

Public Sector Marketing: Importance and Characteristics

by

Andreea Mihaela Barbu

Bucharest Academy of Economic Studies

E-mail: abarbu@mk.ase.ro

Abstract. Although marketing implementation within public services domain is considerable, and obstacles can often occur, the favorable consequences of the marketing reform in this sector are particularly important. The paper presents also the characteristics of marketing mix, and refers to the three levels of public sector, which requires implementation of marketing, giving rise to the three concepts: macro-marketing specific to central public administration (Government, ministries, agencies), micro-marketing specific to individual public service providers (medical institutions, education units, public transport or public utility providers), and middle-marketing, which aims the marketing implemented in local public administration. In public sector, the prices are set independently of the demand volume or the company's positioning on the market. In addition, public service prices must be acceptable to all categories of customers, since many public enterprises are financed based on taxes paid by citizens to the state and because of the obligation to meet the customers' needs, in terms of fairness and equality. The public services delivery focuses on two issues: the offer typology (mandatory or optional) and the level of consumer interactivity with front-line staff (high or low). The promotion of public services is largely determined by the activity of central government bodies and political environment. The most effective means of communication of public enterprise is the personnel, because the organization's image depends on their skills, courtesy and professionalism.

Key words: marketing, public sector, marketing-mix.

JEL classification: M31

1 Introduction

The emergence of public services and their increasing role in the national economy are real challenges for the science of marketing and also for professionals in the field.

Public organizations' importance can not be challenged because they have strong links with civil society, in order to meet social needs, with the government in order to get its attention, budgets or different contracts, but also with the private sector to supply goods and services or to attract additional funds. To maintain these links, it is important that public institutions to become generally known because of distinct skills, favorable image and services adapted to customer needs. These objectives can be achieved by implementing marketing within public activities.

Differences between public and private sectors, including market monopolies, less personalized relations between customers and public service providers, lack of consumer segmentation and ignorance of their needs, and non-profit organizations with limited resources and

seemingly free benefits have led to the identification of particularities of public service marketing.

2 Literature review – Marketing's importance in public services domain

According to the specialty literature, the opinions regarding the necessity of implementing marketing within public sector are divided into two groups. There are practitioners who seeks to counter the idea of applying marketing in public services through the following arguments: (1) marketing is not necessary; (2) marketing penetrates too much in potential customer's life, and invades his privacy; (3) marketing puts public companies in a bad light, by emphasizing their desire to attract more customers - sometimes associated with despair and incapacity of providing high quality public services; (4) marketing is immoral; (5) marketing is an obstacle to innovation (Sargeant, 1999).

In addition, it is considered that development of marketing in this sector is justified as long as it

provides a set of tools that can be used to help improve the efficiency and responsiveness of the public service (Walsh, 1994).

On the other hand, marketing in the public sector and the public-private partnership can lead to satisfied citizens and employees and to a better perception of the assumed risks (Grigorescu, 2006).

In order to achieve the objectives regarding transparency and accountability, the government departments need a market orientation (Caruana *et al*, 1997), which means that they need to apply the marketing concept successfully (Caruana *et al*, 2003). Market orientation can lead also to an increased performance and there are studies whose results confirm a positive relationship between market orientation and overall performance of public services organizations (Caruana *et al*, 1998; Cervera *et al*, 2001; Kara *et al*, 2004).

Marketing is useful to public sector both in creating a loyal customer base and attracting new ones, and for positioning in a new market. Its benefits can be underlined when it comes about internal clients and partners and also in the pricing policy and the mix of services provided and promoted to existing and new clients (Day *et al*, 1998).

Irrespective of whether a firm markets physical or service products, it seems important that they practice both external marketing and internal marketing in collaboration with other functional areas, in particular, human resources management, if they are to be successful in building long-term and profitable relationships with their customers (Ewing and Caruana, 1999).

However, there are four categories of public activities, depending on the marketing applicability:

- Public enterprises in business sector, where marketing is applicable;
- Organizations that provide free services to users (such as: schools, police, firefighters) for which only the “price” would not be transferred from private marketing;
- Monetary transfer bodies (such as: social security, tax administration, customs), which are less concerned with marketing,

even if the taxpayer can be considered more of a client;

- The intervention and control organizations (prison activities, judicial and regulatory) that would not be interested in marketing, unless we take into consideration the latest missions of social rehabilitation or guidance. (Kotler quoted in Matei, 2006, p. 370)

Moreover, the concept of marketing can be seen as appropriate to the public sector, but in a modified form (Day *et al*, 1998), rather than a pale imitation of a private sector approach within the public service (Walsh, 1994).

Anyway, governments and local administration began to realize the importance of implementing marketing within their activity. Local or governmental agencies develop marketing campaigns in order to attract investors in the privatization process, encouraging energy conservation and environmental protection, combating smoking and heavy drinking, and traffic legislation compliance (Cătană, 2003).

3 Marketing necessity in Romanian public sector

As previously mentioned, some practitioners are against the idea of implementing marketing in the public sector (Sargeant, 1999). But Romania's social and economic reality show many problems in public services domain, leading to awareness of the need to implement marketing in public organizations. The following phrases offer arguments regarding: (1) why marketing is necessary in Romanian public sector; (2) how marketing does not invade customer's privacy; (3) why marketing does not put public companies in a bad light; (4) why marketing is not immoral; (5) why marketing is not an obstacle to innovation.

1). Unlike the communist or post-revolutionary period, when there were only state universities, nowadays, high school graduates have more options in terms of further study. As the reputation of a university is basing on teachers' renown and graduates' success in business, it is necessary to attract more intelligent, serious, or skilled students.

In addition, in the present it is strongly encouraged the youth enrollment in an institution of higher education and therefore there is a struggle because those institutions are not perceived as equal, but some are considered better than others.

The same trend is found within the medical services. Clinics and private hospitals offer patients both the effective curative treatment and hospitalization in decent conditions. Measures that can be adopted by state hospitals are: warmer and more attractive waiting rooms, an improved communication between the medical personnel and the patient, reduced waiting time, or even meeting the patient at the entrance of the health institution.

The solution that can be a benefit for both universities and medical units in the fierce struggle of competition consists in adopting the marketing vision in their activities.

2). In a bid to get more useful information or details about customers, through marketing research, organizations can penetrate too far into people's lives. But, if the public enterprise uses the ethical measures, the marketing is necessary in order to provide customers what they want. Thus, universities can introduce in the curriculum new subjects in concordance with business environment needs, which can improve the students' training. This is leading to a match between young people's specializations and professions required by employers.

Institutions of central and local government can expand their program for public at different moments of the day, depending on the citizens' needs, so as to reduce the heavy flow of customers in particular times and to streamline the activities of first-line personnel.

It is important for hospital management to know what patients want, in addition to curative treatment, when they ask for certain medical services. Customers want to receive high quality services both in case of public hospitals and in private ones. But it is enterprises' obligation to find out what high quality means for each patient or patient group, and then act in order to meet their needs.

3) Marketing leads to a low level of perceived quality. Thus, by implementing marketing in

their structures, the organizations seem desperate to attract customers and this is why they can be perceived as providers of low-quality services (Sargeant, 1999).

But an organization can overcome this prejudice through effective marketing communication, and public enterprises can enhance a favorable image among both current and potential customers, and among other audiences.

4) Over time even circulated the view that marketing manipulates people so that they purchase products or services organizations. It is, however, sales orientation, which is sometimes confused with marketing, by people who have no training in this area.

5) Innovation is not an end in itself, as long as the company is not related to public enterprises' willingness to meet the needs of their customers. Launching a public service can be a large-scale failure, if not prevented in this way the needs of potential customers.

Often, those prejudices are accompanied by other adverse factors that constitute obstacles to the implementation of marketing in public services. Some of these factors are as follows:

- Strong influence of political environment;
- Reduced or no financial resources;
- Incompetence of both executives and operational personnel;
- Lack of appropriate ways of implementing the adopted solutions.

Political factors influence in a large measure the public sector, as all decisions taken at ministries or central administration level have a direct impact on the economy of a state. Closely related to political influence on the public sector is the second factor mentioned above, namely: the lack or insufficiency of financial resources. Mismanagement of these resources leads to invariable motivation and obstacles regarding the application of marketing in the public services domain. Although, in general, citizens pay their taxes to the state, national treasury is often insufficient when solving delicate problems of the country is required.

Another obstacle to implementation of public marketing may be the executives or the operational personnel, if these employees demonstrate incompetence, lack of interest or no marketing vision. Sometimes, there are

accepted the fastest solutions that require minimal effort, thus treating only the effect, not the cause. Inertia leads only to dealing with problems with superficiality and to identifying the responsible for failures.

Even if the most effective solutions are chosen, they remain in the proposal stage, without being implemented. Financial and human resource planning is quite difficult and so effective solutions are often postponed or even abandoned, in favor of punctual measures.

The final argument that stands for marketing implementation within public sector is the consumer, who has become more demanding and whose expectations regarding public services are higher. He is focusing on what he wants to buy and is therefore looking for opportunities and experiences that could make life happier and more satisfying (Voinea and Filip, 2011).

4 Particularities of marketing mix in public services domain

It is important for any community to benefit from better public services delivered by the state bodies or private sector companies, who understood the usefulness of marketing and have incorporated it into their activities, but this is not enough. At the level of public enterprises, the measures that may be adopted only concerns the quality of public service, or the range of auxiliary and supplementary services. But, the launching of new and necessary public services is discussed in the central administration.

Therefore, product policy in public services is drawn from the central government institutions. It defines the concept of public sector macro-marketing.

The next step is made in local government, which means that if product policy begins to be drawn from the highest administrative level, it will be continued to the next level in the hierarchical scheme. There may be adopted decisions specific to middle-marketing, decisions on forms of public service management and on taxes, fees and charges for the rendered services.

The public services marketing mix is completed in the public enterprises, thus creating micro-marketing.

The price of public services has some particularities, depending on the degree of freedom of providers on establishing its value, depending on its mode of forming, as well as the factors of influence (internal and external).

Thus, the price may be imposed in totality or partly by government intervention, or it may be free, according to the supply and demand and their confrontation in the market. An example of partial imposed price can be identified in rail transport. Its value must cover the costs of the company, but it is imperative that the growth index of price does not exceed with more than 5% the inflation index.

Two other criteria underlying the typology of public sector prices are:

- ❖ Payment method - public service charge may be paid directly by the customer when the service is provided or indirectly through taxes directed to the state. For street lighting and services for defense and public order one has to pay indirectly, unlike the cultural services, which are based on direct payment of the price.

- ❖ Time of payment – the payment for the public service can be done in advance, or post-benefit. In Romania, the road tax is paid in advance, while paying the toll in Croatia is carried out on the highway.

Strategic choices of public organizations are:

- Based on price level

- high price strategy

Taking as a starting point the increased costs or the favorable image and the high quality of the supply, high prices can be used also in the public sector. A concrete example is that of in vitro fertilization services offered by Panait Sârbu Hospital in Bucharest. Another situation that can be charged high prices is when they try to discourage the demand or when they are focusing on target public education and civic responsibility-taking. Such a charge is also established for the public development services (i.e. services to reduce and control pollution). For example, when crossing the central London the car drivers have to pay a fee of eight pounds. This measure leads to de-congestion in

the capital, and reduced pollution. High prices used for this purpose may be accompanied by other non-financial measures, such as those adopted by the sanitation companies in Germany, which refuse to collect the citizens' waste if they were not sorted in advance.

- Low price strategy - used to stimulate the consumption of public services.

This is the case of German rail company Die Bahn, which offers groups of up to 5 people the possibility of traveling by train on weekends, on any route within Germany (regardless of the number of kilometers) on a ticket journey with standard and relatively low price (25 Euros).

➤ According to the modality of price forming

- customers-oriented price strategy

Private education institutions in Romania are mainly targeting families with greater financial possibilities, monthly tuition ranging between 200 and 300 Euros. These public service providers orient their prices according to the nature and volume of demand.

- cost-oriented price strategy

Introducing the Intercity trains by the company CFR, involved higher costs due to cars modernized with air conditioning, sound system and bar, which led to higher prices of railway services. In this case it can be said that the prices have been established as cost-oriented ones.

- competition-oriented price strategy
example of cultural institutions,
performing similar charges

➤ according to the services offer

- fixed price strategy, as in public utilities
- different pricing strategy - the example of medical laboratory tests

➤ Depending on target market segments

- differentiated pricing strategy

They are formulated according to purchasing power and demands of potential customers on the one hand and the quality of supply and complexity of providing the service, on the other hand. Differentiated prices can be found in local public transport services in the cities of western European countries (Ireland, Germany), according to the distance of public transportation.

In additional educational services such as accommodation services for students in public institutions units, there is an atypical price differentiation because students whose parents are teachers are exempted from payment.

Also, watching a play or a movie can cost differently depending on the viewer's location in the room, or on time and day of the play/performance.

- undifferentiated pricing strategy

Prices of public street lighting services, civil protection or social assistance for families and children are undifferentiated.

Pricing in public services should be linked to other issues, such as those listed below.

Although public service provider can have a monopoly on the market, it is subject to strict control of state authorities, leading to inflexibility in establishing the prices for its offer. In this situation the price level is set independently of the volume of demand or the organization or its services positioning on the market.

Many public companies are financed basing on taxes paid by citizens to the state. Therefore, prices for these services must be acceptable for all customers. In addition, the public needs must be met in terms of fairness and equality.

Distribution policy in public services focuses on the decisions regarding where, how and how long the offer can be accessed by customers and actually delivered.

Public services can be provided both at the organization's headquarters, such as higher education services, with presence in campus, or cultural services - plays, classical music concerts, movies - and at the customer's place. In France, health services provided for newborn babies are made during regular visits of medical staff in customers' homes. Thus the mothers' non-monetary costs are avoided (their effort to go to the medical center, time spent in traffic, children's discomfort), while giving them the opportunity to release part of responsibilities and worries during visits.

The modality of providing public services has two aspects: offer type (mandatory or optional) and degree of interactivity between the consumer and the front-line staff (high or low). For example, undergraduate education is

required (ten classes), while the university can be followed only by high school graduates who want some training or career. Also, public utilities can be delivered or paused, on customer's request, while civil protection services are provided at all times, regardless of individual requests.

If health services, medical staff interact with patients by identifying disease, prescribing treatment and regular health check, as opposed to public transport services, where the passengers rarely talks with employees (at most when purchasing and validating tickets, or providing information on means of transport route).

Regarding the time interval when a public service can be provided, one can say that it can be higher or lower depending on the standards and procedures underlying the benefit, or on their complexity, or on customers' preferences. Thus, if a cultural service is provided within a few hours, the public utilities can be provided for an indefinite period.

Since on the market there are public institutions, which enjoys a monopoly position or supremacy of the market due to application of lower prices (subsidized), there is not always foreseen the need to use promotional techniques.

Unlike private firms, public providers measure their success not in terms of financial gain, but depending on the extent to which they managed to cover the needs of potential customers. Similarly, the obligation of public institutions to justify any expenditure by easily measurable results is an impediment to the use of certain promotional techniques.

However, the state has initiated several campaigns to promote behaviors, rather than public services. In this category there are commercials aimed at wearing seat belts when traveling by car, convinced Roma parents to send their children to study at school, or attracting European funds for development of national economic areas.

Because public institutions are not targeting only the profitable market segments, but the whole society, their messages are not highly customized, considering the risk that they may

not be correctly decoded, appreciated, understood or learned by the receiver.

Moreover, promotion of public services is largely determined by the activity of central government bodies and political-legislative marketing environment. A new government will propose new projects - development of national infrastructure, improving education, health assessment of all citizens - following the promotion of public providers to be consistent with directions outlined at the central level.

Promotional techniques most commonly used by public services providers - especially schools, the health and public utility organizations - are print advertising, Internet advertising and outdoor advertising. Central government institutions can use even publicity through the media, while universities and medical clinics can be promoted by higher education graduates, former patients, respectively, as former clients.

However, the most effective means of communication of public enterprise - thus exceeding the scope of promotion - is its staff, as their skills, courtesy and professionalism of contribute to organization's image.

5 Conclusions

Although the effort of marketing adoption in public services is considerable, and often obstacles may arise, as the strong influence of the political environment, low or no financial resources, incompetence of management and operational staff, and lack of appropriate ways to implement the solutions, the favorable consequences of the reform through marketing in this sector are particularly important. These include: public service providers that are acting effectively and ethically within their organizations, customers that are receiving respect, courtesy and professionalism from providers, while being satisfied with the required performance and better informed, thanks to greater transparency in the activities, clear, simple and accurate procedures carried out in public service enterprises, and also political neutrality.

Acknowledgement

This work was co-financed from the European Social Fund through Sectorial Operational Program Human Resources Development 2007-2013, project number POSDRU/1.5/S/59184 „Performance and excellence in postdoctoral research in Romanian economics science domain”.

References

- Bean, J., Hussey, L. (1997), *Marketing public sector services*, London, HB Publications;
- Caruana, A., Ramaseshan, B., Ewing, M. (1997), Market Orientation and Organizational Commitment in the Australian Public Sector, *International Journal of Public Sector Management*, 10(4): 294-303;
- Caruana, A., Ramaseshan, B., Ewing, M. (1998), Do universities that are more market orientated perform better?, *International Journal of Public Sector Management*, 11(1): 55-70;
- Caruana, A., Ramaseshan, B. (1999), Market Orientation and Performance in the Public Sector: The Role of Organizational Commitment, *Journal of Global Marketing*, 12(3): 59-79;
- Caruana, A., Pitt, L., Ewing, M. (2003), The Market Orientation - Performance Link: The Role of Service Reliability, *The Service Industries Journal*, 23(4): 25-41;
- Cătană, Gh. (2003), *Marketing: filozofia succesului de piață*, Cluj Napoca, Editura Dacia;
- Cervera, A., Molla, A., Sanchez, M., (2001), Antecedents and consequences of market orientation in public organizations, *European Journal of Marketing*, 35(11/12): 1259-1286;
- Chapman, D., Cowdell, T. (1998), *New Public Sector Marketing*, London, Pitman Publishing;
- Day, J., Reynolds, P., Lancaster, G. (1998), A marketing strategy for public sector organizations compelled to operate in a compulsory competitive tendering environment, *International Journal of Public Sector Management*, 11(7): 583-595;
- Grigorescu, A. (2006), Marketing of Public and Private Affairs – A Link, *Kybernetes*, 35(7/8): 1179-1189;
- Hannagan, T. (1992), *Marketing for the non-profit sector*, New York, Macmillan;
- Hermel, L., Romagni, P. (1990), *Le marketing public – Une introduction au marketing des administrations et des organisations publiques*, Paris, Editura Economica;
- Kara, A., Spillan, J., DeShields, O. Jr. (2004), An Empirical Investigation of the Link Between Market Orientation and Business Performance in Non-Profit Service Providers, *Journal of Marketing. Theory and Practice*, Spring 2004: 59-72;
- Kotler, Ph., Levy, S.J. (1969), Broadening the concept of marketing, *Journal of Marketing*, 33 (January): 10-15;
- Kotler, Ph., Lee, N. (2007), *Marketing in the public sector. A roadmap for improved performance*, United States of America, Wharton School Publishing;
- Matei, L. (2006), *Management public*, Ediția a doua, București, Editura Economică;
- Rainey, H.G. (2003), *Understanding and managing public organizations*, San Francisco, Jossey-Bass;
- Sargeant, A. (1999), *Marketing Management for Nonprofit Organizations*, Oxford, Oxford University Press;
- Scrivens, E. (1991), Is there a role for marketing in the public sector?, *Public Money & Management*, Summer: 17-23;
- Voinea, L., Filip, A. (2011), Analyzing the main changes in new consumer buying behavior during economic crisis, 1(1): 14-19;
- Walsh, K. (1994), Marketing and Public Sector Management, *European Journal of Marketing*, 28(3): 63-71.

Author description

Andreea Mihaela Barbu received her Ph.D. at Bucharest Academy of Economic Studies, Romania in 2009. Currently she is a Lecturer in Marketing at Marketing Department, Faculty of Marketing, within Bucharest Academy of Economic Studies, Romania. Her research and teaching interests are services marketing and marketing communication. She has been involved – as a team member – in various research projects and published over 20 scientific papers.