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The Case for Marketing in the Public Sector

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Introduction:

Marketing has been a fundamental practice in business for many years and has its roots there. While marketing remains a major management function in business, a new study by the Centre of Excellence for Public Sector Marketing and Phase 5 on the State of Marketing in the Public and Non-Profit Sectors demonstrates that government organizations are only beginning to recognize the contribution that strategic marketing management can make to the performance of their organizations, programs and services.

In an era when governments need to be more responsive and accountable to the needs of the public, marketing can help governments accomplish this goal. With governments, crown corporations/agencies and other public institutions spending significant dollars delivering programs and services, there is a need for increased efficiency, accountability and transparency in the processes used to deliver these initiatives. Many government organizations are adopting marketing approaches to help meet two major challenges: the challenge of meeting mandates and satisfying client needs in the face of significantly diminishing

resources; and the challenge of meeting specified revenue or cost-recovery targets. As well, with the shift of the public sector to more of a managerial, business-like approach, the adoption of marketing and related managerial practices can serve as a key component in strengthening accountability in government operations.

In light of the benefits, marketing is still a relatively new field in government and is not generally centralized in any specific functional area. Marketing staff can be found most often in program and communications branches throughout government organizations.

Adrian Sargeant, Professor of Nonprofit Marketing at Bristol Business School, states “managers in government over the past few decades have been transformed from administrators and custodians of resources to accountable managers with greater delegated authority. This notion of accountability is significant since public service managers are increasingly being held accountable to the public. The notion of delegated authority is important because it provides managers increasing opportunities to match service provision with the needs of ‘customers’ in their area. This new-found freedom and flexibility has required public sector managers to learn and practice a range of new marketing skills”.¹ For example, the Government of Canada’s Federal Accountability Act and Action Plan, is bringing forward specific measures to help strengthen accountability as well as increase transparency and oversight in government operations.

Organizations in the public sector have long debated the applicability of marketing concepts and management approaches, many of which stem from private sector notions of consumption and economic choice, as well as an environment in which market forces rule. However, in recent years there has been growing recognition that marketing can be used to enrich public sector management and better serve citizens and stakeholders. Concepts such as social marketing and services marketing have emerged in the context of challenges faced by government. Rather than equating the word “marketing” with the sale

¹ Adrian Sargeant, *Marketing Management for Nonprofit Organizations*, (Oxford: Oxford University Press, 2005)

of goods for profit, marketing concepts are now being applied to help encourage program adoption, improve services and change attitudes and behaviours in support of “public good” mandates.

Philip Kotler and Nancy Lee point out in their new book, *Marketing in the Public Sector... A Roadmap for Improved Performance*, that government operations are carried out at great cost to citizens and expect performance from public agencies to be comparable with the efficiency of the private sector. “The public sector needs to improve its performance to raise the public’s confidence and satisfaction and thereby their support” . One answer to improving performance is adopting private sector tools. Some public sector administrators question the use of marketing, claiming that government operations are inherently different from business operations.² These differences according to Kotler and Lee “are often exaggerated and should not be used as an excuse for inefficiency, ineffectiveness or waste.”³

The authors feel that one of the reasons for the negative image of marketing in government is that many managers in this sector equate marketing with advertising. “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; 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. Government can deliver more quality, speed, efficiency, convenience and fairness to its citizens by using the marketing approach.”⁴

² Philip Kotler, *Marketing in the Public Sector: A Road Map to improved performance*, (Philadelphia: Wharton School Publishing, 2007)

³ Ibid

⁴ Ibid

In the book, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*,⁵ David Osborne and Ted Gaebler state that governments are increasingly caught between declining revenues and rising demands for service, and call on government to become more catalytic, mission and customer-driven, anticipatory, and market-oriented.

The view that it is inappropriate to run government like a business competes with the view that government needs to be more responsive to the needs of the public, and therefore use marketing as the private sector does to accomplish this goal. Managers that use marketing, strongly support government achieving a balance. They argue that government is definitely not a business, but is an institution charged primarily with serving the public interest and that, in many cases, it can do this more effectively by employing a marketing approach.

While the traditional objective of business marketers is to increase sales and profitability levels in competitive markets, this is seldom paramount in the public sector, where multiple goals and objectives are more common. A government organization may evaluate its marketing success against a goal hierarchy that could include meeting the mandate, influencing attitudes and behaviours of their citizens, generating revenue, encouraging healthier lifestyles and/or behaviours, and the list goes on.

Judith Madill, in her article, Marketing in Government⁶, states that some government organizations are turning to the following specific applications of marketing to better meet their objectives:

- Marketing of products and services. Many government organizations offer products and services for a fee (either on a cost-recovery or for-profit basis to support core public good programs). In this context, marketing is not dissimilar to marketing of products and services that occurs in the private sector.

⁵ David Osborne, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, (Plume; Reprint edition, 1993)

⁶ Judith J. Madill, "Marketing in Government", (Optimum Online: Vol. 28, Issue 4, Page 9, 1998)

- Social marketing. This entails campaigns to change attitudes and behaviour of a target audience or audiences (e.g. anti-smoking, energy conservation, emergency planning, healthy living, etc.)
- Policy marketing. This type of marketing includes campaigns to convince specific sectors of society to accept policies, or new legislation (e.g. anti-tobacco legislation, gun control, funding for the arts, etc.)
- Demarketing or “don’t use our programs” marketing. Campaigns launched by governments to advise and/or persuade targeted groups not to use government programs that have been available to them in the past. In recent years, demarketing campaigns have been developed in tandem with downsizing efforts.

The practice of sound marketing management clearly offers important benefits in terms of responding to the heightened expectations of citizens and stakeholders, engaging target audiences in the development of programs and services that affect them, shifting the focus of campaigns from awareness to behaviour change, better targeting resources, and improving program/service outcomes. The question remains: to what extent have government organizations incorporated strategic marketing practices into their organizational environment?

The State of Marketing in the Public and Not-Profit Sectors in Canada:

Recognizing the growing importance of marketing in the public and non-profit sectors, the Centre of Excellence for Public Sector Marketing and Phase 5 conducted a landmark study in May, 2006 to assess the health of marketing in the public and non-profit sectors in Canada. The study *“Setting the Baseline: the State of Marketing in the Public and Not-Profit Sectors in Canada”* is based on a survey of close to 600 professionals in marketing-related positions in government and non-profit organizations across Canada. It represents a benchmark against which organizations can gauge marketing management capabilities in the future.

This survey was the first known attempt to capture on a national scale, the current “marketing health” of the public and non-profit sectors. The report presents detailed findings on the state of marketing in these sectors across Canada. The report also provides benchmark results in the following aspects of marketing management:

- Accountability and how the marketing function is organized;
- Marketing culture;
- Knowledge and skills related to marketing;
- Planning processes and practices;
- Practices in managing and marketing programs;
- Use of marketing information and systems; and
- Outputs and results of marketing programs.

The report assesses the overall health of marketing based on industry best practices, and provides comparative analysis based on the following factors:

- Type of organization - public, non-profit, government agencies and corporations.
- Level of government;
- Role and nature of services provided; and
- Size of organization.

Survey Methodology:

To assess the state-of-marketing, survey respondents were asked to indicate the extent of their agreement with seventy-two statements about different aspects of their organization and their approach to marketing management. These statements were designed to identify the presence or absence of best marketing practices in government and non-profit organizations (based on a comprehensive review of academic studies). The online survey included definitions to ensure common understanding of key concepts and terminology.

Data analysis of responses to the seventy-two statements revealed that there are eight underlying constructs or factors that can be used to gauge the state of marketing in public and non-profit organizations. These factors and examples of associated descriptors are shown in the following table.

| Factor | Descriptors |
|---------------------|---|
| 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/the organization tends to view clients through a single lens |
| 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 (i.e. DM, CEO, Executive Director) 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 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 |

| Factor | Descriptors |
|--|---|
| 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 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 & 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 service and program 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 & 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 |

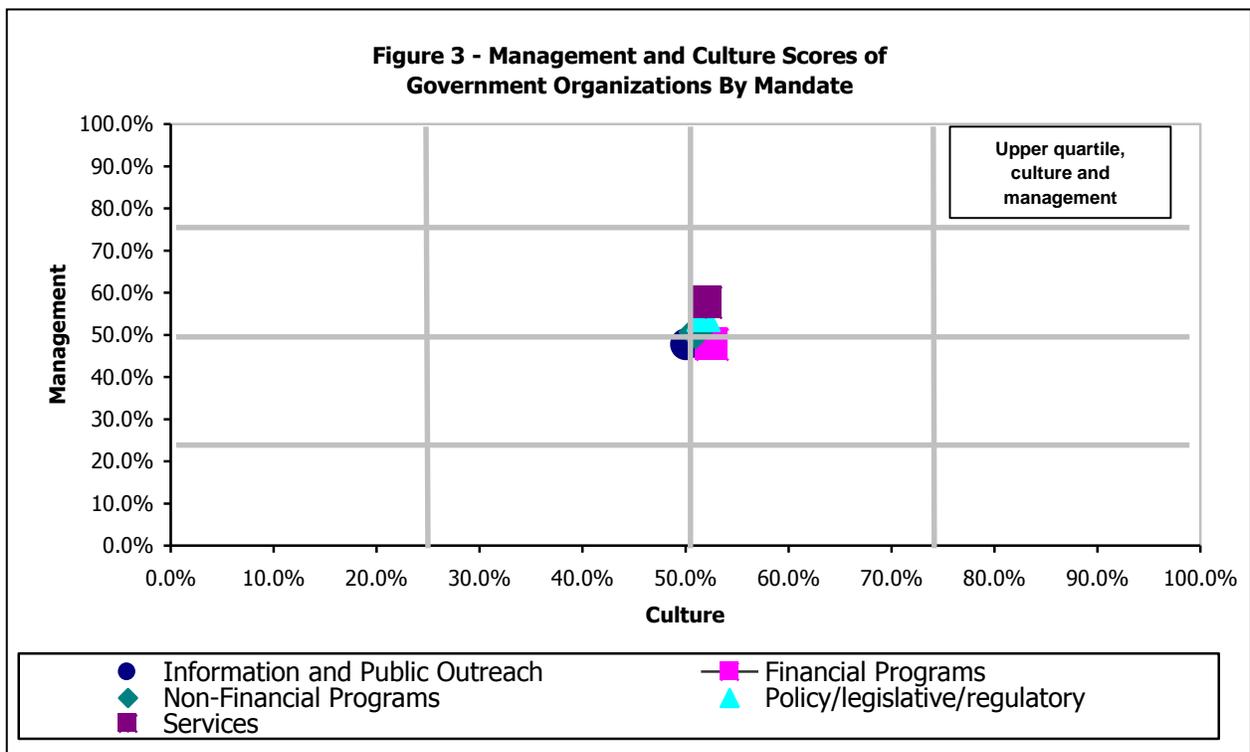
| Factor | Descriptors |
|------------------------------|--|
| | <p>audiences</p> <ul style="list-style-type: none"> ✓ Information systems make it easy to access, analyze and share client market insights ✓ A process is in place to measure marketing performance against stated objectives ✓ Measurement 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 |
| Results & Outputs | <ul style="list-style-type: none"> ✓ New clients have been attracted to use the organization's 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 behaviours of audiences targeted ✓ Products, programs and services are unique and more highly valued than alternatives |

Overall Findings:

The survey results show that strategic marketing management and best practices have not been adopted in any significant way by both government and non-profit organizations across Canada. Managers indicated, on balance, that their organizations have adopted very few of the best practices of leading marketing organizations.

This trait also appears to be wide-spread and cultural in nature, with little evidence that there are significant pockets of marketing excellence in the public sector. To test this, we conducted further analysis to determine whether certain types of government organizations are naturally more inclined to be marketing-oriented given the nature of their mandate. For example, an organization that delivers services to citizens might have more impetus to be marketing-oriented than one that performs a regulatory role.

Surprisingly, the analysis shows that scores are tightly grouped and do not vary significantly depending on the role and types of services provided (i.e. whether mandatory or optional).



The survey revealed several key factors that contribute to the absence of marketing best practices in government organizations.

Firstly, respondents indicated that their organization lacks the culture and corporate support to advance the practice of marketing. They lack a common understanding of strategic marketing principles, from the senior executive level down. This is evidenced in both the culture and the behaviour.

Government organizations are less likely to recognize strategic marketing as a function that is distinct from communications. As one respondent stated, “Historically, marketing and communications were considered synonymous. Only recently have we started to recognize the difference”.

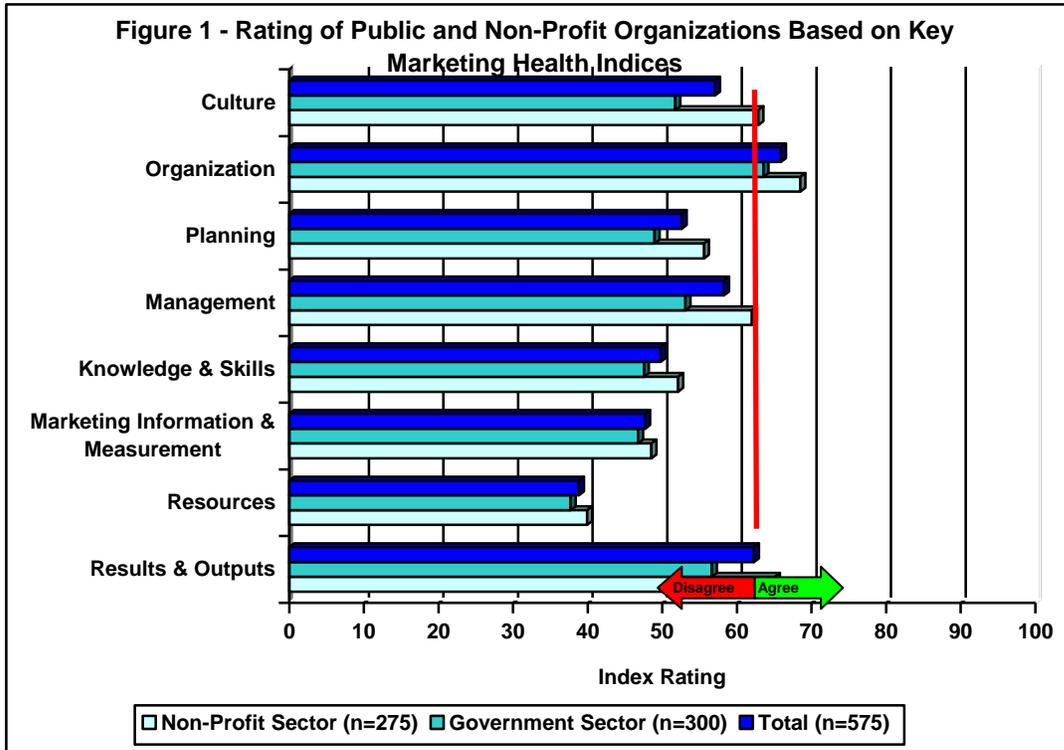
They went on to explain that their organizations are more focused on tactics and implementation than on strategic marketing and planning. Specifically, they do not have a proactive, systematic approach to identifying high value, client-centred ideas and turning these ideas into new products, programs and services, nor do they tend to measure to improve results and ensure accountability of marketing expenditures.

Marketing within government organizations tends to be managed in silos (based on program or operational units), rather than at the corporate level.

Moreover, they do not support the marketing function both in terms of funding and culture; and have difficulty attracting, training and retaining staff with marketing skills given the culture and lack of organizational support.

Although non-profits tend to score higher on all indices (see Figure 1), the study paints a bleak picture of the overall marketing health of these two sectors. Government organizations, in particular, seem to lack

the culture, strategic planning environment, management systems, knowledge and skill set, marketing information and performance measurement regime that are indicative of market-centred organizations.



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Implications and Directions:

1. There is a strong need to educate senior managers in government about the value and applicability of strategic marketing management principles. This requires recognition across all levels of government of the value of strategic marketing management, both in terms of the potential impact on the effectiveness and efficiency of programs, services and outreach campaigns, as well as the benefit to citizens.

2. Government organizations are much more familiar with the promotion and communications aspects of the strategic marketing framework, than with elements such as segmentation and strategic market selection, branding and positioning, product/service management, channel management, and pricing. Within government, there is wide recognition of the role and value of the communications function and many organizations have developed communications plans outside of a marketing framework. There is an opportunity to broaden this function to include a strategic marketing mandate thereby re-positioning it as an expanded role. For example, the Communications Community Office (CCO) of the Government of Canada has a mission to promote professionalism and excellence in the federal public service. The communications committee prepared a position paper, *Communications 2010*⁷, to steer the communications function in the next five years and set out a vision to better inform and engage Canadians. Marketing can be used to achieve the vision of better informing and engaging citizens by viewing communications within a broader strategic marketing framework. It can help to drive results in program uptake, program impact and behavioural change. And it can save money by helping executives and program/service managers make informed investment and resource trade-off decisions.

3. As a result of the continuing debate of the appropriateness of public sector marketing, it comes as little surprise that marketing does not occupy the same sort of institutionalized position as it does in business.

⁷ *Communications Community Office Annual Review*, (Ottawa: Government of Canada, 2005)

For example, there are relatively few positions with the word marketing in the job title in government. Moreover, our research revealed no clear marketing function or classification/ job category as part of the way many government groups are organized. In the private sector, marketing is a clear career path with positions ranging from entry level to senior vice-presidential levels. In the public sector, individuals are not typically hired because they have strong marketing skills, and there is no established marketing career path. Therefore, Governments at all levels need to look at both classification and standards for hiring marketing people. As Judith Madill points out in her article, "in order for marketing to be successful in the government environment, it is necessary to assign responsibility for the marketing initiative to a senior manager with influence in the organizations decision making environment. Without this high-level leadership, it is unlikely that marketing programs will be successful in the long term. This senior-level leadership already exists in the private sector, where a firm's marketing strategy is commonly the responsibility of a marketing vice-president."⁸

Our research clearly indicates that most people who are performing marketing functions do not have formal training in marketing. While marketing professionals noted that there is encouragement to attend courses, seminars and conferences to develop marketing expertise, they indicated that the organizational culture does not tend to support training in marketing principles and management. Whether due to culture or perceptions of opportunity within these organizations, evidence also suggests that they have difficulty attracting and retaining qualified marketing staff. As evidence of the potential impact of culture on the recognition and development of qualified marketing professionals, one respondent stated that "Marketing is not respected by colleagues. Economists have much more 'cachet'."⁹

Most people performing marketing functions in government do not have formal training in marketing. This suggests a clear need for marketing training in government, such as the training tools and resources offered by The Centre of Excellence for Public Sector Marketing and the "Professional Certificate in

⁸ Judith J. Madill, "Marketing in Government", (Optimum Online: Vol. 28, Issue 4, Page 9, 1998)

⁹ Phase5/CEPSM, "Setting the Baseline: State of Marketing in the Public and non-profit Sectors", (Survey, 2006)

Public Sector and Non-Profit Marketing” run by Carleton University’s Sprott School of Business as well as keeping up to date on public sector marketing issues by attending the annual MARCOM conference in Ottawa.

4. Governments fail to consider client needs when developing service and product approaches. One manager captured this tendency in the following comment:” I would like to see a coordinated effort between what we call project leaders and marketing communications. Instead of marketing products or services based on internal political thrusts, look at what people actually need, build it, market it, and continually serve these clients to meet their needs”.¹⁰ Governments need to examine the process by which they develop and manage products, programs and services. Marketing management systems and practices must be adopted from the planning level on down. Furthermore, measurement systems must be put in place to track success against marketing objectives and make necessary adjustments to improve performance.

In our view, public sector organizations need to examine the process by which they develop and manage client-centred products, programs and services. Marketing management systems and practices must be adopted from the planning level on down. Furthermore, measurement systems must be put in place to track success against marketing objectives and make necessary adjustments to improve performance.

5. Many in government identify marketing with cost recovery or revenue generation. It should be noted that there is nothing inherent in the philosophy, tools or techniques to force the role of marketing into either of these camps. It is true that marketing can assist in generating revenue within government, but it can also be a useful paradigm for improving relationships with clients and the publics with whom government departments deal. The marketing approach does not necessarily assume a revenue generation or profit motive.

¹⁰ Phase5/CEPSM, “Setting the Baseline: State of Marketing in the Public and non-profit Sectors”, (Survey, 2006)

It also has other uses. In fact, a marketing approach may be more valuable for other goals of government, such as improving relationships with groups and individuals with whom the organization interacts, and serving clients better.

Marketing as a discipline can be beneficial to government for the following four reasons:

- Existing and potential clients are guaranteed to play a major role in developing and implementing a program/product/service;
- All program elements are focused on behaviour change instead of settling for changes short of that goal such as awareness;
- Initiatives tailored to specific segments of the market ensure efficient use of limited resources; and
- The application of 4 Ps will always ensure that the campaign will move beyond just communications/ promotion.

As governments and other public organizations continue to try to meet the challenges associated with demands for better and improved service delivery as well as new services and programs with budgetary constraints, new and different models of management and their associated tools and tactics need to be considered to help government deliver more quality, speed, efficiency, convenience and fairness to its citizens. Marketing presents a comprehensive, integrated and innovative approach from which to manage government resources. The time has come for leaders in government to recognize and embrace the lexicon and practice of strategic marketing in the public sector community.

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The [Centre of Excellence for Public Sector Marketing \(CEPSM\)](#) is devoted to the advancement of strategic marketing in governments, non-profits and associations. Through consulting, training and speaking, we help organizations achieve their marketing and communications goals more efficiently and effectively.