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Marketing in the Public Sector

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Marketing in the Public Sector

Abstract

{Excerpt} The public sector is the part of economic life, not in private ownership, that deals with the production, delivery, and allocation of basic public goods and services at global, regional, national, or local levels. (Its processes and structures can take the form of direct administration, public corporations, and partial outsourcing. Its activities are funded through government expenditure financed by seigniorage, taxes, and government borrowing, or through grants.)

Marketing in the public sector maybe the final frontier. Agencies operating in the public domain can use a custom blend of the four Ps—product (or service), place, price, and promotion—as well as other marketing techniques to transform their communications with stakeholders, improve their performance, and demonstrate a positive return on the resources they are endowed with.

Keywords

Asian Development Bank, ADB, poverty, economic growth, sustainability, development

Comments

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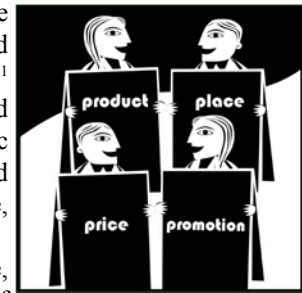
By Olivier Serrat

Marketing in the public sector may be the final frontier. Agencies operating in the public domain can use a custom blend of the four Ps—product (or service), place, price, and promotion—as well as other marketing techniques to transform their communications with stakeholders, improve their performance, and demonstrate a positive return on the resources they are endowed with.

Transforming the Public Sector

The public sector is the part of economic life, not in private ownership, that deals with the production, delivery, and allocation of basic public goods and services at global,¹ regional, national,² or local levels. (Its processes and structures can take the form of direct administration, public corporations, and partial outsourcing. Its activities are funded through government expenditure financed by seigniorage, taxes, and government borrowing, or through grants.)

The public sector is vast. From 1996 to 2006, for example, government spending in the United States made up 35% of gross domestic product. (Over the same period, in numerous large European economies,



¹ There is an international public sector. Multilateral cooperation was a feature of the second half of the 20th century, representing a historical reckoning of the nation-state with the growing array of social, political, economic, and environmental issues that affect us all. The composition of this international public sector is varied and evolves; its institutions range from large organizations that are household names, e.g., the United Nations, to smaller regional organizations comprising a few member countries. Areas of broad-based international cooperative activity include (i) political and administrative cooperation; (ii) international justice and law; (iii) international cooperation for development; (iv) regional cooperation; (v) science, technology, and education; and (vi) human rights and humanitarian affairs.

² At its most common level, namely, that of the country, the composition of the public sector varies. Yet, public institutions typically deliver such critical services as national defense, police protection, public buildings, fire fighting, urban planning, modes of transport, public transit, corrections, taxation, primary education, and various social programs. They might extend goods and services that non-payers cannot be excluded from such as street lighting; that benefit all of society, not just individuals such as parks and recreation areas; or that encourage equal opportunity such as subsidized rent. Sometimes, provision is moved from the public to the private sector. This is known as privatization, which has from the early 1980s taken place on a large scale everywhere in the world. (In other, less common instances, provision may shift from the private to the public sector—health care is but one area where some public institutions now make available, or are experimenting with, goods and services previously furnished by the private sector.) Elsewhere, with differing extents even within countries, areas of overlap exist: this is most often seen in water management, waste management, and security services, among others. To note, the public sector routinely engages the private sector to provide goods and services on its behalf, a practice known as outsourcing.

its range was 45%–55%.)³ What happens in the public sector has major implications for economies:⁴ since the relevance, efficiency, effectiveness, sustainability, and impact of a country’s public sector is vital to national welfare, its organizations and their activities have come under scrutiny.

Many consider public services reform the dominant political narrative of the age. Pioneering ideas of entrepreneurial government,⁵ originating from the United States in the mid-1990s, have been influential, and the public sectors of that country and the United Kingdom,⁶ to name early adopters, have each experienced continuing reforms to their structures, objectives, and approaches. (Canada, New Zealand, and others soon followed.)

Founded on a client-centric philosophy, reforms in government structures, civil service, and public finances have aimed to help public services become more flexible and cater better to individual needs. In particular, this shift toward a delivery-based philosophy has encouraged (i) changes that move the civil service from being a body giving policy advice to one that assures the availability of quality public goods and services; (ii) the discovery of new avenues to finance public sector activities and their servicing; and (iii) greater reliance on the private and not-for-profit sectors, away from a monopoly state provision model to that of a public service economy.⁷

Increasingly, the lines between private sector and public sector models, depicted one-dimensionally in Table 1, are blurring; managers should not regard the private–public context as a dichotomy but rather as a continuum from “pure private” to “pure public.” At one end of the continuum, one might find transactional marketing, rooted in classical economics, and dealing with one transaction at a time. At the other would be relationship marketing, focused on building relationships. At the core of such relationship building would be trust.

Table 1: Private and Public Sector Models

Private Sector Model	Public Sector Model
<ul style="list-style-type: none"> • Individual choice in the market • Demand and price • Closure for private action • The equity of the market • The search for market satisfaction • Customer sovereignty • Competition as the instrument of the market • Exit as the stimulus 	<ul style="list-style-type: none"> • Collective choice in the polity • Need for resources • Openness for public action • The equity of need • The search for justice • Citizenship • Collective action as the instrument of the polity • Voice as the condition

Source: John Stewart and Stewart Ranson. 1988. Management in the Public Domain. *Public Money and Management*. Vol. 8, Nos. 1-2, pp. 13–19.

³ From the 20th century, growth in gross domestic product per head in Western Europe and North America, and later in some Asian countries, was accompanied by a more-than-proportionate growth in government expenditure. Some consider this the most important single influence on the evolving structure of advanced economies.

⁴ Government expenditure affects the structure of employment, the direction of private sector efforts to conform to government policies and supply government needs, and the composition of personal incomes (which increasingly depend on government expenditure).

⁵ See David Osborne and Ted Gaebler. 1992. *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. Addison-Wesley. The authors contended that government bureaucracy in the United States, appropriate to the industrial era and times of economic and military crises during which it was created, is not the best system of governance for the post-industrial information age. From the 1960s, the American public has increasingly desired quality and choice of goods and services and efficiency of production. Arguing that quality and choice are not what bureaucratic systems are designed to provide and that efficiency is not possible in a system of complex rules and drawn-out decision making, David Osborne and Ted Gaebler introduced 10 principles of reinvention to guide the transformation of industrial-era public systems. The principles are (i) catalytic government (steering rather than rowing); (ii) community-owned government (empowering rather than serving); (iii) competitive government (injecting competition into service delivery); (iv) mission-driven government (transforming rule-driven organization); (v) result-oriented government (funding outcomes, not inputs); (vi) customer-driven government (meeting the needs of the customer, not the bureaucracy); (vii) enterprising government (earning rather than spending); (viii) anticipatory government (prevention rather than cure); (ix) decentralized government (from hierarchy to participation and teamwork); and (x) market-oriented government (leveraging change through the market).

⁶ From 1988, the United Kingdom had made an early start with the Next Steps initiative to transforming the functions, organization, and traditions of the executive and its relations with Parliament. The reforms sought to separate service delivery functions from policy functions, and have the public sector provide services through markets or market-like arrangements, managed by people with the resources and authority to provide those services. The difficulties met by the Next Steps agencies were lack of clarity in the relationship between these agencies and their parent departments, uncertainty concerning who is accountable for performance, and complexity in developing and setting performance goals.

⁷ On a par with the reforms, personnel in the public sector are being transformed from administrators and custodians of resources into accountable managers with greater delegated authority. The notion of delegated authority is important: it provides managers greater opportunities to match the provision of goods and services to the needs of clients, audiences, and partners in their area.

Marketing and the Public Sector

Barring admittedly wide differences of opinion among socialist, liberal, and libertarian political philosophies⁸ regarding the public sector's role (and scope), which vary further depending on specific economic circumstances such as recessions, it is generally accepted that the public sector is to make ensuring content and process decisions aimed at collective social improvement from which all human lives should gain. (Key among these are stabilizing functions justified in terms of the failure of markets or the presence of externalities, which require the provision of a regulatory framework that underpins law and order, provides the preconditions for the operations of the market, and promotes equity.)⁹

There is more similarity in the marketing challenge of selling a precious painting by Degas and a frosted mug of root beer than you ever thought possible.

—A. Alfred Taubman

Marketing is the activity, set of institutions, and processes—always interconnected and interdependent—meant to identify, anticipate, create, communicate, deliver, and exchange valuable offerings that satisfy clients, audiences, partners, and society at large. In an era when public sector organizations must perform better to respond better to the public interest, irrespective of whether they govern the character of public provision as opposed to producing goods and services themselves,¹⁰ marketing can help.

However, arrangements for governance or provision cannot be the same for different types of goods and services.¹¹ Hence, marketing in the public sector must be astutely informed by what its organizations do and the way in which they operate, that necessarily being the outcome of political decisions on the purpose and content of the public realm (which are almost always about balancing conflict over values).¹² Therefore, marketing in the public sector can only become relevant when fundamental political decisions have been made on commitment to and responsibility for collective agency.

Marketing in the Public Sector

Once marketing as a language of discourse in the public sector has been agreed to and its distinctive purposes, conditions, and tasks are appreciated (since the public domain has different values), then marketing as an integrated set of ideas can be used.¹³ (This need not mean that the civil service's traditional strengths of equity, accountability, impartiality, and a wide review of the public interest will thereby be forsaken.) Of course, the

Next to doing the right thing, the most important thing is to let people know you are doing the right thing.

—John D. Rockefeller

public sector has long had elements of marketing¹⁴ but they have usually been marginal to the provision of core public goods and services. Detractors have argued that marketing approaches entailed little other than the use of specific tools, not the development and adoption of a marketing orientation.

⁸ In summary, socialists favor a large public sector consisting of state projects and enterprises (while social democrats tend to favor a medium-sized public sector limited to the provision of universal programs and public services); liberals favor a small public sector; and libertarians favor no public sector, with government tasked primarily with safeguarding property rights, drafting and enforcing laws, and resolving disputes.

⁹ In economics, a market failure exists when the production or use of goods and services by the market is not efficient. The externality (or spillover) of an economic transaction is an impact on a party that is not directly involved in the transaction.

¹⁰ The uptake of notions of entrepreneurial government suggests that we may perhaps be moving toward public sector organizations that have extensive powers and responsibilities but, except in times of crisis, produce few public goods and services themselves.

¹¹ Naturally, marketing a service also differs from marketing a product. What is significant about services, as opposed to products, is the relative dominance of intangible attributes in their makeup.

¹² Politics is the activity through which people make, preserve, and amend the general rules under which they live. It is inextricably linked to the existence of diversity and conflict and willingness (or lack thereof) to cooperate and act collectively.

¹³ All the same, differences should not be exaggerated and used as an excuse for inefficiency, ineffectiveness, and waste.

¹⁴ Examples include the promotion of local areas for tourism or economic development.

Still, over the last 20 years, considerable latent potential has opened on a par with the growth of consumerism,¹⁵ the adoption of strategic marketing,¹⁶ and the use of promotional techniques. Marketing must surely now be seen to be an essential part of public sector management. Private sector tools, methods, and approaches have already been adopted in the public sector. (Monitoring and evaluation figures prominently.) But many public sector organizations—especially not-for-profit—are realizing that strategic marketing can help address two challenges: the challenge of meeting mandates and satisfying stakeholder needs in the face of diminishing resources, and the challenge of meeting specified revenue or cost-recovery targets. With the shift of the public sector to more managerial, business-like approaches, the adoption of marketing and related managerial practices can also strengthen accountability in operations.

One of the greatest obstacles to using marketing in the public sector is lack of understanding of the different types of marketing in which it might engage and how each might help build relational capital.¹⁷ According to Judith Madill,¹⁸ four major forms exist:

- **Marketing of Products and Services.** Many public sector organizations offer products and services free of charge or for a fee (either on a cost-recovery or for-profit basis to support core public good programs). Marketing in this context is not so dissimilar to that conducted in the private sector.¹⁹ However, many public sector organizations are much more familiar with promotion than with the other Ps of the marketing mix—such as product (or service), place, and price—because many have developed communications plans outside of a marketing framework. The negative image of marketing in the public domain may well owe to the fact that many managers there equate marketing with advertising.²⁰ The understanding that all four elements of the marketing mix are aspects of a complete marketing strategy can be developed through marketing training.
- **Social Marketing.** According to Philip Kotler and Gerald Zaltman, social marketing is the design, implementation, and control of programs calculated to influence the acceptability of social ideas and involving considerations of product, planning, pricing, communication, distribution, and marketing research. It may involve campaigns to change attitudes and the behavior of target audiences.
- **Policy Marketing.** This type of marketing entails campaigns to convince specific sectors of society to accept policies or new legislation.
- **Demarketing.** “Don’t Use Our Programs” marketing calls for campaigns that are launched by public sector organizations to advise or persuade targeted groups not to use programs that have been available to them in the past.

Well-designed marketing that takes into account the characteristics of the public sector can greatly assist public sector organizations in serving their stakeholders. Failure to take account of the differences in purposes,

¹⁵ Consumerism has both fuelled and been sped by decentralization, rising customer consciousness, improved communications, greater choice, and systems of redress.

¹⁶ If the public sector must now abide more closely by the key market principles of transaction, price, and competition—which rest inter alia on encouraging end-user choice, internal markets, quality-based management systems, market testing, competitive tendering, and contracting out—it is de facto being placed in a similar position as the private sector, against which it may have to compete. Public sector organizations must therefore also become conversant with such notions as market segmentation, market positioning, and the marketing mix. (Even where there is no competition from the private sector, public sector organizations are often part of an internal market and are compelled in any event to compete against one another.)

¹⁷ Notions of relational capital and relationship marketing can do much to offset resistance to the use of marketing in the public sector. First, they offer a conceptually valid framework with which to locate and articulate in public sector organizations a marketing function that emphasizes its strategic rather than operational significance. Second, they give practical insights into how marketing might help meet the challenges of the plural state, including suggestions as to intra- and inter-organizational management and governance aspects of it.

¹⁸ Judith Madill. 1998. Marketing in Government. *Optimum, The Journal of Public Sector Management*. Vol. 28, No. 4, pp. 9–18.

¹⁹ Advertising is a case in point: the same advertising techniques used to promote commercial goods and services can be used to inform, educate, and motivate the public about noncommercial issues, such as HIV/AIDS, political ideology, energy conservation, and deforestation. In its noncommercial guise, advertising in the public interest can be a powerful educational tool capable of reaching and motivating large audiences.

²⁰ Philip Kotler and Nancy Lee agree: “Marketing is much more than advertising; it is about knowing your customers, partners, and competitors; segmenting targeting and positioning; communicating persuasively; innovation and launching new services and programs; developing effective delivery channels; forming partnerships and strategic alliances; performance management and pricing/cost recovery. Marketing turns out to be the best planning platform for a public agency that wants to meet citizens’ needs and deliver real value. In the private sector, marketing’s mantra is customer value and satisfaction. In the public sector, it is citizen value and satisfaction.” See Philip Kotler and Nancy Lee. 2007. *Marketing in the Public Sector: A Roadmap for Improved Performance*. Pearson Education, Inc.

conditions, and tasks that distinguish them from the private sector will likely lead to inappropriate and ill-conceived marketing programs. That noted, the institutionalization of marketing (and associated behaviors) should proceed. Table 2 lists 8 underlying factors or constructs and 43 associated descriptors that can be used to gauge the state of marketing in public sector organizations.

Table 2: State-of-Marketing Methodology

Factor	Descriptor
Culture	<ul style="list-style-type: none"> • Senior executives are familiar with and committed to marketing. • There is shared understanding of marketing and priority client audiences. • Managers and staff are focused on delivering superior value to clients. • Developing new, valued approaches to serving clients is encouraged. • Work groups collaborate to serve clients.
Organization	<ul style="list-style-type: none"> • There is a senior management position with overall responsibility for marketing. • The senior marketing manager works closely with the head of the organization. • There is a marketing function within the organization that extends beyond communications. • Staff in the marketing function work closely with managers in operational or program groups.
Planning	<ul style="list-style-type: none"> • There is a formal marketing planning process at the organizational level. • The marketing plan is aligned with the organization's mission and vision. • The organization has a clearly defined brand strategy and vision. • Measurable marketing objectives are established. • Marketing budgets are established based on identified strategies and tactics. • Marketing plans are revisited based on changes in the environment.
Management	<ul style="list-style-type: none"> • There is a clearly defined process for identifying and developing new products, programs, or services. • The product, program, and service development process is proactive rather than reactive. • High-value ideas are acted on in a timely manner. • The organization actively communicates the value of products, programs, and services to target audiences. • There is a close working relationship with partners involved in delivery of products, programs, and services to end-client audiences. • Fees are based on an understanding of usage and uptake, rather than just cost-recovery. • The client experience is coordinated to ensure consistency across service delivery channels.
Knowledge and Skills	<ul style="list-style-type: none"> • Staff in the marketing group tend to have training and experience in marketing management. • Marketing managers and staff are encouraged to upgrade their skills. • People in product, program, and service management positions have received training in marketing management. • Staff members are encouraged to acquire resources they need to conduct marketing activities. • The organization readily adopts new marketing techniques and technologies. • The organization has no difficulty attracting qualified marketing staff.
Marketing Information and Measurement	<ul style="list-style-type: none"> • Marketing research is used to assess the extent to which the organization delivers superior value to clients. • Research is used to evaluate elements of the marketing mix. • Insights from multiple sources are integrated to create a full view of client audiences. • Information systems make it easy to access, analyze, and share client market insights. • A process is in place to measure marketing performance against stated objectives. • Measurement results are actively used to identify areas for improvement. • Managers and staff are rewarded for achieving marketing objectives and improving the value delivered to clients.
Resources	<ul style="list-style-type: none"> • Marketing budgets are sufficient from year to year to implement identified strategies and tactics. • The number of staff working in marketing is sufficient given the size and needs of the organization.
Outputs and Results	<ul style="list-style-type: none"> • New clients have been attracted to use the organization's products, programs, and services. • Client satisfaction is maintained at a high level. • Revenues from fee-based products, programs, and services have grown. • The organization has grown in prominence among funding stakeholders. • There has been a measurable impact on attitudes and behaviors of audiences targeted. • Products, programs, and services are unique and more highly valued than alternatives.

Source: Adapted from James Mintz, Doug Church, and Bernie Colterman. 2006. The Case for Marketing in the Public Sector. *Optimum, The Journal of Public Sector Management*. Vol. 36, No. 4, pp. 1–18.

A Road Map for Improved Marketing Performance

Usefully, in the book cited earlier, Philip Kotler and Nancy Lee identified eight ways to apply marketing tools to the public domain. Each tackles an accepted private marketing tenet and shows how to apply it as part of an agency's marketing effort.²¹ The tenets are

- developing and enhancing popular products, programs, and services;
- setting motivating prices, incentives, and disincentives;
- optimizing distribution channels;
- creating and maintaining a desired brand identity;
- communicating effectively with key publics;
- improving client service and satisfaction;
- influencing positive public behaviors through social marketing; and
- forming strategic partnerships.

Further Reading

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For further information

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²¹ The book ends with vital information on how to manage the marketing process by gathering data, input, and feedback; monitoring and evaluating performance; and developing a compelling marketing plan.

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ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

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