

Marketing Public Sector Services

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Hussey

Second
Edition

essential skills
for the public sector

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Public Sector Services

Second Edition

Essential Skills for
the Public Sector

HB PUBLICATIONS

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HB PUBLICATIONS
(Incorporated as Givegood Limited)

Published by

HB Publications
London, England

First Published 1997 © HB Publications
Second Edition 2011 © HB Publications

British Library Cataloguing in Publication Data

ISBN 978-1- 899448-77-7

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Chapter 1

Introduction

Marketing is a discipline that is relevant to every type of organisation in both the private and public sectors. Marketing techniques are useful for all managers in developing products and services that meet the needs of their customers, and can assist in creating relevant, value for money public services.

The public sector is a market place in its own right, but the traditional market forces of supply and demand do not always apply. This is because the purchaser of many of these services is not always the end user/beneficiary, unlike the traditional customer supplier relationship which underpins most marketing activities. Hence, marketing public sector services can be more complex and often requires a slightly different approach to that used in the private sector.

There are many marketing books, however, few concentrate on the issues affecting the application of marketing techniques to the public sector. Marketing has become increasingly important where many governments face budget restrictions and there is increased emphasis on demanding value for money. In addition, many public services are now subject to competition from private companies and the non-profit/third sector.

Increasing emphasis has also been placed on user/customer involvement in the development of the service provision.

Many organisations operating in the public sector have to increasingly maximise value for money, by providing the highest quality services within budget limits, which may be decreasing in real terms. Effective marketing can assist in the achievement of this goal by ensuring that products and services are correctly developed to meet the needs of customers and users.

The following chapters explain some of the basic marketing techniques, such as the marketing mix; developing a marketing plan; market research; and so on, emphasising their practical application in the public sector. The text is designed in a manner which allows the reader to easily adapt the ideas presented and apply them to their own work environment.

This book is one of a series of “Essential Skills for the Public Sector” titles. The series aims to assist public sector managers become more efficient and effective in carrying out their important management responsibilities. We consider this book to be an important part of the tool kit for public sector management development.

Chapter 2

What is marketing?

Most marketing activities are based on having a clear understanding of what the organisation produces in terms of goods and services and for whom. Marketing therefore focuses on establishing a match between the product/service and the customer.

Marketing should involve the whole organisation, and a truly marketing orientated organisation should identify what the customer wants before it develops the product or service it will provide, rather than persuading customers to take what is currently on offer. This approach is referred to as the **customer-led** approach. In contrast, many public sector organisations are often seen as **product/service-led** due to historic structures, political or legal restrictions, and limitations in flexibility. The two approaches are further explained as follows:

Service-Led Approach



An organisation adopting this approach concentrates more on the production process rather than on the customer. A great deal of emphasis is placed on the way in which services are delivered, rather than the needs of the end user. This approach usually develops because the organisation has an idea of what the customer wants, or considers that it knows what the customer needs from a professional perspective. The organisation then focuses on the effectiveness and efficiency of service delivery whilst the customer has to adapt to the service on offer. There are many public sector examples of this approach, such as some areas of public health and education services.

It is quite common for the “sales” aspect of this marketing approach to be missed in the provision of public services. This is because the relationship between customer/end-user does not always involve a direct exchange of money (or money equivalent). Many public services involve an indirect exchange as they are financed by way of direct, indirect, or local taxation. This is particularly true of services such as the police, fire, some health organisations and local/regional authorities.

Customer-Led Approach



With this approach emphasis is placed on what the customer or end user wants or needs. The product or service is then

developed to meet those needs. This does not mean that the organisation has to provide an endlessly changing service to meet every desire of every customer. However, it does mean that customer's views are taken into account in the development of, and any major changes to the service.

For example, if a housing organisation were to establish a new housing management office, adopting the customer-led approach, it would first need to consult with the potential users as to location, opening hours, range of services, etc.

In some cases, the public sector is constrained in terms of the services provided and hence may be unable to implement this approach even if this is desired. Constraints may include:

- ❖ *Legislative restrictions*
- ❖ *Political philosophies*
- ❖ *Lack of physical resources*
- ❖ *Lack of financial resources*

In a market economy where customers are purchasers, they have more influence over the service because they can decide to pay more money for a more satisfying service. However, where services are funded indirectly, it is often not the customer or user who decides how much should be paid for a service. The organisation making this decision may be an appointed or elected representative whose role it is to decide what services will satisfy the needs of the majority of customers/users.

Ideally organisations should aim to be customer-led and should therefore involve customers in the development of services. The following marketing definitions take up this theme of customer involvement.

Marketing Definitions

Set out below are two definitions of marketing:

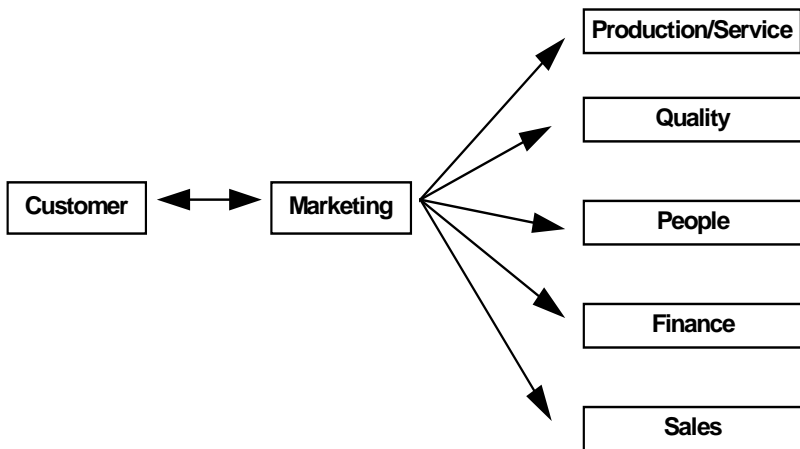
“Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably”

(Chartered Institute of Marketing)

“The action or business of promoting and selling products, including market research and advertising”

(The Oxford Dictionary)

This book will concentrate on the first definition of marketing which refers to marketing as a management process and hence as impacting on all areas of the organisation, as shown in the following diagram:



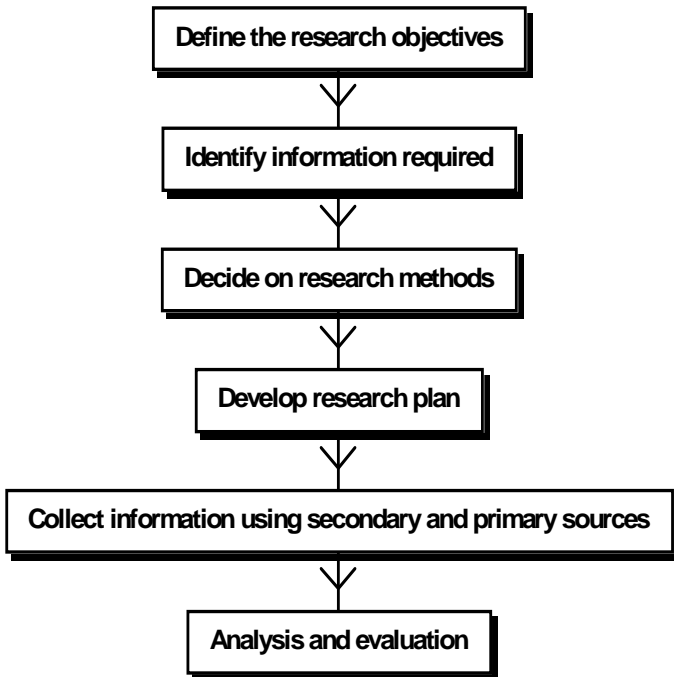
The above diagram shows marketing as being central to the relationship between the organisation and the customer through interaction which involves a two way flow of information. The marketing definition is further explained in the following paragraphs.

Identifying Customer Needs

The most practical way to identify customer needs is to undertake research. Whilst some organisations are unable to fully satisfy customer needs due to constraints such as finance, identifying these needs may still be productive. Finding out what customers require enables an organisation to establish

how they should develop in the future, even if resources are constrained and needs cannot be fully met immediately.

Undertaking research into customer requirements follows the same stages required for any kind of market research. These steps are given as follows:



When the research objectives have been defined, the research methods will be determined by the nature of the information required. Research methods tend to fall into two categories:

- a) Primary research
- b) Secondary research

Primary Research

Primary research involves the collection of new data, often directly from customers, or intermediaries whereby the researcher tries to learn what customers think about a topic, or how they behave under certain conditions. Primary research is often undertaken where the level of detail achievable from existing secondary research is limited.

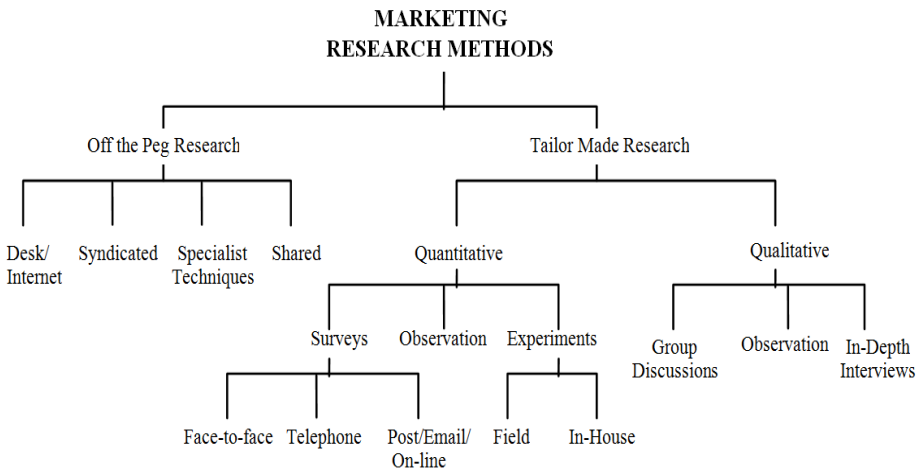
Secondary Research

Secondary research, also known as desk research, relates to information that already exists and is available in one form or another. This data may be internal to the organisation emanating from management reports and operating statements. It is desirable to collect data on a regular basis and where possible a database should be established to assist in this process.

An additional source of secondary research is external to the organisation. A great deal of this information may be available through government agencies providing statistics and data on areas such as population growth, disposable incomes, economic performance across business sector, and so on. Other published sources are readily available such as research reports, books, journals, newspapers, and on-line from numerous websites. There are also many private sector marketing organisations which specialise in collecting data on specific industries, products and services.

Many organisations will operate a combination of the two methods.

Shown below is a summary of marketing research methods:



The public sector is increasingly making greater use of tailor made research, however, in order to decide on which research methods to undertake, the following factors should be considered:

- a) *Purpose of the research (arising from the objectives), and how the findings are to be used*

- b) Nature of the target audience (how will they respond to questionnaires, different types of media, etc.)*
- c) The importance of the sample size (a small sample can be used in focus groups, but may not be representative)*
- d) Type of information required (quantitative, qualitative, or both)*
- e) Timescale to undertake the research*
- f) Resources available to undertake the work (finance, staff time, technology, etc.)*

Having identified the best method for achieving the research objectives, a research plan can be developed. The research plan will set out the stages and timescales for the work, how it is to be undertaken and the nature of the feedback. This information once gathered can then be analysed, evaluated and used in decision making.

Anticipating Customer Needs

This is one of the most difficult aspects of the marketing process. The anticipation of what customers will require in the future is usually the key to the organisation's long term success. It is clear from many private sector examples, that lack of anticipation can see the demise or reduction of many once strong industry and service sectors.

Exercise 5

Promotion

Undertake the following steps in order to develop your promotional plan

Who do we want to promote to? AUDIENCE	What do we want to say to them? MESSAGE	What is the most effective channel of communication? MEDIA

Who do we want to promote to? AUDIENCE	What do we want to say to them? MESSAGE	What is the most effective channel of communication? MEDIA

Exercise 6

Developing a Price

If you had to sell your services in a competitive market place, what key factors would you need to take into account in order to develop the price?

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