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The increasing importance of public marketing: Explanations, applications and limits of marketing within public administration

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Summary Although the State and its permanent representation, public administration, account for nearly half of GDP in the European Union, there is a surprising decline in research dealing with this sector in the management and marketing literature over the last 10 years. The objective of our manuscript is to show how theoretical perspectives, which have emerged in both marketing and public administration over the past few decades, have resulted in a visible and practically relevant convergence between these two disciplines that has previously only been discussed theoretically. We present the applications and limits of public marketing within this framework for the four classical marketing instruments (product development/improvement, price, promotion and place) to show that public marketing (i.e., the application of marketing concepts and tools to public administration) is already a reality in a wide variety of countries. Finally, we report the results of five qualitative in-depth interviews which we conducted with public administration agents from different sectors and countries. These interviews provide an empirical indication for our hypothesis that the historical evolution of the marketing discipline from a transaction- to a relationship-orientation as well as the trend towards “managerialism” in public administration, are likely to lead to an increasing importance of public marketing over the coming years.

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Introduction

According to the Statistical Office of the European Communities (Eurostat) government expenditures accounted for

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roughly 46% of GDP in the European Union (EU-27) in 2007.¹ It seems therefore reasonable to say that the State and especially its permanent representation, public administration, is an economic sector important enough to care about.

¹ Percentage calculated as the average percentage of quarterly government expenditure on quarterly GDP for all four quarters in 2007.

Yet, in recent years, this importance no longer seems to be reflected much in the marketing discipline. Figure 1 shows an overview of all articles that have been published in leading marketing journals over the last 50 years and that cover questions in the areas of public administration, public sector and social marketing.² As can be seen, most research in these domains was written three to four decades ago (between 1970 and 1984) and in the last 10 years only two articles per year, on average, appeared in all journals combined. Looking at the cumulative number of articles over time makes this point even more obvious. It seems that the “diffusion” of public administration into the marketing discipline has reached a plateau over the last 10 years. Looking at the opposite relationship, i.e., the diffusion of marketing thinking into public administration, shows that only nine articles covering marketing-related questions have been published in top-ranked public administration journals within the same period.³ This finding may, at least partly, be explained by a sort of mutual misunderstanding between these two disciplines. For marketing, public administration evokes associations of bureaucratic processes, inefficiency and lack of performance-oriented management, while for public administration, marketing is sometimes seen as a non-productive and resource consuming function (Parker et al., 2007) the roots of which lie in concepts such as “commerce” and “profit” (Laing and McKee, 2001) that are considered as “antithetical to the public service ethos of care, universality and the collective good” (Butler and Collins, 1995). Public administration puts by definition the general interest of society over and above that of the individual, and this mission appears to be in contradiction to marketing which, in the eyes of many public administration agents, is mainly concerned with the satisfaction of private (shareholder) interests and a quest for profits.

This misunderstanding has resulted in the fact that some public administration scholars doubt whether “a full marketing approach is relevant for public services” (Connolly, 1991) and even consider marketing as potentially harmful for public administration (see, for example, Laing and McKee, 2001 for empirical evidence in the UK health sector and; Parker et al., 2007; Shontz et al., 2004 for a study among US public librarians). Although such arguments can certainly not be completely dismissed, the pur-

pose of our manuscript is to show that especially nowadays there is a place for public marketing, i.e., the application of marketing concepts and tools to public administration. Specifically, the objectives of our work are threefold: first, we present how new theoretical perspectives, which have emerged in parallel in both marketing and public administration over the past few decades, have resulted in a visible and practically relevant convergence between these two disciplines that has previously only been discussed theoretically (e.g., Kotler 1979; Kotler and Murray, 1975). On the one hand, the increasing importance of the relationship marketing paradigm has led to a more long-term view of marketing which puts less emphasis on short-term profits compared to long-term benefits. On the other hand, the theory and practice of new public management (NPM, e.g., Aucoin, 1990; Dunleavy and Hood, 1994; Hood, 1991) as well as the shift from government to governance (Mayntz, 2003, 2006; Peters and Pierre, 1998; Rhodes, 1996), have resulted in a trend towards “managerialism” in public administration, making bureaucrats like managers with clear accountabilities and leading to a fundamental transformation of this sector. Second, we discuss the applications and limits of public marketing within this new framework for each of the four classical marketing instruments (product development/improvement, price, promotion and place) and show how public marketing is already a reality in a wide variety of countries. Finally, we provide empirical evidence of perceptions and attitudes towards public marketing in the form of five qualitative in-depth interviews which we conducted with public administration agents from different sectors and countries.

Nevertheless, it needs to be highlighted right from the start that public marketing is different from marketing for profit organizations. Certainly one can say that public administration is increasingly moving towards managerialism and indications for this evolution can, for example, be seen in the UK, which is often considered as the European leader in governance and NPM, where civil service was largely transformed under Margaret Thatcher (Peters and Pierre, 1998) – see for example, Butterfield et al. (2004) for practical implications in the police service. They are also visible in other countries, such as France, where since 2006 the *LOLF* (Loi Organique relative aux Lois de Finances) has introduced a new budgeting culture that forces public administration to allocate budgets to identifiable and auditable missions, programs and actions (Kraan, 2007). But the different attitudes consumers show vis-à-vis public and private sector goods also create substantial differences between both sectors that result in a set of unique issues when trying to implement marketing-related actions (see Bloom and Novelli, 1981 for a discussion). In Europe, for example, many governments, starting with Ireland in March 2004, agreed on laws forbidding smoking nationwide in public places. While this may eventually be appreciated by a wide range of non-smokers, public administration also has to deal with convincing and potentially penalizing citizens who smoke and are thus likely to be much less in favor of this law. We will now discuss these characteristics of the public administration sector in more detail, focusing on three dimensions – products, players and processes.

² Our analysis covers 10 journals that have been identified by Baumgartner and Pieters (2003) as most influential in the category “core marketing”. These journals are (in order of decreasing influence): Journal of Marketing Research, Journal of Consumer Research, Journal of Marketing, Marketing Science, Management Science, Harvard Business Review, Journal of Advertising Research, Journal of Advertising, Advances in Consumer Research and Journal of Retailing. Figure 1 summarizes all articles that have been published in each of these journals and include either “public administration”, “public sector” or “social marketing” in the title or subject terms.

³ Our analysis covers five journals that have been identified by Forrester and Watson (1994) as most important in the category “public administration”. These journals are (in order of decreasing influence): Public Administration Review, Administration and Society, American Review of Public Administration, Journal of Public Administration Research and Theory and Public Administration Quarterly. We included all articles that have been published in each of these journals and include the word “marketing” in the title or subject terms.

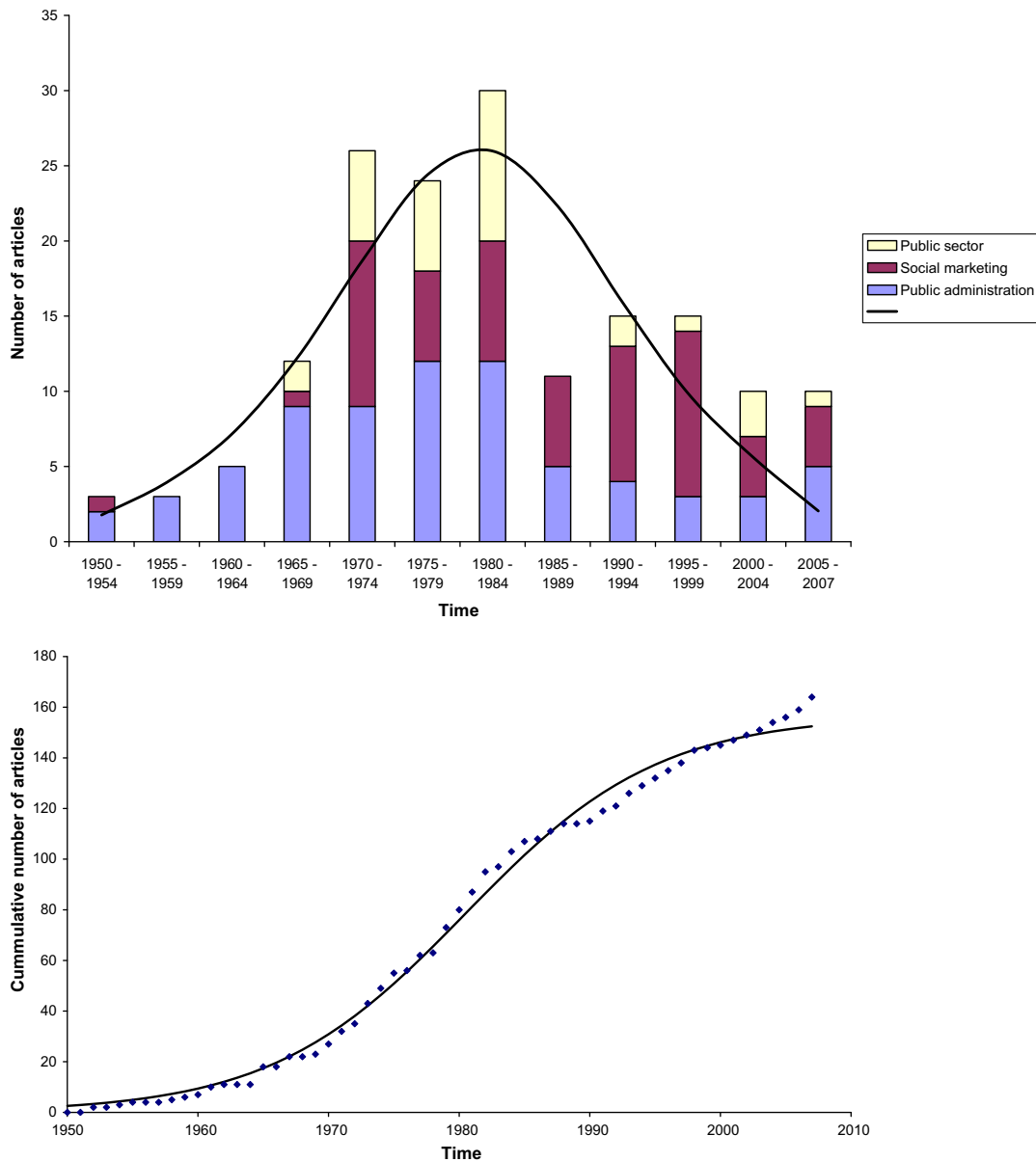


Figure 1 Number of articles published in leading marketing journals over the last 50 years covering public administration and related areas (black lines represent estimated diffusion curves based on Bass model).

Characteristics of the public administration sector

Products supplied by public administration differ in at least two dimensions from those found in the private sector: first, public administration almost exclusively deals with services, which often have complex value propositions. Besides the fact that services generally show a set of specific characteristics when being compared to (tangible) goods (e.g., Parasuraman et al., 1988; Zeithaml et al., 1985), this makes communication about what citizens can expect from public administration particularly important as the perceived quality of any service is a function of the gap between expectations and perceptions (e.g., Parasuraman et al., 1985; Yavas, 2000). However, given that public administration often tackles difficult and unpopular issues such communi-

cation may be quite challenging. While, for example, the ban on smoking in public places or the duty to pay income tax are certainly beneficial for society at large, they may be difficult to communicate to the individual negatively affected by them (see also Laing, 2003 for a typology of public services on a spectrum from social to private benefits). Second, public administration services sometimes display characteristics similar to public goods, in the sense that consumption is non-rivalrous (i.e., the consumption of one individual does not detract from that of another) and that it is difficult if not impossible to exclude an individual from enjoying the service (see Stiglitz, 1999; Stiglitz, 1977 for a more detailed discussion of public goods). Yet, while this similarity may hold for some cases (e.g., street lighting and public defense), it does not apply to all public administration services. For example, in many European cities

public administration allocates a limited supply of taxi licenses to potential applicants using an auction process. This approach makes such licenses different from public goods as defined above, as applicants must be considered as rivals within the allocation process.

With respect to its players, public administration organizations are always managed as non-profit businesses so that any monetary profit (or surplus) that may occur within one period needs to be invested in the next period's service provision process. Services are offered in a broad variety of competitive environments ranging from legally defined monopolies to near-perfect competition. This sometimes leads to problems of positioning as public administration is supposed to focus on individuals or groups that are not adequately served by private firms instead of duplicating the efforts of others (Lamb, 1987) and, hence, is rather in a complementing than a competing role. Furthermore, public administration organizations are politically accountable in the sense that all their actions can in principle be investigated in more detail by citizens and their political representatives (e.g., members of Parliament). This leads to the fact that public administration organizations deal with two different types of customers: on the one hand there are the current political powers which carry the final responsibility for all public administration activities and actions and may even be forced to resign from their political function in the case of severe problems. On the other hand there are the citizens, including private people as well as business corporations and their respective political representations, who, although highly heterogeneous (since virtually everybody in any given country can be counted among them), all need to be treated in the same way, following the notion of egalitarianism. However, it needs to be highlighted that egalitarianism only applies to citizens within the same conditions and that public administration needs a detailed understanding of their "target market" (Lamb, 1987) in order to avoid offering the same undifferentiated services to anyone although different groups of citizens may require different offerings (see, e.g., Marshall and Brown, 2004 for taking account of gender differences in social marketing).

According to Butler and Collins (1995) there are five main processes within the public administration sector: new product development, payment receipt, delivery, internal market operations and outcome evaluation. Regarding new product development, public administration is usually not responsible for new service design. Instead, ideas for new services are brought up by politicians or by a broad demand within society and subsequently tested and agreed upon in the State's legislative and executive system. With respect to payment receipt, two different cases need to be distinguished, namely situations where payment is proportionate to use (e.g., the fee associated with a new ID card) and cases where payment is done using taxation and cross-subsidization (e.g., health care and basic education). Concerning delivery, services were historically uniquely delivered through public administration channels while today, there is an increasing trend towards public-private partnerships. The Parisian self-service bike rental system "Velib", which was introduced in July 2007, is, for example, not managed by public administration but by JC Decaux, the second largest outdoor advertising corporation in the world, in ex-

change for exclusive rights to the French capital's billboards. Similarly, the introduction of internal market operations is a rather new development within public administration. While, historically, public administration organizations provided services to each other free of charge, there is now an increasing shift to private sector models with elaborated transfer pricing rules. However, similar to many other non-profit organizations, output evaluation is notoriously difficult in public administration. Financial and quantitative indicators are often inappropriate to measure success while qualitative indicators may be difficult to identify and communicate. For example, the Brenner Base tunnel project to construct a 56-km long railway tunnel linking Austria and Italy through the Alps, is associated with cost untenable from a financial perspective and can only be justified by taking environmental advantages into account, which are notoriously difficult to evaluate.

Nevertheless, and given the aforementioned differences, it is necessary to stress that in many cases it is far from easy to clearly distinguish between "public" and "private". Although some authors have highlighted elements that differentiate the public from the private sector, such as the exposure to a more complicated and unstable environment, additional legal and formal constraints, more rigid procedures and more diverse products and objectives (Gelders et al., 2007), a formal definition of those differences is difficult to make. One approach taken by the Social and Cultural Planning Office of the Netherlands provides three different ways of defining the term "public sector" (Kuhry, 2004): first, a legal definition based on which the public sector includes government organizations and organizations governed by public law. Second, a financial definition based on which, besides the above organizations, the public sector also includes private organizations which are largely funded by public means (e.g., non-profit organizations providing education and health care). And finally, a functional definition in which the public sector includes all organizations in the field of public administration, social security, law and order, education, health care and social and cultural services, irrespective of their funding source and legal form. While we appreciate this problem of clearly defining the term "public administration", providing such a formal definition is beyond the scope of our manuscript. Instead we will now discuss the evolution of the marketing discipline from a short-term product- to a long-term relationship-oriented view as well as the changes in public administration leading to more managerialism and customer-orientation (see Figure 2). By doing so we will show that marketing and public administration have started to approach each other and that these evolutions have laid the ground for public marketing.

Convergence of marketing and public administration

At the beginning of the 20th century, in a world where demand exceeded supply for many products, marketing predominantly dealt with the efficient distribution of physical goods to give as many customers as possible access to the firm's offering. As discussed by Vargo and Lusch (2004), the first marketing scholars heavily influenced by economics

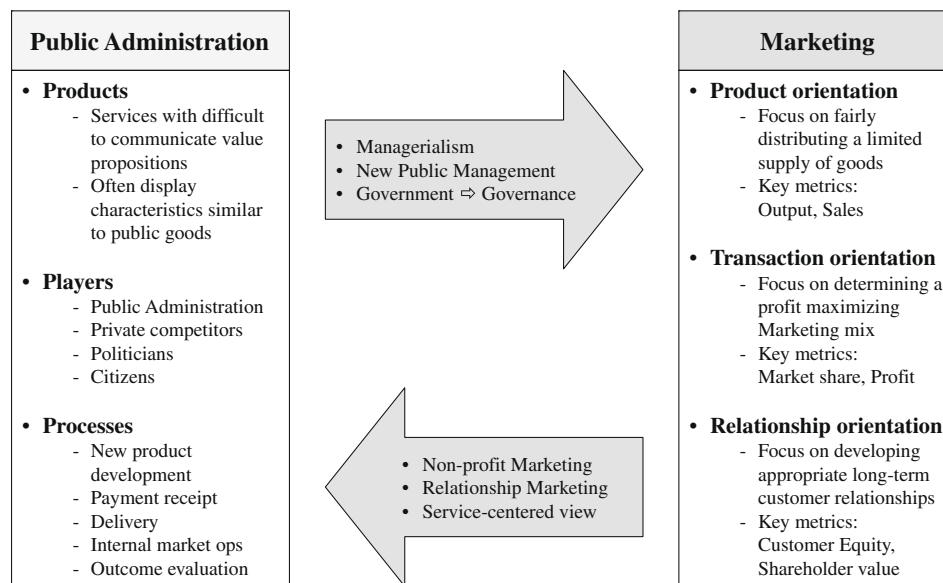


Figure 2 Convergence of marketing and public administration.

literature built on the work of Smith (1776) and Shaw (1912) and directed their attention towards efficient commodities exchange (e.g., Copeland, 1920) and the role of marketing institutions in facilitating these exchanges (e.g., Weld, 1917). It is therefore not surprising that Weld (1917) stated that "selling is the most important of the marketing functions". In some situations this limited perspective even resulted in decisions that put the optimization of the production process over the needs of the potential clients, such as Henry Ford's choice to manufacture the Model T automobile in a single color only (black), although there was clear indication that consumers preferred a wider range of options, because black enamel dried faster than other colors (Perelman, 2001). As can easily be seen, this orientation, which mainly focused on the profit-maximizing production and distribution of tangible goods (product-orientation), made it difficult to combine marketing and public administration.

Increasing competition and a rising number of substitutes in many product categories led to the fact that soon after the Second World War a transaction-orientation started to replace the aforementioned product-orientation. Due to weakening demand, the focus of marketing shifted from a fair distribution of a limited number of products to battling for survival in a competitive store environment. Increasing emphasis was placed on advertising and promotions and in 1953 the concept of "marketing mix" was introduced by Neil Borden in his presidential address to the AMA and formalized 7 years later by McCarthy's 4P framework (see Waterschoot and Bulte, 1992 for a more detailed discussion). In parallel, several researchers proposed a new view of marketing that emphasized the creation and offering of value (Kotler, 1972), and others started to extend the boundaries of marketing beyond the analysis of profit organizations. In 1971 Kotler and Zaltman introduced social marketing as an approach to planned social change (Kotler and Zaltman, 1971), which was shown to be highly beneficial in some situations (e.g., El-Ansary and Kramer, 1973), and sev-

eral years later Kotler and colleagues elaborated a set of strategies for introducing marketing into non-profit organizations (Kotler, 1979; Kotler and Murray, 1975).

In the late 1980s/early 1990s the publications of Dwyer et al. (1987) and Morgan and Hunt (1994) initiated a major directional change in marketing theory and practice by creating the relationship marketing discipline. Marketing is nowadays characterized by a relationship-orientation, focus on long-term value and an increasing interest in marketing productivity (e.g., Rust et al., 2004a). Conceptual and empirical work on the relationship between customer equity and shareholder value (Berger et al., 2006; Gupta et al., 2004) have also shed a new light on the effectiveness of transaction-oriented marketing actions such as advertising (Jedidi et al., 1999) and customer acquisition promotions (Lewis, 2006). Additionally, concepts such as corporate social responsibility (e.g., Lichtenstein et al., 2004; Luo and Bhattacharya, 2006) and corporate governance (e.g., Forbes and Milliken, 1999; Johnson and Greening, 1999) receive increasing interest in the marketing and general management literature. This broad relationship-orientation that characterizes marketing nowadays fits perfectly with the ethos and objectives of public administration. It has therefore laid a new ground for public marketing, which is likely to bridge the gap between these two disciplines that has been opened and increasingly widened over the last 25 years.

As highlighted by Butler and Collins (1995) this "major shift in thinking in marketing towards the relationship, and beyond the transaction, fits comfortably with the long tradition of public sector service provision". Additionally, marketing researchers increasingly consider profit, although as a potential measure of success, no longer as an end in itself. Already in 1969 Kotler and Levy (1969) stated that marketing should go "beyond the selling of toothpaste, soap and steel" and be a concept equally applicable to non-business and non-profit organizations. Interestingly, one of the examples these authors provide in their article deals with

universities which, in many countries, belong to the public administration sector. Additionally, although public administration has a set of unique characteristics (as discussed above), it is to a certain extent ruled by the same principles as private organizations. For example, although product development may be governed by normative thinking, budget constraints force public administration to weight cost and benefits and set limits to extremely costly changes in socio-cultural habits (Laufer and Burlaud, 1980). It might, for example, appear reasonable to introduce a nutritional tax for unhealthy food in light of significant cost caused by obesity. Nevertheless, such an action is unlikely to be implementable from a cost perspective as it would be associated with substantial bureaucratic effort. This sharing of guiding principles makes it likely that marketing has already entered the public administration domain, making it in turn surprising that agents working in public administration (c.f., Laing and McKee, 2001; Parker et al., 2007; Shontz et al., 2004) as well as public administration scholars (e.g., Butler and Collins, 1995; Connolly, 1991) still ask the question whether marketing should be used in public administration rather than how it could be used in the most efficient way.

Yet, the public administration sector is increasingly facing challenges that are starting to change this perspective. First of all, there is a general decline in the availability of financial resources. This is partly caused by demographic developments leading to increasingly older populations and, ultimately, a shrinking number of (future) taxpayers, and partly by increasing dissatisfaction of (current) taxpayers with the performance and efficiency of public administration, leading to resistance by “withholding money, votes and participation” (Lamb, 1987). Second, public administration is facing rising competition from private organizations. For example, in many countries private schools have started to increasingly compete against and replace public universities. These changes have resulted in the introduction of managerialism into public administration, making public administration agents explicitly responsible for performance standards (Hood, 1991). It has been complemented, from an academic perspective, by two streams in public administration research, namely new public management (e.g., Aucoin, 1990; Dunleavy and Hood, 1994; Hood, 1991) and the shift from government to governance (Mayntz, 2003, 2006; Peters and Pierre, 1998; Rhodes, 1996). New public management (NPM) deals with the application of concepts known from the management of private companies to public administration. In NPM, the citizen is considered as a customer, building on the assumption that increasing customer- and market-orientation leads to cost savings without having negative side-effects on other public administration objectives (see, for example, Vigodan, 2000 for an empirical analysis of public administration’s responsiveness to citizens’ demands). NPM focuses on outcomes, goal achievement and cost efficiency in order to better manage the public budget and, in this sense, defines a new and economically driven perspective of public administration in which public administration agents fulfill an entrepreneurial role (see also Llewellyn et al., 2007 for potential problems with this vision). While NPM thinks of the consumer within public administration as a client and emphasizes the need for reactivity towards her needs and

expectations (Clarke, 2006), the shift from government to governance implies that non-state (private) actors actively participate as a co-producer in the formulation and implementation of public policy (Mayntz, 2006). Referendums, mixed networks of public and private actors (e.g., neo-corporatist arrangements) and e-government initiatives play a critical role within governance, as they ensure an ongoing exchange between citizens, private organizations and democratic rulers (see Gattinger, 2005 for an example in the energy sector). In this sense, citizens within the democratic governance framework are more than simply (passive) consumers as they collaborate in defining what public administration should do, how it should work and be controlled, and who should benefit from its actions.

Potential and limit of marketing in public administration

After having explained the reasons for the increasing importance of marketing within public administration today, we now want to focus on the applications and limits of public marketing. For this we will build on the traditional 4P framework and structure our presentation along the four classical marketing instruments: product development/improvement, price, promotion and place. We will provide ample examples to show that marketing is already daily practice in a wide variety of countries and applied in several areas although its use is rarely encouraged or even considered as normal. In this context we also suggest reading the following section in conjunction with Table 1, in which we provide definitions and exemplary applications of traditional marketing tools within public administration.

Product development and improvement

Product development rarely takes place directly within public administration. Instead, politicians identify needs and propose ideas about potential new products. Their subsequent statements often also have a symbolic meaning and, as highlighted by Gelders et al. (2007), politicians regularly use such communications about their policy intentions (which may be as detailed as specifying the point of sale) to construct “political facts”. It is then the role of public administration to build on these ideas and to elaborate detailed frameworks and processes. However, it also happens that new products are developed without demand or even despite objections from society. In this case, politicians need to make a trade-off between a potential loss in popularity and taking actions that are beneficial for citizens in the long-term. The same also applies to product improvement, which is however frequently limited to situations in which public administration faces competition from other (private) organizations. Yet, it is especially the products that do not have direct substitutes, and where public administration is in a monopoly-like situation, that are likely to benefit most from such an exercise. Marketing has a long history in the area of new product development and product diffusion research, as can be seen by the many research articles published in this area. Concepts such as co-production (e.g., Bendapudi and Leone, 2003) and mass customization (e.g., Kaplan, 2006; Kaplan and Haenlein, 2006; Kaplan

Table 1 Definition and exemplary application of traditional marketing tools within public administration.

Marketing tool	Definition	Example
<i>Product</i>		
Variety	The number of different classifications of goods carried in a particular merchandising unit	Different types of European driver's licenses (e.g., category A for motorcycles, category B for cars, category C for lorries and trucks, category D for buses)
Product quality	The measure of any particular attribute a product has or of the intended customer's reactions to that attribute	Euro banknotes introduced by the European Central Bank in 2002 are considered to be of higher quality and to have better security features than the country-specific banknotes they replaced (e.g., hologram and glossy stripes)
Product design*	Idea generation, concept development, testing and manufacturing or implementation of a physical object or service	The detailed processes in place in any democratic country that define how new laws and regulations can be proposed, agreed on and modified
Product feature	A fact or technical specification about a product	Biometric passports in Europe contain a combination of biometric features (digital imaging and fingerprint scan) while the US version only includes digital imaging information
Brand	A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers	The New York Police Department generated worldwide awareness for its brand logo "NYPD"
Packaging	The process by which packages are created. Occasionally, it is used as synonymous with package	The city of Vienna (Austria) offers a welcome package to all new immigrants consisting of a welcome folder (welcome letter, city map and information leaflets) and an orientation meeting
Marketing services	The functions needed to service channel intermediaries and/or end customers, such as inventory planning and control; order processing, shipping and delivery information; product installation, maintenance, repair, replacement and warranty administration; and answering customer inquiries	In Belgium, a citizen has the option to obtain a new passport faster than the usual waiting time by paying between three to five times the standard list price
Warranty	A statement or promise made to the customer that a product being offered for sale is fit for the purpose being claimed. The promise concerns primarily what the seller will do if the product performs below expectations or turns out to be defective in some way	In the US, the Bureau of Engraving and Printing asserts that bills that are mutilated beyond repair can be redeemed for new ones free of charge
<i>Price</i>		
List price	The selling price for an item before any discount or reductions in price	Prices for standard public administration services (e.g., driver's licenses, identity cards and passports)
Discount	A reduction in price	In France, a 20 Euro discount (tax reduction) was offered in 2008 to all citizens handing in their tax declarations online vs. paper-based
Trade allowance	A short-term special offer, made by marketers to channel members as an incentive to stock, feature, or in some way participate in the cooperative promotion of a product	In Switzerland, the Federal Office of Public Health distributes leaflets, posters and other promotional materials free of charge to promote influenza vaccinations
Payment period*	The period until payment is due	In Germany, corporations have to pay sales taxes immediately when billing except for companies with a total annual turnover of less than 250,000 Euro, who have to pay sales taxes only when their bills are paid

(continued on next page)

Table 1 (continued)

Marketing tool	Definition	Example
Credit terms*	Agreed upon rules, governing the number of days between delivery and payment, discounts for early payment and penalties for late payment	In the Czech Republic a late-tax penalty corresponding to an annual interest rate of 73% is applied for the first 500 days of late payment
<i>Promotion</i>		
Advertising	The placement of announcements and persuasive messages in time or space purchased in any of the mass media by business firms, non-profit organizations, government agencies, and individuals who seek to inform and/or persuade members of a particular target market or audience about their products, services, organizations, or ideas	In Australia, the Department of Employment and Workplace Relations designed the 'Work Choices' campaign in 2005 to inform and educate the Australian public of proposed major reforms to Australia's workplace relations system
Sales promotion	The media and non-media marketing pressure applied for a predetermined, limited period of time at the level of consumer, retailer, or wholesaler in order to stimulate trial, increase consumer demand, or improve product availability	In Spain, government regularly offers short-term (e.g., three month) illegal immigrant amnesties during which a limited number of illegal immigrants can register for legal papers to live and work in Spain
Personal selling	Selling that involves a face-to-face interaction with the customer	Open days carried out by police stations in several different countries in order to inform about their activities and to build a relationship with the citizens
Publicity	The non-paid-for communication of information about the company or product, generally in some media form	In the US, the White House Press Secretary is responsible for collecting and disseminating information about the President to the media
<i>Place</i>		
Channel of distribution	An organized network (system) of agencies and institutions which, in combination, perform all the functions required to link producers with end customers to accomplish the marketing task	In Estonia, the worldwide first election for local government council using the Internet was conducted in 2005. In 2007, the e-voting software was used for conducting the legislative elections
Market coverage	The number of available outlets in a given line of retail or wholesale trade, relative to a saturation level, that are selling a manufacturer's brand in a given market area	In France, there are over 36,000 communes (i.e., municipalities), covering between zero and over two million citizens. Each commune fulfills the same duties, (e.g., the distribution of construction permits) and has its own municipal council and mayor
Assortment	The range of choice offered to the consumer within a particular classification of merchandise	In Germany, the Federal Employment office no longer only offers jobs within a certain region but within the whole of Germany
Location*	The actual place where the physical building stands	In France, various buildings housing public administration functions located in city centers were sold and replaced by alternative locations in the suburbs
Inventory	The goods or merchandise available for resale	Many countries, such as Switzerland, are able to distribute iodine tablets to their citizens in case of a nuclear war, implying that a sufficient quantity of such tablets is stored in various locations in the country
Transportation	A marketing function that adds time and place utility to the product by moving it from where it is made to where it is purchased and used	In 2006, the US Air Force helped to transport more than 80 metric tons of food and emergency relief supplies to flood victims in southeastern Ethiopia

Notes: All definitions stem from the AMA (American Marketing Association) Dictionary of Marketing Terms, except for terms marked with an asterisk. The remaining definitions as well as the list of Marketing tools included are adapted from Kotler et al. (2008).

et al., 2007) have started to make their way into public administration (e.g., Bovaird, 2007; Brandsen and Pestoff, 2006; Brudney and England, 1983; Collins and Butler, 2003; Pestoff, 2006; Whitaker, 1980) and are likely to be of increasing importance in future.

There are, however, also two limits that need to be considered in this context: first, efficient product development and improvement often requires some form of performance evaluation to judge the success of the new product. Yet, this proves to be significantly more difficult within public

administration (compared to private for-profit companies), as a wide range of financial and non-financial performance indicators need to be considered, which sometimes may even contradict each other (see, for example, the potential contradictions between opportunity equality and market equity, e.g., Lamb, 1987). Additionally, services generally suffer from the problem that their evaluation is more complex than that of physical goods, because the output is determined in interaction with the customer who contributes to the quality of the product. In this context one might even argue that some activities are within the responsibilities of public administration as their management is associated with a level of complexity that cannot be handled by private organizations. Second, as mentioned above, public administration is often not able to make actual decisions about its product offering, but depends on current political powers to do so. This can lead to situations where public administration may only have limited influence on the introduction of a new product. For example, the treaty to establish a constitution for Europe (TCE), commonly referred to as the European constitution, was signed in 2004 by representatives of the 27 EU member states, subject to subsequent ratification. Finally it was not public administration who decided against this new product introduction but the Dutch and French voters who refused to accept the constitution in referendums taking place in 2005. This organizational separation of decision-making power and administrative responsibility needs to be considered within product-related marketing decisions and is likely to be new for many marketers.

Price

In private organizations a well-chosen price helps to achieve the financial goals of the company, is below the potential customers' willingness to pay and supports the firm's positioning relative to its competitors. The same principles can, however, not be applied to pricing within public administration: first, as discussed above, public administration is managed as a non-profit organization and, although a certain surplus may be generated in one period, there is no goal to maximize this surplus in any way. Second, the concept of willingness to pay can frequently not be applied to public administration services as consumption may not be within the free choice of the customer. Finally, many public administration services do not have any direct competition, so there may be no way to assess the product's positioning. Nevertheless, these problems do not imply that pricing is irrelevant for public administration in the sense that services should always be provided free of charge or even that classical marketing tools such as sales promotions could not be applied in non-profit contexts (Peattie, 2003). Evidently there are some areas where asking citizens to pay a price would be unethical or even impossible so that the associated costs need to be covered by national and local taxes. In other cases, public administration may deliberately decide to charge a fee for certain services, in order to make them appear more valuable for the citizen. For example, in Germany, prices for personal waste disposal have risen steadily since the 1980s leading to increasing environmental awareness among the German population.

Additionally, it is necessary to highlight that price is distinct from the monetary equivalent to be paid for the service, but also includes intellectual barriers (e.g., information overload, ability to understand abstract messages) as well as psychological barriers (e.g., selective perception and attitude towards government). In this sense even products that are provided free of charge cannot necessarily be considered as costless from the citizen's perspective.

Another problem with respect to pricing in public administration is the potential problem of perceived price unfairness. Theoretically, public administration could charge excessively high prices for all services where it is not facing direct competition from private companies. But, as discussed for example by Xia et al. (2004), citizens would be unlikely to accept such unfair pricing behavior and either stop consumption of the service under question or decide to raise their voices in the form of demonstrations that, in turn, can create significant cost for public administration. In more extreme cases, citizens may also decide to exit their societal contract and move to another country with a more favorable pricing structure. In the European Union, for example, many companies relocated their operations to Ireland where corporate tax rates were lowest. Yet, it must also be highlighted that in some instances it might be difficult to completely avoid price unfairness perceptions within public administration. One objective of pricing within public administration is often income redistribution (Lamb, 1987), which implies that prices for the same transaction may be different, depending on the situation of the benefiting citizen. Additionally, the fact that some public administration services need to be financed by national or local taxes, can make it difficult for citizens to understand why some services need to be paid for while others appear to be free. This is especially true when a service is transferred from one category to the other. For example, the introduction of tuition fees at Hungarian Universities, which used to be free of charge, resulted in such a protest among Hungarian voters that the government was forced to withdraw them in 2008. Similarly, the start of road tolls for personal vehicles in Austria in 1996 was perceived very negatively by Austrians and tourists, while the same or even higher fees are easily accepted in other countries, such as France or Italy, where road usage has always been fee-based.

Promotion

Promotional activities have long been a key area of public administration activities and information provision can be considered as one of three basic tools that governments dispose to influence knowledge, attitudes and behavior, next to economic policy instruments (i.e., handing out or taking away material resources) and regulations (Vedung, 1999). As much as 20 years ago, the New York State Department of Economic Development had already hired the advertising agency Well, Rich and Green to develop a marketing campaign for New York City. The logo "I ♥ NY", which has been developed in the context of this campaign, has since then been printed on an uncountable number of items and is known all around the world (see also Flipo and Texier,

1992; Texier and Valla, 1992 about the general concept of territorial marketing). However, there are at least two differences when comparing promotion within public administration to that of private companies: first, promotion in public administration frequently has two target groups: the actual consumers of the service and taxpayers, who need to pay for these services but may not consume them and, therefore, need promotion to better understand why tax money should be used to support them. Second, public administration frequently has to promote services that are not perceived as positive by all citizens (see Gelders and van de Walle, 2005 on the subject of marketing government reforms). Often such promotion appeals to elements of community benefit and societal welfare, especially where duties and constraints are concerned. In this context, public marketing can help to explain the reasoning behind the duty and reduce the negative perceptions that might be associated with it (see, for example, Durkin and Wakefield, 2006 for the effectiveness of such communication in the context of antitobacco advertising). For example, communication explaining the benefits of using seat belts to young drivers, as done by the US National Highway Traffic Safety Administration in their "Click it or Ticket" campaign, is likely to reduce the negative feelings people might have when following this rule.

Yet, although promotion is probably the one aspect of the 4P framework most consistently applied within public administration, there are also some limits that need to be considered. First, given that promotion within public administration should be more about information than persuasion, there is the risk that topics are presented in a too simplified and probably misleading way (Walsh, 1991). For example in 2003 the German Press and Information Office organized a promotional campaign to inform the public about "Agenda 2010", a major reform plan. It may be justified to say that the series of reforms planned to modernize the German social system and labor market subsumed under this heading were presented in a too simplistic way on the 17,000 billboards spread all over Germany. On the other hand one can argue that this information enabled citizens to build an opinion with respect to these reforms without having to go through an extensive information search process that at least some of them might have been reluctant to follow. In this sense, it might be better to be informed in a simplified way than not to be informed at all. Closely related to this issue is the second limit, namely that promotion done by public administration should always primarily be (politically) neutral and fact-based. Several countries have published information guidelines to ensure this goal in a situation where public administration and politics are often closely related, which can make the borderline between neutral and valenced information difficult to define (see Gelders, 2005 for an overview of such guidelines). The UK "Guidance on the Work of the Government Information Service" handbook, for example, explicitly highlights that emphasis should be placed on facts and explanations instead of political merits of the associated proposals. The third limitation to be considered is the fact that costs associated with promotional activities, although small in comparison to the respective State budgets, may lead to anger and a lack of understanding among the citizens who pay for them with their tax money. For example, the German taxpayers' asso-

ciation heavily criticized the money spent on the "Agenda 2010" communication in their overview of tax money wasted in 2005.

Place

Maintaining an appropriate distribution network is crucial as even the best service becomes worthless when potential customers do not have access to it. In private organizations, increasing the number of distribution points has an impact on both revenue and cost and a simultaneous consideration of both effects leads to an optimal (profit-maximizing) solution. On the one hand, more distribution points make the product more easily accessible to potential consumers, which may lead to more sales; on the other hand, they are also associated with higher maintenance cost. In a similar way, public administration needs to find the right balance between the positive effects on citizen satisfaction resulting from easy access to public administration services and the negative effects stemming from the perception of tax money waste due to a too dense distribution network (see Strand et al., 2004 for a detailed discussion of the role of place in social marketing). One solution for this problem can be the use of alternative distribution channels such as busses (e.g., to transport people to events or to come to citizens to inform them about taxes) or the Internet. For example, the option to fill out income tax declarations online vs. offline is certainly seen as an advantage by some citizens, while being at the same time more cost-efficient for public administration. Yet, there are still significant issues associated with such solutions, including a potential lack of security (as it no longer allows for a human agent to be in charge of necessary control mechanisms), high investment (cost of infrastructure) and inequality of access, as not all citizens may have a sufficient educational background and interest in such alternatives. The problems faced in the US mid-term elections due to the use of voting machines are likely to create a certain reluctance to implement e-voting on a large scale, as done, for example, by Estonia for local government council elections in 2005 and national elections in 2007.

Another option might be the outsourcing of the distribution function to private companies (see, e.g., Vedung, 1999 for the use of non-governmental intermediaries for information purposes). One could, for example, imagine that the UK public administration delegates the issuing of National Insurance Numbers to companies such as Tesco, Sainsbury or Marks & Spencer to give citizens the option to go to any one of the private company's outlets should they require a National Insurance Number. Besides potential cost advantages, the use of such intermediaries could also provide another opportunity for two-way communication/transmission of feedback and, hence, bridge potential distance between citizens and public administration. Yet, the lack of control one would necessarily need to accept such a decision seems unacceptable for most public administration services. Even in the presence of tight laws and strict controls, there would always remain a risk that the company's employees distribute National Insurance Numbers in contradiction to current law, leading to significant societal security problems. Additionally, public administration often needs to maintain

historically important buildings and is bounded by the definition of administrative districts. For example, in France many public administration functions are located in historical monuments that are classified as cultural heritage and that need to be owned and maintained by the State in any case. Assigning them a public purpose, such as using them as public administration distribution outlets, is a natural choice in that context. Also, even if a more efficient distribution network could be obtained by relocating certain functions to other areas, public administration still depends on the government to make decisions on the change in administrative frontiers. Yet, these decisions are often more influenced by political arguments than cost considerations. For example, in France the administrative district of Beaumont-en-Verdunois has zero citizens, but still maintains a municipal council of three members. The reason for this decision is that Beaumont-en-Verdunois was one of six villages completely destroyed during the First World War. Hence, maintaining this administrative frontier is more a historical question than a distribution-related decision.

Empirical analysis of perceptions and attitudes towards public marketing

In order to complement our theoretical analysis with a set of empirical insights, we conducted five in-depth inter-

views with public administration agents to investigate their perceptions and attitudes towards public marketing (see Table 2 for the profile of our interview partners). These respondents were not selected randomly but carefully chosen based on their expected contribution to the study, in line with the general methodological considerations for this type of (case study) research which recommend theoretical (vs. random) sampling to ensure that efforts are focused on theoretically useful cases, i.e., those that replicate or extend theory by fulfilling conceptual categories (Eisenhardt, 1989). We, therefore, focused on including public administration agents from different countries, sectors and hierarchical levels to obtain a maximum level of diversity in responses. Our interviews had an average duration of approximately 60 min and were conducted between October and December 2006 in face-to-face (Audrey, Elshaday and Frederic) and telephone format (Gabriel and Usher). During our conversations we relied on an interview guide (see Appendix A for details) which included three sections covering (a) respondents overall perception of marketing, (b) their general assessment of the potential and limits of public marketing and (c) their detailed evaluation of each of the four classical marketing instruments (product development/improvement, price, promotion and place).

We analyzed our respondents' general perception of marketing in three steps: first we asked each interview partner

Table 2 Profile of interview partners.

Name	Gender	Nationality	Position
Audrey	Female	Australian	Executive Council Liaison Officer in the Department of Health and Ageing of the Australian Government
Elshaday	Female	Ethiopian	Diplomat in the Ethiopian Ministry of Foreign Affairs
Frederic	Male	French	General Secretary of Prefecture of the French Ministry of the Interior
Gabriel	Male	German	Head of the Permanent Representation of North Rhine Westphalia at the German Federal Government
Usher	Male	US American	Director of the Office of Acquisition Management at the US General Accounting Office

Note: Names have been changed in order to ensure the anonymity of our respondents.

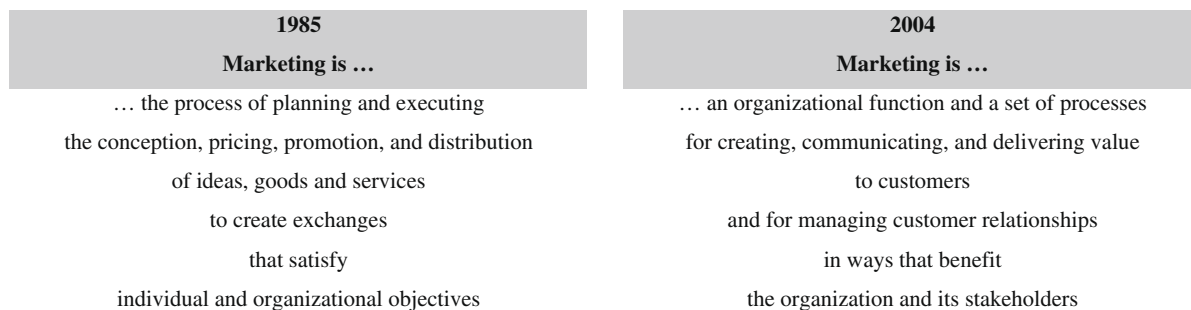


Figure 3 Definitions of marketing according to the American Marketing Association (AMA). *Note:* The year in which the corresponding definition was developed was not revealed to our interview partners during our conversation in order to avoid any bias in our analysis; In 2007 the AMA proposed a new definition of Marketing based on which Marketing is seen as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”. We were, however, not able to include this definition into our analysis as it was not available at the time of interview conduction.

to reveal his/her overall attitude towards marketing. Second, we encouraged them to provide an own definition of the term "marketing". And finally, we exposed each respondent to two definitions developed by the American Marketing Association (AMA, see Figure 3) and asked which one she/he would consider as being more appropriate for marketing within public administration. With respect to the first question, four out of five interview partners reported a generally positive attitude towards marketing. Audrey considers marketing as being vital for her daily work, Gabriel revealed that for him marketing "*just belongs in our time*" (which he considers as being a positive development) and Elshaday and Usher reported that, although both had a negative attitude towards marketing prior to starting their work, they are now much in favor of it. The only agent who showed a slight resistance was Frederic who highlighted that, although not being really against marketing, there is no guarantee that marketing only has benefits for public administration. Regarding the definitions respondents provided for marketing, Audrey and Frederic considered marketing as being essentially equal to communication ("*marketing is about getting a message out there*", Audrey) while Elshaday had a broader view stating that "*marketing is the art of convincing people about the utility of products and services*". Gabriel and Usher, who both have work experience in the private sector (Usher holds an MBA while Gabriel worked several years in the public relations department of a media company), provided definitions that were very close to the classical textbook view of marketing. When being exposed to the two definitions of marketing provided by the AMA, all respondents agreed that the second definition (dating from 2004) would fit marketing within public administration much better than the first one (dating from 1985).⁴ This can be seen as an empirical indication for our hypothesis that the historical evolution of the marketing discipline from a transaction- to a relationship-orientation is likely to lead to an increasing importance of public marketing over the coming years.

Given the definitions of marketing provided by our interview partners and previous empirical evidence (e.g., O'Reilly, 1978; Vedung, 1999), it is probably not surprising that our respondents considered communicating and reaching citizens as the biggest potential of marketing with public administration. Usher highlighted that marketing makes it possible to "*reach people and to inform them about the services they could obtain from the State*", for example in the context of social security where many lower-income groups often do not even know which services they might be entitled for. For Gabriel, marketing can help to improve democratic processes by enabling the legislator to communicate with a very heterogeneous population. Elshaday went even further by saying that marketing could help public administration to move from a function focused on control to an entity responsible for delivering services to citizens. However, as pointed out by Audrey, this potential in terms of communication can also turn into a limitation when marketing is used as a tool for "*political brain washing*", especially

when extreme forms of communication are used. She mentioned the example of a street advertisement in her home country where the government tried to increase awareness for safe driving by showing extremely shocking pictures of mortal traffic accidents. While similar activities may be acceptable for private firms (e.g., Benetton's advertising campaign), public administration needs to obey stricter moral principles as it is the ultimate entity in defining laws and rules. In a similar spirit Frederic pointed out that in some cases citizens may set limits to the use of public marketing. For example, while an advertising campaign about anti-smoking would potentially be acceptable, it would be unlikely that citizens would support an anti-alcohol or anti-wine campaign, and instead interpret such actions as an unjustified intervention in their private life. Elshaday added another perspective to the limits of public marketing by highlighting that not every agent within public administration should be involved in marketing-related activities. Instead, she pointed out that marketing should be limited to specific departments and managed by some selected experts in order to ensure maximum effectiveness and efficiency.

Regarding product development/improvement, Elshaday and Frederic do not see where marketing could help public administration while Audrey, Gabriel and Usher all point out its potential in helping public administration to better understand what citizens might expect from new and existing services. By subsequently "*adapting the new service to the wishes and concerns of the citizens*" (Audrey) marketing can ensure that the product, once introduced, is actually accepted by everyone. Nevertheless, all respondents highlighted that public administration should always have control and the final decision over all design characteristics as services could also be "*too market oriented*" (Gabriel). With respect to pricing, all respondents stressed that most public administration services should be free of charge. Elshaday finds it "*unacceptable to charge a fee for ID cards, infrastructure or justice*" and Usher highlights that the redistribution of wealth is an important factor that needs to be considered in all pricing-related decisions. Different to this perspective is Gabriel's viewpoint who sees a clear opportunity to use pricing as a quality differentiator, for example by charging different prices for a visa, depending on the maximum waiting time acceptable for the citizen. For him, the only limit to pricing in public administration is when it violates the constitutional rights of the citizens. Finally, all interview partners, with the exception of Frederic, considered distribution as the area in which public administration could learn most from marketing, although each with a different focus. For Elshaday it is important to ensure an even distribution across the whole country to avoid a concentration of public administration outlets in one place. For Audrey, distribution can only be seen in connection with pricing as in some cases its cost might need to be passed on to the citizens. Usher sees distribution as being interlinked with communication and claimed it to be the most important function as "*public administration products and services are useless if they do not reach citizens*". Finally, Gabriel pointed out the potential of e-government and, generally, of replacing the traditional paper-based system by an electronic one.

⁴ Note that the year in which the corresponding definition was developed was not revealed to our interview partners during our conversation in order to avoid any bias in our analysis.

Theoretical implications

Obviously, our manuscript can only be seen as one further attempt to increase the awareness of public marketing in the management literature and there are many areas in which future research would be particularly interesting. One example is the analysis of marketing effectiveness within public administration. In recent years, there has been an increasing emphasis on financial accountability within the marketing domain and marketing return-on-investment has become an important topic in the field (Rust et al. 2004a,b). By means of successful case studies and examples of marketing excellence one might be able to transfer a similar thinking to public marketing and investigate the adequacy and effectiveness of specific marketing mix dimensions within public marketing. Alternatively, it would be worthwhile to complement our analysis of the applicability of basic marketing instruments within public administration by investigating more advanced concepts and theories. Although public administration has increasingly started to apply ideas such as relationship marketing (e.g., Bussell, 2006; Conway and Whitelock, 2004), customer (citizen) relationship management (e.g., Kannabiran et al., 2004) and co-production/value co-creation (e.g., Bovaird, 2007; Brandsen and Pestoff, 2006; Pestoff, 2006), these concepts have been the subject of research in the marketing area for several decades and there are still many ideas that have not yet made their way into public administration. For example, one question of high relevance in public administration research is to determine the value of a statistical life (i.e., the value people assign to a change in the risk of death among the population). The value of a statistical life is a relevant concept in public administration decisions that directly impact the death rate in the population (e.g., changes in speed limits on public highways or modification of workplace security standards). Several researchers have investigated the question of how a statistical life can be evaluated (e.g., Costa and Kahn, 2004; Viscusi, 2003), but it would also be interesting to investigate how approaches applied within the area of customer lifetime valuation could be applied in that context (e.g., Berger and Nasr, 1998; Haenlein et al., 2006). Finally, we also encourage publications which investigate how research in the area of public administration could be transferred into the marketing discipline. For example, there is ample literature on negotiation practices (e.g., Fisher and Ury, 1987; Raiffa, 1982) or pressure groups and policy networks (Richardson, 1993; Smith, 1993) within public administration research. In marketing, these findings could be applied in the context of inter-organizational buying processes to better understand and manage the interaction between buyers and sellers. As discussed for example by Zinkhan and Verbrugge (2000), in many sciences important work has been done in the boundaries between disciplines that may not appear to be closely related at first glance.

The key message of our manuscript is that there is a lot of room and potential for public marketing, i.e., the application of marketing concepts and tools to public administration, and that marketing and public administration increasingly start to approach each other (Kaplan, 2007). As discussed above and detailed in Table 1, there

are already many areas where marketing concepts are applied within public administration. Although this is often done in an unconscious manner, it is only a logical next step to decide which tools should be applied in a rational and conscious way. One necessary condition for this mind-shift is that public administration agents realize that their industry is not *fundamentally* different from the private sector. Although our interviews provide an indication that marketing generally seems to evoke positive reactions among public administration agents, there is still a lack of knowledge about its full potential and most of our interview partners considered marketing to be essentially equal to communication. This is probably caused by the fact that schools which historically ensure the formation of those agents such as the John F. Kennedy School of Government at Harvard University or the French ENA (Ecole Nationale d'Administration; French National School of Administration) only recently (if at all) decided to include marketing in their teaching curricula. For example, it is often stated that in public administration there are many different customers and stakeholders whose interests need to be balanced – in contrast to the private sector where there is only one customer to focus on. Yet, while it may be true that public organizations are more directly and permanently subject to pressure from major stakeholder groups (Ring and Perry, 1985) which can lead to specific challenges in the management of communications (Gelders et al., 2007), they are usually not more affected by their environment than private organizations (Boyne, 2002) as many private companies are also embedded in a complex net of relational exchanges (Morgan and Hunt, 1994) and have more than one single customer that needs to be focused on (Day et al., 2004). On the other hand, marketing scholars should not arrogantly assume that public marketing is the same as marketing for the private sector. As discussed above, there are specific characteristics of the public administration sector that need to be considered and marketing should adapt its concepts and tools to enforce these specificities instead of changing or destroying them. Public administration is, for example, ruled by the equality principle, which is fundamentally different to the basic premises of marketing and customer relationship management, that every customer should be treated individually, based on his/her profit potential for the firm. Another difference is that public administration is influenced by politics, elections and lobbying, which may have a destabilizing effect (Lamb, 1987) and make long-term planning and the realization of strategic objectives a difficult aim. Although public administration, as the permanent representation of the State, should not be immediately impacted by, for example, a change in government, it is important to highlight that the definition of public administration's objectives is usually done by current political powers. Certainly one might argue that similar effects exist in private companies where the Board of Directors can also not act completely independently, as it is subject to shareholder control. Yet, as pointed out by Laufer and Burlaud (1980), the thinking and ruling of politicians are often significantly more complex and difficult to predict than the essentially economic considerations of many shareholders.

Appendix A. Interview guide

A.1. Overall perception of marketing

1. What is your general attitude towards “marketing”?
2. Please define the term “marketing”? What does “marketing” mean to you?
3. In your view, which of the following two definitions of the term “marketing” fits better to the public administration sector and why?
 - a. Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of goods, ideas, and services to create exchanges that satisfy individual and organizational goals.
 - b. Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

A.2. General assessment of the potential and limits of public marketing

4. What is the potential of marketing within public administration sector?
5. What is the limit of marketing within the public administration sector?

A.3. Detailed evaluation of each of the four classical marketing instruments

6. In the following, you will receive some information about the four main marketing functions, i.e., product development/improvement, price, promotion and place. You will then be asked the same questions as above regarding potential and limit of the specific marketing function. If you wish, you can give precise examples where you think that the specific marketing function could help or where you think it is already applied in public administration.
 - a. A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need. It includes physical objects, services, persons, places, organizations and ideas. Product conception and improvement is one of the four marketing functions.
 - b. Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.
 - c. Distribution subsumes all the company activities that make the product or service available to target customers.
 - d. Communication and promotion mix is the specific mix of advertising, personal selling, sales promotion and public relations that a company uses to pursue its advertising and marketing objectives.

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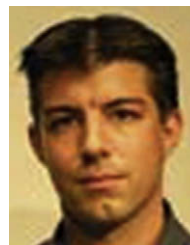
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