

# **Exploring challenges in relationship marketing for ethnic minority social enterprises in the United Kingdom**

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## **Introduction**

The role of social entrepreneurship within an economy is now being increasingly recognised (Bridge, 2008) and ethnic communities have ultimately bore ethnic social entrepreneurs in the process. This is because charitable and voluntary sector organisations managed by these individuals is making a difference in society and this difference is recognized just like any other provider of a service and product that can have a positive outcomes in society.

It has been suggested that, ethnic minority businesses, being it social or otherwise, rely exclusively on personal and community social networks, rather than formal channels of finance and assistances, particularly during the start up process (Fadahunsi et al., 2000). Thus entrepreneurs such as Levi Roots of Reggae Reggae Sauce who sought external finance from the “Dragon’s Den” may be more of an exception rather than the norm. Although there are limitations to this approach, these social networks that ethnic entrepreneurs possessed are nevertheless extremely powerful in overcoming some of the discriminations that they perceivably faced (Ram ,1994), especially within ethnic communities of significant sizes such as Indian, Pakistani, and Black African and Black Caribbean, where a number of enclaves have been developed throughout the UK.

Whilst the uses of community and personal networks of ethnic entrepreneurs and social entrepreneurs have been extensively explored in terms of obtaining advices and financial support (Fadahunsi et al., 2000), little attention has been paid on the impact of these networks on marketing development on ethnic social entrepreneurs in the existing literature. As many ethnic social entrepreneurs aim to provide services to their local communities, of which many are also from minority ethnic groups, having good personal and community networks are undoubtedly essential for their marketing development.

The aim of this research is to examine the extent of which intensity of network affects the ability of a social entrepreneur to exercise relationship marketing within the ethnic communities. More precisely, we would like to find out, throughout a long period, whether social initiatives targeting ethnic minority develop close ties with their customers, resulting in continuous purchasing; or whether the strength of such ties diminish overtime as a result of customer dissatisfaction. We would like to compare between social enterprises that provide non-ethnic specific services to ethnic minority customers and ethnic orientated social enterprises where the social network of the social entrepreneur is particularly essential to their business development. We would like to find out whether they adopt different marketing campaign to retain customer loyalty in the long run. In terms of the social enterprises we would like to focus on those that are involved in providing services to the elderly, such as day care centre, where there may be a role for ethnic specific products.

### **The role of social enterprises in the case of providing care to the elderly people**

The term “social entrepreneurship” emerged as a new label for describing the work of community, voluntary and public organizations, as well as private firms working for

social rather than for-profit objectives. It is fundamentally about using a business approach to achieve public benefit through defined social or environmental objectives. Many commercial businesses have social objectives, but social enterprises are distinctive, because their social or environmental purpose is central to what they do.

It has been suggested that social enterprises are the perfect vehicle to provide health care, employment, as well as to build the strength of communities (Taylor, 2002). Social enterprises reflect goals of local communities by providing otherwise unavailable facilities, as well as retaining wealth for the communities that they served. At the same time, as of organisations in the private sector, social enterprises have the enterprising character to carry these initiatives forward in an innovative and dynamic way (Taylor, 2002).

In fact, throughout the UK, there is a long tradition of community involvement in the provision of health and social care. Many communities built and managed their own hospitals before the NHS was established in the late 1940s, and until now, many charities and not-for-profit organisations are providing care services to the elderly in their communities. Statistics shows that the number of people aged over 85 will increase from 1.1 million in 1998 to 3.3 million by 2056, suggesting a rise from 1.9% of the population to 5.2% (ONS, 1999). This suggests an increasing demand for such services in the long run.

Government strategies to diversify the health care market also further increase opportunities for social enterprises to operate in this area. The NHS and Community Care Act 1990 made a series of significant changes on the way that social care was organised and paid for. The act introduced an internal market into the supply of health

care making the public sector an ‘enabler’ rather than ‘supplier’ of these services. Government and policy makers have been recommending a range of services aiming to keep elderly people out of hospital and other public facilities, partly for the purpose of cost-reduction and partly to enable elderly people to live independent in homely environments in the community with care tailored to their individual and specific needs. Whilst it is likely that the vast majority of health care services will still be provided by the public sector, commissioning and procurement of services to the private sector is becoming the norm. Organisations in the private sector are encouraged to come up with more entrepreneurial and cost-effective ways to provide healthcare services that are sensitive to users and communities, with funding available to local authorities to assess the needs of these projects (Taylor, 2002).

With government now encourage older people to stay at home, the home care and day care market in the UK is thriving (Taylor, 2002). Nevertheless, those who are staying at home face substantial barriers, including the requirement of people to assist with ‘odd’ jobs, shopping, cleaning, transport, leisure, and most importantly, to overcome the sense of isolation (Nottinghamshire County Council, 2000). According to Taylor (2002), the situation creates opportunities for three types of entrepreneurs: first, those that already have, or capability to develop, facilities to run businesses or deliver services, including housing associations already running sheltered or extra care facilities as well as those that provide day or home care services for older people. Second, volunteer sector organisations already work with older people in the community. Third, new partnership organisations set up specifically to respond to particular local intermediate care proposals.

Residential home is one of the options. However, this is being seen as a shirking market (Taylor, 2002). Many old people do not want to go to home. This is particularly the case of some ethnic minority groups where sending elderly to home is a taboo. Current policies aim to encourage people to live independently in their own homes for as long as possible, with home being a possible option only for those at the very end of their lives, or for those with dementia or those who are classified as elderly mental infirm. This study will therefore focus on the development of day care and home care facilities as well as other facilities surrounding it.

### **The role of ethnic specific care provision for elderly people**

One area of growth that suffers from specific and proven under-provision is among ethnic communities (Taylor, 2002). Since WW2, large wave of migrants settled in different parts of the UK to take up job opportunities or to avoid prosecution in their home country. Many Asian and West Indian, two of the largest groups of immigrants from outside Europe, were typically emigrated as children or young adults from East Africa, the Caribbean, and the Indian subcontinent, from the early 1960s onwards (Dahya, 1973; Bhachu, 1991; Peach, 1998). Many of these 1<sup>st</sup> generation immigrants are now approaching retirement. Demographic projection suggests a significant growth in the number of ethnic minority in the UK, with the proportion of those over 65 expected to increase from 5% in 1991 to 15% in 2011 (Henwood, 2001). Therefore there is a clear increase in demand for elderly care service amongst ethnic minority groups.

Elderly people from ethnic minority groups often return to their country of origin after retirement, due to lower cost of living as well as cultural adjustment (Barnes and Taylor, 2006). However, as many elderly people became frailer and more dependent,

they prefer to live near their children, who are now based in the UK (Taylor, 2002). Many also expect their children to provide financial and moral supports (Barnes and Taylor, 2006). However, as many of them are not well integrated into the mainstream society (Bhachu, 1991; Peach, 1998), the desire to remain in the community creates opportunities for ethnic specific care services, which can now be found in areas with high concentration of ethnic minorities. Many social enterprises have responded to the opportunities provided by the general development of the independent sector to build specific residential homes and day centres and to establish culturally specific home care provider. In East London, for example, there are a number of culturally and community specific home care providers targeting ethnic minority elderly people, serving Bangladeshi, Somali, Vietnamese, Chinese, Jewish, and Muslim communities (Taylor, 2002). On top of appropriate ordinary daily care, these initiatives also provide ethnic elderly specific health care that is part of culturally appropriate services, including food, access to religious and spiritual facilities as well as communication.

However, providing ethnic specific health care is not easy. There needs to be a community that is sufficiently large to sustain provision. Serving a niche market within an enclave often means operating in small scale, which often resulted in higher cost due to the failure to utilise economies of scale. The failure to match the cost of larger providers does not only affect the sustainability of the programme, but also the willingness of local authorities to fund and support these services. In addition, the current purchasing strategies of many local authorities as well as accreditation burden often disfavour small scale operations.

Nevertheless, the use of social network within a closed knitted community enables some ethnic firms to enjoy a competitive advantage over their ‘indigenous’ counterpart. First, it is easier to mobilise assistances from people within their own community, including financial and business supports (Fadahunsi et al., 2000). Second, ethnic minority social enterprises are more likely to gain cheap or free labour from kin as well as members from within their communities (Ram and Jones, 1998). Third, ethnic social enterprises may gain from in-group networks of trade and information exchange, for example, in the case of purchasing food products from ethnic food suppliers. Finally, ethnic minority social enterprises may gain preferential patronage by co-ethnic customers, resulting in more stable income (Ram and Jones, 1998). Very often people from the same background provide a sense of ‘trust, security, and reliability’, which are often perceived as non-replicable outside the community boundary (Fadahunsi et al., 2000). While the general population of small business owners and social and community entrepreneurs are also known to exploit similar networks (Curran et al., 1995), there appears to be less dependent on these networks than those who came from ethnic minority groups (Ward, 1987). The aim of this research is to explore this final point further. Whilst extensive research has been conducted to establish whether ethnic minority enterprises are more successful in capturing ethnic customers, this study focuses on their ability to retain ethnic customers, thus ensuring their sustainability in the long run. We would like to examine whether the sentimental attachment of the elderly with their particular ethnic group will be strong enough a factor to help customer retention, and whether it would offset other potentially important criteria, including health and safety, when making a long term purchasing decision.

### **Marketing of ethnic social enterprises**

Knowing the buying motivations of customers has been an important part of understanding customer loyalty and brand switching behaviour (Jacoby and Chestnut, 1978; van Trijp et al., 1996). It has been suggested that marketing of social enterprises is similar to marketing of other private enterprises in terms of opportunity recognition, entrepreneurial effort, and organisational culture (Shaw, 2005). In essence, marketing is about changing behaviours. Behavioural change is the engine that drives successful competitive advantage – developing a strong brand, building a relationship with customers and running a profitable company.

While ethnic minority entrepreneurs may be able to muster start-up resources through social and community networks, the ultimate success depends largely on whether they are successful in their targeted niche markets (Ram and Jones, 1998). Pires and Stanton (2003, p.184) argue that “marketing services to ethnic minority groups requires careful consideration of whether mainstream marketing strategies will effectively reach member of minority ethnic groups”. A target market is, at its most basic, the market or market segment at which a firm aims its marketing message (Cahill, 1997). Good targeting increases marketing effectiveness, and understanding market segmentation is a prerequisite of business success (Jones, 1999). In multicultural societies, ethnicity has an important influence within the marketing concept (Burton, 2002). However, this phenomenon has attracted less attention in the UK than in the USA, in terms of either marketing principles or practice; there is consequently a limited amount of literature on this subject.

Evidence suggests that products and services targeted at the general population often fail to reach minority ethnic populations resulting not only in a loss of profitable markets but also in unwitting perpetuation of lack of knowledge about different ethnic

groups (Ethnos, 2004). Curtis (2001) notes that UK businesses seem to be “way off pace” when it comes to targeting minority markets with ethnically-based marketing strategies, research revealing that only a fifth of British businesses are reaching out to minority ethnic groups. Clegg (1996) argues that “many UK companies ignore, or, even worse, patronise ethnic groups and exclude them from their marketing programmes”. Various reasons have been suggested for this lack of attention among organisations in Britain; uncertainty about how to undertake the task (Burton, 2002); lack of ethnic data or specific market research (Seligman, 2001); fear of seeming to be racist, stereotypical, tokenistic and patronising (Fletcher, 2003); lack of understanding of specific cultures, religions and languages (Cosidine, 2003); and general nervousness and fear (Curtis, 2001).

Nevertheless, the reluctance of many mainstream entrepreneurs to venture into ethnic minority businesses suggests that there may be a market niche for ethnic products of which a prospective entrepreneur from within the ethnic community may explore (Cui and Choudhry, 2002), thanks to the advantages of the existing personal and community networks that these ethnic entrepreneurs possessed (Fadahunsi et al., 2000). Instead of relying on traditional marketing techniques and proactive advertising, many ethnic entrepreneurs relied heavily on word of mouth, often counting on a high degree of patronage from their co-ethnic population (Fadahunsi et al., 2000). Such patronage is often not only limited to ethnic specific goods, such as food, magazine, etc, but often extends to non-ethnic specific goods such as dairy product, (Fadhunsi et al., 2000). In many ways the two can sometimes be mixed. In our case of elderly care, there are aspects of the service that can be provided by general health care providers, whilst other aspects, such as ethnic specific food, the ability to communicate in their own language, as well as the sense of community and

belongings, can only be provided by ethnic specific providers. In which case there is a question of whether all aspects of the health care should be provided by an ethnic orientated organisation, or whether they should focus on some aspects that are truly their specialities.

Nevertheless, within some ethnic communities where the co-ethnic solidarity is not as strong, there is a sense that their community often fails to provide products and services of sufficient quality that is merit of being purchased, particular in the more technical areas such as IT, car repairs, or even dry cleanings (Fadahunsi, 2000). Therefore whilst ethnic minority are more likely to purchase from their peers when it comes to non-technical products and services, there is likely to be a higher dependency of the mainstream market when it comes to purchasing more technical products and services. In the case of health care, it is the case of providing both professional and technical assistances as well as ethnic orientated services. Therefore the choice of purchasing is determine by both factors. It is also likely that the perceived importance of these factors may change overtime. For example, in health care, whilst some may initially prefer the ethnic orientated services that some providers provided, they may later on prefer the more professional set up of larger general health care providers, or vice versa. Our paper will focus on relationship marketing, in other word, how to develop a long term business relationship with ethnic clients.

Relationship marketing, first described by Theodore Levitt in 1983, is a form of marketing developed from direct response marketing campaigns conducted in the 1970's and 1980's. It is a long term approach which emphasizes the continuity of a relationship that should exist between an organisation and its customers (Berry, 1983).

In contrast to traditional marketing where acquisition of new customers of targeting groups is the main focus (Peppers and Rogers, 1994), relationship marketing emphasises the importance of customer service and quality and of developing a series of transactions with consumers. In other words, it is about customer satisfaction and retention (Gwinner et al., 1998), customer share development (Verhoef, 2003), and increased profit and recovery should a problem occur (Barnes, 1997; Jensen, 1997; Riley and Chernatony, 1997). Success with any of these strategies will result in high levels of repeat purchase, insulation from price increases and improved responsiveness to marketing communications by customers (Sorce, 2002). In addition, it has been suggested that customer retention is economically more advantageous than constantly seeking new customers (Verhoef, 2003), and consequently, in recent year the concept of relationship marketing has attracted much attention (e.g. Verhoef, 2003; Morgan and Hunt, 1994), and is becoming increasingly important as a business strategy (Verhoef, 2003; Gronroos, 1990).

Since the 1990s, the 'quality movement' placed customer's satisfaction as the ultimate goal of marketing. However, it is also found that the elasticity between brands is high in most industry sectors and for most products, with deflects from one brand to another highly common (Sorce, 2002). Therefore, increasingly firms are looking for ways to create greater commitments by customers. Two ways to achieve this are to build brand equity as well as relationships. Brand equity is more concerned with consumer products, for example, in the 1990s, many supermarkets in the UK began to provide loyalty cards in rewarding their long term customers (Oliver, 1999). It also uses mass media advertising, corporate citizenship and public events sponsorship to build a brand image.

Relationship marketing on the other hand is mostly concerned with building an interdependence relationship between two trading parties, for example, between a firm and its suppliers (B2B). Relationship marketing is beyond simply perceiving one brand as more desirable than the others, but, through repeat purchases, develop not only the liking and intention, but also the active desire to overcome situational influences and marketing efforts that may have the potential to cause switching behaviour (Oliver, 1999). Historical record of previous dealings are assessed and recorded by each party responsible. This is often not only between the two parties involved, but also affect the willingness to purchase of potential future customers, for example, through reviewing the customer rating of the company on the internet. However, relationship marketing can also be applied to situations between business and customers (B2C), particularly in the service sectors where maintaining a good relationship is essential. Arguably the health care sector is more about both building a long term relationship as well as appropriate branding.

Ward and Dragger (2007) suggest a number of factors that affects the strength of customer relationship, including:

- The duration of the relationship process;
- The frequency of consumer contact;
- The demographic characteristics of customers;
- The perceived importance of customer relationship.

As this approach focuses on the lifetime value of the customer rather than the value of a single transaction, relationship marketing focuses on retaining customers by maintaining and strengthening win-win relationships overtime (Gronroos, 1990).

It can be argued, that ethnic entrepreneurs have a ‘head-start’ when it comes to mobilising customers from within their social and community networks (Fadahunsi et al., 2000). However, whether the advantage can be sustained in the long term (i.e. duration) is yet to be explored. The emotive loyalty described by Coyles and Gokey (2002) may eventually erode when the perceived quality of the service does not match up with customer’s expectation. In a sector where close personal contact is required, the quality of the service provision is therefore also a main key to the retention of customers. If such emotive loyalty cannot be sustained in the long run, then it is important for ethnic health care providers to develop deliberate loyalty, where customers maintain loyalty as a result of continuous rational assessments on price and performance in comparison to other providers (Coyle and Gokey, 2002).

However, it is important to note that in the health care sector where the fee payer is often not the beneficiary of the service (but their immediate family members, often their children), the quality of the service perceived by the fee payer is equally important. Since they do not personally experienced the product, feedbacks from the person to be cared for, as well as their perceived professionalism (especially in the case when the elderly cannot communicate, or cannot remember what happen) are important in them making the choice of continuous purchasing. Another question that may require further investigation is whether switching to another health care provider entails high costs, as if this is the case, then inertial loyalty can be developed (Coyle and Gokey, 2002), which suggests that there is minimal role of relationship marketing.

Coyles and Gokey (2002) concluded in their longitudinal survey that the loyalty patterns of customers are influenced by five structural factors within an industry:

- How often purchases are made
- The frequency of other kinds of interactions such as service calls
- The emotional or financial importance of a purchase
- The degree of differentiation among competitors offerings
- Ease of switching.

The study will therefore examine the relationship marketing campaigns of some of the ethnic and non-ethnic specific health care providers to assess their strategies to maintain customer loyalty and retain customers in the long run.

### **Proposed Research Method**

Few types of social enterprises targeting elderly people are identified:

- Those that provide day care centre and related services
- Those that provide outreach activities
- Those that provide food (Meal on wheels)

In this study, we would like to compare between different approaches adopted by ethnic and non-ethnic social enterprises within the health care sector in maintaining their relationships with ethnic minority customers. In addition, we would like to explore how customers perceive their relationship with their service providers change overtime. This includes the cared person, their relatives, as well as those who paid for the services.

At this stage we have not identified the particular ethnic groups to focus on, but based on our currently available language expertises we would like to focus on the following ethnic groups:

- Black African
- Pakistani
- Chinese

Based on previous research, it is expected that different ethnic groups may exhibit different levels of social cohesion, which would lead to different strength of social and community networks (Fadahunsi et al., 2000) and therefore their subsequent relationship with their service providers.

The approach of this study is still in its embryonic stage and we intend to explore the topic further. The topic is subject to debate and we welcome any participants to make a contribution to enable us come up with more refined research questions and methodology.

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