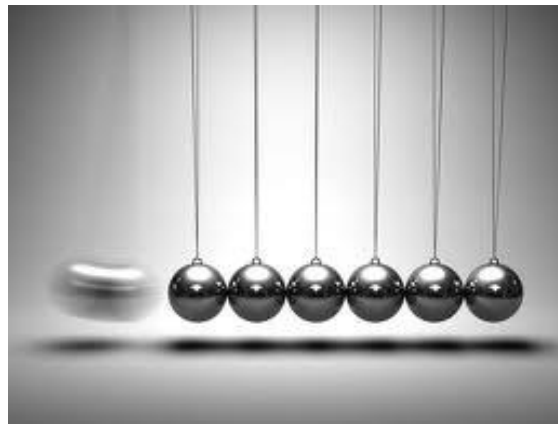


## **A Marketing Approach in a Nonprofit Microcredit Organization**

### **Case Study about ANDC – Associação Nacional de Direito ao Crédito**



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## Preface

Before making the deserved acknowledgements to all those who, in a way or another, helped me throughout these 4 months, I would like to briefly explain what has led me to choose my dissertation's topic: "A Marketing Approach in a Nonprofit Microcredit Organization – Case Study about ANDC – Associação Nacional de Direito ao Crédito".

Bearing in mind that the choice of my thesis' theme was of major importance for a good dissertation work, I wanted to find a subject that at the same time that motivated and enthusiasm me, was interesting and able to give a relevant research contribution. In this way, the process of choosing a theme was taken carefully.

In the beginning, I come up with 3 different broad ideas that after some reflection and discussion with my advisor Prof. Susana Frazão Pinheiro, let me decide to do something related to ANDC, a nonprofit private Association that does microcredit in Portugal for about 13 years. The microcredit's subject really interested me and despite the existence of a large number of international literature in this field, few studies have been conducted in Portugal. Moreover, through one of ANDC's founders, I had the opportunity to work directly with the institution that introduced microcredit in Portugal. I started reading about microcredit's feasibility in the country and rapidly understood that not only made sense to practicing it, but also more than ever was time to do so and promote it (current Portugal's economic crisis is increasingly rising unemployment and thus defusing poverty). However, the Association seemed to fall short of expectations, with a low and decreasing number of people using microcredit what made me reach my final thesis' theme, wonder if by taking a marketing approach ANDC could be in better conditions to improve its performance.

I specially want to thank my advisor Prof. Susana Frazão Pinheiro for all valuable support, motivation and enthusiasm that she gave me throughout these months and José Centeio and Fátima Belo, from ANDC, for all contacts and necessary information provided.

Furthermore, I want to thank my family, in particular my parents and sister, and boyfriend for always making me believe in the work I was developing.

Finally, I want to thank all friends that in various forms concerned about my project and showed availability for all needed support.

## Abstract

**Thesis title:** A Marketing Approach in a Nonprofit Microcredit Organization: Case Study about ANDC -Associação Nacional de Direito ao Crédito

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The main objective of this master's thesis, in the form of a Case Study, is to ascertain whether ANDC – Associação Nacional de Direito ao Crédito, a nonprofit Portuguese microcredit association, can potentiate its performance by introducing a marketing approach in the organization. In other words, the study intends to understand marketing's importance in ANDC, the ways of introducing it and thus be a reference to all nonprofit organizations that, similarly, believe that can improve their work through well coordinated and planned marketing initiatives.

The thesis is divided into 5 major chapters: (1) Introduction, where a more detailed description of the entire study is provided; (2) Literature Review, which gives some theoretical background about microcredit and marketing concepts in the social sector; (3) Case Study, that tells ANDC's history and progress throughout the years; (4) Teaching Notes, that develop 3 main questions for Professors' Case Study's discussion with students and (5) Conclusion, Limitations and Future Research, which conclude that marketing's implementation in ANDC can indeed play an important role in organization's overall performance and point out some limitations that can lead to possible future research.

## Resumo

**Título da Tese:** Uma Abordagem de Marketing numa Organização de Microcrédito Sem Fins Lucrativos – Estudo de Caso sobre a ANDC - Associação Nacional de Direito ao Crédito

**Autora:** Maria Sousa de Macedo

O principal objectivo desta tese de mestrado, escrita na forma de um estudo de caso, é verificar se a ANDC – Associação Nacional de Direito ao Crédito, uma associação Portuguesa sem fins lucrativos que promove o microcrédito em Portugal, pode potenciar a sua performance através da introdução do marketing na organização. Por outras palavras, o estudo pretende perceber a importância que o marketing pode ter na ANDC assim como as formas de o introduzir na organização, constituindo, assim, uma referência para todas as organizações sem fins lucrativos que, da mesma maneira, acreditam poder melhorar o seu trabalho através de iniciativas de marketing devidamente planeadas e coordenadas.

A tese encontra-se dividida em 5 capítulos principais: (1) Introdução, na qual é descrito com maior detalhe o desenvolvimento de todo o estudo; (2) Revisão da Literatura, que aborda diversos conceitos teóricos sobre o microcrédito e outros sobre o marketing no sector social; (3) Estudo de Caso, que conta a história da ANDC e a sua evolução ao longo dos anos; (4) Notas Explicativas, que desenvolvem 3 questões essenciais para a discussão do caso entre professores e alunos e (5) Conclusão, Limitações e Futura Investigação, que concluem que a implementação de uma estratégia de marketing na ANDC pode, de facto, desempenhar um papel importante na performance da mesma, referindo algumas limitações que podem conduzir a possíveis estudos futuros.

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## Chapter 1: Introduction

The thesis was written in the form of a Case Study about ANDC – Associação Nacional de Direito ao Crédito, a nonprofit private Portuguese association, that introduced microcredit for the first time in Portugal in 1998.

The aim of the thesis, its main question, is to ascertain the importance of marketing as a way to potentiate ANDC's performance. Moreover, the study has the objective to understand how marketing can be introduced in ANDC and serve as an example to other nonprofit organizations that are undecided about marketing's role within their organizational functioning.

The study is divided into 5 main chapters. Introduction constitutes chapter 1.

In order to gain some theoretical background about microcredit, the Literature Review (chapter 2) addresses the origin of microcredit and its worldwide expansion, the arguments that support microcredit's cause, some criticisms it has been receiving in late years and some facts about microcredit in Portugal, in particular, its legitimacy in the country, something that sustains ANDC work. In addition, a smaller subchapter outlines two important marketing concepts in the social sector.

Chapter 3 introduces ANDC's Case Study describing Association's origin and development throughout 13 years of existence. The case approaches aspects like ANDC's organizational structure and operations, its communication's strategy and points out some problems that constrain its activity. In this manner, the case's "End Notes" highlights that the introduction of an adequate Marketing Strategy could possibly play an important role within the organization.

The Teaching Notes (chapter 4) give guidelines for Professors Case Study's discussion with students. The main question posed by this thesis has been broken down into 3 Research Questions that take the form of Assigned Questions in the Teaching Note: (1) How important is it to do Marketing in a Nonprofit Organization? (2) How important can pursuing a Marketing Approach be to potentiate ANDC's performance? Why? (3) What possible marketing ideas could ANDC implement in order to pursue a Marketing Approach? To what extent would they be relevant for ANDC's overall activity improvement? Furthermore, a set of Teaching Questions are proposed to better enhance the Assigned Questions (Research Questions) and thus give the necessary inputs to enhance thesis' main question.

Finally, chapter 5 presents overall dissertation's conclusion – marketing plays a critical role in ANDC's performance and thus in nonprofits in general, limitations and consequent future research.

## Chapter 2: Literature Review

### 2.1 Microcredit Introduction

#### 2.1.1 Microcredit's Origin: The Grameen Bank

The origin of microcredit is under the responsibility of one person: Muhammad Yunus, best known as the “Banker of the Poor”. In 1940, Yunus was born in Bangladesh, a country where, after having studied in the United States, he was a Professor of Economics. Confronted with the economic reality of his land of extreme poverty, Yunus rapidly realized the limitations of the economic theories and models he taught and decided to go next to the poor, in the poorest Bengali villages, to closely deal with their miserable living conditions. He did not take long to understand the very nature of the problem: the poor, to manufacture their products, depended on the credit of local moneylenders who only borrowed money in the condition that the poor would sell them the products at a pre-established price. The result was that this price only covered the costs of production and a minimum income (equivalent to 2,5 cents a day) was left to the poor. In such conditions it was impossible for them to get out of the degrading situations they lived in. Yunus started himself making experiences in Jobra, a village in Bangladesh, in which he borrowed small loans to the poor without charging any fees, for them to sell the products at fairer prices and profit much more than they did. The poor proved not only to be capable of paying back the loans contradicting the traditional belief of the impossibility to borrow without collateral, but also showing that, even with lack of education and through the creation of self-employment, they could get rid of their extremely difficult living conditions. In 1976, the Grameen Bank<sup>1</sup> project born by the hands of Muhammad Yunus with the idea to help people with scarce resources to overcome poverty. In 1983 the Grameen bank became an independent formal bank under a specially law for its creation.

The bank has always focused primarily on women (97%), a neglected group in Bangladeshi society, because it believes that is able to empower women through credit. Moreover, studies have showed that borrowing to women could have a greater overall development outcome as they are more worried than men in improving their lives and caring about their children. Furthermore, each borrower has to be within a group of about 5 people, responsible to approve other members' credit grants and control everybody's loans repayment, and pay interest rates that are below the rates charged by the government. In addition to loans, the Grameen Bank provides the rural poor of Bangladesh other financial services: saving accounts, pension plans and loan insurance. At the moment, 94% of the bank is owned by the borrowers and the remaining 6% is owned by the

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<sup>1</sup> Grameen means “*rural*” or “*village*”.

government being that the bank is self-sustainable through the deposits from borrowers and non-borrowers.

Until the present the bank has been growing a lot: Grameen has over 7,5 million borrowers and 65% of them managed to clearly improve their socio-economic conditions and cross the poverty border.

The success of Yunus' microcredit experience in the fighting against poverty made him to win, conjointly with the Grameen Bank, the Nobel Peace Prize in 2006. As the Professor Ole Danbolt Mjøs, Chairman of the Norwegian Nobel Committee, discoursed in the announcement of the Nobel Peace Prize, "Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Microcredit is one such means. Development from below also serves to advance democracy and human rights..." Microcredit was then recognized as a very important tool for poverty alleviation (Yunus, 2008).

### **2.1.2 Microcredit Vs Microfinance**

When addressing Microcredit it is important to distinguish it from a similar but yet different concept: Microfinance that appeared given the success and development of microcredit as a "tool for poverty alleviation". Whereas microcredit focuses on small loans given to very poor people under certain interest rates for self-employment projects that generate income allowing them to better care for themselves and their families, Microfinance refers to the provision of a broad range of financial services from the so-called Microfinance Institutions (MFIs). In addition to microcredit they supply other services like deposits, savings, payment services and insurance products that are equally important to poor's development and sustainability (Afonso, 2010).

### **2.1.3 Microcredit Worldwide Expansion**

As Yunus and the Grameen Bank began to show that microfinance could be a powerful instrument for increasing the access to credit of millions of previously unbankable people, the microcredit movement rapidly started spreading around the world in both rural and urban markets. Firstly microcredit has achieved the developing countries and later, after being encouraged by its growth in developing countries, also reached the developed economies (Sengupta and Aubuchon, 2008; Afonso et al, 2011). It is difficult to know exactly the number of Microfinance Institutions (MFIs) in the world but the Microfinance Exchange Information (MIX)<sup>2</sup> has about 2100 registered institutions that serve approximately 94 million clients with a gross loan portfolio of 66, 6 billion USD (**Figure 1**).

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<sup>2</sup> The MIX Market is the largest international source of MFIs performance data and analysis.



According to different economic, social and cultural contexts, microcredit has been taking different configurations and organizational forms worldwide, with different microcredit definitions, objectives, targets and loan conditions. For example, there are Microfinance Institutions (MFIs) like Banco Sol of Bolivia intending to make profits while others like the Grameen Bank just aim to promote social equity. As a way to clarify the different types of microcredit in order to formulate the right policies and methodologies and make sure everybody is talking about the same thing, Yunus proposed a 10-label broad classification of microcredit<sup>3</sup>.

However, it can be accepted that the major differences within microcredit models rely between the developing countries and the more developed countries. Generally, whereas in developing countries, microcredit mainly targets economically marginalized people who do not necessarily are socially excluded, in more developed economies microcredit aims to target both the economically and socially excluded public being that the concept of social exclusion integrates all social problems subject to modern societies like unemployment, discrimination, isolation, material deprivation and poverty (Afonso, 2010). More concretely, while in developing countries microcredit's target is mainly women and loans are commonly granted within a group to impose a certain pressure on loans' repayment (following Grameen Bank's model), in developed countries, in general, the target goes beyond women to anyone who is financially and socially excluded and loans' beneficiaries have a one to one relationship with the financial institution rather than being within a group of other borrowers.

It cannot be said that microcredit has always succeeded whenever implemented. In fact, whereas microcredit has achieved good results in the great majority of developing countries, it has achieved little success in some of the most developed economies (Sengupta and Aubuchon, 2008). Nevertheless, two important events consented microcredit's importance in the fight against poverty worldwide: the international year of microcredit by the United Nations in 2005, and the Peace Nobel prize assigned to Yunus and the Grameen Bank in 2006.

#### **2.1.4 Microcredit in Europe**

In Europe, the first microcredit experiences started in the 80s but the sector is still young as many institutions began granting credit in the 90s and 62% of them only after 2000. Moreover, the great majority of European microcredit institutions did not make the transition from microfinance to microcredit yet. (Afonso, 2010; Afonso et al, 2011).

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<sup>3</sup> A) Traditional informal microcredit; B) Microcredit based on traditional informal groups; C) Activity-based microcredit through conventional or specialized banks; D) Rural credit through specialized banks E) Cooperative microcredit; F) Consumer microcredit; G) Bank-NGO partnership based microcredit; H) Grameen type microcredit; I) Other types of NGO microcredit; J) Other types of non-NGO non-collateralized microcredit.

(Source: [http://www.grameen.com/index.php?option=com\\_content&task=view&id=28&Itemid=177](http://www.grameen.com/index.php?option=com_content&task=view&id=28&Itemid=177)).

The European Commission set microcredit to be any loan up to 25.000 €. “Such loans offer an important means to encourage entrepreneurship through self-employment and micro-enterprises, in particular among women and minorities. This instrument favours not only competitiveness and entrepreneurship, but also social inclusion”<sup>4</sup>.

However, microcredit activity across Europe is not totally homogeneous being that several types of microcredit institutions exist: commercial banks, savings banks, cooperative banks, microfinance banks, foundations, diverse types of non-profit associations, and credit unions (European Commission, 2007). Furthermore, according to Jayo et al (2008), 4 categories of mission statements can be identified proving the variety of European microcredit institution’s goals: “29% of the institutions focus on job creation and entrepreneurship promotion, 26% elected social inclusion and fighting against poverty, the same percentage chooses economic development and small and medium firms’ growth being financial inclusion the category with a smaller relevance (20%)” (Afonso et al, 2011).

Along the years the European Union has demonstrated great interest for the microcredit cause through a number of initiatives that give support and promote microcredit: for example the JEREMIE<sup>5</sup> program in 2005, the JASMINE<sup>6</sup> program in 2008 and the “Progress Initiative” that established a European Microfinance Facility for Employment and Social Inclusion in 2009.

## 2.2 The Arguments behind Microcredit

### 2.2.1 Reducing Foreign Aid

In the present, there are still several developing countries hugely depending on foreign aid, seen as an important instrument to stimulate their economies. Due to its significance in the developing world, several empirical studies were conducted regarding the role of foreign aid in the growth process of developing countries (Ekanayake and Chatrna, 2010). In the same study, “*The effect of foreign aid on*

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<sup>4</sup> Source: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0349:FIN:en:PDF>.

<sup>5</sup> JEREMIE stands for Joint European Resources for Micro to Medium Enterprises. It is a financial instrument that has been established by the European Commission in partnership with the European Investment Bank (EIB) and European Investment Fund (EIF) to improve access to finance for micro-businesses and small and medium-sized enterprises (SMEs) in regions of the EU (Source: [http://ec.europa.eu/regional\\_policy/glossary/jeremie\\_en.htm](http://ec.europa.eu/regional_policy/glossary/jeremie_en.htm)).

<sup>6</sup> JASMINE stands for Joint Action for the Support of Microfinance Institutions. It is a pilot initiative which has been jointly developed by the European Commission (EC), the European Investment Bank (EIB) and the European Investment Fund (EIF) tailored for microenterprises and for socially excluded people who want to go into self-employment, but do not have access to traditional banking services. It aims to make small loans, or microcredit, more widely available in Europe to satisfy unmet demand (Source: [http://ec.europa.eu/regional\\_policy/glossary/jeremie\\_en.htm](http://ec.europa.eu/regional_policy/glossary/jeremie_en.htm)).

*economic growth in developing countries*”, the authors refer to Morrissey (2001) who argued that “there are a number of mechanisms through which aid can contribute to economic growth, including (a) aid increases investment, in physical and human capital; (b) aid increases the capacity to import capital goods or technology; (c) aid does not have indirect effects that reduce investment or savings rates; and aid is associated with technology transfer that increases the productivity of capital and promotes endogenous technical change”.

However, researchers did not come to a definitive conclusion about foreign aid’s effect on economic growth. Instead, they come up to a mix of results: either foreign aid caused positive, negative and no impact on growth. The study conducted by Ekanayake and Chatrna (2010) to 83 aid-receiving developing countries confirmed that foreign aid had a mixed impact on economic growth in developing countries. Nevertheless, the authors came up to an interesting conclusion: when the model was estimated for different regions, foreign aid appeared to have an adverse effect on growth with the exception of the African region that appeared to have a positive effect on growth. Despite being an interesting result the authors argued that it was not surprising as Africa is the largest aid receiver compared to any other region.

Literature in this topic implies that new alternative ways need to be defined to a more effective utilization of aid (or ODA<sup>7</sup>) that has been falling over the past decade. Furthermore, new tools for economic development in developing countries have to be applied in order to support foreign aid that, by itself empirical evidence proved not to be efficient. In addition, there is an increasing pressure from aid donors that want to make sure their money is well spent (Haque and Yamao, 2008).

### **2.2.2 Financial Inclusion**

While Leyshon and Thrift (1994) refer to Financial Exclusion as to “those processes that prevent poor and disadvantaged social groups from gaining access to the financial system”, the World Bank (2007) defines it in a more general way: “Financial inclusion, or broad access to financial services, implies an absence of price and non-price barriers in the use of financial services”. Regardless the definition, the tendency is that the poor and disadvantaged groups are more likely to be discriminated by the financial system, a fact that is explained by the favoritism given to socially powerful groups (Leyshon and Thrift, 1994). Among those excluded there are either households and individuals or small firms and micro-enterprises. In the same way, smaller companies also face more difficulties to access financial services than bigger firms do (World Bank, 2007). Peachey and Roe (2004) confirm this fact: “micro-enterprises started up by those excluded from personal banking services are almost by definition excluded from business banking services.”

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<sup>7</sup> ODA stands for Official Development Aid.

Within the financial services' excluded group it is important to distinguish between those that are voluntarily and involuntarily excluded, this means, those that have access to financial services but that choose not to use them and those that despite demanding these services do not have access to them. Regarding the voluntarily excluded, or self-excluded, there are people who do not use financial services for cultural and religious reasons and those that do not use them because they simply do not need. Concerning the involuntarily excluded, some reasons explain their rejection: they do not have enough income or constitute too high risk to the financial institution; they can be discriminated for social conditions or cultural backgrounds; financial institutions can face high costs in some groups' outreach making contracts commercially impracticable and financial services may not be adequate (in terms of high price and product features) for certain groups of population (World Bank, 2007).

In addition, access to financial services can also be conditioned by some relevant barriers: geographic and physical access barriers (like branches location, number of ATMs and phone and electronic finance); eligibility and documentation requirements (such as the number of documents to open a bank account); barriers of affordability (through, for example, high minimum balances to open and maintain bank accounts and high annual fees) and lack of appropriate financial services for low-income households and microenterprises (World Bank, 2007).

Nevertheless, the major reason why financial institutions are reluctant to provide financial services (in particular, lending money) to disadvantaged groups, is the high level of risk they may incur. According to Leyshon and Thrift (1994) the risk is calculated taking into account 3 main factors:

1. The more extensive the loan, the more risky it is for the lender because the circumstances of the borrower can change over time making it more difficult to repay the loan.
2. The risk also depends on the different purposes of the loan. For example, a loan that is to buy tangible assets such as property is cheaper than a personal loan that is for non-specific purposes because in the first case the lender has the asset as collateral.
3. The risk is affected by the perceived credit-worthiness of the borrower. The likelihood that the loan is going to be repaid respects not only the existent wealth of the borrower but also the future income that will be received.

Leyshon and Thrift conclude that, for these reasons, it is easier for those with more economic power to have access to the financial system.

Contrary to data on financial depth, statistics on the inclusion of financial systems are very few (World Bank, 2007). For Peachey and Roe (2004) "Access, and its counterpart exclusion, are both surprisingly hard to measure" what may explain the referred lack of data.

Despite the lack of data on financial inclusion there is clear and well-established evidence that the biggest banking systems go hand-in-hand with the more advanced economies meaning that the most

developed countries have better access to financial systems than the developing countries: “The percentage rate of access in poorer developing economies is about equal to the percentage rate of exclusion in richer advanced industrial economies” (Peachey and Roe, 2004). Taking one example of the number of households with bank accounts it appears that: more than 80% in Western Europe and North America have an account with a financial institution; between 60-80% have one in the Russian Federation and other countries from the former Soviet Union; in Asia it varies from 40 to 60%, in Latin American the percentages range even more between 20% in Nicaragua and 60% in Chile and in sub-Saharan Africa below 20% of the population have one bank account. These indicators show a positive correlation (albeit not very strong) between the use of financial services and the levels of economic development (**Figure 2**) (World Bank, 2007). Leyshon and Trhifft (1994) reinforce this relationship showing its interdependency: not only the geography of financial access is determined by levels of income and wealth but also the geography of income and wealth are shaped by the access to financial system. They go on stating that “rich areas tend to get richer and poor areas poorer because of the way in which the financial system discriminates between people and communities on the basis of risk”.

Furthermore, depending on the type of countries (high/ low-income countries), different spheres of analysis are taken in consideration regarding the access to financial services. Whereas in richer countries they are highly related to “social exclusion” issues, in low-income countries the approach is more related to the poverty debate.

Theoretical models have shown that improved access to finance reduces inequalities as well as promotes growth, and through both channels, poverty can be eliminated. In addition, increasingly empirical studies are also demonstrating that efficient and well-functioning financial systems are crucial to boost economic growth, improve income distribution and reduce poverty. Financial market imperfections (like transaction costs and information asymmetries) particularly affect the poor and the small enterprises that need to rely on their personal wealth and resources and thus limiting their economic opportunities. Moreover, in the long term, as resources are not efficiently allocated in the economy this will lead to persistent inequalities and slower growth rates (World Bank, 2007).

Peachey and Roe (2004) also defend that “an efficient, broad-based financial system provides a powerful impetus for economic growth”. In their paper “Access to Finance” they refer to some authors (McKinnon (1973), King and Levine (1993), Levine and Zervos (1988) and Beck, Levine and Loayza (2001)) who concluded that better financial systems and high levels of banking development contributed to faster growth rates in country’s economies.

In this manner, given the importance of improved financing systems, the World Bank (2007) highlighted the need to do research on better indicators of access in order to investigate the most

efficient channels through which financial systems can promote development, a goal that is relevant to all economies independently of their levels of development.

However, a little bit all over the world there have already been made efforts to make financial markets more inclusive. In EU, for example, improvements on SME<sup>8</sup> access to financing are being made through the use of microfinance and microcredit that not only are economic measures but also are social inclusion measures (Peachey and Roe, 2004).

### **2.2.3 Poverty Alleviation**

Poverty has for long persisted in all countries of the world but, depending on the economic development of each country, can assume different levels of poorness. For Morduch and Haley (2002), “There is no academic consensus on how to define the different levels of poverty. Definitions for extreme poverty can range from landlessness, to limited access to basic social services, to average per capita income of less than \$1 a day, to existing in the bottom half of those living under the poverty line.” Poverty has both income and non-income dimensions and in a general way it combines economic, social and political deprivations (Latifee, 2003). Therefore, measuring poverty is quite a complex task being that it must be measured not only with income variables but also in terms of poor’s vulnerabilities (Maclsaac et al, 1997).

According to Peachey and Roe (2004), microfinance plays an important role in reducing poverty and vulnerabilities amongst the poor in order to achieve the Millennium Development Goals (MDGs)<sup>9</sup> defined within the United Nations Development Programme in 2000 and to be set until 2015. MDGs are numerical and concrete benchmarks to tackle poverty and make sure human development reaches everyone worldwide. If these goals are achieved, world poverty will be cut by half. In fact, and due to large literature on microfinance impact in the last 10-15 years, empirical evidence proved that microfinance was an effective and powerful tool for poverty reduction and, in this manner, able to achieve 6 of the MDGs. More specifically, the poor could benefit from microfinance both in an economic and social well-being point-of-view, through either increases in income and reductions in vulnerabilities (Morduch and Haley, 2002). Latifee (2003), who is related to Grameen Bank, also

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<sup>8</sup> SME stands for Small and Medium Enterprises.

<sup>9</sup> 1- Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day; 2- Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling; 3- Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015; 4- Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate; 5- Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio and achieve, by 2015, universal access to reproductive health; 6- Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it and have halted by 2015 and begun to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases; 7- Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation ; 8- Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (Source: <http://www.endpoverty2015.org/en/goals>).

argues that microcredit is a powerful instrument to fight poverty because it creates opportunities for self-employment and allows credit beneficiaries to become their own agents of life change as they are less vulnerable to physical, economic and social shocks. Responding to critics such as the unlikelihood of microcredit to “address the structural causes of poverty” (Maclsaac et al, 1997), Latifee adds that microcredit was never intended to overcome it alone. In turn, he admits that if combined with other tools, microcredit will become much more empowering.

However, despite the large literature on microfinance potential to significantly reduce poverty, there are some researches that defend that this impact is only minimal (Morduch, 1998) and even that it is not an effective tool for poverty reduction particularly for the poor with previous indebtedness (Haque and Yamao, 2008). Some researchers also admit that the effectiveness of microcredit on the poor can vary depending on their level of poverty. Whereas it can be effective to boost incomes of the poor layer, it can be less effective to raise living standards of the poorest layer. In fact, in most cases microcredit does not reach the poorest 10- 15% of the population implying that the poorest borrowers benefit less than the middle and upper poor (Maclsaac et al, 1997). Morduch and Haley (2002) refer to Wright (2000) who reinforces this argument stating that even a well-designed microfinance programme will not reach the poorest unless an appropriate product design and targeting strategy took place.

According to Peachey and Roe (2004), the great consensus is then about the role of microfinance in reducing vulnerabilities by strengthening crisis coping mechanisms, diversifying income earning sources, building assets and improving the status of women.

#### **2.2.4 Social Impact**

Microcredit, apart from including new publics in the financial system and being an important instrument in poverty alleviation and thus contributing to the economic growth, also plays a considerable social role in societies in general and in individuals in particular. This chapter aims to address some of the social effects that can arise with microcredit.

It is important to bear in mind that some of these effects are more related to developed countries and others to underdeveloped ones. Firstly, and looking in particular to developed countries, microcredit contributes to “a more inclusive and denser society, in economic and social terms, and therefore to a more competitive society” (Alves<sup>10</sup>, 2008). In fact, through credit concession, microcredit is able to fight against social exclusion, a problem that is mostly present in industrialized countries, and that EU defines as a “process through which individuals or groups are wholly or partially excluded from

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<sup>10</sup> Manuel Brandão Alves is the current ANDC’s President and was an Economics Professor at *Instituto Superior de Economia e Gestão* (ISEG).

full participation in the society in which they live” (Laderchi et al, 2003). Contrarily, developing countries are characterized by high levels of inclusion and microcredit can have other social implications such as decreases in infant mortality rates, improvements in the adoption of family planning and more children going to school (Latifee, 2003).

However, in an individual social perspective of how microcredit can affect one’s life, the results are fairly the same independently of being a developed or non-developed country.

By having the possibility to create their own business and thus generate their self-employment and incomes, credit beneficiaries will increase their self-esteem, confidence and sense of dignity as now they believe that through their own will and capabilities they can construct a better life for themselves and their families (Latifee, 2003; Alves 2008). Furthermore, according to Maclsaac (1995), “credit could play an important role as an “entry point to empowerment” as “people owning and managing their own organization are more empowered than those who are beneficiaries of someone else’s organization” (Carr et al, 1996). But within those that are more empowered through credit are women. According to estimates, there are more women than men suffering from poverty worldwide (Latifee, 2003) and thus many microcredit programs have about 90% of women borrowers (Maclsaac et al, 1997). In many developing countries, woman still face several economic, social and political barriers like legal discrimination and “physical and psychological” violence. With the access to credit these women become decision makers, leaders and are better equipped to expand their capital base and improve the quality of their lives (Latifee, 2003). It is also assumed that lending to women will result in a multiplier effect as they pass on the benefits to children and increase spending on household, education and nutrition. As a result, microcredit has contributed to the recognition of women’s productive role (Maclsaac et al, 1997).

## **2.3 Microcredit Criticisms**

The same way microcredit has received increasingly notoriety as a powerful instrument to fight against poverty, more recently it has been subject of a lot of criticisms that the following chapter aims to address.

Firstly, some researchers still argue microcredit’s impact on the poor is inconclusive as different impacts may occur depending on the analytical methods used (Hulme and Arun, 2011). Moreover, they defend this impact is ambiguous because even when confirming microcredit’s important effects on business outcomes and household expenditures as in the case of Banerjee et al (2010), in a long term perspective, multiple scenarios are possible: either poor can become richer or even poorer. In this way, they fear that claims about microcredit’s power towards poverty can mislead governments replacing anti-poverty programs with microfinance (Ruben, 2007).



Contrarily to what some researchers have been saying, Banerjee et al (2010), in a study to evaluate the impact of microcredit in Hyderabad, India, found no impact in any social outcomes in measures such as health, education or women's decision-making. Moreover, in this paper the authors refer to the over borrowing that in the long term may lead poor people to extreme over-indebtedness and thus becoming poorer than before. This is reinforced by other researchers: "When the volume of microfinance lending expands rapidly, there may be an oversupply of credit encouraging clients to exceed the debt burden they can manage" (Hulme and Arun, 2011). Furthermore, they advocate that many times MFIs treat their clients badly as they are very concerned with financial objectives forgetting institution's social performance. For Ruben (2011), the fact that MFIs are almost entirely focused on performance indicators, due to the reports that have to be shown to the donors, imply that they persistently avoid the poorest, offering loans only to the less-poor. As for Hulme and Arun (2011): "MFIs generally reach a combination of poor and non-poor people. Rarely do they reach the poorest", something that is in contradiction to microcredit basic principles. In addition, there also have been many criticisms on loans' interest rates arguing they are too high despite some literature defends interest rates are fair enough to cover relatively high administrative costs of microloans (Hulme and Arun, 2011). For Ruben (2007), MFIs that charge high interests rates and not target the poorest are often seen as focusing on self-sufficiency rather than on battling poverty.

Finally, criticisms have been made to microfinance institutions that allow their borrowers to choose the purpose of the loan (either to start a new enterprise or to expenses on education, health, repaying debt, wedding celebrations, among other) and to regulation organizations like the Reserve Bank of India that do not allow MFIs to hold savings, considered to be an important instrument to clients' sustainability (Hulme and Arun, 2011).

## **2.4 Microcredit in Portugal**

### **2.4.1 Appearance and Expansion**

Similarly to what was happening a little bit all over the world and in Europe, in the end of the 1990s a group of Portuguese people from civil society wondered about microcredit's implementation in Portugal as an important instrument for fighting against poverty and social exclusion (Afonso et al, 2011). After two years, 1997 and 1998, of several studies to ascertain microcredit's feasibility in the country, it was concluded that there was a need to create a new device (microcredit) that would allow to respond to situations that neither commercial banking neither other public policies were able to respond. On December 1998 ANDC – Associação Nacional de Direito ao Crédito, a non-profit private

association, was founded introducing microcredit for the first time in Portugal. Its objective was to give support to anyone who, given its precarious economic and social conditions, was excluded from bank credit and need a small loan to start its own business, generating their own job and reversing the course of their lives. With government's recognition of microcredit's potential to fight poverty within other set of tools (minimum wage, social integration income, support and counseling for families with debts, inclusion training, inclusive labor market), other microcredit programmes started appearing in Portugal (Barroso, 2011). As the Portuguese legislation did not allowed the constitution of microcredit and microfinance institutions, the organizations, unless they were commercial banks, would have to establish partnerships with financial entities as in the case of ANDC.

In 2003, a pilot-project named "SIM Sistema de Microcrédito para o Auto-Emprego e a Criação de Empresas" was implemented through a network of 13 local development associations in partnership with several *Caixas de Crédito Agrícola*<sup>11</sup> covering about 60 municipalities in the North and Centre of the country. This project was integrated within the GLOCAL<sup>12</sup> Initiative co-funded by EQUAL<sup>13</sup>, a European Commission Initiative (Afonso, 2010). In 2005, two other microcredit programmes appeared: an autonomous microcredit operation from *Millenium BCP* bank and the other promoted by ANJE<sup>14</sup>, the National Association of Young Entrepreneurs. The autonomous *Millenium BCP* operation appeared after some years of support to ANDC and was integrated within the bank's Social Responsibility programme. Regarding ANJE, the institution had a partnership with *Caixa Geral de Depósitos*<sup>15</sup> whose principal intent was the promotion of entrepreneurship through the financing of self-employment small business projects. Today this program is no longer considered microcredit because the amount granted increased to 50.000€ (exceeding the permitted amount of 25.000€ by EU). In the beginning of 2006, *Santa Casa da Misericórdia*<sup>16</sup> also created a microcredit service conjointly with *Montepio Geral*<sup>17</sup> with the objective to support Lisbon residents in exclusion situations and who want to create their own business and thus become self-employed. In this way the institution would contribute to unemployment and poverty reduction (Afonso, 2010).

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<sup>11</sup> Caixas de Crédito Agrícola are financial institutions.

<sup>12</sup> The GLOCAL Initiative started in 2002 as a project to boost local development in the regions of "Trás-os-Montes" and "Alto Douro" and to promote and support the concept of Sustainable Entrepreneurship (Source: <http://www.iniciativaglocal.eu/showContentType2.aspx?mid=62&mmid=60&mtid=60&lg=PT>).

<sup>13</sup> The EQUAL Community Initiative from the European Commission started in 2001 to support innovative, transnational projects aimed at tackling discrimination and disadvantage in the labour market (Source: [http://ec.europa.eu/employment\\_social/equal\\_consolidated/index.html](http://ec.europa.eu/employment_social/equal_consolidated/index.html)).

<sup>14</sup> ANJE, in Portuguese, stands for Associação Nacional dos Jovens Empresários.

<sup>15</sup> Caixa Geral de Depósitos is a financial institution.

<sup>16</sup> Santa Casa da Misericórdia is a brotherhood (association or congregation) of lay people encouraged by the same faith and united by the same objectives of witnessing a fraternal charity constituting a presence and a force of hope to all those who need (Source: [http://www.ump.pt/ump/index.php?option=com\\_content&task=view&id=32&Itemid=101](http://www.ump.pt/ump/index.php?option=com_content&task=view&id=32&Itemid=101)).

<sup>17</sup> Montepio Geral is a financial institution.

The Spanish Bank *Caja Duero* also had a microcredit programme from 2007 to 2010 that aimed to finance entrepreneur people who had some business project in mind and that could be able to generate employment.<sup>18</sup>

More recently in 2009, two other programmes emerged, one from *Banco Espírito Santo*<sup>19</sup> in an autonomous way similarly to *Millenium BCP*, and the other called *Microinvest* promoted by the Ministry of Labour and Social Welfare in partnership with several financial institutions<sup>20</sup>. The main goal of this project was to give support to people who want to become microentrepreneurs (Afonso, 2010). Despite the number of institutions with microcredit programmes, the microfinance activity in Portugal is still not consistently structured as only microcredit operations are allowed leaving aside other microfinance products and services (Carboni et al, 2010). However, a Decree-Law has been passed on February 2010 aiming to approve the constitution of entities specifically oriented to microfinance and microcredit operations, the so-called microcredit financial societies (Afonso, 2010).

#### **2.4.2 Reasons for Microcredit in Portugal**

At the time microcredit entered in Portugal there was the need to understand its feasibility in the country, whether it made sense or not to develop a program similar to those being undertaken in Europe. Although in the beginning was too early to come up to reliable conclusions, it was believed that microcredit could also be a relevant tool to improve Portugal's economy namely through job creation and poverty reduction. Today, with 13 years of existence since ANDC's foundation, it is generally well accepted that microcredit has a positive impact in many different dimensions of microentrepreneurs' lives and the economy as a whole. In particular, in a study to "evaluate the microcredit system in Portugal as a tool for poverty reduction and job creation", it was found that microcredit generates significant increases in beneficiaries' monthly net income (increases of 312 € for beneficiaries who received an average amount of credit of 4464 €). Moreover, it was also concluded that microcredit causes positive impacts in some social inclusion variables like microentrepreneurs' self-esteem and motivation proving to be an effective instrument to fight poverty and social exclusion (Mendes et al, 2007).

Furthermore, due to the current financial and economic crisis in the country, there are even stronger reasons to support microcredit. In fact, Portugal is experiencing one of the most difficult times in its

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<sup>18</sup> This information was obtained through a contact by e-mail with an employee from Caja Duero.

<sup>19</sup> Banco Espírito Santo is a financial institution.

<sup>20</sup> CGD, Millenium - BCP, BES, Banco Português de Investimento (BPI), Santander -Totta, Barclays, Banco Português de Negócios (BPN), Banco Popular, Crédito Agrícola, Montepio and Banif.

history, being the third EU Member State asking for IMF<sup>21</sup> assistance after Greece and Ireland. On average, in the last 10 years Portugal's growth rate was 1%, the slowest rate within the Euro Zone. For Poul Thomsen, head of IMF's mission in Portugal: "In Portugal, the major problem is the persistent low growth rate and the stagnant economy". The low growth combined with the international financial crisis conducted to a huge budget deficit, high levels of indebtedness and increasingly unemployment that beat the record of the last 10 years (**Figure 3**). Thus, according to IMF there is a primary need to focus on competitiveness restoration, boosting growth and creating new jobs<sup>22</sup>.

In order to re-establish public accounts and improve the economy, the Portuguese government took severe measures particularly affecting the lower socio-economic classes. In this way the expectation is that the number of people falling into poverty has substantially increased (in 2009 the poverty risk rate<sup>23</sup> was approximately 17, 9% of the Portuguese population meaning that about 2 million people<sup>24</sup> were living below the poverty line (INE, 2011)). Among those mainly affected by the crisis are also the graduated youth who encounter many difficulties to find their first job. The use of microcredit can certainly constitute one of the means to fight against poverty through the creation of jobs to anyone that desires so.

Another thing microcredit enables is entrepreneurship as people in precarious conditions (unemployment, social exclusion) can give a new start and hope to their lives by just having a good idea and willpower to put it in practice. Furthermore, over the years the phenomenon of entrepreneurship has been widely recognized as a key aspect of economic dynamism, determinant in efficiency levels, innovation, productivity and creation of employment (INE, 2009). According to the same study, the Portuguese are particularly entrepreneur when compared to other EU countries (in 2006 Portugal was the third among 16 countries with the highest businesses' birth rate) meaning that no major barriers would impede the poorest to also create their own businesses.

In addition, the failure business rate is much higher in normal businesses (67%) rather than in microcredit (18%) and microcredit beneficiaries default less on their loans than other economic agents (Alves, 2006; Carboni et al, 2010). Furthermore according to Alves (2006), "we are witnessing an

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<sup>21</sup> IMF stands for International Monetary Fund that is an organization of 187 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world (Source: <http://www.imf.org/external/about.htm>).

<sup>22</sup> Source: "Boletim do FMI, 2011".

<sup>23</sup> The poverty risk rate is based on the average monthly income per equivalent adult. In this study the poverty line in 2009 corresponded to 434 €/ month.

<sup>24</sup> According to Censos 2011, Portugal has about 10.561.614 residents.

unbridled growth of the black economy, the only option for families wanting to avoid greater poverty”, so that once again microcredit could be a mean to help improving this situation.

Finally, it is important to mention that the great majority of people who apply for microcredit have lack of education and academic formation being that complement training and business development services should be provided for them to successfully manage their businesses (Afonso et al, 2011). However, microcredit’s user profile has been changing and the tendency is that increasingly well educated, trained people with lower levels of exclusion will also start demanding microcredit (Barroso, 2011). Microentrepreneurs will be those who will benefit more from this as the study from Mendes et al (2007) concluded that for the same amounts of credit, the bigger the level of microentrepreneurs’ qualifications, the greater the increase in income resulting from access to microcredit.

### **2.4.3 ANDC**

As previously mentioned, ANDC is a non-profit private association that introduced microcredit for the first time in Portugal’s territory (excepting Açores and Madeira islands) in 1998. Its target is anyone who, given its precarious economic and social conditions, is excluded from bank credit and need a small loan to start its own business, allowing to generate a job and thus reversing the course of their lives. Hindered by the Law, that only allows financial institutions to grant credit, ANDC’s role is to make the bridge between those that can benefit from microcredit and those that provide it, the banks. In addition, it is Association’s responsibility to accompany microcredit beneficiaries from the beginning of loan concession until its complete repayment. The model in which ANDC performs its activity is based on the so-called “tripartite structure”:

- Civil Society, through a number of partnerships that allow the Association to better reach its target and promote microcredit;
- State, through IEFP (Institute for Employment and Professional Formation)<sup>25</sup>, whose main role has been to finance most of ANDC’s operation costs based on the assumption that the association promotes the creation of employment;
- Private Sector, through 3 financial institutions that grant credit to microentrepreneurs: Millenium BCP, Caixa Geral de Depósitos and Banco Espírito Santo.

This model also prevails in many countries in Europe and it is considered to be a reference within other microcredit systems.

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<sup>25</sup> IEFP stands for Instituto de Emprego e Formação Profissional.

As a nonprofit association, ANDC has the support of a number of associates and volunteers that have always played an important role within the organization as the major source of funding is from IEFP (about 90%) and external funds from different entities (individuals, companies and foundations) are almost inexistent. This is something ANDC is recently trying to foster (Mendes et al, 2007).

Contrarily to what was expected, the demand for microcredit by those that lost their jobs did not rise with the crisis (Barroso, 2011). Instead, people are proving to be more afraid to take risks and the number of credited projects within ANDC has been decreasing since the beginning of the economic crisis (**Figure 4**). Moreover, ANDC recognizes that the number of microentrepreneurs, despite being positive because people are being helped, could be much greater but some relevant cultural barriers hinder its activity from the beginning:

- In Portugal an “assistentialist mentality” prevails being that many organizations that deal with potential microcredit beneficiaries have the tendency to help rather than promote entrepreneurial initiatives and are not prepared to give support in business projects (Mendes et al, 2007);
- Many potential beneficiaries think they prefer to receive a subsidy rather than taking the risk of embracing a microcredit project because they think it is an easier solution (Mendes et al, 2007);
- The lack of a “social consciousness” embedded in the Portuguese culture as those that exist in other European countries. In France, for example, there are large national campaigns like the “Social Economy Month” that promote diverse social projects and that in the long term will become more entrenched in people’s minds.

Another major problem ANDC has encountered is related to its communication as it has to cover all Portugal’s territory with very few resources. In fact, over the years ANDC has been demonstrating several efforts with the implementation of some sporadic communication campaigns but that are far from being enough and that are not integrated in a broader communication plan defined by the Association. Furthermore, more recently ANDC has also been faced to target definition problems as, with the crisis, increasingly graduated youth are becoming unemployed being microcredit, in many cases, a possible solution for them.

## **2.5 Marketing Concepts in the Social Sector**

Since the 1970s that Philip Kotler (one of the most recognized marketing experts in the world) and other international marketing specialists talk about applying marketing to other type of organizations different from for-profit organizations. In this last chapter two broad concepts are going to be analyzed, in particular: the concept of “Social Marketing” and the “Nonprofit Marketing” concept.

### **2.5.1 Social Marketing**

The term Social Marketing was firstly introduced by Kotler and Gerald Zaltman within an article in the Journal of Marketing, 1971. At the time they defined it as: “the use of marketing principles and techniques to advance a social cause, idea, or behavior”. In other words, the purpose of Social Marketing is to, through the understanding of the target (their needs, wants, perceptions and preferences), create an effective plan capable of positively influencing their behaviors and thus provoking a beneficial change in society in issues like family planning, HIV/ AIDS, teenage pregnancy and tobacco usage (Kotler and Lee, 2009).

Social Marketing differs from Commercial Marketing in 3 main aspects, respectively: object of sale (desired behavior Vs tangible product/ service), ultimate aim (individual or societal gain Vs financial gain) and competitors (current or preferred behavior of target’s audience Vs organizations offering similar goods/ services). However, the same effective principles of Commercial Marketing were taken in Social Marketing: customer orientation, exchange theory (in which the target audience must perceive benefits as equal as or higher than perceived costs), importance of doing Marketing Research, audience Segmentation and the Marketing Mix (Kotler and Lee, 2009).

### **2.5.2 Nonprofit Marketing**

As the name indicates, Nonprofit Marketing stands for the application of marketing tools and tactics to Nonprofit Organizations being that “of all the classic business functions (like accounting and finance), marketing has been the last to arrive on the nonprofit scene” (Kotler, 1979; Dolnicar and Lazarevski 2009).

In the 70s, given the importance attributed to marketing in the business world, the concept started to revolutionize the way nonprofit managers looked at their institutions (Kotler, 1979). In fact, as in for-profit companies, Nonprofit Institutions also had marketing problems like scarce financing sources, changes in the customer mix, declining of membership and new competition, something that made to believe that marketing could also be essential to further Nonprofit Organizations activities (Adreasen and Kotler, 2003). Moreover, through marketing, Nonprofit Institutions could have a richer understanding of what was happening within the organization, shed some light on new opportunities and thus enable better organizational performances (Kotler, 1979). According to Kotler and Adreasen (2003), Nonprofits would have to move from an “organization-centered” mindset to a more “customer or market-oriented” approach in which the customer would be the focus of all operations (Dolnicar and Lazarevski, 2009).

Despite relevant literature in modern marketing and management in the 90s had expressed nonprofit's marketing importance (Macedo and Pinho, 2004), research also strongly suggests that the great majority of nonprofits that want to adopt marketing, only perform one or more marketing functions instead of fully integrating a broader marketing strategy (Akchin, 2001). In this manner, they are more focused on an organization-centered approach rather than a customer-oriented one, able to bring marketing to every function of the organization (Dolnicar and Lazarevski, 2009). This fact may be explained by several reasons: misunderstandings about what marketing really is - many times thought as a synonym of promotion that manipulates people (Akchin, 2001; Dolnicar and Lazarevski, 2009); others think that marketing is a luxury only aimed by big business companies (Ferreira and Reis, 2009); some do not have skills and enough knowledge in marketing disciplines (Ferreira and Reis, 2009); others see it as a threat to their autonomy or power (Kotler, 1979) and some have the perception that marketing mix elements are not under their full control (Dolnicar and Lazarevski, 2009). Furthermore, within the few nonprofits that have been slowly introducing marketing in their activities, their professionals have not received formal training to perform such tasks being called "accidental marketers" (Akchin, 2001).

Nonprofit Institutions despite being distinctly different from for-profit organizations can introduce marketing in a number of ways (Kotler, 1979) using marketing tools such as the STP analysis (Segmentation, targeting and positioning), the 4Ps of Marketing Mix (Product, Price, Place and Promotion), doing branding and Market Research among many others. In this way, they would be able to significantly increase the effectiveness of their missions (Dolnicar and Lazarevski, 2009).



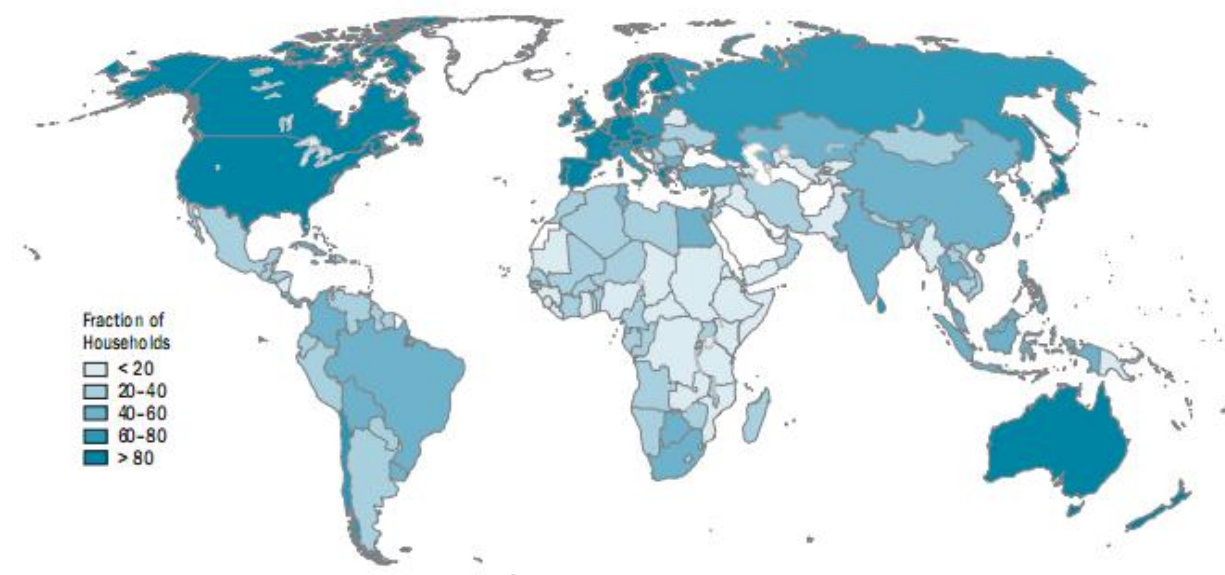
## 2.6 Figures

**Figure 1: MFIs data at an international level (2010)**

Regions	Nr MFIs	Gross Loan Portfolio (billion USD)	Nr of Active borrowers (million)
Africa	505	4,6	4,5
East Asia and the Pacific	284	21,2	15,8
Eastern Europe and Central Asia	419	8,3	2,7
Latin America and the Caribbean	477	22,9	15
Middle East and North Africa	75	1,2	2,2
South Asia	363	8,4	53,7
<b>Total</b>	<b>2123</b>	<b>66,6</b>	<b>93,9</b>

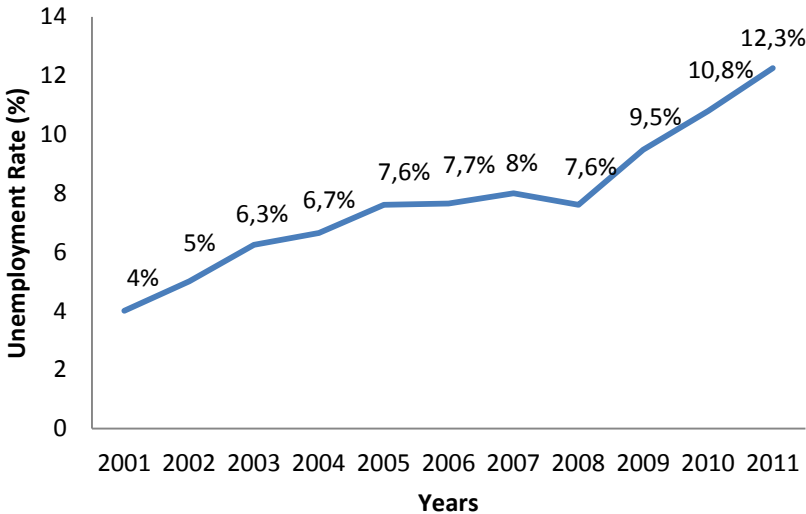
Source: Adapted from MIX Market (<http://www.mixmarket.org/mfi>).

**Figure 2: Fraction of households with an account in a financial institution**



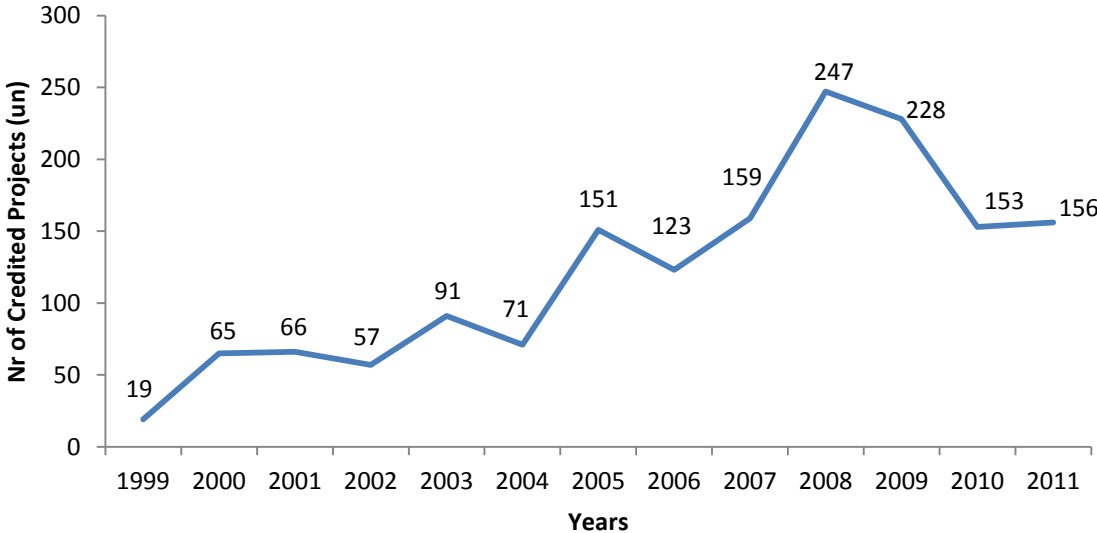
Source: World Bank: “Finance for all” (2007).

**Figure 3: Evolution of Unemployment Rate in Portugal in the last 10 years**



Source: Adapted from Banco de Portugal (Each percentage is an average of the 4 trimesters of each year. For 2011, 12, 3% respects to the average of the 3 first trimesters).

**Figure 4: Evolution of the Number of Credited Projects**



Source: Adapted from ANDC – Data from December 2011

## Chapter 3: Case Study

*“Nonprofit Marketing is even more recent in Portugal than Microcredit. It is not true that Marketing is only for the business world. Marketing is also important in social organizations because it helps them to rethink its communication strategies, its objectives...”*

**José Centeio, General-Secretary of ANDC**

### 3.1 Case Introduction

By the time that ANDC, the Nonprofit Association that introduced Microcredit in Portugal for the first time, was about to complete 13 years of history, its General-Assembly decided that measures had to be taken in order to boost its communication strategy as a way to potentiate ANDC's performance.

With a severe financial and economic crisis going on, on one hand the number of unemployed people was rapidly increasing, but, on the other, much less people wanted to take the risk of creating a new business. They were afraid that things could go wrong. Thus, since 2008 the number of microentrepreneurs was increasingly diminishing. It was time to make ANDC a safer place in which many could believe as a good chance to invert their hopeless lives. Furthermore, the great majority of the Portuguese population still had never heard about ANDC.

The Association had to go far beyond the communication strategy it was doing, having to rethink issues such as the measures to raise ANDC's awareness, who should it target and redefine the ways to better reach it.

The urgent priority was to find a partner, a company with marketing expertise that, as part of its social responsibility, could help ANDC delineating an appropriate and structured Marketing Strategy able to point the direction of all the other marketing actions that in the future would have to be addressed.

### 3.2 Microcredit: Origin and International Expansion

The origin of microcredit dates back to the 70s in Bangladesh. The Bengali Muhammad Yunus at the time an Economics Professor, faced to the extreme poverty of his country rapidly realized the limitations of the economic theories he taught to his students. After being very close to the poorest realities in the village of Jobra, Yunus understood that poor, by themselves, would never be able to reverse the course of their lives. They depended on a group of money lenders that, in exchange to credit, obliged them to sell the manufactured objects they produced at a pre-established price and a minimum income of 2,5 cents a day was left to the poor. In this way, Yunus started making some experiences borrowing small amounts of money (mainly to women as they spend the money better than men by for example taking care of the children), and as poor proved to always pay back the loans,

getting in better living conditions, the experiences grew significantly leading to the foundation of Grameen Bank<sup>26</sup>. The success of “The Bank of the Poor” in Bangladesh in the fight against poverty made microcredit to spread around the world, not only in underdeveloped countries but also in developed ones. The 2006 Peace Nobel Prize was assigned conjointly to Muhammad Yunus and the Grameen Bank for their remarkable work with microcredit in poverty reduction.

### 3.3 Origin of ANDC

The unexpected brought together two people that until that moment did not know each other and who, through different ways, had heard about the Grameen Bank experience.

In 1995, at the World Summit for Social Development in Copenhagen, Joana Veloso (**Exhibit 1**), a 68 years old Mathematician, had the opportunity to listen to Professor Muhammad Yunus talking about the Grameen Microcredit model in Bangladesh. Jorge Wemans, a 45 years old journalist, knew Yunus’ experience through an article in “The Economist” magazine. They both were extremely curious and enthusiastic; thinking that possibly other ways could be drawn in the fight for poverty and social exclusion in Portugal.

In 1998, the unpredictable made them to meet and share the things they knew about Microcredit. They formed a team with various backgrounds to start investigating microcredit’s feasibility in Portugal. Several national and international contacts were established with Local Development Associations and different European Organizations. The team rapidly realized the existence of some microcredit models in Europe, in particular *Association Pour Le Droit a L’Initiative Economique (ADIE)*<sup>27</sup> in France and *Crédit Alternatif (CREDAL)*<sup>28</sup> in Belgium.

By the end of the year, within a Seminar in Calouste Gulbenkian Foundation, the first microcredit official document “Seven Theses of Microcredit” was presented, signaling a full year of hard work and preparation.

The result of all the efforts ended up in the foundation of *Associação Nacional de Direito ao Crédito (ANDC)*<sup>29</sup>, a nonprofit private Association for national microcredit, on December 14, 1998 (**Exhibit 2**). ANDC’s mission was the integration of socio-economic excluded people through the economic initiative, this means, with the support of microcredit and through the creation of self-employment. In other words, ANDC supports anyone who, given its precarious economic and social conditions, is excluded from bank credit and need a small loan to start its own business (microcredit). In fact, throughout the years ANDC’s fundamentals still remain the same: “Allow people, with no chance of

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<sup>26</sup> Grameen means “rural” or “village”.

<sup>27</sup> Association for the Right to Economic Initiative.

<sup>28</sup> Credit Alternative.

<sup>29</sup> National Association for the Right to Credit.

*having a minimum funding to rebuild their lives (simply because they cannot offer guarantees in exchange for the loan requested), may, based on a business created and run by themselves, begin this risky adventure but that is the alternative to the success of their lives”<sup>30</sup>.*

### **3.4 Background**

During its 13 years of existence ANDC has always been faced to different challenges. In this period 3 main phases can be identified that affected Association’s performance through diverse perspectives.

The first lasted until 2005, the International Year of Microcredit. Primarily, it was crucial to find ways of giving credit to people. As the Portuguese Law only allowed financial institutions to provide credit, ANDC had to find a Bank that was interested in doing a partnership. Only one bank, *BCP Nova Rede* (current *Millenium BCP*), wanted to collaborate and the protocol was signed on March 1<sup>st</sup>, 1999. Similarly to the present, ANDC’s role was to make the bridge between potential microcredit beneficiaries and the banks. Furthermore, the organization closely followed beneficiaries and their projects from the beginning: discussing their ideas and viability of projects, helping to overcome first difficulties and fears, accompanying the business in a later phase, within others.

Another extremely important partnership with *Instituto de Emprego e Formação Profissional* (IEFP)<sup>31</sup>, a public institution from the State, was accomplished on April 30<sup>th</sup>, 1999. ANDC’s main objective was to demonstrate the State that microcredit could be an important tool in Portugal’s poverty alleviation and thus being in the right to receive financial support from it. In addition, IEFP could also be an important player in Microcredit and ANDC’s dissemination next to different institutions and by providing professional business training to future microentrepreneurs.

This was a difficult period because microcredit was a completely new concept in the country that only few people had heard about. In this manner, ANDC struggled to establish several partnerships with different types of local institutions. Its main objective was to raise ANDC and microcredit’s awareness. This was also the way ANDC wanted to approach the target population hoping that some of the potential beneficiaries would be forward to the Association. The Association depended a lot on these institutions that at the time were very few. Nevertheless, the first microcredits were celebrated on July 1999. The interaction between these organizations resulted in the so called “Tripartite Structure” Model: Civil Society (ANDC and Partnerships) Vs State (IEFP) Vs Private Sector (Banks) in which ANDC has always relied on.

At the international level, ANDC tried to take advantage from the good relationship with ADIE, the Association’s inspirational model, for example receiving support on how to prepare its professionals.

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<sup>30</sup> In “*Apontamentos para a história do microcrédito em Portugal*”, José Centeio, October 2008.

<sup>31</sup> Institute for Professional Employment and Formation.

ANDC also tried to be present in several International Forums having participated in the foundation of European Microfinance Network (EMN) and in which was a member of the board until 2008.

In 2005, with the United Nations' Declaration of the International Year of Microcredit and the Nobel Peace Prize attributed to Muhammad Yunus in 2006, microcredit gained a new notoriety in Portugal signaling a second phase in ANDC's history. A large number of new actors wanted to collaborate with the Association and two more banks made protocols with it: *Caixa Geral de Depósitos* (CGD) on December 14, 2005 and *Banco Espírito Santo* (BES) on April 11, 2006. From 2005 to 2008 the number of projects substantially increased with the new visibility that microcredit gained (**Exhibit 3**). In addition to this, other microcredit schemes apart from ANDC's program appeared (**Exhibit 4**). They are considered Microcredit operations because, similarly to ANDC, the maximum amount they lend is within the maximum credit allowed by UE which is 25.000€ and the target, in general terms, has to be people that do not have access to bank credit.

After 2008, the number of credits started decreasing until the present (**Exhibit 3**). This represents the third phase which coincides with the current financial and economic world crisis that brought new challenges to ANDC's activity. Although there is an opportunity behind the crisis with the number of unemployed people increasing more than ever (**Exhibit 5**), people are much more afraid to take risks such as asking for a loan and start a completely new business with it. ANDC is then being currently challenged in finding new sustainable ways to fight against the crisis and potentiate microcredit.

Throughout the years 1594 projects received credit summing a total amount of 8.914.746, 68 € and generating 2021 jobs<sup>32</sup>. Despite these numbers are always positive as ANDC is giving hope to some people's lives, the Association also believes that these numbers fall short from initial expectations and that a lot more could be done to achieve better results. About 50% of the projects were in "Wholesale and Retail Commerce" and "Accommodation and Restoration" Activities (**Exhibit 6**). The microcredit's business survival rate of 69, 5% is higher than the normal business survival rate which is approximately 50%<sup>33</sup>.

### 3.5 Organizational Structure

ANDC, as any Association, is composed of three mandatory **Social Bodies**: the General Assembly, the Board and the Audit Committee. Having begun with a list of 58, today ANDC has approximately

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<sup>32</sup> Data updated to December 2011. (Source: [http://www.microcredito.com.pt/downloads/estatisticas/2011\\_12\\_sintese.pdf](http://www.microcredito.com.pt/downloads/estatisticas/2011_12_sintese.pdf)).

<sup>33</sup> The business survival rate of companies with 2 years in Portugal in 2009 was 49,36 % according to *Instituto Nacional de Estatística (INE)*.

300 **Associates** who are responsible for the main decisions within the organization. In addition, they are not only in charge of social bodies' election but also, according to their availability, expected to actively participate in the organization different activities, for example, through volunteering.

The **General Assembly**, the Association's principal body, meets at least twice a year bringing together all the Associates in order to decide upon the organization's guidelines. The **Board**, the executive body from which all the other bodies depend, has to ensure guidelines' implementation and the **Audit Committee** regulates and controls the accounts.

The **Administrative Body** is constituted by a **General-Secretary**, responsible for the administrative and management coordination as well as for the external contacts, and 2 Secretaries, in Lisbon and Oporto<sup>34</sup>, who work for him assuring different practical activities such as promotions and contacts with institutions.

The **Operational Body** tries to find new microcredit beneficiaries and accompanies the already existent microentrepreneurs. Here, technical activities are organized in two ways:

- 7 **Microcredit Technicians** cover all country's territory and give direct support to microentrepreneurs under the instructions of the **Microcredit Operations Manager**;
- 5 **Credit Commissions** confirm projects' validity (able to receive credit).

For a better understanding of ANDC's organizational structure division see **Exhibit 7**.

Among the about 60 ANDC's collaborators almost all of them are **Volunteers** being that only the General-Secretary, the Microcredit Operations Manager, the Microcredit Technicians, the Secretaries and the Information Manager are ANDC's employees, i.e., earning a salary. As a nonprofit organization, ANDC entirely depends on external donations and thus the more volunteers it encounters the best. In fact, this is one of the issues the Association wants to improve. As the Association suggests, volunteers can be useful in various ways: candidates' attendance (in person, by phone, or other), providing information about microcredit conditions and procedures; disclosure campaigns next to population and institutions; technical Assistance to microentrepreneurs in the development of their businesses in specific areas like Management, Law, Engineering, Marketing, Environment, etc; patronage, mobilizing firms and institutions that can be future partners of ANDC.

### 3.6 The Tripartite Structure

Throughout the years ANDC's activities have relied on a network of dependency partnerships that constitute the so called Tripartite Structure and are present in each of its 3 parts: Civil Society, State

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<sup>34</sup> The Oporto Secretary recently ceased to exist due to budget constraints.

and Private Sector. Below, it will be seen in more detail each one's relevancy and why ANDC depended a lot on them.

### **3.6.1 Civil Society: Partnerships**

From the beginning ANDC understood the importance of creating and maintaining strong partnerships at a national level with all kind of institutions that day-by-day dealt with potential people that could take advantage of microcredit. For ANDC it would be an impossible task trying to reach them alone and the benefits of working together with different types of organizations could be huge, synergies could be created. The partnerships could be with Associations of Local Development, NGOs, Private Institutions of Social Solidarity (IPSS), *Misericórdias*<sup>35</sup>, Municipalities or others since they could be useful to ANDC in some way: promoting microcredit and ANDC next to the target population, informing ANDC about potential beneficiaries, describing socio-economic living conditions in a certain geographic area, etc.

But most of the times, local institutions find very hard to implement these measures. There are cases of organizations that cannot even ensure the minimum programme ANDC proposes. The major problem has to do with institutions technician's difficulties on being sure that certain person is in perfect conditions of being a microcredit target, this is, of receiving a loan and thus forward him/her to ANDC. Many times they have doubts if a loan is a better solution than a subsidy as at first instance a subsidy seems to offer less risks than a credit solution. The fact is that this is a reasonable and expected behavior as they do not receive any kind of training for that and they must be committed to the tasks in the institutions they work in.

Currently, the Association has signed about 50 formal protocols, which is considered to be a small figure when compared to the total number of potential institutions in Portugal. However, there are also informal partnerships that sometimes work much better than the formal ones. On one side, ANDC considers that every partnership made with an institution can be relevant simply because it is a way of signaling ANDC and Microcredit existence. However, on other side, ANDC believes that only increasing its awareness is not enough and that there is no big sense in creating partnerships with institutions that do not entirely commit themselves to ANDC's cause. Institutions should really

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<sup>35</sup> *Misericórdias* are brotherhoods (associations or congregations) of lay people encouraged by the same faith and united by the same objectives of witnessing a fraternal charity constituting a presence and a force of hope to all those who need. (Source: [http://www.ump.pt/ump/index.php?option=com\\_content&task=view&id=32&Itemid=101](http://www.ump.pt/ump/index.php?option=com_content&task=view&id=32&Itemid=101)).



understand microcredit's objectives and conditions in order to be easy for them to integrate it in their own activities.

ANDC also has another kind of partnerships with private companies. In a *probono* system: *Linklaters*, *Abreu Advogados*, *Vieira de Almeida and Everis Consulting* in order to improve its services and without having to increase the resources that are scarce. Each one of them acts conjointly with the Association, as part of their social responsibility policies, in the fields that respect to each ones' activity. For example, the first 3 companies are Law Firms that give support on legal matters like revising legislation for businesses creation, contracts problems or microentrepreneur's status. In addition, ANDC has another type of protocol with *AXA Seguros* that enables microentrepreneurs to have lower cost insurances. These types of partnerships constitute one of ANDC's main current efforts although does not exist any established plan to approach them.

### **3.6.2 State: IEFP**

Like every nonprofit organization, ANDC depends meaningfully on external financing sources like subsidies and donations in order to cover expenditures. During 13 years of existence IEFP made possible the organization's sustainability. It is a public institute, subordinated by the Ministry of Economy and Employment, which mission is the promotion of employment and workers' professional formation. ANDC, through Microcredit, is considered to be an important vehicle for job creation and initiative promotion among the poorest in Portugal. Therefore, it is of State interest to support the cause. In fact, IEFP contributions are crucial representing 90% of Association's revenues. The Associates provide the remaining 10% through the payment of annual quotas, 60€ for individuals and 100€ for collectives, and donations.

Having experienced various phases with IEFP through different protocols, currently the institute finances ANDC in proportion to the number of already concluded credit contracts. This implies that not only the amount received is not large enough to cover all expenditures but also that it is quite difficult to manage.

In this manner, all kinds of donations (which are deductible on IRS: Income Tax on Singular Person), are very welcomed and easily performed through ANDC's IBAN<sup>36</sup> made available in the website.

Recently, besides knowing that these measures are not enough, the Board has been concentrated in collecting more donations and attracting further Collectives' involvement.

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<sup>36</sup> International Bank Account Number that in Portuguese is called NIB.

### 3.6.3 Private Sector: Banks

By the end of 2009 an ordinance<sup>37</sup> was issued in order to permit non-financial institutions to grant credit. However, since then, no legislation has been created to hold this decision. Therefore, ANDC continues to rely on the 3 partnerships with BCP, CGD and BES. They are responsible to provide loans to microentrepreneurs whose projects were approved by the organization.

Banks' credit terms and conditions slightly vary depending on each institution. However, all of them have to be in accordance to microcredit characteristics: the loan and the interests are relatively low in comparison to normal rates in the market being that no further fees are charged. Before 2007, the maximum loan amount permitted was 5,000€, a number that increased to 10,000€ in the same year. By the end of 2009 the value raised again to 10,000€ + 2,500€ (after the first year), the total amount allowed today. The minimum credit is fixed to 1,000€ and the interest rates range between EURIBOR 90 days + 2%-3%, for a period of 4 years of loan. Beneficiaries have to guarantee a sponsor that covers 20% of the total credit.

After all, almost every microentrepreneur is able to repay banks being that the repayment rate is about 91, 5%. ANDC does not receive any monetary contribution from the work it does, having to ensure a Guarantee Fund of 5% of the amount granted in the case that the beneficiary does not have conditions to pay the rest of the loan.

## 3.7 Operations

### 3.7.1 The Agent: Microcredit Technicians

In the beginning ANDC started to reach local communities through a model constituted by a group of approximately 40 Local Animators and Volunteers who worked together with 3 Microcredit Technicians (2 in Lisbon and 1 in Oporto). Some years later the Association became aware of this model's inefficiencies and eliminated the "Animators and Volunteers" system. Consequently, it not only extended and developed the Microcredit Technicians Network but also improved the approach to potential beneficiaries through the establishment of a set of partnerships and protocols with other institutions. This reorganization process started in 2003 and was an important step in ANDC's evolution towards efficacy and efficiency. It was a sign of organization's concern in always trying to do the best it can. The increasing number of credited projects from 2003 to 2005 can be a positive reflection of these efforts (**Exhibit 3**).

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<sup>37</sup> In Portuguese an ordinance means "portaria", a document that contains legal information about laws and regulations.

The role of Technicians within ANDC has always been considered extremely important for several reasons. They work very proximate to potential beneficiaries meaning that they are the ones in better conditions to forward excluded people to the hands of ANDC. Also, they are in privileged circumstances to really understand if certain person is able to receive microcredit or not. Moreover, it is of their duty to accompany microentrepreneurs' projects from the beginning until the end of the reimbursement. This accompaniment is important so that the risks of businesses failure can be reduced. But given Microcredit Technician's importance the question is then: why ANDC does not increase the number of its Technicians? The answer is related to a matter of resources management. As previously mentioned, ANDC is dependent on IEFP financing which is a function of its results. As sometimes there are no certainties if by increasing the number of Technicians in a specific area (which implies adjacent costs), the number of projects increases too, ANDC has to carefully decide upon an equilibrium between hiring more Microcredit Technicians and the number of projects they may generate.

The few 7 Microcredit Technicians are distributed throughout Portugal in a flexible manner, i.e., they can be allocated to areas according to the number of Technicians within an area, the number of projects each one has and their need for the development of a specific zone.

Every week each Technician has to elaborate 2 documents to send to the Microcredit Operations Manager:

- A plan for the following week describing all the activities the Technician is intending to perform;
- An execution plan reporting if things were done according to what was previously planned.

By reading both documents the Operations Manager gets an idea of how operations are evolving and thus can better control all technicians' performance. Sometimes they can even join Technicians, spending 1 or 2 days in the field with them. Every 3 months the operational team meets to make the point of situation.

Despite not having any kind of training for skill's development, ANDC carefully selects its Microcredit Technicians tending to give preference for candidates that come from areas such as Economy and Social Sciences or that are sensitive to social issues and project's viability. In addition to this, the Association has developed a Performance System through which evaluates its employees regarding some indicators:

- Number of disclosures/ visits to institutions;
- Number of credited projects;
- Number of projects in compliance;
- Number of accompaniments/ visits to microentrepreneurs.

Finally, there is also a monetary incentive system which is an effective form of stimulating Microcredit Technicians.

### **3.7.2 The Process of Granting Credit**

The whole process of ANDC's support to microentrepreneurs, since their first contact with the Association until the moment of final credit approval by the financial institution, can be divided in 5 main phases:

**1-** The candidate, who already has a business idea in mind, contacts ANDC and a first meeting takes place (either by phone, written or in person) in which the contact form has to be fulfilled. This document has to describe the project's idea and the amount of money required. Also, *Banco de Portugal*<sup>38</sup> has to issue a declaration of beneficiaries' historical incident banking. Then the information is sent to ANDC's Secretariat which evaluates the proposal and forwards it to the bank the soon as possible;

**2-** The bank analyses beneficiary historic of incident banking and makes sure the candidate would not have access to credit in normal conditions. On average, it takes 1-2 weeks to give feedback to ANDC's Secretariat. If not approved, the Secretariat contacts directly the candidate. If the bank's response is positive, the Secretariat forwards the case to the Microcredit Technician of the respective geographic area;

**3-** In the third phase, the Microcredit Technician contacts the candidate to schedule the first meeting which main objective is to explain microcredit's philosophy and clarify possible doubts the candidate may have. Two or 3 more meeting are scheduled in order to do the business plan. The agent asks the candidate to search for specific information regarding the project like main clients and suppliers, competition analysis, predicted budget, etc. After assuring that the business idea meets all requirements to proceed, the business plan is sent to the Operations Manager. In case of approval, the plan is forward as "Investment Project" to the Credit Commission of ANDC;

**4-** Here, the Commission has to decide upon new approval for the financing. If it is the case, the project is sent to the Bank for final authorization;

**5-** In a period of 2-3 weeks, the bank formalizes the contract and the beneficiary has to open a bank account. In 3-4 days, the credit is ready to be used.

After this process that normally takes 2-3 months, the organization has permission to receive information from the bank in order to control beneficiary loan repayments. In addition, Microcredit

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<sup>38</sup> Bank of Portugal.

Technicians continue to accompany the microentrepreneurs until the end of their loans' reimbursement.

### **3.8 Communication**

Throughout the years ANDC has always been concerned in engaging in the best practices to reach the target population. It has always considered essential to deal with the target in a direct and proximate way. However, this was not always possible and easy to perform due to Association's national scope and lack of resources. Many times contacts had to be done through the use of intermediaries like local institutions and social assistants. In fact, during the years, the approach of potential microcredit beneficiaries was appointed as a major difficulty in terms of ANDC's communication.

Apart from the focus in the target, the Association also wanted to disseminate microcredit and the work of ANDC next to a wider group of people, the society in general. It was very important to bring microcredit, a relatively new concept, into people's lives and make them familiar with it to generate word-of-mouth. In 2009 a survey<sup>39</sup> was carried out mainly to understand how well the Portuguese knew Microcredit and ANDC. Among other conclusions, it came out that 2/3 (67%) of the Portuguese population knew the Microcredit term. However, after explaining the concept, 73% of the population said they knew Microcredit. Regarding ANDC, only about 20% stated they knew the Association but only 1 person among the 807 in the sample was able to mention ANDC spontaneously.

In terms of communication strategy the Association carried out some sporadic campaigns and events using a number of communication means, but the fact is that it never really engaged in a properly planned and structured Marketing Strategy which clearly defined the communication goals and conducted all the needed marketing activities.

Finally, it is relevant to mention that ANDC's communication would be easier to implement and more positive results will be seen if in Portugal existed a stronger social conscience like those in other European countries. For example, ADIE, in France, takes advantage of 2 annual initiatives: the "Microcredit's Week" and the "Social Economy Month". In this manner, ADIE, as all other social organizations, can see its activities more easily promoted and accepted within the French population. For ANDC, in Portugal, although there are hundreds of people and institutions that worry about social issues and indeed help the poorest, it does not really exist a socially-concerned embedded culture with capacity to facilitate and push Association's communication.

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<sup>39</sup> The survey was conducted by *Fundação Vox Populi/ Marktest* to a sample of 807 Portuguese, living in Portugal and aged more than 18 years old.

### 3.8.1 Target

ANDC is focused in those that are either excluded from society, marginalized, unemployed, or are in the imminence of losing their jobs and who do not possess any guarantees to give to financial institutions. However, besides living in such unstable conditions and, in most cases, having poor education, these people have concrete ideas, capacities and a lot of initiative to start running a small business. In fact, the only thing they need to change the course of their lives is a small amount of money (microcredit), that in normal conditions they would not be able to receive.

Due to the increasingly growth of the unemployment rate in the last decade (**Exhibit 5**), not only the dimension of the “natural microcredit target” increases, but also a new public significantly emerges: the young people that having finished their studies do not succeed in finding their first job. ANDC has always accepted them but in the present, because they are increasingly more and some of them do not possess any guarantees, ANDC starts questioning aspects like whether to target everybody or just those with guarantees, under which criteria, etc, always bearing in mind that in the end justice has to be made. If throughout time target’s definition has always generated some discussion within the Association (in terms of who should be targeted and its dimension), now and in the future, due to these challenges, it would be even more complicated to clearly define it.

In fact, ANDC has never conducted a market study to figure out what its target should be, however regarding all the microentrepreneurs that have already been subject to ANDC’s support from 1999 to 2011 (**Exhibit 8**), it can be said that 56, 6% were women; 38, 6% lived in Lisbon; 63, 5% had 25-45 years old; 52, 3% had less than the Secondary School and 13, 5% were not Portuguese (**Exhibits 9,10,11,12 and 13**).

### 3.8.2 Communication Means and Channels

During its 13 years of existence ANDC tried to communicate its microcredit using several communication means and channels. The Association was able to do it mainly through:

- **Local Institutions.** Few occasional meetings were arranged between institutions of the same geographical area to explain everything about ANDC’s microcredit (who was the target, how should they select them,...). Moreover, institution’s technicians and social assistants were considered important communication vehicles because of their direct contact with the target. However, they were not always very effective due to lack of preparation and enough time to dedicate to an activity that was not their core one;
- **Microcredit Technicians from ANDC.** They were in charge of understanding the best ways through which local institutions could collaborate with ANDC and, when institutions did training courses, a Technician could take the opportunity to go there and present ANDC’s

microcredit and give instructions on how to create a new business. They had to manage their time between the projects they accompanied, raise microcredit's awareness and promote ANDC next to potential beneficiaries. However, this was not easy to perform as microcredit technicians had to give priority to microentrepreneurs' projects, remaining little time for promotion activities;

- **Media: TV, Radio and Press.** These media, besides attaining many people, in most cases do not truly reach microcredit's target. They can be used in different manners, for example in TV ANDC's story has already appeared both in the news and in informative programmes such as *Sociedade Civil* in RTP 2. Anyway, the feedback that the Association receives in the following day after the TV new appearance is huge. In addition to this, the use of Social Media is not very frequent and do not follow an adequate and structured plan;
- **Newsletter.** The first edition of ANDC's Newsletter *Notícias do Microcrédito* was in June 1999 matching Association's principle of always informing and communicating with maximum transparency. It contains all information related to national microcredit and ANDC's ultimate agenda. Currently, it is issued 4 times a year and it is sent by mail to institutions with which the Association has partnerships (**Exhibit 14**);
- **Flyers and Posters.** From the beginning that ANDC uses flyers and posters to communicate and inform about its activity and microcredit. As a rule, approximately 5000 brochures are issued twice a year. There was an experience of flyers' distribution next to the subway entrance in Campo Grande, Lisbon, but it did not succeed as people in these places are moving in a rush not paying too much attention to this kind of things. Furthermore, they are mainly distributed in unemployment centers and local institutions (**Exhibits 15 and 16**);
- **Website.** The website appeared after some years of ANDC's foundation. In the beginning it was not visited many times but today lots of people contact the Association through it. At the moment ANDC is rethinking website's image in order to make it more modern and appealing;
- **Facebook.** Launched in 2011, ANDC's Facebook page represents Association's efforts to be present in the most commonly used digital technologies;
- **Microentrepreneurs themselves,** that, through word-of-mouth, tell other people about the experiences they had with ANDC;
- **Participation in Microcredit Events.**

For ANDC, another important instrument for microcredit promotion and dissemination were the events, like **conferences** and **fairs** (**Exhibit 17**), both at national and international level, in which it had participated and in some cases even organized. Here, the Association could sensitize another kind of public as well as pressing public entities and the government. Lately, ANDC has not been organizing more events due to financial constraints. Moreover, while events were an interesting opportunity to listen to other microcredit experiences, especially from international speakers, the

experiences made in national fairs were not that relevant. **Exhibits 18 and 19** show the events that ANDC organized and those in which it participated.

### **3.8.3 Other Communication Initiatives**

Throughout time other **specific initiatives** were undertaken aiming to communicate ANDC's work and raise its awareness.

For example, in 2001/2002 ANDC asked **one person to go, during a year, from the North to the South of Portugal with the mission to contact every local institution** informing people about ANDC and its microcredit's project.

In 2008 a **market research study** was conducted to evaluate client's satisfaction<sup>40</sup> showing Association's interest in receiving feedback on the way it was communicating and dealing with those that approached it. Among several results that came out from the study, it is important to refer that ANDC had a very positive global image - 96% of those that obtained a microcredit "would certainly recommend" ANDC and 61% of those that only established contacts with the Association "would certainly recommend" or "probably recommend". Furthermore, regarding the different communication means the media - TV, radio, press and internet - were mentioned to be the main sources of ANDC's awareness.

In 2009, regarding Association's 10 years of existence, a **Photo exhibition** took place featuring 30 microentrepreneurs and a book with their stories. The photo exhibition took place in 4 cities (Lisbon, Oporto, Estremoz and Portalegre) dedicated to 30 microentrepreneurs. The exhibition brought together the work of some of the most reputed photo reporters of the country. In addition, it was launched the book *Microcredit - 10 Years in Portugal* composed with the photos and some complementary texts making microentrepreneurs' portray.

In the same year, **2 meetings of microentrepreneurs** took place, one in Lisbon, the other in Oporto during one day. The objective was to give voice to microentrepreneurs for them to share their different experiences. The meetings went well and the entrepreneurs were very enthusiastic.

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<sup>40</sup> The study was conducted internally by a team of 2 Associates and a Volunteer, specialist in market polls, mainly through phone interviews to a sample of 170 people that either simply contacted ANDC or that already had a real credit with it in the years of 2005 and 2007.



Still in 2009, **one exhibition in a shopping centre** in Oporto took place during one weekend. The objective was to present Microcredit and show ANDC's work. The initiative evolved a number of microentrepreneurs, volunteers and companies in particular *Sonae* that provided the space in the mall at no cost.

More recently, in 2011, a **partnership** with *Sogrape Vinhos*, a Portuguese Wine Company, was made in order to promote some ANDC's microentrepreneurs. During 6 months, the company, as part of its social responsibility, rewarded the 3 most voted **microentrepreneurs of the month**. The prize of 2500€ was to pay off part of the loan.

Another recent initiative, promoted in **facebook**, tried to gather people in ANDC's office to make a **Questions & Answers Open Session**. Few people appeared which might be explained by the stormy day it was.

### **3.9 End Notes**

Even though 13 years of history have passed, ANDC believes that there is still a long way in order to bring microcredit next to those that can really benefit from it. In particular, the Association recognizes that an adequate Marketing Strategy could play an important role within the organization and defends that more actors should be involved so that microcredit could be potentiated in Portugal.

ANDC believes that, for example, innovative forms of communicating can be drawn especially next to young people; different ways to approach new partners and private companies should be defined or that more could be done in large urban centers which concentrate numerous potential microcredit beneficiaries. However it needs the support of a Marketing Specialist (or a team of them) in order to assemble the necessary Strategic Marketing Plan.

### 3.10 Exhibits

#### Exhibit 1 - ANDC's Founder Joana Veloso with Prof. Muhammad Yunus



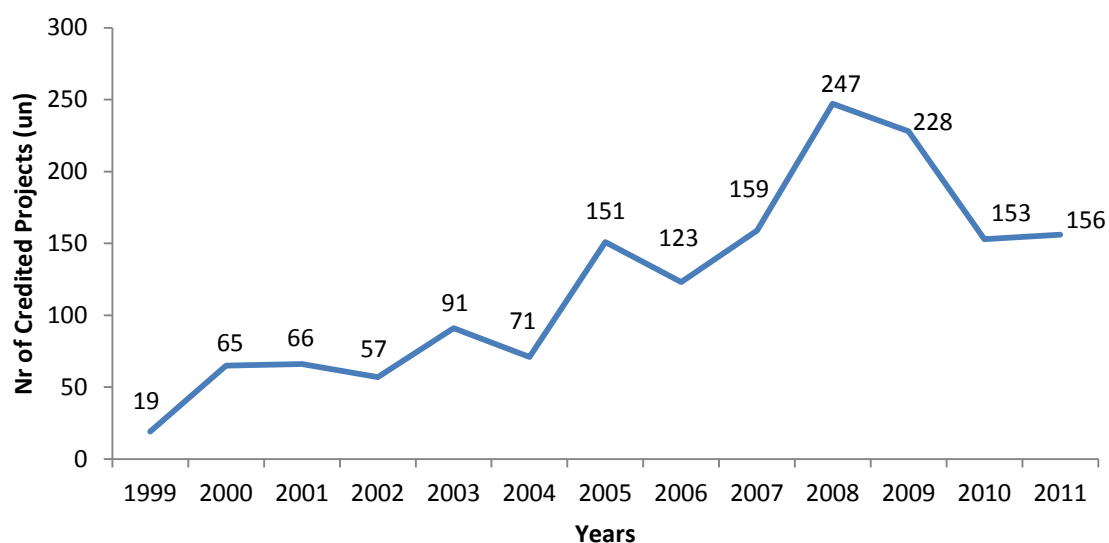
Source: IEFP, Revista Dirigir “Microcrédito Microempresas”, Out, Nov, Dez 2009.

#### Exhibit 2 - ANDC's Logos



Source: ANDC.

### Exhibit 3 - Evolution of the Number of Credited Projects



Source: Adapted from ANDC – Data from December 2011.

### Exhibit 4 - Microcredit Programmes in Portugal

#### Microcredit Programmes with Partnerships

Institution	Partner/Bank	Year	Scope
<b>ANJE: Associação Nacional de Jovens Empresários<sup>41</sup></b>	CGD	2005	National
<b>GLOCAL - SIM<sup>42</sup></b>	Caixas de Crédito Agrícola	2003	Local
<b>Santa Casa da Misericórdia de Lisboa</b>	Montepio Geral	2006	Local (only Lisbon residents)
<b>IEFP - Microinvest Programme</b>	Several <sup>43</sup>	2009	National

41 ANJE stands for National Association of Young Entrepreneurs. ANJE does not have anymore this programme because the amount of credit granted currently exceeds the 25.000€ allowed by the EU.

42 The GLOCAL - SIM Project is integrated within the EQUAL Project, an European Commission Initiative to support innovative, transnational projects aimed at tackling discrimination and disadvantage in the labour market.

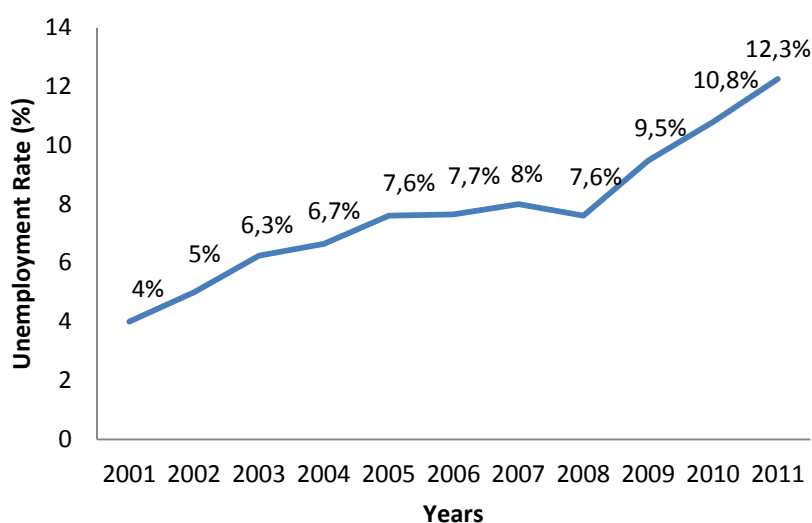
43 CGD, Millenium - BCP, BES, Banco Português de Investimento (BPI), Santander -Totta, Barclays, Banco Português de Negócios (BPN), Banco Popular, Crédito Agrícola, Montepio Geral and Banif.

## Autonomous Microcredit Programmes

Autonomous Microcredit Programmes	Year	Scope
Millenium BCP	2005	National
BES	2009	National
Caja Duero <sup>44</sup>	2007	National

Source: Mixed Source<sup>45</sup>.

### Exhibit 5 - Evolution of Unemployment Rate in Portugal in the last 10 years

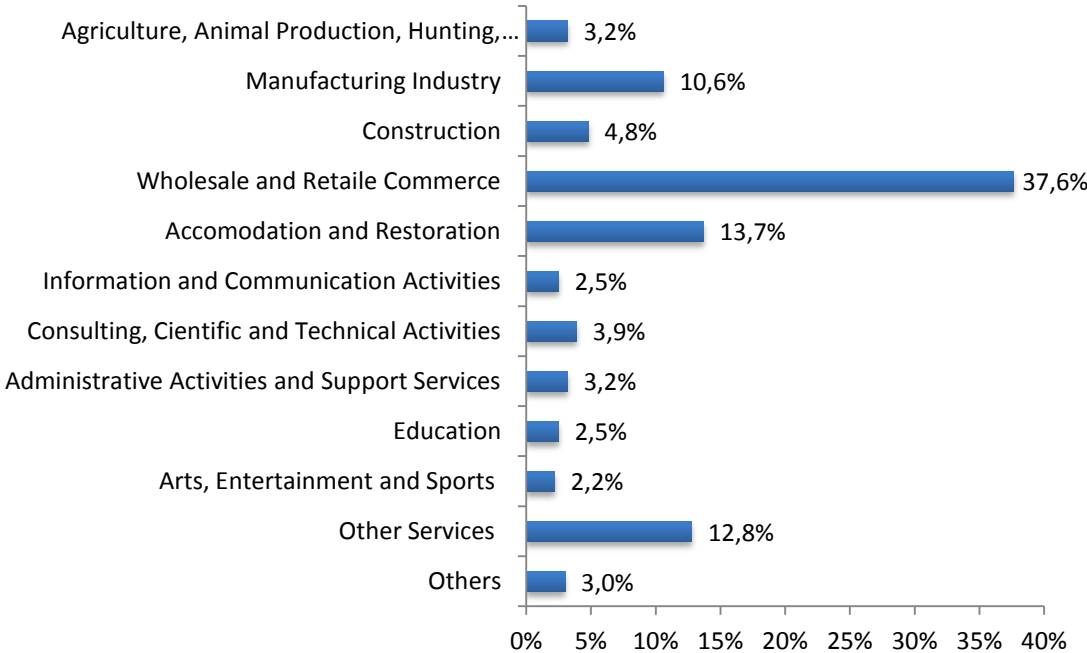


Source: Adapted from *Banco de Portugal* (each percentage is an average of the 4 trimesters of each year. For 2011, 12, 3% respects to the average of the 3 first trimesters).

<sup>44</sup> Caja Duero does not have anymore this programme since 2010.

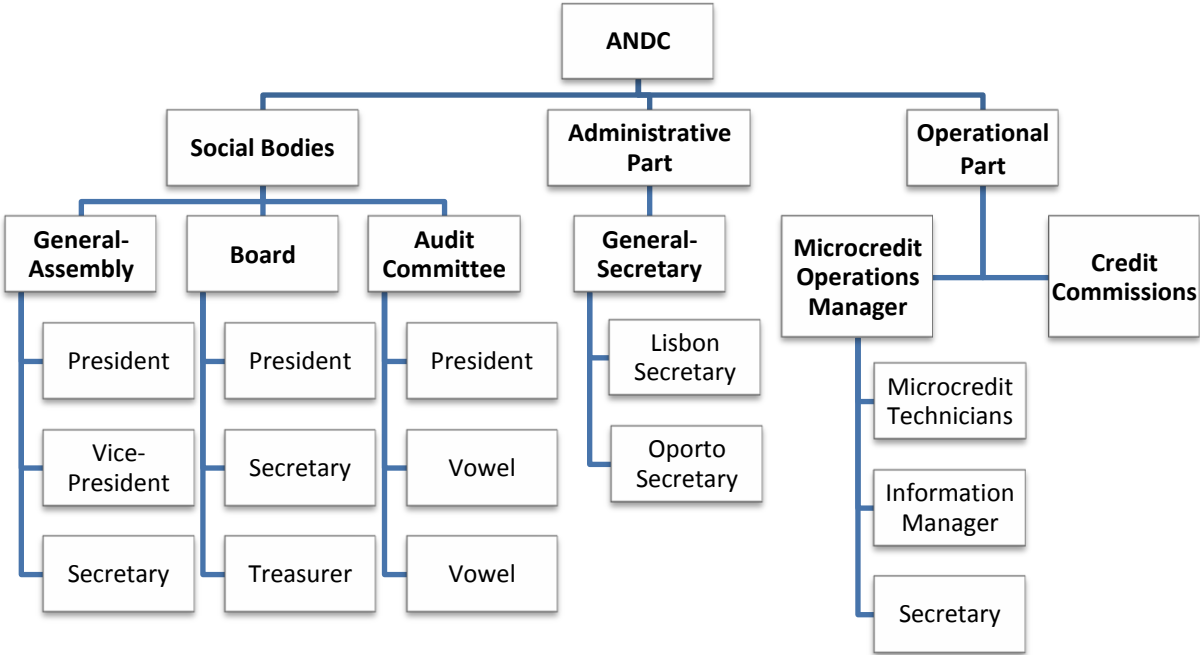
<sup>45</sup> E-mails with Caja Duero, BES and IEFP and website: <http://microcredito.wordpress.com/2011/01/30/portugal-governo-aumenta-limites-do-programa-de-microcredito/>.

**Exhibit 6 - Project's Distribution according to the Portuguese Classification of Economic Activities (1999-2010)**



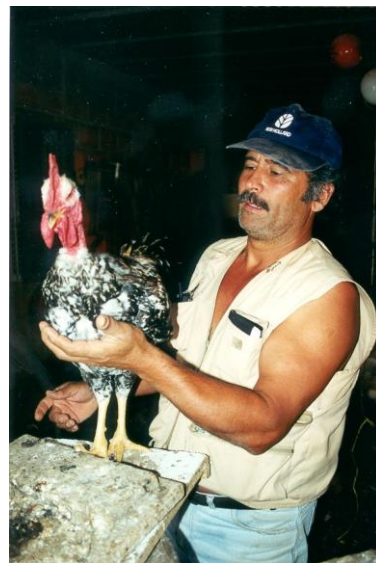
Source: Adapted from ANDC.

**Exhibit 7 - Organizational Structure of ANDC (2011)**



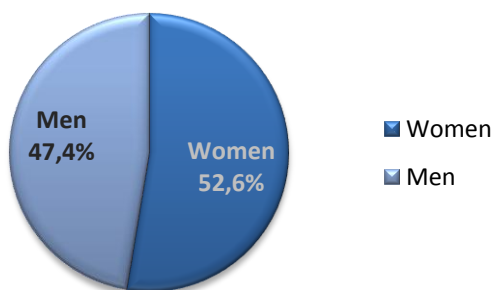
Source: Adapted from ANDC.

### Exhibit 8 - Microcredit Technicians in the field



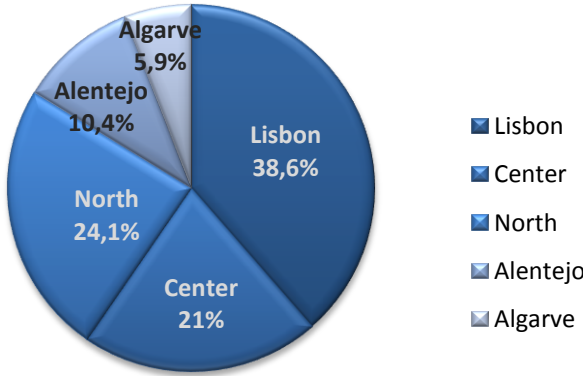
Source: ANDC.

### Exhibit 9 - Gender of Microentrepreneurs (1999-20011)



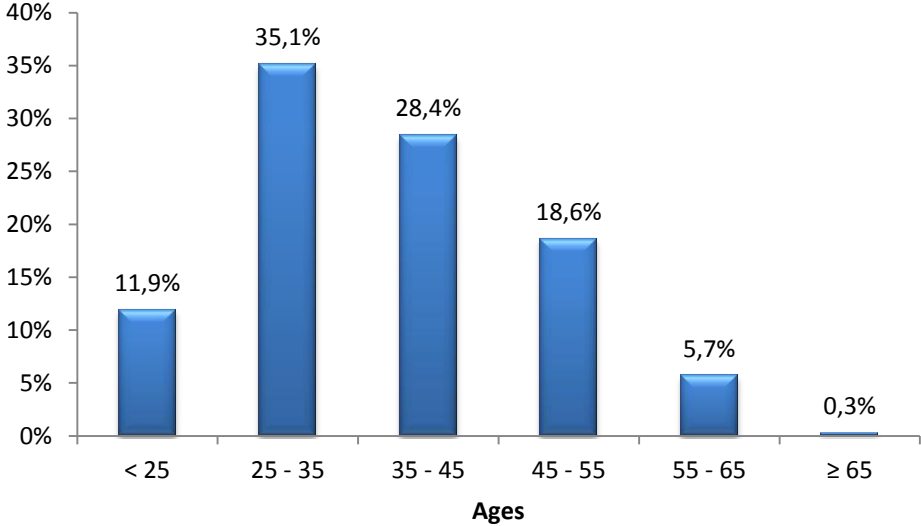
Source: Adapted from ANDC.

**Exhibit 10 - Projects Approval by Regions (1999-2011)**



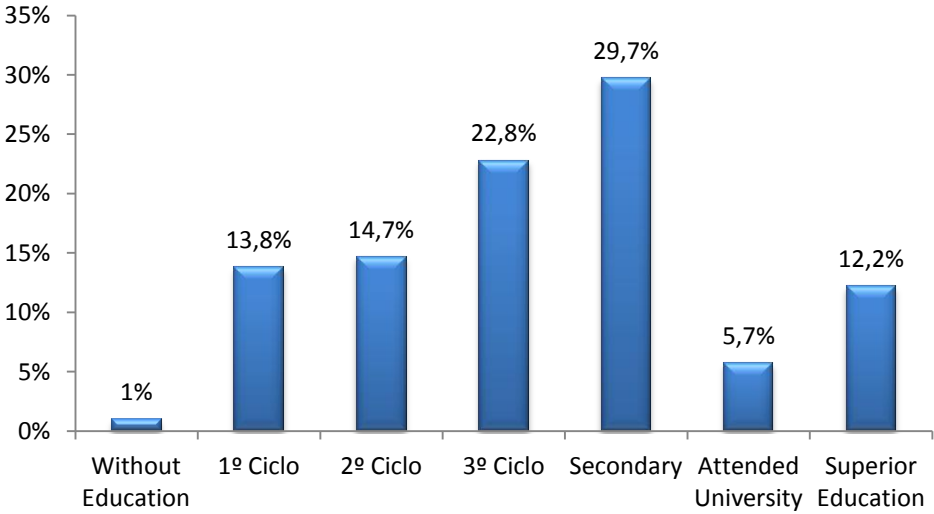
Source: Adapted from ANDC.

**Exhibit 11 - Distribution of Projects by Age Group (1999-2011)**



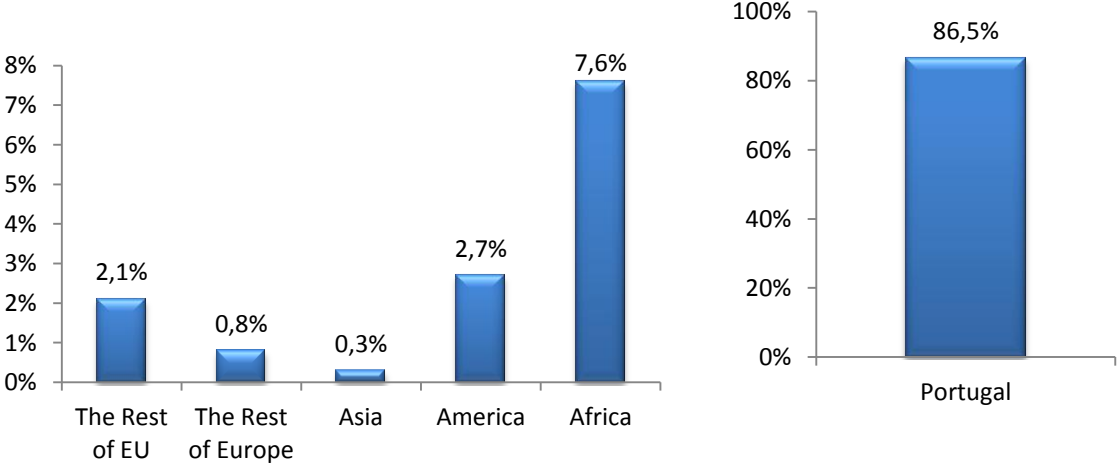
Source: Adapted from ANDC.

**Exhibit 12 - Distribution of Projects according to Education Levels (1999-2011)**



Source: Adapted from ANDC.

**Exhibit 13 - Distribution of Projects according to Nationality (1999-2011)**



Source: Adapted from ANDC.



# Exhibit 14 - ANDC Newsletter “Notícias do Microcrédito”



### Risco e confiança

O empreendedor gerir, viabilidade pública, o que constitui, além do mais, o reconhecimento do acto da promoção que há cerca de quinze anos começou a trabalhar a nível em Portugal. A conclusão, no entanto, não é definitiva. O sucesso do negócio depende da capacidade de gestão do empreendedor, que pode ser elevada a situação de gestão que quer manter o aumento da capacidade de gestão. O sucesso do negócio depende da capacidade do empreendedor, que pode ser elevada a situação de gestão que quer manter o aumento da capacidade de gestão.

Identificar, seja oportuno contar com aquilo que é momento do momento e que não tem uma expectativa de lucro. O sucesso do negócio depende da capacidade do empreendedor, que pode ser elevada a situação de gestão que quer manter o aumento da capacidade de gestão.

Identificar, seja oportuno contar com aquilo que é momento do momento e que não tem uma expectativa de lucro. O sucesso do negócio depende da capacidade do empreendedor, que pode ser elevada a situação de gestão que quer manter o aumento da capacidade de gestão.

Source: ANDC 2011.

# Exhibit 15 - ANDC's Posters

**ASSOCIAÇÃO NACIONAL DE DIREITO AO CRÉDITO**

Quer desenvolver um **negócio** e não tem acesso ao crédito? Nós podemos **ajudá-lo**.

**MICROCRÉDITO**

[www.microcredito.com.pt](http://www.microcredito.com.pt)  
microcredito@microcredito.com.pt

LISBOA  
Praça José Fontana, 4-5º andar  
1050-129 Lisboa  
Telefone: 21 315 62 00 | Fax: 21 315 62 02  
**808202922**  
custo de chamada local

se tem uma ideia de negócio em que acredita e não tem possibilidade de obter um pequeno empréstimo bancário, por falta de garantias

**QUER CRIAR O SEU NEGÓCIO? NÓS CONFIAMOS EM SI E DAMOS-LHE CRÉDITO**

Associação Nacional de Direito ao Crédito

- ajuda-o a preparar o seu negócio
- abre crédito para ti
- acompanha-o no arranjar do negócio
- decide depressa e sem muitas "pagués"

Source: ANDC 2011.

# Exhibit 16 - ANDC's Flyers

## o que é o microcrédito?

- Não é uma entidade, é apenas uma expressão para se referir a uma modalidade de crédito.
- É uma expressão que designa o crédito de pequena escala, com valores inferiores a 100 mil reais, destinado a pessoas físicas que não possuem acesso ao sistema financeiro tradicional.
- É uma expressão que designa o crédito de pequena escala, com valores inferiores a 100 mil reais, destinado a pessoas físicas que não possuem acesso ao sistema financeiro tradicional.
- É uma expressão que designa o crédito de pequena escala, com valores inferiores a 100 mil reais, destinado a pessoas físicas que não possuem acesso ao sistema financeiro tradicional.

**A iniciativa econômica pode ser o caminho para sair da pobreza e para uma plena integração social.**

## o que fizemos?

- Criamos o primeiro programa de microcrédito em São Paulo, em 1998, através do Banco de Desenvolvimento Econômico e Social (BDES).
- Criamos o primeiro programa de microcrédito em São Paulo, em 1998, através do Banco de Desenvolvimento Econômico e Social (BDES).
- Criamos o primeiro programa de microcrédito em São Paulo, em 1998, através do Banco de Desenvolvimento Econômico e Social (BDES).
- Criamos o primeiro programa de microcrédito em São Paulo, em 1998, através do Banco de Desenvolvimento Econômico e Social (BDES).

**Não se quer associar o não?**

## quem somos?

• Somos uma entidade sem fins lucrativos, criada em 1998, com o objetivo de promover o desenvolvimento econômico e social das pessoas físicas que não possuem acesso ao sistema financeiro tradicional.

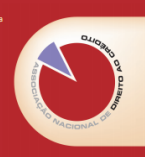
**Queremos que a ANDC seja uma expressão cada vez mais viva e autônoma de capacidade de associação e de implicação dos cidadãos.**

## o que nos propõe o microcrédito?

• Promover o desenvolvimento econômico e social das pessoas físicas que não possuem acesso ao sistema financeiro tradicional.

• Promover o desenvolvimento econômico e social das pessoas físicas que não possuem acesso ao sistema financeiro tradicional.

• Promover o desenvolvimento econômico e social das pessoas físicas que não possuem acesso ao sistema financeiro tradicional.



**QUANTO DA QUALIDADE DA ASSOCIAÇÃO**

Source: ANDC 2011.

# Exhibit 17 - ANDC's promotional stands



Source: ANDC 2011.

## Exhibit 18 - International Conferences organized by ANDC and some Partners

Year	Title
2001	O Futuro do Microcrédito - A experiência portuguesa avaliada por dois peritos internacionais <sup>46</sup>
2004	Microcrédito: Uma Experiência com Futuro <sup>47</sup>
2005	Ano Internacional do Microcrédito <sup>48</sup>
2006	O Microcrédito, Passado e Futuro – Certezas e Desafios do Microcrédito. Convidado de honra Muhammad Yunus <sup>49</sup>
2007	As Instituições Financeiras e o Desenvolvimento do Microcrédito <sup>50</sup>

Source: Adapted from ANDC' website 2011.

## Exhibit 19 - ANDC's International Conferences Participation

Year	City	Country	Title
1999	Brussels	<b>Belgium</b>	Seminário sobre «Acompanhamento e Financiamento no Microcrédito <sup>51</sup>
1999	Lisbon	<b>Portugal</b>	Projecto transnacional ADAPT/INTEGRA- Micro-Crédit pour la création d'emploi: Systèmes de Financement <sup>52</sup>
2000	Brussels	<b>Belgium</b>	Third System Organizations and their Role in Developing Employment
2000	Tours	<b>France</b>	Conférence Européenne des Acteurs de l'Économie Sociale et de l'Économie Solidaire <sup>53</sup>
2000	Paris	<b>France</b>	Lutter contre l'Exclusion par la création de micro-entreprise <sup>54</sup>
2001	Paris	<b>France</b>	Rencontre du Chantier Économie Solidaire - Alliance pour un Monde Responsable et Solidaire <sup>55</sup>
2001	Malmo	<b>Sweden</b>	Local Employment Practices
2001	Florence	<b>Italy</b>	Finance for Local Development - New Solutions for Public-Private Action
2002	Budapest	<b>Hungary</b>	5th Annual Conference of the Microfinance Institution
2002	Bergen	<b>Norway</b>	Optimizing Microcredit

Source: Adapted from ANDC website 2011.

<sup>46</sup> The Future of Microcredit - The Portuguese Experience evaluated by two international experts.

<sup>47</sup> Microcredit: an experience with future.

<sup>48</sup> International Year of Microcredit.

<sup>49</sup> Microcredit: the Past and the Future - Certainties and Challenges of Microcredit. Special Guest: Muhammad Yunus.

<sup>50</sup> Financial Institutions and the Development of Microcredit.

<sup>51</sup> Seminar about "Accompaniment and financing Microcredit".

<sup>52</sup> Transnational Project ADAPT/ INTEGRA - Microcredit for the creation of employment: Financing Systems.

<sup>53</sup> European Conference of the actors of Social Economy and Solidarity Economy.

<sup>54</sup> The fight against Exclusion for the creation of Microenterprises.

<sup>55</sup> Meeting of Solidarity Economy - Alliance for a responsible and solidarity world.

## Chapter 4: Teaching Notes

### 4.1 Synopsis

The case discusses ANDC's activity, the nonprofit private Association that introduced microcredit in Portugal for the first time for about 13 years ago. As the Portuguese Law did not allow non-financial institutions to grant credit, ANDC's role has always been to make the connection between microcredit beneficiaries and the banks giving them the needed support during loan repayment and raising awareness about microcredit for those that are in precarious living situations (such as unemployment) and that would not have access to credit in traditional banking systems. Through microcredit they could get a small loan to create their own business, getting a job and thus reversing the course of their hopeless lives.

The case addresses the history and evolution of ANDC, its origin, how it is organized, the model in which it bases its activity through several partnerships with the State, the banks and other organizations, how it operates next to microentrepreneurs and the entire communication strategy it has been doing from the beginning.

Throughout the years Association's main goal has always been to achieve the larger number of microentrepreneurs as possible. However, this number was constantly smaller than what was intended and predicted given the number of unemployed and people with characteristics to be a microcredit's target. Moreover, with the referred economic and financial crisis the number of microentrepreneurs has been increasingly declining, raising additional problems to ANDC.

By drawing attention to Association's detailed communication strategy, the case tries to demonstrate that possibly a lot more could be done in this field as it is a very important tool that the organization has available to reach the target and society in general.

The described context calls ANDC to rethink the direction it is going, its mission and the most efficient strategies in order to attain purposed objectives. As part of the solution, the case ends up wondering if through a completely new marketing approach, the Association would be in better conditions to address problems and potentiate its performance.

## 4.2 Teaching Objectives and Assigned Questions

The Case Study can be used both in marketing and social development and entrepreneurship classes because it addresses a nonprofit organization, whose objective is to promote microcredit, and also “touches” several marketing subjects.

By raising a number of organizational and marketing problems, the case’s main objective is to make students think about how the implementation of a marketing approach can help ANDC addressing these problems and thus improving its long term performance (thesis’ main question). Furthermore, it is intended that the case enables students to think in broader terms, bringing ANDC’s example to nonprofit organizations in general. In order to guide student’s reasoning, 3 Assigned Questions (AQ), the Research Questions, are proposed:

**AQ1:** How important is it to do Marketing in a Nonprofit Organization?

**AQ2:** How important can pursuing a Marketing Approach be to potentiate ANDC’s performance? Why?

**AQ3:** What possible marketing ideas could ANDC implement in order to pursue a Marketing Approach? To what extent would they be relevant for ANDC’s overall activity improvement?

For students’ deeper engagement with the case and assigned questions, it is recommended that they imagine themselves, as being the marketing experts that are going to address the different referred marketing problems within the Association (in AQ2 and AQ3).

## 4.3 Teaching Questions and Case Discussion

**AQ1: How important is it to do Marketing in a Nonprofit Organization?**

Before answering **AQ1** and with the objective to prepare students for whole case-study’s discussion, it is recommended that the Professor starts the lesson with a brief introductory note on the following aspects:

- **Recall the Definition of Marketing:** students must have a pretty good idea about what marketing is from other (marketing) courses. However, as there are several ways to define marketing, the Professor must remember in class what marketing deals about. For that, it can base on the following definition: “Marketing management is the analysis, planning, implementation and control of programmes designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives” (Kotler et al, 1996).

- **Clarify about Nonprofit Organizations (NPOs):** as the name self explains, nonprofit organizations, or simply nonprofits, are organizations which ultimate objective is not a profit result but other kind of benefits, particularly, social benefits. There are several types of nonprofit organizations such as associations, NGOs, foundations and public institutions.

- **Contextualize Nonprofit Marketing:**

- The role of marketing among nonprofit organizations started being discussed in the 70s given its increasing importance among companies from the business world (Kotler, 1979).
- Besides many studies have pointed marketing's critical success to nonprofits (Kotler et al, 1996), even today the great majority of nonprofit organizations still do not follow integrated marketing-oriented approaches. Instead, some of them only have few sporadic marketing initiatives (Akchin, 2001).

Practicing marketing in a for-profit company means bringing the customer to the center of every decision, objective or strategy. A customer, or market-oriented, approach is a modern marketing approach in which corporations should ignore their own goals, preferences, strengths and weaknesses and focus primarily on consumer's interests (Franco, 2010). In fact, it is believed that satisfied customers will be more likely to buy the products or services more often and thus enable increasing sales and profits. The goal of marketing is then to attract new customers and retain them by promising superior value and through a deep understanding of their needs, wants, preferences and perceptions in order to design the most appropriate marketing strategies.

“Transporting” marketing to the nonprofit sector means that the core principles and marketing ideas from “traditional marketing” remain the same although not all marketing concepts and tools can directly apply to nonprofits, a certain adaptation has to be made due to organizations' different nature. Here, among others, 2 very important distinctions have to be taken in consideration:

- Firstly, where for-profit organizations are centered in only one client group (final consumers), nonprofit organizations have to be focused in **3 main client groups:**

- **Users or Beneficiaries** that benefit from the service the organization provides and are target of marketing campaigns. They are the reason why the organization exists (in ANDC's case they are both microentrepreneurs and those with potential to become microcredit beneficiaries);
- **Donors** who give money and other resources that are extremely important to an organization that does not generate profits. They can be individuals or collective groups (Eg: families, the state, private companies or other organizations);
- **Volunteers** that adhere in most cases passionately to the cause by giving their time, skills and competences in exchange to satisfaction and personal development (**Figure 1**) (Franco, 2010).



- Secondly, and resulting from this division, **2 important functions** (rather than only one as in for-profit organizations) cover the relationships nonprofits have to establish with their main client groups:
  - **Resource Attraction:** as the name indicates, it has the objective of attracting resources and have to be carefully managed as it adds value to the organization;
  - **Resource Allocation:** the different manners through which the organization spends its resources (**Figure 2**) (Franco, 2010).

These 2 categories' division is of great relevance for NPOs as they broadly and objectively cover what should be their first strategic priorities and thus forming the basis for all nonprofits' marketing thinking.

In generic terms, the importance of having a marketing approach within a nonprofit organization primarily has to do with its capacity to provide clear, objective and structured guideline steps for overall organization's strategic performance. Marketing's significant role and context within NPO's is easily understandable through **Figure 3** framework.

As one can see, **Organization's Strategy** has a mutual relationship with the **Marketing Process** meaning that marketing gives a significant contribution to organization's strategic planning that in turn provides marketing with important inputs such as organization's mission and objectives (Franco, 1996). In fact, it is only possible to have a marketing orientation if the organization first clearly knows to where it wants to go. The "Marketing Process" is composed of 4 main steps:

- **Marketing Analysis (step 1):** investigates the environment in which the organization performs. It gives a broad vision of surrounding "marketplace" composed of several stakeholders (internal and external to the organization) that affect and are affected by organization's activity: competitors, employees, volunteers, partners, suppliers, the government, etc. Organizations can get this information by extensive marketing research and information systems and organize data through useful strategic and marketing frameworks like the SWOT (Strengths, Weaknesses, Opportunities and Threats) and PEST (Political, Economic, Social and technological) analysis.
- **Marketing Objectives (step 2):** they are objective, specific and measurable goals that help NPOs to understand "where to go" in terms of marketing in the short and long term. They are only possible to define with full and valuable information from previous "Marketing Analysis" step.
- **Marketing Strategy (step 3):** once marketing objectives are stated, there is the need to plan the strategies and tactics to reach them. Here, marketing tools such as STP (segmentation, targeting and positioning) analysis and Marketing-Mix 4Ps (Product, Price, Place, Promotion) prove to be very helpful.

- **Implementation and Control (step 4):** finally, it would not make sense to do the 3 previous steps if at the end, marketing initiatives and campaigns would not be implemented and controlled. In fact, only with constant results' observation it is possible to know how things are working and improve them (if it is the case).

The presented “marketing process” framework presents an orientation plan for marketing implementation, requiring that all different parts are interconnected, coordinated and coherent with organization’s strategic plan. However, a certain level of flexibility is required, meaning that more than one step can happen at the same time rather than following each step one by one without taking a wider perspective of all process. In order to potentiate marketing’s value, it is recommended that in each stage of the “marketing process”, the organization structures its activity bearing in mind what previously was said to be the basis of nonprofits’ marketing thinking: 3 main client groups and 2 main marketing functions.

In addition, and with the objective of summarizing marketing’s importance in a nonprofit organization, 2 Teaching Questions (TN) questions are proposed below that students should first discuss in groups and then share their ideas with the class:

**TQ1: What are the pros and cons of introducing marketing in a nonprofit organization?**

**Pros:**

- ✓ **Marketing, as a management tool, provides useful instruments and frameworks** (Eg: SWOT and STP analysis) for improved analysis, planning, implementation and monitoring strategies enabling organizations to easily manage their operations because different parts of the marketing process are articulated, integrated and coordinated to fulfill specific objectives.
- ✓ **Give a concrete focus to organization’s mission** instead of being scattered to several objectives: clients’ satisfaction (users, donors and volunteers).
- ✓ **Offers a much richer understanding about what is happening in the “marketplace”** through inputs about for example: the needs and preferences of each client segment, the scarce financing sources, the changes in the clients’ mix constitution, the declining of membership, new and existent competition, new “market” opportunities, assess firm’s potentialities, etc.
- ✓ **Implies formal planning that encourages systematic thinking and written and organized documentation** rather than having all the information spread in different parts of the organization or even in employees’ minds and that may lead to significant inefficiencies.
- ✓ **Calls from “going out of the box”, this is, having innovative and creative ideas** that can improve organizations’ services and marketing campaigns and give opportunities to



differentiate in an increasingly competitive environment (more competitors, few donors and volunteers).

**Cons:**

- **Planning and implementation of marketing initiatives require extra resources** (time, money, people and others) that due to the nature of nonprofits are difficult to obtain.

**TQ2: Which factors facilitate and hinder the introduction of marketing in a nonprofit organization?**

**Facilitating Factors:**

- ✓ **Marketing is one management function like finance and accountability** that for a long time are embedded in nonprofits' organizational structures (due to their proven beneficial implications on organization's overall performance). In this manner, if organization's personnel clearly understand what the marketing function is, they can also easily accept marketing within their organizations.
- ✓ **Strong organizational culture: a good working environment** (that in general is common among nonprofit organizations) is more likely to make personnel open to the adoption of new practices (Andreasen et al, 2005) and a **clearly defined, organized structure** that will enable new marketing roles and tasks allocation.

**Hindering Factors:**

- **Resource Constrains:** money, time, personnel (that on one side is not enough and on the other, lack business and marketing skills, knowledge and experience) and others that, are all crucial to different marketing initiatives.
- **Not all traditional marketing strategies can directly apply in nonprofit organizations** and sometimes is not easy to understand how to adapt determined marketing strategies.
- **Limited studies** about how marketing knowledge and skills can contribute to the success of nonprofit organizations (Andreasen et al, 2005) **and few case-study examples** on how nonprofits should adopt a marketing approach.
- **Misunderstandings about marketing:** it is **the same as communication** (marketing goes far beyond communication), **expensive** (one can do marketing without too much money), **manipulative** (it is not the aim of marketing to be manipulative) and that it is **mandatory to have a marketing specialist** (not necessary but it helps) (Franco, 1996).
- **Preconceived ideas and mentalities within organizations.** Eg: thinking that within the nonprofit sector competition does not matter, there is no need to improve existent services as customers are "lucky enough" by having access to a service that otherwise they would not have,

may think they are to serve everyone (not using the basic marketing principle of segmentation) and that they perfectly know, in terms of needs and preferences, what its publics want (Franco, 2010).

- **They prefer to act** instead of taking time with plans and weighting carefully decisions.
- **Harder to measure marketing success** as there are not many quantitative and direct measures like in for-profits such as sales growth and profits.
- Furthermore, the benefits gained by these 3 target markets are often non-monetary in nature, making it more **difficult for NPOs to communicate clear benefits** to each of these markets (Pope et al).
- **Sometimes difficult to distinguish between marketing and strategy** as there is an overlap between some of their concepts.

Student's answers must be put together in the blackboard like **Figure 4** suggests. The objective is to balance the final outcome and give a definitive answer to whether or not it is important to implement a marketing strategy in a nonprofit organization.

Through the pros and cons bullets one can conclude that there are much more advantages than disadvantages when introducing marketing in nonprofit organizations so that marketing can give a very important contribution to improve nonprofits' performance. However, it is important to bear in mind that the process of marketing adoption is much more complex than in for-profit companies as the number of "hindering factors" suggest. This fact should not give reasons not to embrace marketing but rather prevent to all aspects that need to be taken in consideration in a situation like this.

To answer **AQ2** and **AQ3** the Professor should ask students to imagine that they are Marketing Experts (for example from a Firm's Marketing Department or from a Marketing Consulting Company) who, as part of their company's CSR (Corporate Social Responsibility), were requested to give advice to ANDC on the implementation of a Marketing Strategy (this activity can be done individually or in groups).

**AQ2: How important can pursuing a Marketing Approach be to potentiate ANDC's performance? Why?**

Following the same reasoning of **AQ1**, 4 teaching questions are provided in order to guide students in the response of **AQ2**:

**TQ3: Which areas/ aspects within ANDC's activity need (urgent/ stronger) guiding orientation and intervention?**

**TQ4: Are they marketing problems (i.e. problems that can be solved with marketing tools)?**

**TQ5: In which way marketing could be important in addressing these problems?**

**TQ6: What marketing strategies/ tools should ANDC use?**

First of all, in generic terms, pursuing a marketing approach will potentiate ANDC's performance in the long term for reasons already addressed in **AQ1**. More concretely and giving some examples, ANDC will understand that in order to enhance the "marketing process" it would have, first, to define its strategic mission, objectives and values. Moreover, it could start distinguishing the "resource allocation" and "resource attraction" activities and give special attention to its main client groups: users, donors and volunteers. In addition, it could start looking to surrounding environment as a marketplace composed of several stakeholders to whom it should pay careful attention depending on the importance of each relationship (**Figure 5**) and make use of important strategic and marketing frameworks as the SWOT and PEST Analysis. In the end, the Association could begin to integrate and better coordinate all marketing initiatives, something that would certainly bring added value to its performance.

Beyond these gains provided by "marketing process" framework's application, the adoption of marketing in ANDC will specifically help to improve some of the problems that the Case Study mostly stresses. In fact, they are the reason why ANDC starts thinking about introducing a marketing approach (it is important to note that ANDC already does some marketing particularly through the application of a number of communication initiatives although it has not realized it yet so and different communication initiatives are taken independently, without adequate and consistent planning behind them).

In this way, the most important aspects that need "urgent and stronger" orientation and that students should be able to refer are:

- **Small and increasingly declining number of microentrepreneurs:** ANDC feels that the number of microentrepreneurs is small and that there is great microcredit's potential in Portugal, particularly through its activity. However, as these are only perceptions, not based on any reliable factual information, the Association should not be so sure in the assumptions it makes. In fact, this is very important to ANDC as the number of microentrepreneurs should be regarded as one of its success measures (they are the reason why the organization exists).
- **Low ANDC and Microcredit's awareness:** only one study to measure awareness has been conducted in 13 years of history and besides results have indicated reasonable microcredit's awareness levels, ANDC's awareness is pretty low.
- **Problems with target's definition:** ANDC never conducted a market research to figure out what should be its target market. It has always been opened to anyone who was under microcredit

circumstances (unemployed or almost unemployed, marginalized,...) rather than understanding that within this group of potential microcredit beneficiaries, other small groups of people with similar characteristics existed, in order to efficiently tailor services and communication campaigns. Moreover, the Association never knew the dimension of its target market and now with the unemployment rate increasing, additional challenges emerge: the graduated youth that cannot find their first job.

- **Lack of financing and other resources:** being 90% dependent on IEFPP, receiving small annual associates' contributions and with few external donations, ANDC has a major problem regarding availability of financial and other kind of resources (such as Microcredit Technicians, volunteers and *pro bono* partnerships). This fact hinders a lot its activity because for example the Association cannot increase the number of Microcredit Technicians that are very important to ANDC's operations and performance.
- **Communication strategy falls short:** along the years the Association has made significant efforts regarding its communication through the use of several communication channels and with the promotion of some sporadic initiatives. However, and due to the very important role of communication, there is a sense that different communication campaigns should be more integrated and interconnected in order to pursue predefined and prioritized objectives. Moreover, the Association should establish and be able to transmit a unique image at the same time that tailored different communication appeals to various targets in consistency and coherency with the main communication message. Furthermore, ANDC's communication efforts have been concentrated to potential microcredit beneficiaries (users) and society in general, when other publics (such as potential donors and volunteers) should also be targets of communication campaigns.
- **Lack of a "marketplace" vision:** the organization is mainly focused on microcredit's potential and current beneficiaries (resource allocation function) when, due to its nature, it is also fundamental to look further to other stakeholders such as direct and indirect competition (not only other microcredit institutions, but also nonprofits in general), potential donors and volunteers (resource attraction function). It is very important not only to see the "overall picture" but also look at the environment surrounding the organization as it would be a market in order to better define objectives and delineate the best strategies to reach them.

All of them can be considered marketing problems once they can be inserted in the "marketing process" framework and turn out to be some of ANDC's core marketing objectives (step 2). In this manner, they will be more efficiently and effectively reached through the use of a number of marketing tools (step 3) that are aggregated here in 3 main groups:

- **Marketing Research:** throughout 13 years of existence ANDC conducted very few marketing studies. They can be of great importance as they are sources of reliable and useful information to improve marketing decisions. They are able to clarify and respond to every type of questions such as: “What is the market potential of microcredit beneficiaries? What factors make the number of microentrepreneurs decreasing so much as within a crisis context more people could be interested in creating their own business? What is the real percentage of Portuguese population aware of microcredit and ANDC? How is it progressing? What are the characteristics of ANDC’s different targets? What should be the best message to each target? Which stakeholders should the Association focus more?” So on and so forth since ANDC really knows what kind of marketing problem it wants to answer.
- **STP Analysis:** the acronym STP stands for Segmentation, Targeting and Positioning. The aim of this analysis is to divide the market in various homogenous segments that are different from each other (segmentation), choose some of the segments, the target segments, in which it wants to focus (targeting) and develop tailored products, services and messages according to the way the organization wants them to think about itself and its offerings (positioning). STP analysis characterizes target segments with several demographic, psychographic, lifestyle, within others, variables in order to know them very well and build the best strategies to reach them. Thus, this analysis constitutes the basis for the entire “marketing process”. Without being sure about to who devote big part of efforts, any marketing service development or communication campaign would not be completely effective. In fact, this is what ANDC is currently doing wrong: assuming that everybody that is unemployed or socially excluded from society is a microcredit target while many different profiles can exist among this broad group. Moreover, the Association tends to think that users (potential microcredit beneficiaries) are those that deserve almost all of its attention (being their target), when other two groups, the donors and volunteers, should receive practically equal consideration and must also be targets of a segmentation process. In addition and to conclude, the Association has been facing several difficulties with target’s definition along the years (different uncertainties and more recently the youth question) so that it is highly recommended that it begins developing the presented STP analysis.
- **Marketing Mix:** once the different target segments are defined, organizations can make use of marketing mix 4 Ps to adequately tailor its offerings, achieve a specific positioning and benefit from a framework that helps to understand the different dimensions that should be worked out. Through marketing mix nonprofit organizations can differentiate themselves from competition and become more visible and appealing in the marketplace. In this manner, ANDC should make use of marketing mix’s elements even though they are more complex to develop in nonprofits (particularly “Price” and “Placement”) than for-profits. First of all, the Association has to understand that its “**Product**” offerings are most of the times intangible services aimed to

different types of clients with several needs, wants and preferences. Consequently, different services have to be tailored to different target segments in order to arouse various feelings such as self-confidence, hope, pride, happiness and motivation. However, it is important than the Association ascertains the importance of, from time to time, offer concrete goods or symbolic gifts (although this can be considered more as a “Promotion” element concern). Another marketing tool that ANDC could beneficially use is Branding (following the examples of other nonprofit institutions like “Banco Alimentar Contra a Fome” that everybody knows and trusts). Creating an ANDC’s brand would increase public’s awareness and recognition and give clients and society’s in general credible reasons to support its cause. Doing branding is another form of differentiation, something that will, again, increase Association’s chances of being preferred. But a lot will depend on ANDC’s capacity to communicate, the **“Promotion”** element, and one of the most important marketing functions. ANDC’s communication strategy will have to respect 2 different activities: resource allocation and resource attraction. The Association will have to understand which type of message and to whom it wants preferably to communicate according to marketing objectives. But here ANDC will strongly have to focus in potential donors due to major financing problems it is currently facing. Furthermore, it must choose the best communication means to each one of the target segments as it is completely different to communicate to potential microcredit beneficiaries and to potential companies’ donors. Several integrated marketing instruments can be used, for example advertising and direct marketing. In addition, it is important to reinforce that they all should be integrated and coherent between each other (following the same strategy). Lastly, it has to be pointed that communication and promotion tools have to be much more frequent, efficient and effective because of low microcredit’s and ANDC’s awareness that if it keeps as it is will certainly not help the Association to boost the number of microentrepreneurs.

As for the **“Price”** Marketing’s Mix element, despite the nature of ANDC’s users (unemployed and socially excluded people) which becomes difficult to charge for any kind of service, the Association should be open to possible innovative ways of fees’ collection. Even that they only cover costs they are always useful (some satisfied users could be willing to pay for specific services and not everybody has to pay the same amounts).

Regarding the last “P”, **“Placement”**, it turns out that the channels that are used to reach target audiences play an important role both in resource attraction (easier to donate, facilitates operations, location can provide credibility) and resource allocation (the location becomes part of the product) functions.

**AQ3: What possible marketing ideas could ANDC implement in order to pursue a Marketing Approach? To what extent would they be relevant for ANDC’s overall activity improvement?**

First of all, it can be told to students that this question concerns the step 4 of the “marketing process” (in particular the implementation part). Among several ideas/suggestions that can come up to students’ minds, here are some marketing initiatives that should be followed as part of ANDC’s marketing approach.

### **Create a Marketing Department**

If the introduction of marketing is believed that is going to improve ANDC’s overall performance, it makes sense that a marketing department should be created as a form to carry out all different steps of the “marketing process”. The department should be composed at least of 2 people being that at least one of them must have worked in ANDC for a long time, having experience in the microcredit field. The other should have solid knowledge in marketing.

### **Make Partnerships with Marketing Experts**

As ANDC does not have marketing experience, it must find out some marketing experts (marketing consultants or professionals) for the implementation of the “marketing process”. They could work in a *pro bono* system as part of their companies’ social responsibility plan. Moreover, they should collaborate regularly with Association’s marketing department (meetings at least once per month). The different marketing initiatives should be divided between all of them in the following areas: Market Research, Resource Attraction, Resource Allocation and Communication. Furthermore, the marketing team would also have to be responsible for searching for new marketing actors, in order to, when needed, have the support of external marketers like advertising agencies and marketing research firms.

### **Promote Internal Communication about the New Marketing Approach**

In the initial phase of marketing implementation, the marketing team should make one or more presentations to ANDC staff (employees and volunteers) not only to explain the reasons that brought the Association to enhance marketing (its advantages and importance and how the marketing department is going to interact with other parts of the organization) but also to enthusiasm all collaborators to the new turning point in the organization.

### **Define a Mission Statement, Vision and Values**

In recent years, almost every organization has a mission statement, a vision and some set of values (after all, its own identity) that are the reflection of organizations’ core objectives and principles. At first sight, they might seem insignificant details, but the fact is that all together are able to provide a modern, professional and focused-oriented view. Moreover, they are very simple to construct. In this way, ANDC must also create its own identity, allowing it to gain credibility and distinguish itself from

the rest of nonprofits and microcredit competitors. The mission statement, vision and set of values should be placed in promotional brochures, the website and facebook page as also as in internal communication and resource attraction campaigns.

### **Do frequent Marketing Research**

ANDC must develop an organized and efficient marketing information system that could be easily accessed every time the organization wanted. The Association can either collect data through its own marketing specialists or ask external entities to do so, in particular marketing research firms. Due to resource constraints not always will be possible to make surveys aimed to address specific marketing problems (primary data), such as those of AQ2 (STP analysis, levels of awareness, reasons for decreasing number of microentrepreneurs ...). Therefore, other primary data alternatives should be used such as free focus groups and interviews and visual observations). In addition, ANDC's marketing department should start collecting all types of related information in a daily routine basis, this is, data not aimed to address specific problems (secondary data) but that can also be very useful. It can do that in a number of ways: through internal records (clients' database, marketing activity, clients', other partners' and microcredit technicians' feedback, etc) and external sources (internet, electronic/printed data from government, associations, newspapers, magazines, books, annual reports, private studies, etc).

### **STP Analysis**

The segmentation analysis should be the first marketing research study to be conducted. As it is of great importance for ANDC's entire marketing process, it deserves here special attention. Due to the size and effort this study might cause, ANDC should receive support from specialized marketing research firms or institutions (universities may also be possible partners). Moreover, STP must be applied to users, donors and volunteers in order to tailor the best marketing mix to each one of them.

### **New resource Allocation Approach**

Being that the segmentation analysis is already done and ANDC perfectly know its targets, a CRM system (Customer Relationship Management) should be implemented in order to permit a more customer (client)-oriented approach. In this way, the Association could carefully accompany all clients and other stakeholders in order to define the best marketing mix strategies to reach them. Many innovative forms can exist to implement CRM. For example, an online interactive platform could be created to ANDC easily receive client's feedback and quickly respond to them.



### **New Resource Attraction Approach**

This approach defends that ANDC has to go after 2 important resource attraction agents - the donors and volunteers - instead of “waiting for them to appear one day”.

**Donors:** are companies, families, individuals and other partners once they can provide all forms of needed resources (money, materials and workforce). From STP analysis, donors’ target segments must be already selected and ANDC should know them very well, for example in terms of type of donations they are used to give and what motivates them to donate, in order to develop specific communication plans to each one of them. While individuals may be subject to mass advertising campaigns, companies should be subject of careful personal advertising (emails, telephone calls and presentations made at firm’s location). The Association will have to argue in a professional, realistic, objective and clear way, transmitting enthusiasm, effectiveness and work efficiency. Moreover, ANDC should present the Association’s legitimacy through microcredit favorable arguments, ANDC’s different activities, its performance and some results throughout the years, its mission and objectives, describe how resources are going to be used and the future plan in terms of control and feedback. Furthermore, it should try to demonstrate that this is a mutual benefits relationship (for companies, donations are part of CSR programs), without too many bureaucracies and with an easy to access platform for donors offerings.

**Volunteers:** can be anyone that simply wants to feel useful within a social cause or those people that respond to specific ANDC’s announcements and really want to work in microcredit’s field. The first group should be addressed mainly through mass media advertising because more people can be reached (for example with volunteering ads in universities) and the second should be target of a more personal communication approach (for example in volunteering networks and websites). Similarly to donors’ approach, potential volunteers should be given the right reasons to collaborate with ANDC. They should be presented the benefits they will receive for their time and dedication (like self development, the good environment among collaborators and their contribution to give hope to people with precarious living conditions). Despite the fact that “it is not easy to find new volunteers” and that every person that volunteers will bring added value to ANDC, the Association should be more demanding about them. This means that a careful and constant selection process should be determined so that the organization better knows who has in hands (for example their particular skills and if they have marketing background) and in which ways that person would be more useful to ANDC.

### **Partnerships with Companies**

Professional managers, as part of their companies’ social responsibility programs, could have specific functions in ANDC. For example they could give workshops about how to efficiently manage organizations and being a leader or be under a “mentoring program” in which they would be mentors of microentrepreneurs having to accompany their business plans and business life cycle. In this way,

ANDC could start being more visible and microcredit beneficiaries could have the opportunity to receive insights and learn with top managers.

### **Partnerships with Universities**

Partnerships with Universities for Master Students' civic engagement in a specific marketing project, like performing a market research study, creating a professional plan to approach companies for financial/ resources support or even develop an appealing platform to communicate to universities, in which they had to directly collaborate with ANDC during a determined period.

This will imply a win-win situation: for universities because service-learning (a pedagogical tool that combines theory and practical experience) has proven to be a particularly effective way to teach students about doing marketing in nonprofits (Motner, 2010) and as an original form of developing students' soft skills (team work, communication, leadership, etc).

ANDC, in its turn, will receive free valuable support in a field that it does not have too much knowledge. Moreover, if students would enjoy the experience of working together with ANDC, they could possibly be future important volunteers within the organization.

In addition, this type of initiative will also contribute to a better society that, in the long term, would benefit from more socially responsible and well-prepared people increasing chances that, in the future, they could become skilled nonprofit managers.

Many colleges that have marketing research courses are seeking businesses to serve a field survey research cases for term projects.

### **Revitalize ANDC's Brand**

As previously mentioned in RQ2, enhancing a branding strategy can be very important as a strong brand will constitute the basis for Association's entire communication plan. An "optimized brand" is more visible and attractive, easily accepted and remembered, causes more interest due to perceived quality, enables a unique image among different marketing initiatives, is more credible and trustable, generates word-of-mouth, among others. In this way, the marketing department should revise the actual brand and conclude about whether creating a completely new brand or revitalize and modernize the current one. In particular, they should rethink the brand name "ANDC-Associação Nacional de Direito ao Crédito" as it is too long and not very appealing (people may not remember the name and being unable to make associations with the acronym), discuss logo's continuity and introduce a slogan or signature that people could easily remember and positively associate to ANDC. Furthermore, other brands (sub brands) could be created specifically tailored for some target groups for example for the youth.

## **Integrated Marketing Communication**

In order to achieve its communication objectives, ANDC has to understand all the different means it has available, how they work and which of them are more appropriate to attain specific target segments. A communication plan should be elaborated in order to integrate, organize and coordinate the different communication tools (should respond to information such as: To who communicate? When? What? Where? ). Moreover, having a written communications plan document will: facilitate board approval, be a permanent record for the marketing information system and available for reading by everybody in the organization. Some initiatives could be carried out:

### **Advertising**

**TV:** can be very useful because reaches a large number of people. ANDC should try to make partnerships with TV channels to pass small advertisements' videos about ANDC, microcredit and successful microentrepreneurs' stories. As it might have difficulties in these partnerships, it can also increase the number of times it appears in the news and in story reports.

**Newspapers and Magazines:** ANDC should establish partnerships with newspapers and magazines that are most of the times read by ANDC's target. For example: regions' local newspapers, free newspapers and job search magazines.

**Radio:** some interesting interviews can be done in radio stations to either ANDC professionals or microentrepreneurs to share their microcredit experience.

### **Direct Marketing**

**Internet:** it should be taken the maximum advantage as possible from the webpage and the facebook page as they are free communication means increasingly used by all population segments. Therefore, ANDC should look for innovative ways of making use of them. For example, the Association can create contests, forums and a microcredit online community for microentrepreneurs and potential microcredit beneficiaries' interaction and ideas exchange. Moreover, some informational appealing videos can be created as nowadays people increasingly see more online videos. The email and telemarketing should start to be used more frequently as a means to achieve potential donors.

### **Public Relations**

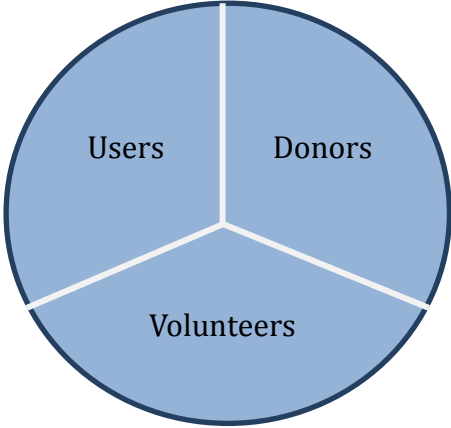
The Association could ask some friendly and credible public figures to join ANDC's cause. They could appear for example in ANDC's videos.

### **Events**

Regular events between "ex-microentrepreneurs", "actual microentrepreneurs" and potential microcredit beneficiaries should be organized for the "new" ones to learn with the "older" ones. Furthermore, major marketing campaigns and events at national level could be promoted by ANDC conjointly with other partners (IEFP, other microcredit institutions, other nonprofits and for-profits) with the objectives for example of promoting microcredit and entrepreneurship among those that do not have access to bank credit.

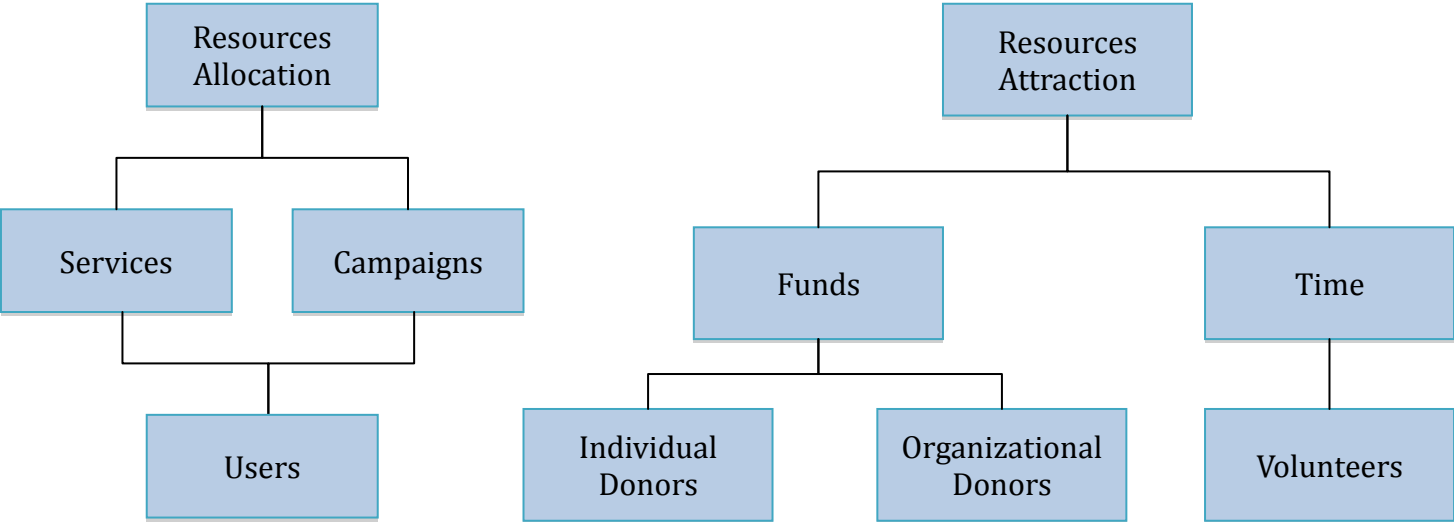
4.4 Figures

Figure 1: Nonprofits' 3 main clients



Source: Franco, 2010

Figure 2: Nonprofits' Resource Allocation and Resource Attraction Functions



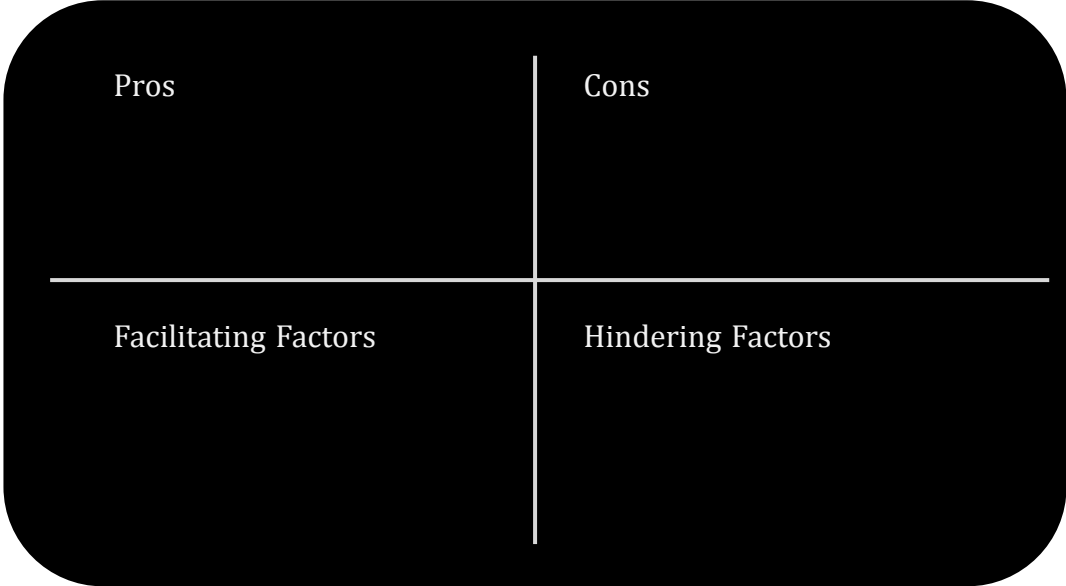
Source: Franco, 2010

**Figure 3: The “Marketing Process” Framework**



Source: Adapted from Franco, 2010.

**Figure 4: Pros, Cons, Facilitating and Hindering Factors**



Source: Author.

**Figure 5: ANDC Stakeholders**



Source: Adapted from Franco, 2010.

## Chapter 5: Conclusion, Limitations and Future Research

### Conclusion

Nonprofit Organizations can have preponderant roles in societies. Most of the times they appear to fulfill market flaws. It is the case of ANDC, the Portuguese Nonprofit Association that, in 1998, was born to give hope to people living with precarious social and economic conditions. The aim of the Association was to promote microcredit in order that this people could start benefiting from small loans to create their own businesses and thus getting a job. In addition to this, the Literature Review chapter has proved microcredit's impact on economic growth and poverty alleviation.

In a time that Portugal is passing through a severe financial and economic crisis, more and more people are losing their jobs, and the unemployment rate is increasingly rising. In this manner, ANDC's role seems to be more important than ever.

However, mainly due to lack of financial resources, ANDC has its entire activity conditioned and results (such as the number of microentrepreneurs) are falling short of expectations. Given this scenario, the purpose of this thesis was to understand, through ANDC's Case Study, the role that marketing could play in this nonprofit association. In other words, thesis' main question was to ascertain marketing's importance as a form to potentiate ANDC's performance.

The Teaching Notes provide important guidelines for Professors' classes as it deconstructs dissertation's main question into 3 Research Questions. For several reasons marketing was considered to be essential for ANDC's progress not only, as an instrument to address specific strategic problems but also, as it provides a broad framework, the "marketing process", that clearly integrates marketing within the organizational functioning and helps to coordinate and prioritize all its activity. Despite not being as exhaustive and concrete as first intended, the study also demonstrates how ANDC should enhance a marketing approach through a number of marketing tools and marketing ideas.

Furthermore, it is believed that the present thesis provides an important contribution to literature as findings concerning marketing in ANDC can be extended to all nonprofit organizations that similarly to it want to potentiate their long term performance.

Finally, and given the very recent announcement from the Portuguese government of the creation of a National Program of Microcredit for 2012, this study becomes even more relevant as a form to understand what has been doing in this field in Portugal, in particular through ANDC's activity.

## **Limitations and Future Research**

The answers to the Research Questions posed by this thesis are dependent on the construction of ANDC's Case Study and the information provided in it. As most part of this data was given by ANDC in the forms of interviews, telephone calls and emails exchange, and given that few of the information was written, aggregated and systematized, the study required considerable efforts of database collection and information aggregation in order to have the necessary inputs to address the dissertation's main topic. Consequently, the current study gives an important contribution for future researchers that may want to study another "problem" regarding ANDC.

Moreover, the study analysis only relied on secondary data. In the future, it would be very enriching to make use of other data sources like surveys, interviews and focus groups (primary data), to evaluate other actors' perspectives, for example, current and potential microentrepreneurs, potential donors and volunteers. In this manner, it would be easier to provide more concrete ideas for immediate marketing's implementation in ANDC.

In addition, in order to ascertain marketing's role in ANDC performance, only qualitative research was done being that it would be very useful to complement it with some kind of quantitative data in order to measure the impact of introducing marketing initiatives in ANDC's long term results (for example on microentrepreneurs, volunteers and donors' retention rates).



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