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MARKETING AND PROFESSIONAL PUBLIC SERVICES

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DEPARTMENT OF MANAGEMENT

Abstract

Health, education and community services, described as complex, human or welfare services, are classified as ‘professional’ in marketing. Market type mechanisms introduced under the rubric of NPM have blurred the distinction between public and private realms, as increasingly public services are delivered by non-profit and private agencies. One consequence is a more overt marketing stance by service providers. Ambiguity in the language of marketing leads to confusion between market mechanisms and marketing for public services. There are two issues for professional public services. The first is the application of market type mechanisms. The second is the transfer of marketing strategy and techniques from private to public services.

Products, customers and exchange relationships, the core concepts of marketing, are deeply ambiguous for professional public services. This paper examines the managerial implications of the conceptual ambiguity in the language and concepts of marketing for professional public services. Marketing techniques have much to offer public service providers seeking to improve service delivery, client relationships and consultation. Market research techniques have much to contribute to policy analysis and evaluation. However the core concepts of marketing are deeply ambiguous for professional public services with multiple ‘customers’ and contested ‘values’. There is more to social policy than strategic marketing and there is more to service delivery than customer service.

MARKETING AND PROFESSIONAL PUBLIC SERVICES

> *"If apples were oranges, Phillip Kotler's generic concept of marketing would apply as well to government as it does to business.*
> *But apples are not oranges and government is not business."*
> **(Adapted from Guy & Hitchcok's (2000) observation about Peter F. Drucker's ideas on management.)**

INTRODUCTION

Professional public services such as health, education and community services are the interface between public, non-profit and private sectors. These services are primarily funded by government, but increasingly delivered by complex networks of public, private and non-profit agencies. Public expenditure is a significant proportion of government budget outlays and national output in OECD countries (Keating 1998). These services are also the interface between government facing resource constraints arising from pressure to achieve budget surpluses, and the community demanding better quality services. Governments have responded to these pressures with reforms to increase the efficiency, effectiveness and responsiveness to users of public services. Growth in public expenditure has been accompanied by restructuring of service delivery networks (Keating 1999). The objective is to improve responsiveness by changing the focus of service delivery to 'clients' and 'customers' (PUMA 1995; 1996a; 1996b; 1999).

A philosophy of managerialism and consumerism has driven these reforms in the NPM heartland of the UK, USA and Australia (Pollitt 1998; Kettl 1994; Walsh 1995; Schick 1999). Change has been accompanied by a more overt marketing stance by professional providers, leading to debates about 'customer orientation' and the appropriateness of marketing techniques for public services (McGuire 1997 & 1998). However NPM is a contradictory set of propositions (Hood 1991 & 1995) and confusion between 'market type mechanisms' and 'marketing' complicates these debates. Client consultation and customer choice are different strategies for 'customer-oriented' service delivery.

Reform has focused on three strategies to make service providers more responsive to consumers (PUMA 1995; 1996a; 1996b; 1999). The first is contestable service delivery and competition between service providers to give consumers greater choice. Purchaser-provider arrangements and contracting that separate funding and service delivery are examples. A second strategy is to give consumers a stronger voice through consultation, formal satisfaction surveys, complaints and redress mechanisms. A third strategy is including consumers in formal accountability mechanisms such as mandated service standards and external performance measurement and reporting. Consultation and direct accountability to clients are a substitute for competition and choice to make providers more responsive to users.

Ambiguity in the language of marketing leads to confusion between 'market mechanisms' and 'marketing' for public services. This confusion complicates debates about the possibilities and limitations of marketing theory for public services. There are two issues. The first is the application of market type mechanisms. The second is the transfer of marketing strategy and techniques to professional public services. This paper is primarily concerned with the second issue. The generic concept of marketing advocates the universal application of marketing theory and techniques (Kotler & Levy 1969). Goods, services, people, places, events and ideas are all products that can be packaged and exchanged. Marketing applies to every exchange and all stakeholders (Kotler 1972). Public services are products to be packaged for delivery by autonomous providers, including non-profit agencies, under service agreements and contracts that specify service standards.

This paper considers the relationship between market type mechanisms and marketing. The language and logic of contractualism underpins market type mechanisms. The language and logic of marketing underpins 'responsive' and 'customer focused public services'. The issue for public services is whether marketing strategy and techniques will change the inward focus of service providers to an outward client-orientation.

Responsive Public Services

Two main strands in NPM have been the introduction of business techniques, including marketing from the private sector, and the development of market mechanisms. International convergence in the talk about NPM disguises considerable diversity in decisions and actions (Pollitt 2001). Implementation failure is one explanation of gaps between intentions and results, confusion in the talk is another. Marketing language and techniques increasingly shape policy debates and service delivery. Customer relationship management is the latest prescription for improving public services. Two recent reports by Accenture and PricewaterhouseCoopers (PwC) advocating CRM are indicative of this influence (Accenture 2001; Baker 2001). These reports are simply the latest example of prescriptions based on the belief in the universal application of marketing theory and techniques. Goods, services, people, places, events and ideas are all products that can be packaged and exchanged. Public enterprises are businesses whose purpose is to satisfy customers. Marketing applies to every exchange and all stakeholders.

The ascendancy of marketing in public management has been evident for more than a decade. A landmark OECD report *Administration as Service, Public as Client* in 1987 set out an agenda for more responsive service delivery to clients as consumers of public services. A fundamental argument was that a more managerial and marketing mentality would increase productivity and responsiveness (OECD 1987, 125). The report argued that client responsiveness is achieved by increasing "accountability to and control by clients" and challenged "administrative and political cultures" (1987, 32). Four dimensions of client responsiveness were identified: clear and open lines of accountability and control; meeting clients' needs within the framework of policy; ensuring convenient access to services and encouraging active participation in service delivery.

Academics as well as practitioners have been instrumental in developing new models for responsive public services. Hadley & Young provided an early framework based on ten key elements for an "enabling, user-centred approach, open to the participation and influence of those they (public services) serve" (1990, 61). Shand & Arnberg (1996) devised a continuum of client focus with five identifiable points from information to control based on the degree of involvement. With the growth of contractualism the language has changed from 'clients' to 'customers' (PUMA 1995 & 1996a; 1996b).

Osborne & Gaebler's (1993) best seller *Reinventing Government* set down ten principles for 'customer-driven government' and was instrumental in the diffusion of two powerful metaphors, 'customers' and 'steering and rowing'. However these metaphors are deeply ambiguous for professional public services. Strategic marketing underpins the customer metaphor (Walsh 1995, xvii; Patterson 1998). Contracting and principal-agent relationships underpin the steering and rowing metaphor (Davis & Wood 1999).

Market Mechanisms

The extension of purchaser-provider separation, CTC and internal markets to professional services such as health, education, police, prisons and community services reveals the ambiguity in the concept of markets for public services. Providers of these services usually compete for budget funds rather than paying consumers. The strategic issue is excess demand and budget constraints. These internal 'markets' are administered (Glynn & Murphy 1996) or quasi (Walsh 1995) structures.

Markets are a system for organising production and consumption of goods and services, based on voluntary exchange where customers can exercise choice and market power by switching to an alternative service provider if dissatisfied. Market ideology dictates this is a more efficient and effective system for providing public services (Kotler 1994). Market type mechanisms listed in Table 1 separate the funding and providing responsibilities, shifting the role of government from direct provider to enabler (Walsh 1995). Market type mechanisms change the structure and focus of public service delivery. Policy is separated from service delivery. Agencies responsible for delivering services are autonomous to some degree. Common, Flynn and Mellon (1992) identify four points on a continuum of market type relationships with different competitive conditions.

Table 1: Market Type Mechanisms

Service agreements (contract)	Specifies resources and performance standards: • between different levels of government • between autonomous public agencies • with non-profit agencies • with private agencies
Purchaser-provider splits (separation)	Separates funding and service delivery
Competitive tendering (quasi market)	Competition between providers for contracts to deliver services to designated groups
Internal markets (separation and competition)	Competition between purchasers and providers Separates funding (policy), purchasing (regional authority) and providing (service delivery)

Contract is a metaphor for institutional change that introduces markets and competition (Davis & Rhodes 2000). Purchaser-provider arrangements are a variant of the principal-agent model of rational choice that separates policy agencies from service delivery contractors (Walsh 1995). The principal-agent model of public choice underpins Osborne & Gaebler's powerful slogan that 'governments should steer and not row' (Davis & Wood 1999). The argument is that separating policy and service delivery will improve the efficiency and effectiveness of public services. However, political and market logic are conflicting perspectives on responsive public services (Self 1993 & 2000). Market logic is based the assumption of customer power or sovereignty, achieved through exit and choice mechanisms. Democratic logic is based on the assumption of citizen power or sovereignty, achieved through voice mechanisms such as complaints systems and new administrative law.

Customer is a second metaphor for change that introduces choice and responsiveness (Pollitt 1998). Confusion arises because 'customers' of public services wear many hats (Mintzberg 1996). Customers' as clients or recipients of services is one responsiveness hat. Responsiveness to customers as citizens with rights and responsibilities is another (Walsh 1991b; Kettl 1996). The language and logic of marketing underpins slogans such as 'responsive government' and 'customer focused public services'. The next section examines different meanings of marketing.

WHAT IS MARKETING?

Marketing theory is concerned with how exchanges are created, stimulated and facilitated. The practical application is developing plans and implementing strategies to manage exchanges between enterprises and stakeholders. Wherever exchange occurs there is a need for marketing (Kotler & Levy 1969). Marketing practice deals with the whole process of entering markets, establishing profitable positions and building loyal customer relationships (Kotler et. al. 2001). Marketing has a diversity of meanings that leads to ambiguity and confusion about marketing theory and practice. (Practical applications of marketing theory are illustrated in Table 2). Webster (1992) identifies three different meanings of marketing - culture, strategy and tactics – that are useful in understanding this confusion. (These are summarised in Table 3.)

Marketing Culture

Since the 1950s the marketing concept has been the philosophical foundation of a market orientation. According to Despande & Webster (1989, 3) marketing is a "shared set of beliefs and values that puts the customer at the centre of a firm's thinking about strategy and operations". The imperative for customer orientation or responsiveness is sovereignty in competitive markets. Marketing from this perspective is a company-wide philosophy that drives strategic planning. Understanding what motivates customers and the way they behave is fundamental to a 'marketing' as distinct from a production or selling orientation.

Table 2: Applications of Marketing Theory

Label	Focus (unit of analysis)
Product marketing	Product differentiation and positioning "Product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need (Kotler et. al. 2001 Glossary)." Extended product concept (Levitt 1983)
Marketing management	'Extended marketing mix' "Analysis, planning, implementation and control of programs to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organisational objectives (Kotler et. al. 2001 Glossary)."
Strategic marketing	Market-oriented strategic planning STP to attract new customers CRM to retain valuable customers
Consumer marketing (B2C)	Consumer markets 'Consumption' Exchanges between buyers and seller for personal use
Industrial marketing (B2B)	Business markets 'Derived demand' Exchanges between buyers and sellers for use in further production
Services marketing	Markets for intangibles Exchanges between buyers and sellers for further production or personal use (B2B and B2C)
External marketing	'Sales' 'Giving promises'
Internal marketing	'Employees'
Interactive marketing	Customers as 'part-time marketers' Provider-customer interactions
Transaction marketing	'Market share' Attracting new customers
Relationship marketing	'Loyalty, trust and customer retention' Creating, maintaining and enhancing relationships with valuable customers (and other stakeholders)

Table 3: Three Perspectives on Marketing

	Culture	**Strategy**	**Tactics (techniques)**
Language	Customer orientation	Where and how to compete	Extended marketing mix'
Core principle	Marketing concept	Strategic marketing	Marketing management
Prescriptive theory	Universality of generic marketing concept	STP CRM	4Ps (Functions) 7Ps (Functions) Processes
Focus	Company philosophy	Marketing strategy	Marketing management
Key assumption	Customers are a key stakeholder	Competitive markets	Controllable variables
Tension between	Organisation Customers	Market driven strategy Customer driven strategy	Functions Processes
Professional services	Provider Clients	Market driven Client driven	Technical quality Processes quality
Public services	Purchasers Providers	Policy outcomes Service performance	Policy processes Service delivery

Source: Adapted from Webster 1994
Abbreviations
STP: segmentation, target marketing and product positioning
CRM: customer relationship management
4 Ps: Product, price, place (distribution) and promotion (marketing communications)
7 Ps services: product, price, distribution, promotion, people, physical evidence, process

The marketing concept defined as customer orientation is an old idea (Drucker 1954; Levitt 1960). Core marketing concepts are products, markets and exchange. Kotler's (1972) generic concept contends that marketing applies broadly to all 'transactions' between an organisation and all of its 'publics'. The generic concept of marketing is the universal application of marketing principles. Products, markets and exchange are defined in the broadest terms. Health, education and community services are products. Patients, students, children in need of protection from abuse and homelessness people are all 'customers'. Marketing strategy and techniques can be applied to manage 'exchange' relationships between providers and customers. Politics is just another 'P' in the extended marketing mix of controllable variables (Kotler 1994, 355).

Marketing elevates market exchange as the preferred system for satisfying consumer wants and needs. Kotler (1994) argues "exchange is the most democratic way to acquire goods". The generic concept of marketing broadens the concept of exchange to 'any voluntary transfer of value', including the activities of non-profit agencies such as volunteering and donations. However the key variable in the marketing process is demand, that is wants and needs backed by the ability to pay. Consumer preferences that matter are those backed directly or indirectly by the power of the purse. Marketing is directed at providing products to satisfy customer demand. Markets are defined by marketing as 'all actual and potential buyers', that is the demand side of the neoclassical model of economics. So marketing is directed and managing market exchanges to achieve organisational goals.

Webster argued a decline in support for the marketing concept in the 1980s reflected the lack of empirical support for the idea that "profit is a reward for creating a satisfied customer" (1994, vii). Empirical research on the profitability of retaining customers established a quantitative link between customer satisfaction, loyalty, retention and profit (Reichheld 1996). Webster's (1992) new marketing concept added 'market-driven' to 'customer orientation' reflecting a 'value-delivery concept of strategy'. Satisfying customer needs as the defining purpose of business (old marketing concept), becomes ‘satisfying the needs of valuable customers’ (new marketing concept). Value created by market exchanges is measured in economic terms. Prescriptively the marketing concept is implemented through strategic marketing and managing the extended marketing mix. Value for profitable customers becomes the focus of marketing strategy.

Marketing Strategy

Strategy links activities to purpose and strategic marketing links activities to business and corporate strategy (McGuire 1999). Business strategy is concerned with where the firm competes, the choice of products and target markets (Day 1994 & 2000). Competitive advantage is the theoretical basis of strategic marketing. Marketing strategy is concerned with product positioning. Attracting and retaining valuable customers is the focus of strategic marketing. A fundamental proposition of marketing theory is that customers’ are a key stakeholder and marketing strategy can increase the value for the firm by delivering value to customers. Market competition is the imperative for a customer-orientation. The commonly used abbreviation ‘STP’ reflects the three elements of marketing strategy: segmentation, target marketing and product positioning. Market segmentation and product differentiation are the analytical foundations of STP. The central tenet is positioning products on customer benefits or value in selected target markets. Customer selection is a basic principle. Target markets are groups of customers with similar demands, and market strategy succeeds by providing better value to selected customers than competitors. Not all customers are equally valuable and STP provides a heuristic for selecting valuable customers.

In the 1990s the marketing concept was broadened further still by relationship marketing (Christopher, Payne & Ballantyne 1991). Webster (1992) identified a continuum of exchange relationships from transactions to strategic alliances, to which marketing is applied. The new logic of marketing strategy is customer relationship management. The focus has shifted to performance and ‘value’ is the new language of strategy. The focus of corporate strategy is shareholder value (Kotler et. al. 2001). Shareholder value is defined in economic terms and measured by financial indicators such as revenue and profit. Revenue is an economic measure of customer value. Economists use simultaneous demand and supply equations to depict two perspectives on exchange value. The supply function is the service provider’s perspective and the demand function is the customer’s perspective. Strategy depends on the service provider’s objectives. The objective of strategy in competitive markets is to exercise market power by attracting and retaining valuable customers.

Marketing strategy is changing from a behavioural approach, concerned primarily with customers’ responses, to an economic approach concerned with the long-term profitability of customers. Customer retention economics combines demand side (customers’ perspectives on value) and supply side (firm’s perspective on value) in calculating the value of loyal customers and the costs of customer defections to a firm. Research quantifying the relationship between customer retention and profitability has changed the focus of marketing strategy from transactions to relationships (Reichheld & Sasser 1990; Reichheld 1993 & 1996).

Customer retention economics adds an important new dimension to market segmentation strategy. Segmentation based on customer profitability is a prerequisite for customer retention and relationship marketing strategies. CRM extends the concept of segmentation to ‘customer value’. Value is defined from the service provider’s perspective, that is the value of customers to the provider. The resource-based view of strategy (Day 1995 & 2000) adds organisational capabilities to satisfying customer needs as the basis for selecting target markets. Customer satisfaction, defined as “the extent to which a product’s perceived performance matches a buyer’s expectations” (Kotler et. al. 2001 Glossary), is a key variable or driver of performance in competitive markets. The link between customer satisfaction and profitability provides the imperative for ‘customer-orientated’ marketing strategy and relationship marketing.

Marketing Tactics or Techniques

Marketing management is defined as “analysis, planning, implementation and control of programs to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organisational objectives” (Kotler et. al. 2001, Glossary). Planning links marketing activities to strategic objectives.

Defined as the 'marketing mix' of controllable variables that have to be managed to implement marketing strategy, the ubiquitous '4Ps' of product, place, promotion and price, developed by McCarthy in the 1960s, are still the still the dominant heuristic for marketing management decisions. The 'extended marketing mix' adds people, processes and physical evidence to the decision framework (Kotler et. al. 2001, 70). Debate about the number and labels of the 'Ps' reveals the limits of this functional approach.

More recently a change from a functional to a process approach has been advocated for strategic marketing (Day 1994 & 2000). Value adding processes link marketing activities to outputs and results for customers. Marketing becomes an integrative organisational activity or a set of interconnected processes. Kotler (1994, 358), the most prolific marketing academic, argued marketing is responsible for six core processes: analysing the market, designing marketing strategies, developing new products, developing and managing brand equity, securing sales and retaining customers. In theory the emphasis in strategic marketing has changed from product portfolios to customer portfolios. In practice, products are still the focus of marketing planning.

Marketing is universal, according to Kotler's generic concept of marketing. The 'extended marketing mix' applies to not only tangible goods and intangible services, but also to 'events marketing', 'person marketing', 'political marketing', 'cause related marketing', 'non-profit marketing' and 'experiences marketing' (Kotler et. al. 2001). McKenna (1996) in a Harvard Business Review article provided a new slogan, "everything is marketing and marketing is everything'.

Phillip Kotler is the strongest brand name in marketing and a prolific author. A 10th 'milleniuum edition' of Marketing Management, first published in 1967, was released in 2000. *Principles of Marketing*, co-authored with Gary Armstrong, is in its 5th edition. There are many regional adaptations of both texts and the strategic marketing framework has been adapted to develop texts in specialist areas. For example, professional services (Kotler & Bloom 1984), non-profit organizations (Kotler & Andreasen 1975), health care organizations (Kotler & Clarke 1987), educational institutions (Kotler & Fox 1995) extend Kotler's generic concept of marketing to professional services marketing by public and non-profit organisations. The next section considers transfer of marketing to professional public services.

TRANSFERRING MARKETING TO PROFESSIONAL PUBLIC SERVICES

Health, education and community services are complex human services classified as 'professional' in services marketing and management. The transferability of marketing is analysed by considering the similarities and differences between manufactured goods and services, and between private and public services. Whilst Kotler's generic marketing concept is widely accepted in services marketing, there are different perspectives on the nature of strategy and marketing management in service organisations.

From Manufactured Goods to Services

Services developed as a distinct perspective within marketing in the 1970s from marketing strategy and techniques for industrial marketing (Brown et. al. 1994). In management, services developed as a distinct perspective from manufacturing (Grönroos 1994a). Production, consumption and products are manufacturing concepts (Grönroos 1998). Services management starts from a fundamentally different perspective on process and its relationship to performance (Johns 1999). Productivity and service quality are key drivers of performance in both paradigms. However quality and productivity are different for services, and, the relationship to customer satisfaction and profitability is more complex because of provider-consumer interactions in service delivery. Quality is a key driver of customer satisfaction, retention and profitability, but the precise nature of the relationship is not understood (Zeithaml 2000).

Services are the interface between marketing and management, and there is considerable diversity in what is now a vast literature on the subject. Services is not a well-defined area, reflecting a range of approaches with different emphases on economics, marketing and management (see McGuire 1999 Chapter 2). The field divides into services marketing and services management, with the Nordic school combining the two approaches (Brown et. al. 1994; Grönroos 1994a). This diversity of approaches creates a selection problem for public service providers looking for strategies and techniques to improve service delivery.

Service has a diversity of meanings that leads to confusion between ‘customer service strategy’ and ‘service products’ (McGuire 1999 Chapter 1; Johns 1999). Customer service is a product differentiation strategy. Services as a class of products have distinctive characteristics that require a different approach to strategy, marketing and management. Intangibility, coproduction and direct provider-client encounters are three characteristics of services that have implications for marketing (McGuire 1999 Chapter 3).

Intangibles

A service is a delivery system and the output is a process. The significance of intangibility for marketing relates to quality. Service quality has technical and process dimensions (Gronroos 1990 & 2000). Technical quality or ‘reliability’ is defined as the outcome or ‘what’ is delivered to customers. Technical quality is usually measured by conformance to standards. Process quality is defined as ‘how’ the service is delivered. Process quality is usually measured by clients’ subjective evaluation of their encounters with providers. The intangible nature of services makes quality assurance and the signalling of quality to customers more difficult. Services cannot be inspected before delivery. Services that fail during delivery cannot be returned. Quality assurance is an issue.

Coproduction

Production and consumption are not entirely separate in time for services, and consumers participate to some extent as producers in delivery. Coproduction is what distinguishes service delivery from supply chains for manufactured goods. Coproduction increases the complexity and variability of service delivery. Understanding the interactive nature of service delivery and the consumer’s role in delivery is fundamental to services marketing and management. Customers as coproducers are a resource, not just a source of revenue to service organisations. Customer involvement in delivery influences service productivity and quality. Managing consumers’ participation in delivery and managing supply and demand imbalances are issues.

Direct provider-consumer encounters

Services cannot be separated from providers and consumers. Direct provider-consumer encounters increase the variability of service outcomes. Encounters and the service environment are variables that influence customer’s evaluations of quality and value. These are significant for high contact services such as health and education. Encounters during service delivery also mean that marketing communications have interactive components. Accessibility and encounters with service providers influence consumer’s evaluations of service quality. Managing encounters and recovery from service failures are issues.

Services marketing and management starts from a customer orientation and strategy is based on STP and CRM. The service profit chain applies market economics to services (Heskett et. al. 1994). However, intangible outcomes, coproduction and direct provider-client encounters change the focus of strategy to service competition and the focus of marketing management to service processes (Grönroos 1990 & 2000). Grönroos argues that the firm has to view its business and customer relationships from a service perspective. There is less agreement about the extended marketing management for services. Many frameworks and a vast array of techniques are offered. There is general agreement that marketing management is different because services are interactive. The Nordic school has been the strongest critic of the functional approach of the extended marketing mix. Grönroos (1994b) contends the ‘7Ps tool box’ is a straight jacket that is too restrictive for services that require a systems approach to marketing management.

There is considerable variability between services on the dimensions of intangibility, co-production and customer-consumer encounters. Different types of service processes require different delivery systems (Silvestro et. al. 1992). Rail and postal services, for example, are classified as mass services. Outcomes are more tangible, consumers have a passive role in coproduction and encounters are limited enabling services to be standardised. In contrast education, health and community services are classified as professional services. Outcomes are more intangible, consumers have an active role in coproduction and provider-client encounters in delivery are high requiring services to be customised (Silvestro et. al. 1992).

Professional Services

All services are not the same and professional services pose particular challenges for marketing. Professional services offer care and advice and are delivered by people with specialist knowledge and usually technical qualifications (Harvey 1996). Locating professional services on intangibility, coproduction and client-provider encounters continua identifies marketing issues. Intangibility of service outcomes leads to asymmetry or divergence between providers and consumers on quality (Walsh 1991a). Professional services are high on 'credence attributes', which means providers have information about technical quality that clients cannot evaluate. Clients have more information about process quality or 'customer service' aspects of delivery. The power of professional service providers derives from their specialist knowledge and control of technical quality standards, which critics argue has little regard for client perceptions (Pollitt 1988; Harvey 1996).

Customers as coproducers have an active role in service delivery and are usually present for much of the duration. People are processed in human services such as education, health and community services. The motivations and willingness of customers to participate in service delivery affect the quality and productivity of outcomes. Professional services are generally high contact and provider-client encounters are between people. There is a high degree of customisation and judgement on the part of providers (Silvestro et. al. 1992). Professional service providers usually describe their customers as clients, signalling a duty of care.

The imperative for customer-orientation is the same for professional services, and client relationships are a key driver of performance. Marketing strategy is based on STP and CRM. Indeed much of the early development of relationship marketing was for services (Christopher et. al. 1994). The service profit chain applies to professional services (Heskett et. al. 1994). The focus of marketing management is service delivery processes rather than functions (Grönroos 1990 & McGuire 1999). However client-provider relationships are characterised by information asymmetry and uncertainty which creates marketing problems for professional services. Marketing management issues centre on the divergence between provider and client views on service delivery, quality and value.

Public services pose a greater challenge for marketing. Customer orientation in a strategic marketing model is ambiguous when applied to public services. Existing service classifications do not isolate the characteristics of 'public' services and public management classifications focus on tasks and agencies rather than service characteristics.

From Private to Public Services

The 'public-private realms are different/similar' debate is usually framed in terms of sectors or organisations. This leads to contrasts such as Stewart & Ranson's public and private *sector* models of provision (Stewart & Walsh 1992). However contractualism shifts the focus from organisations to *services*. Professional public services are funded from the public purse but are provided or delivered by public, non-profit and private agencies. So, an organisational focus is confusing. The issue is the transfer of marketing strategy and techniques to *professional* services and on to *public* services. 'Marketing is similar/different for *services*' is one part of the debate. 'Marketing is similar/different for *public services*' is another. Professional *public* services can be located on public-private continua. Funding, purpose and exchange relationships are the variables most frequently used to identify similarities and differences. Three 'public' characteristics of services create profound ambiguity in the marketing concept and strategy for public services (McGuire 1997).

Social values

Public services have social not just economic, value reflecting welfare or social policy objectives. Social policy is concerned with income inequality and distributional equity. Sales revenue and profitability are 'bottom line' measures of economic value for private services. Social impact and equity are 'bottom line' indicators of social value for public services (Carter, Klein & Day 1992). Demand for public services is derived from public policy processes based on collective political choices (Streton & Orchard 1994). There is no place for equity in the service profit chain.

Collective consumption

Public services provide collective as well as individual benefits (Walsh 1991b; Orchard & Stretton 1994). Services are provided to people described variously as 'customers', 'clients' or 'consumers'. The benefits of public services are consumed collectively by the community as well as privately by users. This means 'provider-customers' relationships are complex for public services. Indeed 'customer' is a slippery concept applied to public services. Public services have a complex set of stakeholders with different interests to be 'satisfied'. The link between revenue and client users is fundamentally different for many public services. The primary source of revenue for service providers is not customers who pay, but budget-funded agencies or 'purchasers'.

Public accountability

Accountability is a fundamental dimension of 'publicness' in representative democracies and consequently a key distinction between public and private services. Rights are central to public accountability. Clients are citizens with rights, rather than customers with wallets, and political processes decide access to services. Public accountability relates to the transparency of decisions and public reporting. Client accountability for social welfare services is a voice rather than choice option, based on public administrative rather than private contract law (Walsh 1995). Complaints and redress are accountability mechanisms that increase client responsiveness (Pollitt 1988; Walsh 1991b). Responsiveness to clients as direct consumers is one dimension of accountability for public services. Political responsiveness to ministers, cabinet and parliament is another. Purchaser-provider relationships are more complex for public services than a simple principle-agent model suggests (Davis 1997). Contractualism increases the complexity of accountability relationships.

Voluntary exchange of value is central to marketing. However, value is deeply contested for public services. Purchaser-provider and provider-client relationships are complex for professional public services. Providers are caught between the conflicting priorities of elected policy makers and clients (OECD 1987). Labels such as customers, consumers, clients and citizens create confusion about the nature of exchange relationships, which are in essence public. 'Public' refers to the use of public funds, for which government is publicly accountable, to provide services in pursuit of social policy objectives. Clients have private interests as consumers and public interests as citizens.

IMPLICATIONS – APPLES AND ORANGES, MARKET AND POLITICAL LOGIC

The marketing concept and strategic marketing are deeply ambiguous for professional public services, which are inherently paradoxical. Dichotomies such as goods/services and public/private suggest either/or choices. Paradoxical tensions are two sides of the same coin used to reveal complex interrelationships that have to be balanced (Lewis 2000). The tensions that explain the paradoxes of professional public services are at the very heart of NPM debates. The debates are about the universality of business (marketing) principles and the nature of public/private differences. Kotler's (1972) generic concept broadened the definition of products and consumers so that marketing applies to all transactions between an organisation and all of its publics. Relationship marketing extends exchanges from 'transactions' to 'relationships'. Wildavsky's (1973) warning about universality, "if everything is planning then maybe its nothing", resonates in the debate about marketing. Tension is apparent in each of Webster's three perspectives on marketing.

Culture – Customer Responsiveness and Citizen Accountability

The idea that public agencies have clients is an old one. The idea that public agencies have customers is a more recent (McGuire 1998). Critics argue customer is limited metaphor for public services (Walsh 1994; Patterson 1998). Clients as customers and citizens are different stakeholder relationships (McGuire 1997 & 1998). As Pollitt (1994, 171) argues:

> To be a consumer is to hold a particular position in a network of market relations. To be a citizen is to be a member of a political community, a much richer concept embracing a much wider range of potential relationships.

Service delivery connecting government to clients as consumers is a managerial perspective on accountability. Policy and governance connecting government to clients as citizens is a political perspective on accountability. Direct accountability to clients adds a third outward dimension to political and managerial accountability. As Mintzberg (1996) observes clients of public services wear many hats. Customer, consumer, client and citizen are concepts that define different relationships (Table 4). Customer-orientation is at best ambiguous and at worst misleading given these multiple accountabilities. Stakeholder models are pluralist, and people receiving public services “are more than mere shoppers in some social supermarket” (Bynoe 1996, 25).

Strategy – Strategic Marketing and Public Policy Processes

Changing from provider to client control is problematic for professional services. Professional public services are provided on the basis of need. Exchange between client and providers, whether public, private or non-profit, is based on redistribution rather than market demand. Social values, multiple stakeholders and public accountability do not slot easily into the rational planning framework of strategic marketing. Neither does social value into the service profit chain. The strategic imperative for providers is revenue from ‘purchasers’, not users. Competition is for budget funding rather than paying customers. Policy processes rather than markets decide budget allocations. Calling clients customers does not change this. The link between budget funding and client satisfaction is through public policy processes, not market exchanges. In the absence of choice, client responsiveness depends on the ability of consumers to voice dissatisfaction through complaints and seek redress. Customer service is a limited basis for client responsiveness for public services.

Table 4: Definitions

Concept	**Definitions**
Customer	A buyer, a *purchaser*, one who customarily purchases
Consumer	One who *consumes*, as opposed to producer
Client	One who is under the protection or patronage of another, a *dependent*
Citizen	An *enfranchised* inhabitant of a country, as opposed to an alien

Source: The Shorter Oxford English Dictionary on Historical Principles, Third Edition (1973) Claredon Press Oxford.

Customer service language brings with it market logic that displaces democratic logic (Walsh 1994). Market logic is based on the assumption of customer power or sovereignty, achieved through exit and choice mechanisms. Democratic logic is based on the assumption of citizen power or sovereignty, achieved through voice mechanisms such as complaints and redress under administrative law. Direct consultation is an alternative to market choice. Between Adam Smith’s invisible hand of the market and Chandler’s visible hand of management are the collective hands of deliberative public policy. However indeterminate pluralist stakeholder models are less attractive to practitioners looking for frameworks for decisions and action than the rationality of strategic marketing.

Products, values and exchange relationships, the core concepts of marketing are in fact complex concepts and deeply ambiguous for professional public services. Public policy processes are more than just another 'market'. Market and policy processes are different mechanisms for allocating and distributing publicly funded services. As Walsh (1994, 69) argues, "the danger of defining the public realm as the arena in which services are exchanged for taxes is that politics is reduced to service delivery".

Tactics – Marketing, Management and Service Delivery Processes

At this level of analysis, there is a confusing array of marketing and management techniques on offer to improve the productivity and quality of service delivery. If performance problems are managerial, transferring service marketing techniques to improve delivery has much to offer professional public services. However, if problems are political – budget contests for scarce resources – services marketing techniques have less to offer. Marketing techniques will not resolve tensions between efficiency in using scarce budget resources and effectiveness in responding to client needs. Productivity and service quality pull in different directions for public services. Complaint and redress give clients more control than customer satisfaction surveys.

Many different ideas have driven public management reform, and reformers have indiscriminately mixed and matched ideas with little regard for the contradictions (Kettl 1996, 260). According to Kettl (1996, 261) "the problem is far more with theory than with the practice" and the "bottom line for managing public services is reconciling the contradictions between political and managerial realities". Mintzberg (1996) argues that the malaise about government stems from its being too much like business, rather than not enough.

CONCLUSION – MARKETING IS DEEPLY AMBIGOUS FOR PUBLIC SERVICES

Government is the largest provider of services in the world and therefore fertile prospecting ground for consultants. In a recent report for the Blair Government, consultants from Accenture argued CRM has "great potential" to help government become more "citizen-centric and more efficient" (Accenture 2001). *Customer Relationship Management: A Blueprint for Government* contends CRM principles are "generally found to be quite relevant once agencies overcome the barriers of terminology". However the barriers are more than terminology. The issue is whether marketing will deliver better social policy outcomes.

Similarities and differences between public and private services is an old debate (Allison 1979). Critiques of managerialism in public and strategic management continue to argue that there are limits in applying business principles to the public services (Walsh 1994; Mintzberg 1996). Purchaser-provider arrangements and contracts for service delivery with private agencies blur the public/private distinction based on ownership, but not the distinctions based on purpose and accountability. The real impact of reform in NPM heartland is that public services providers are not necessarily distinguished by ownership or management tasks. What does distinguish public services is purpose and the nature of the problems that public policy programs are trying to resolve. Services marketing and management generally ignores the implications of the characteristics of public services. 'Public' characteristics explain the profound ambiguity in 'customer-orientation' for professional public services (McGuire 1997).

Changing from professional to consumer control, necessary for more responsive service, is difficult. Market contestability through competition between service providers to give consumers greater choice is one strategy for client responsiveness. A second is linking budget allocations directly to service standards and performance indicators including quality. A third strategy is marketing techniques to give consumers a stronger voice through consultation, formal satisfaction surveys and complaints mechanisms.

One impediment to client responsiveness is provider knowledge and power, derived from their specialist knowledge. Traditionally professionals controlled service standards which critics argue had little regard for clients. Service charters, external accreditation and soliciting client views on quality are intended to overcome provider capture. In a competitive market, clients are customers. A weaker client service imperative is a second impediment to client responsiveness.

Markets rely on customer choice and exit for consumer responsiveness. Clients are customers and consumers. A direct, if complex, link between customer satisfaction, retention and profitability is a strong imperative for client responsiveness. Policy processes rely on citizen voice and participation for consumer responsiveness. Competition between service providers is for public funds or scarce budget resources. Funders and purchasers are the 'customers' of service providers. Clients are consumers in need of services. Access to public services is still decided primarily by political and professional judgement (Pollitt 1988). Clients are citizens with rights to obtain control through different accountability mechanisms than customers (Patterson 1998). Responsiveness is a political imperative.

Consequently marketing strategy is ambiguous for public services. Customers are multiple stakeholders with different and often conflicting interests. Budget funding is the main source of revenue for public services. Equity has to be added to productivity and quality but there is no place for equity in the service profit chain. Stakeholder or social values have to be added to shareholder or economic value. Judgements are qualitative and inherently political. Providers are managers and professionals. Clients are consumers and citizens. Professional public services reveal the tension between responsiveness to policy priorities of representative government, and to the needs of clients who are consumers and citizens.

Marketing is a managerial model that disguises rather than resolves, political problems. As Chalmers & Davis (2001, 84) observe, "the implementation literature makes depressing reading" and human services is the most difficult case for policy and implementation. The language of 'purchasers-providers', 'customers' and 'products' suggests a clarity that does not exist in practice. Gaps between policy intentions and service delivery outcomes are an enduring problem, well documented in public and management research. The chain from talk and decisions to results is long and complex (Pollitt 2001). What appears to be an implementation problem may be a selection problem.

Marketing techniques have much to offer public service providers seeking to improve service delivery and client relationships. Market research techniques have much to contribute to policy analysis evaluation. However the core concepts of marketing are deeply ambiguous for professional public services with multiple 'customers' and contested 'values'. Economic value is a narrow view of performance. Strategic marketing theory displaces public policy with market processes. Allocation and distribution of professional public services are based on political rather than market processes. There is more to social policy than strategic marketing and there is more to service delivery than customer service. Whilst marketing techniques have much to offer public service providers, redefining clients as customers is neither necessary nor sufficient to improve service. 'Customer orientation' is at best unhelpful and at worst misleading in thinking about the exchange relationships for professional public services. As the then Secretary of State for Health William Waldergrave, observed in the 1990 Trafford Memorial Lecture (Walsh 1994, 67):

> 'Our customers do not come because the price of beans is less ... they come because they are ill, not seldom frightened, and they want help and expect care. ... Without remitting for one moment the pressure to get a better management system, and borrowing what is useful from business, let us watch our language a bit. It just bears saying straight out: the NHS is not a business, it is a public service and a great one.'

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