of deceased patients who were taken care of by the charity. The conversation was carried out surrounding the theme ‘What makes you do all these?’ and lasted about 1.5hours. The key messages obtained from the focus group interview are listed in Table 6.6.

Table 6.6 Key Messages Obtained from Focus Group Interview

Interviewees	Key messages
Interviewee 1	<ol style="list-style-type: none"> 1. Services are much appreciated by my family; 2. Quality of services my mum received in care of Hospiscare is excellent 3. We want to give something back to Hospiscare for what it did for us
Interviewee 2	<ol style="list-style-type: none"> 1. The accommodation at Hospiscare is 6-star 2. The care the whole family receive is the best care we can expect 3. My family and I were determined to continue to support Hospiscare as much as possible in the future in gratitude for the excellent service they provided as such a sad time.
Interviewee 3	<ol style="list-style-type: none"> 1. I and my family were very impressed with the care and warmth we were given. 2. Our son was looked after well physically and spiritually 3. People who had no experience of Hospiscare’s care will never know how invaluable it is
Interviewee 4	<ol style="list-style-type: none"> 1. Staff and volunteers my dad met provided him with the comforts as much as possible no matter whether he was in the patient ward or cared at home.
Interviewee 5	<ol style="list-style-type: none"> 1. The care received is invaluable to my mum and the whole family. 2. I want the services available to other people when it is needed.

The above listed key messages show that donors highly praised the quality of service their family received when they were in care of Hospiscare. Words they used to describe the quality of service include “6-star accommodation”, “excellent”, “the best care” and “invaluable”. They were very impressed with the care and warmth they received and believed that their family was “looked after physically and spiritually” by the charity. Interviewees’ comments are full of

appreciation. The finding also shows that one of the major drives for donation is “to give something back to Hospiscare for what it did for us”. The result triangulates the findings from service blueprints, survey and previous interviews suggesting that a high level of service satisfaction leads to beneficiary’s loyalty which is shown in their devoted ways of supporting the charity.

6.3.9 Discussions

In brief, the Phase 2 study provides insight into the motivation of giving and the connection between service quality, beneficiary service satisfaction and their donation through analysing the findings generated by various research methods including service blueprint, survey and interviews. The findings drawn from the service blueprint are triangulated by the results generated from survey and interviews.

The findings suggest a positive relationship between beneficiary service satisfaction and their giving, and indicate the applicability of service management concept in nonprofit settings. It also suggests a creative and proactive fundraising approach by applying CRM in establishing relationship with beneficiaries for the purpose of fundraising.

6.4 Summary

This chapter discusses the findings in two phases. Drawing from both qualitative and quantitative methods, the findings of Phase 1 study validate three key CRM implementation areas synthesized from CRM literature and suggest a high level of applicability of CRM strategy in nonprofit setting. The findings also reveal challenges and barriers facing the charity during the process of implementation and suggest key issues other charities need to be aware of in the process of applying CRM in managing donor relationships. The findings suggest six major challenges which include 1) people’s role, 2) the lack of integrated processes, 3) the lack of knowledge of donors and beneficiaries, 4) issues associated to social networking, 5) issues associated to value and ethos and 6) the complex relationship between beneficiaries/donors and charity. The

impact brought by CRM applications is reported in four aspects, which are 1) gaining insight into donors, 2) generating values by meeting needs, 3) cultivating cultural changes towards proactive fundraising and 4) fundraising revenue.

Phase 2 of the research was carried out to explore the relationship between beneficiary service satisfaction and their donation. Drawn from the results generated by the employment of multiple research methods such as service blueprint, survey, interview and focus group, the findings show a positive connection between service quality, beneficiary satisfaction and their giving, and suggest the applicability of services management concept in gaining further understanding of this research topic.

The implications of the above findings to theory and practice as well the limitations of this study will be discussed further in the Chapter 7 Conclusions and Limitations.

CHAPTER 7 CONCLUSIONS AND LIMITATIONS

7.1 Introduction

This chapter draws conclusions from this empirical research, reviews this research and summarises its outcomes. The contribution made by this research to existing theory and practice will be discussed. The limitations of the research will be considered and opportunities for further research identified.

Section 7.2 revisits the context, aim and research objectives of this research.

Section 7.3 revisits the findings of this research and summarises the major outcomes.

In Section 7.4, the theoretical contribution made by this study to CRM literature and services management theory is discussed.

In Section 7.5, the implications to practitioners in the nonprofit sector in particular fundraising management are highlighted.

Section 7.6 discusses the limitations of this research on both methodological and specific research method level. Based on the review of limitations, opportunities for future research in bridging these gaps are suggested in Section 7.7.

7.2 Review of Research

The aim of this research is to offer understanding of CRM applications in the nonprofit context and insight of the relationship between beneficiary service satisfaction and their donation in the same setting.

In spite of being a major area of interest in the last decade in both commercial sector and academia, the CRM concept and associated theory has been given different definitions from technical, operational and strategic aspects. This study adopts CRM as the core business strategy grounded on high-quality customer data and enabled by IT with the aim to develop a long-term profitable relationship with customers through cross-functional integration of processes, people, operations and marketing capabilities. The review of literature suggests three key CRM implementation areas. They are 1) understanding customers via the use of modern technology; 2) creation of customer-focused product to enhance the value for both the organisation and customers; 3) implementation of cross-functional strategies to maximise the value to customers.

Although an emerging body of literature has begun to explore employing CRM as marketing tools or techniques within the nonprofit sector, there are very limited investigations which offered empirical data to validate the applicability and relevance of the above three key areas in the same setting. The review of existing literature also addresses the lack of investigation on identifying challenges and barriers associated with CRM implementation and assessing how CRM impact charitable organisations. These identified gaps provide cause for defining three research objectives, which were introduced in Chapter 1 Introduction. A detailed review of the relevant CRM literature in both commercial and nonprofit sectors is provided in Chapter 2 Literature Review: Customer Relationship Management to establish the theoretical foundations and to confirm the need for our research to address the following research questions.

Research Question 1: What are the major activities associated with CRM implementation in charities?

Research Question 2: What implementation issues exist in terms of challenges and barriers during implementation?

Research Question 3: How does CRM implementation impact the charity's fundraising performance?

In the process of investigating these questions, it was found that a considerable amount of donations contributed by service beneficiaries or people who have close relationship with them. This implies a possible connection between beneficiary service satisfaction and their giving behavior. The findings triggered a second phase of research, which was designed to explore the relationship between service quality and beneficiary intention to give, therefore drawing upon Service Management theory and in particular the Service Profit Chain.

A detailed review of relevant service management literature is provided in Chapter 3 Literature Review: Services Management to offer a theoretical platform to explore the mentioned relationship and to address the research gap. The literature review suggests that in spite of a substantial body of literature surrounding the Service Profit Chain, there is a lack of investigation undertaken to study its viability in explaining the relationship between beneficiary service satisfaction and their donation in a nonprofit context. This leads to the formulation of the following research question.

Question 4: What is the relationship between beneficiary service satisfaction and their giving behavior?

Relevant research strategies are formulated to address the mentioned research gaps. The research strategy is to adopt multiple research methods aligned to specific research objectives. This embraces both quantitative and qualitative research methods at a case level. The methodology employed to address research questions is specified in Chapter 4 Research Methodology, based on the research strategy which is spelled out in the same chapter.

The remainder of the thesis presents the results and findings of the research carried out in respect of the four research questions.

7.3 Review of Outcomes

The first research question seeks to understand the major CRM implementation activities in nonprofit organisations. An empirical study of CRM applications was

carried out through the case of a Devon-based charity in three key areas suggested by literature. The data generated by participant observation and secondary data are employed to confirm the relevance and applicability of the three literature-suggested implementation actions in nonprofit organisations.

The second research question seeks to identify challenges and barriers in the process of implementation. The report of detailed implementation actions taken place in Hospiscare reveals the following six major challenges and barriers.

Challenge 1: People's role

Challenge 2: Lack of understanding of donors

Challenge 3: Lack of integrated processes

Challenge 4: Challenges to value and ethos

Challenge 5: Challenges brought by emerging social networking

Challenge 6: Complexity of relationship

Referring back to critical success factors identified by the review of existing literature, it is found that among six challenges, the first three challenges are common in commercial organisations. Challenge 4 and 6 are found unique to charitable organisations. It is also found that Challenge 5 has attracted interest of academia researching its deployment and impact in a commercial setting but there is very limited investigation undertaken on its existence and associated challenges in a nonprofit context.

The third research question seeks to evaluate how CRM implementation impacts nonprofit organisations. Drawn upon the observation of actual CRM implementation and secondary data, the findings reflect how Hospiscare benefited from the employment of CRM in the following aspects.

- Providing valuable insight into donors including their giving patterns, propensity to donate, preferred way of communication.
- Achieving increase in fundraising income through developing the Tribute Fund to meet donors' emotional needs.
- Laying foundation for a co-ordinated multi-channel collaboration across the organisation and moving toward a culture of proactive fundraising.
- Contributing to donor recruitment and loyalty.

The fourth research question seeks to offer understanding of the relationship between beneficiary service quality and their giving behaviour. The findings of this exploratory study were drawn through the employment of multiple research methods such as service blueprint, survey, interview and focus group. The findings from the service blueprint showed that two relationships, namely the one between the charity and its beneficiaries and the other between the charity and its donors exist at the same time. The positive relationship between beneficiary service satisfaction and donations suggested firstly through the deployment of donor survey and subsequently triangulated through the analysis on results of interviews and focus group.

7.4 Contributions to Theory

This empirical study through the lens of Hospiscare's case makes contribution to both CRM literature and Services Management theory in various aspects.

This study provides valuable insights into CRM applications in both for-profit and nonprofit sectors. It firstly offers a better understanding of origin of CRM and its conceptual development as well as major CRM implementation activities and critical issues associated with CRM applications in the for-profit context based on review of literature. Three major CRM implementation actions revealed by literature review include 1) understanding customers through collecting and integrating customer information; 2) creating and increasing the value to customers through the development of customer-focused product; and 3) enhancing the value to customers through achieving cross-functional performances across the organisation. Five factors critical to success of CRM implementation are 1) looking at CRM as a strategy instead of a technological innovation, 2) involving and empowering employees and stakeholders, 3) change management, 4) multiple dimensions and integration and 5) integration of cross-functional activities.

In addition, this study contributes to the understanding of CRM applications in the nonprofit context. It identified four critical issues which are unique to nonprofit organisations, which are 1) a substantial investment of resources

across the organisation, 2) difficulty in managing vast amounts of information and coordinating information and processes across the organisation; 3) lack of extensive computer technology and expertise and 4) dangers to charities' culture, public image and mission. It also validates the relevance and applicability of key CRM implementation areas through defining major implementation activities in the case of Hospiscare. Thirdly, it offers a better understanding of critical factors for achieving a success in the adoption of CRM strategy in a nonprofit setting by identifying challenges and barriers associated with implementation strategies in the charity. Six identified challenges and barriers include 1) people's role, 2) the lack of integrated processes, 3) the lack of knowledge of donors and beneficiaries, 4) issues associated to social networking, 5) issues associated to value and ethos and 6) the complex relationship between beneficiaries/donors and charity.

This research also makes contribution to the understanding of impacts of CRM implementation on fundraising effectiveness, by evaluating tangible and intangible changes which are 1) gaining insight into donors, 2) generating values by meeting needs, 3) cultivating cultural changes towards proactive fundraising and 4) fundraising revenue.

Finally, it contributes to the understanding of the complex relationship existing between a charity and its donors and beneficiaries by revealing the duality of relationship. The interrelationship between a charity and its donors and service beneficiaries suggests that the development of a good relationship with beneficiaries could be the starting point of a journey of converting them into donors. This challenges the existing studies, most of which emphasis on the impact of donor relationship management on the optimisation of fundraising revenue. This discovery calls for more studies in future on CRM's application in managing beneficiary relationships to maximise the fundraising effectiveness.

The study undertaken on Phase 2 further explores the relationship between beneficiary's service satisfaction and their philanthropic behaviour, and contributes to the knowledge of constructs of the dual relationship by depicting a wide range of service encounters between a charity's service provision department and its beneficiaries as well as encounters between fundraising department and its donors.

It also contributes to the understanding of relevance of service management theories particularly the Service Profit Chain, in a nonprofit context. It draws upon the results generated by the employment of multiple research methods such as service blueprint, survey, interview and focus group and indicates a positive connection between service quality, beneficiary satisfaction and their willingness to give. In doing so, it challenges the adequacy of existing Service Profit Chain theory which is based on a one-to-one relationship between suppliers and customers, and suggests that service profit chain is also relevant in a nonprofit context.

Furthermore, it makes contribution to the limited literature on beneficiary relationship management by signifying the difference existing in the level of service expectation between customers in the commercial sector and beneficiaries in the nonprofit environment.

From the view of research methodology, Phase 2 study demonstrates a way to successful use multiple research methods such as service blueprint, survey, interview and focus group to conduct an exploratory research on a subject in a nonprofit setting.

7.5 Implications for Practice

This research provides the practitioners in both for-profit and nonprofit sectors with insight into the processes of adopting CRM theory and the key implementation areas which are critical to the success and sustainability of CRM strategies.

Firstly, it provides practitioners with knowledge of (three) major CRM implementation activities and (four) factors critical to the success of implementation CRM, which were synthesized based on review of CRM literature. Furthermore, this research compares the critical factors and challenge/barriers associated with CRM implementation in both sectors, and draws attention of practitioners to the differences existing in the above areas and calls for different actions accordingly.

Secondly, this research provides practitioners in nonprofit sector with step-by-step guidance for adapting CRM strategy through a detailed documentation of processes for adopting CRM strategy in a nonprofit setting. It also draws attention from practitioners to the challenges and barriers which could hinder charities benefiting from CRM implementation, and points out different ways to evaluate the impacts of adoption of CRM strategy.

The research also identifies various touch points with the assistance of service blueprint and highlights the importance of leveraging these touch points over service encounters to improve fundraising effectiveness. It instigates the sharing of information of beneficiaries/donors between the Service Provision Department and the Fundraising Department, and promotes the co-ordination of activities under a holistic fundraising strategy to considerably reduce the cost involved in fundraising and to enhance the fundraising income.

7.6 Limitations

Whilst this research provides new knowledge to both academics and practitioners, there are a number of limitations. These include limitations associated with research method. Although this study has explored the CRM implementation in the nonprofit setting and the correlation between beneficiary satisfaction and their donation, the findings are based on a single case of health-related charity at a single point of time. Therefore, it lacks sufficient longitudinal data at a sector level.

The study on Phase 2 is undertaken by employing multiple research methods including service blueprint, survey, interviews and focus group to inform the possible relationship between beneficiary satisfaction and their giving. Although this study informs the exploratory findings, it lacks the rigour which can inform the strength of the connection between variables within the relationship. For instance, the survey in Phase 2 of the study was initially designed to study donor's preferred way of communication with the charity and their preferred fundraising events, though considerations were given to the motivations of giving. Improvement on its sampling, design and analysis would lend the

researchers more valuable data and strengthen the rigour and argument of this study.

Apart from the generic limitations discussed above, there are some limitations in the specific research method i.e. service blueprint. Although the blueprint provides the mapping of how the charity interacts with beneficiaries and donors through provision of services, the real exchange between a charity and its stakeholders are far more complicated than what was depicted in service blueprint. Different services involve very different type of support, information technology, and management systems in the process of delivery. Therefore, in order to provide a fuller view of interfaces between beneficiaries/donors with charities, the blueprints need to be further developed at more detailed level.

7.7 Future Research

This empirical study identifies three key areas for CRM implementation in a local health-related charity. However, it only reports findings on the basis of a single case and therefore lacks sufficient data to validate finding across the sector. Evaluating the relevance of key implementation areas identified by this research across the full spectrum of charities would help to provide a fuller picture of key CRM implementation issues critical to a successful and sustainable application of CRM within the sector. A longitudinal study based on multiple cases would be helpful to generalise the challenges and barriers facing charities and CRM's impact on fundraising effectiveness.

Charities are operating under a fast changing environment. This study discussed the challenging issues in relation to the emerging social media networking in managing relationship with donors. The deployment of social media tools and its impact on relationship management in a commercial setting has attracted substantial interest from both academia and practitioners. However, its significance to the improvement of a charity's relationship with its donors and beneficiaries within the nonprofit sector remains an understudied research topic. To date, the call for research on its implications and impact on

relationship building as well as ethical issues associated has not been fully addressed by the academic community.

Whilst the research suggests a relationship between beneficiary service satisfaction and their giving behaviour and reports a relatively low service expectation from beneficiaries, there are insufficient data to fully explore this relationship. Attention has been drawn to the contrast between the abundance of literature about the significance of customer satisfaction on revenue generation in the commercial sector and the lack of research on the importance of service beneficiary service satisfaction on fundraising income in the nonprofit sector. Therefore, there is a wide scope of areas potential for future research. Specific research questions for future study can be: *“How does beneficiary’s service expectation affect their satisfaction level?”*, *“How is this different from findings from literature based in a chargeable environment?”* and *“To which degree does beneficiary satisfaction affect their giving to charities?”*.

Whilst this research has a lot to offer in terms of its contribution to theory and practitioners, results drawn from this research could potentially be more beneficial to both academia and practitioners worldwide by being published and disseminated on internet, via the setting up of a knowledge hub or a world café. This virtual community will be able to facilitate the sharing of findings about CRM’s applications in non-profit sector and the actual implementations of CRM strategies in charities, as well as to instigate in-depth discussions on the employment of business management theories and concepts in the non-profit context.

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APPENDIX

Appendix 1 Survey Questionnaire

R. Hunt 1
Caring in Devon
24 SEP 2008

Hospiscare

Let us know what you think

Please take 5 minutes to fill in this anonymous questionnaire. You can return it to us in the freepost envelope provided.

How you feel about our communication with you

Q10 Please tell us which fundraising activities you would be interested in attending in the future. Rate your highest level of interest 4 and lowest level of interest 1.

Activities	Lowest level of interest			Highest level of interest
Midnight walking	1	2	3	4
Day walking	1	2	3	4
Cycle riding	1	2	3	4
Visiting gardens	1	2	3	4
Dancing	1	2	3	4
Golfing	1	2	3	4

Other, please advise _____

If you have given to us during the past 12 months, please skip this question.

Q11 Tell us why you haven't given in the past 12 months by circling the number applicable to you. If a factor has no importance at all, please leave it blank.

Factor	Least important			Most important
I already give to other charities	1	2	3	4
I cannot afford to make a donation	1	2	3	4
I do not know enough about Hospiscare	1	2	3	4
I haven't been asked for further donations	1	2	3	4

Other, please advise _____

Q12 Are you: Female Male

Q13 How old are you?

Less than 30
30-49
50-59
60-69
70+

Q14 What is your household's annual gross income?

Less than £15k
£15k-£25k
£25k-£35k
£35-£50k
£50k and above

Q1 Please tell us about the way we communicate with you

I feel that your communication with me is honest and clear.
Strongly agree Agree Disagree Strongly disagree Don't know

Q2 Are you interested in knowing the following information? You may need to tick more than one box.

How we spend funds	<input checked="" type="checkbox"/>
The services we offer	<input checked="" type="checkbox"/>
How people benefit from our services	<input checked="" type="checkbox"/>
Articles about other people's experience	<input type="checkbox"/>
Fundraising events	<input type="checkbox"/>
How to help us raise funds	<input type="checkbox"/>
How to help us by volunteering	<input type="checkbox"/>
Details about the Hospiscare Lottery	<input type="checkbox"/>
News about the Hospiscare shops	<input type="checkbox"/>
News about the Hospiscare local support groups	<input type="checkbox"/>

Other, please advise _____

Q3 Please tell us your preference for receiving information from us.

	Post	E-mail	Website	Text messaging
Newletter	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Events	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thank-you Letter	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q3t1: 3, Q3t2: 0, Q3t3: 0, Q3t4: 0

Thank you for letting us know what you think, and helping us to improve in the future.
Return this survey to Hospiscare, Dryden Road, FREEPOST SWB310681 Exeter, EX25ZZ.

Q4 How do you feel about the way your donations are acknowledged?

4.1 I feel my donations are acknowledged in a timely way.
Strongly agree Agree Disagree Strongly disagree Don't know

4.2 If you don't feel your gifts are acknowledged in a timely way, tell us how quickly you would like your donation to be acknowledged.
Less than 5 days 5-9 days 10-14 days Over 14 days

4.3 I feel the 'Thank-you' letter I receive for my donations is personal.
Strongly agree Agree Disagree Strongly disagree Don't know

How and why you support us

gender of friend

Q5 Please choose how you have supported us in the past by ticking the appropriate box(es). You may need to tick more than one box.

Q5t1: 3

Taken part in our fundraising events	<input type="checkbox"/>
Personally organized fundraising events for us	<input type="checkbox"/>
Played the Hospiscare Lottery	<input type="checkbox"/>
Given time to Hospiscare	<input checked="" type="checkbox"/>
Donated goods to a Hospiscare charity shop	<input checked="" type="checkbox"/>
Bought something from a Hospiscare charity shop	<input checked="" type="checkbox"/>
Given regular gifts by standing order	<input type="checkbox"/>
Given non-regular gifts	<input type="checkbox"/>
Given to us in memory of your family member or friend	<input checked="" type="checkbox"/>
Pledged a gift in your Will	<input type="checkbox"/>

Other, please advise _____

Q6 How do you feel about the support you have received from us if you have organized your own fundraising events?

Excellent Sufficient Not enough No support at all Not aware of any support available

Q7 From the list below, please rate in order of importance the factors you consider when you choose to support us. Circle the number applicable to you. If a factor has no importance at all, please leave it blank.

Factor	Least important			Most important
Hospiscare is a trustworthy charity	1	2	3	4
Hospiscare is a local charity	1	2	3	4
I am supporting a worthy cause	1	2	3	4
I want to give something back for services I received	1	2	3	4
I want to give something back for services my family or friend received	1	2	3	4
I may need to use Hospiscare's services one day	1	2	3	4

Other, please advise _____

Q8 If you, your family or friend experienced care provided by Hospiscare, please tell us below. You may need to tick more than one box.

In-patient care in the hospice	<input checked="" type="checkbox"/>
Day care in the hospice	<input type="checkbox"/>
Community nurse visit at your home	<input type="checkbox"/>
Bereavement support	<input type="checkbox"/>
None of these	<input type="checkbox"/>

Other, please advise _____

A bit about you

Q9 Would you recommend Hospiscare as a trustworthy charity for support?

Yes No Don't know