Preface

This is the first comprehensive book to focus exclusively upon the marketing activities performed by government and social service agencies. Its purpose is to demonstrate how the concepts and techniques of marketing relate to the delivery of government and social services.

The authors brought complementary backgrounds and perspectives to the preparation of this book. John Crompton brought knowledge of government and social service agencies gleaned from 20 years of work experience and academic interest in that arena. Charles Lamb is the M.J. Neeley Professor of Marketing at Texas Christian University. His expertise in marketing for nonprofit organizations is widely recognized.

It is normal practice when two people collaborate on a book for them to divide the work so that each takes primary responsibility for a predetermined number of chapters. Because of the different perspectives of its authors, this book did not develop in that way. Each chapter was a source of creative conflict and went through a series of iterations. The debate, argument, and long gestation period facilitated the development of insight. As a result, the five-year period during which the book was written has been a time of intellectual adventure and an exciting learning experience for both of us.

In the past seven years, more than 10,000 practitioners have participated in over 100 workshops which the authors have conducted either independently or together. We are pleased with whatever benefit they may have derived from exposure to the developing ideas for this book, but we are most grateful to them for their feedback and input. They have been tolerant of our occasional naivete, forthright in their criticism, and generous in sharing their ideas and illustrations. Hence the content of this book has been repeatedly revised and thoroughly tested. We are convinced that its conceptual foundations are well-rooted, but believe its major contribution is its pragmatic approach. The book is intended to be primarily a "hands-on" reference guide for administrators. It has also been well-received by students in our university classes who have also provided us with useful feedback.

Given the eclectic nature of government and social services, it is not possible
to tailor each example to the reader's particular type of agency. The examples should be regarded as being generic, rather than being illustrative only of the service and situation cited. The reader has to make the transition from cited illustrations to the context of his or her own agency.

We anticipate managers will receive three major benefits from reading this book:

1. A general orientation to the field of marketing. Few public sector managers have received any formal training in marketing because marketing's relevance to government and social service agencies has been recognized only recently.

2. New ideas for solving problems. The marketing perspective used here is likely to be new to many. Management in many public services has historically been inbred. The majority of police, recreation, and library managers, for example, have spent their entire working lives in a single area. Such narrow exposure restricts a manager from sharing the experience of his or her peers in other service areas who may have faced similar situations. In this "hands-on" book, concepts are explained; but the emphasis is on application of these concepts in a large number of practical illustrations and case studies from a variety of services.

3. A frame of reference within which to view all service delivery decisions. Marketing doesn't consist of isolated activities, but rather of orchestrated efforts that integrate a number of related activities. Managers will recognize seemingly independent decisions are related when seen in the context of the total set of marketing activities.

Often the biggest obstacle to introducing marketing into an agency is the word "marketing" itself, which can carry negative connotations associated with hucksterism. Though a gross misrepresentation, the semantic problem cannot be ignored. We suggest that ideas from the book be introduced gradually without any reference to marketing. In this way techniques can be implemented quickly without resistance from personnel who would react negatively or feel overwhelmed by "marketing." Once the innovations are successful, you can announce that marketing is in fact being practiced and practiced well.

The cost of government in the United States has become the biggest single item in the family budget—more than housing, food, or health care. The consistent increase in the size of government between 1949 and 1982 is shown in Figure 1. Together federal, state, and local governments collect revenues that amount to more than one-third of the U.S. gross national product and employ nearly one out of five nonagricultural civilian workers. As the size of government has increased, so has the public's criticism of its efficiency, effectiveness, and equity. Marketing is not a panacea for all the financial, service delivery, and accountability problems confronting agencies, but it can definitely help alleviate those problems.
This book is directed to managers at all levels of government with responsibility for all sizes of jurisdictions. Government and social services are not part of a homogeneous sector. Instead, the sector delivers a myriad of diverse services. Although there are differences in the environments within which each manager operates, the principles discussed in this book are broadly applicable across the public sector spectrum. Most agencies identify the client groups whom they serve; develop and eliminate services; decide upon the appropriate prices to charge; schedule and locate their programs and services at several locations; and promote or communicate their availability through brochures, announcements, or public contact. The large number of application examples from many different service areas will assist readers in making the transition from principle to application in their own field.

John L. Crompton
Charles W. Lamb

College Station, Texas
Fort Worth, Texas
December 1985
Acknowledgments

Many academic and professional colleagues, friends, and predecessors have directly and indirectly contributed to the development of this book. While it is not possible to recognize most of the contributions, we would like to acknowledge the comments, criticisms, suggestions, and examples provided by our colleagues at Texas A&M University and Texas Christian University. We would particularly like to thank Leslie Reid, former Head of the Department of Recreation and Parks at Texas A&M and Edward A. Johnson, Dean of the M.J. Neeley School of Business at TCU for their encouragement and support.

Our work has also been influenced by many professional managers and university students who have participated in our workshops and classes during the years since this project began in 1980. Their insight and feedback have stimulated us to reexamine, reorganize, revise, and clarify many of our ideas, illustrations, and examples. Former graduate assistants Cheryl Black, Elizabeth Sypien, Cindy Kennedy, Donna Legg, Kathy Rubin, Renuka Arunkumar, Sheila Backman, and Kari Knox were particularly helpful in gathering reference materials, proofreading, and copyediting.

We are grateful to many people whose contributions are referenced throughout the book. We would particularly like to recognize Professor Philip Kotler of Northwestern University whose work has substantially influenced our thinking.

Special thanks are due Nancy Robbins and Pat Townsend for their diligent work in preparing the manuscript, keeping track of countless details, and helping out in various other aspects of the project.

Finally, our deepest thanks go to our wives Liz and Sharon, and our daughters Christine and Joanne Crompton and Christine and Jennifer Lamb. Without their support, encouragement, sacrifices, and tolerance the book could not have been written.

JOHN L. CROMPTON
CHARLES W. LAMB
Contents

1. What Is Marketing? 1
   Evolution of the Marketing Concept 1
      Product Era, 2
      Sales Era, 2
      Marketing Era, 3
   Fundamentals of a Marketing Orientation 6
   Contrasting Selling and Marketing Orientations 7
      Organization's Focus, 8
      What Business Are You In? 9
      To Whom Is the Service Directed? 14
      What Is Your Primary Goal? 14
      What Tools Do You Use to Achieve Your Goal? 16
   A Definition of Marketing 16
      Nature of Exchange, 18
   The Set of Marketing Activities 20
      Marketing Intelligence, 20
      Agency Mission, 21
      Targeting, 21
      Objectives, 22
      Marketing Mix, 22
      Evaluation, 24
   Demarketing 25
   Summary 26

xiii
CONTENTS

2. Relevance of Marketing to Government and Social Service Agencies
   - Growth of Agency Interest in Marketing
   - Relevance of Marketing for Government and Social Service Agencies
   - Concept of Publics
   - Differences Between Public and Private Sector Marketing
     - Environmental and Organizational Differences
     - Profit and Nonprofit Orientations
     - Distinctions Between Goods and Services
   - Summary

3. Developing a Marketing Plan
   - Emergence of Marketing Planning
   - Importance of Planning
   - Objectives of the Planning Process
   - Timeframe of Plans
   - Steps in Preparing a Marketing Plan
     - Environmental Analysis
     - Needs Assessment
     - Mission
     - Establishing Objectives
     - Strategy
     - Action Programs
     - Implementation
     - Evaluation
   - Summary

4. Evaluating Marketing Efforts
   - Marketing Audit
     - Marketing Audit Procedure
     - Postaudit Tasks
   - Program Evaluation
     - Reasons for the Growth of Program Evaluation
     - Scope of a Program Evaluation
     - Defining What to Evaluate
     - Why Evaluation Findings Are Not Used
     - Motives for Undertaking a Program Evaluation
     - Problem of Resources
   - Summary
   - Appendix: A Marketing Audit Outline
5. **Identifying Potential Target Markets** 111
   - What Is a Target Market? 111
   - Rationale for Delineating Potential Target Markets 112
   - Requirements for Effective Segmentation 115
   - Two Alternative Approaches to Segmentation 116
   - Some Common Descriptors Used to Delineate Segments 118
     - *Geographic Descriptors*, 120
     - *Sociodemographic Descriptors*, 121
     - *Behavioral Descriptors*, 121
   - Summary 128

6. **Selecting Target Markets and Identifying Sources of Unresponsiveness** 131
   - Three Strategies for Selecting Target Markets 132
     - *Undifferentiated Strategy*, 132
     - *Differentiated Strategy*, 132
     - *Concentrated Strategy*, 135
   - Selecting a Target Marketing Strategy 136
   - Market Grid Analysis 136
   - Concept of Market Positioning 139
   - Prioritizing Target Markets 141
   - Major Constraints Contributing to Unresponsiveness 143
   - Summary 146

7. **Allocation Decisions: The Equity Issue** 149
   - Relationship Between Target Market and Allocation Decisions 150
   - Emerging Concern with Allocation Decisions 151
     - *Scarcity of Resources*, 151
     - *Influence of the Courts*, 153
   - Who Are the Winners and Losers? 154
   - Concept of Equity 155
     - *Alternative Models of Equity*, 156
     - *Horizontal Equity*, 160
   - Which Equity Model Should Be Selected? 161
   - Who Determines What Is Equitable? 164
     - *Factors Limiting the Influence of Elected Officials*, 165
     - *Role of Administrators*, 166
     - *Role of Street-Level Bureaucrats*, 167
   - How Does Equity Relate to Other Marketing Tasks? 169
   - Summary 171
CONTENTS

8. Strategic Distribution of Services
   Implications of Dependence on Facilities 177
   Overview of the Distribution Decision Process Model 178
   Evaluating Distribution Patterns
      Units of Analysis, 181
      Types of Equity Evaluation Indicators, 181
      Comparison of Equity Distribution of Different Services, 185
   Establishing Distribution Objectives 186
   Developing a Distribution Strategy Plan 188
   Operational Components
      Channel of Distribution, 188
      Intensity of Distribution, 193
      Selecting Locations, 197
      Scheduling Services, 200
   Summary 200
   Appendix: Operationalization of a Compensatory Equity Model 204

9. Program Management
   Dimensions of a Service
      The Program, 210
      Facilities, 210
      Personnel, 212
      Image, 213
      Program Name, 216
   Program Life Cycle
      Characteristics of the Stages, 220
      Core and Fringe Participants, 223
      Implications for Managing Programs, 224
      Implications for Assigning Management Resources, 228
      Limitations of the Life Cycle Concept, 231
   Summary 233

10. New Program Development
    Sources of Stimuli for Developing New Programs
        Reaction to External Pressure, 239
        Internal Recognition of Performance Gaps, 240
    Characteristics of a Facilitative Agency Climate
        Organizational Structure, 242
        Availability of Organizational Slack, 244
11. Diffusion of New Services

General Model

Relationship of the Diffusion Model to the Program Life Cycle Concept, 264

Factors Influencing the Effectiveness and Speed of Diffusion

Perceived Attributes of a New Program, 268
Interpersonal Communication Pathways, 269

Opinion Leaders and Their Identification

Techniques for Identifying Opinion Leaders, 274
Integrating Identification Techniques, 279
Implications of Opinion Leaders' Influence, 280

Summary 281

12. Program Retrenchment

A Model of the Retrenchment Process

Internal Recognition of Retrenchment Advantages

Concentration of Resources on the Most Important Offerings, 287
Alleviation of Managerial Overload, 288
Improvement of the Success Rate of New Services, 289
Strengthening an Agency's Future, 289

External Conditions that Stimulate Retrenchment

Environmental Entropy, 290
Competition, 290
Problem Resolution, 290
Plant Obsolescence, 291

Barriers to Retrenchment

Internal Personnel Barriers, 292
External Barriers, 294
xviii  CONTENTS

Product-Oriented Approaches to Retrenchment  296
  Across-the-Board Cuts, 297
  Voluntary Attrition, 297
  Expenditure Deferment, 297
A Marketing Approach to Retrenchment  298
  Identifying Candidates for Retrenchment, 298
  Evaluating Retrenchment Candidates, 301
  Retrenchment Implementation Strategies, 303
  Facilitating the Implementation Decision, 305
Summary  308

13. Objectives of Pricing  313

Political Considerations  314
  Nature of Price  314
    Opportunity Cost of Time, 315
    Embarrassment Costs, 317
    Effort Costs, 318
Recent Trends  318
  Enterprise Funds, 318
Objectives of Pricing  320
  Income Redistribution, 321
    Equity, 323
    Efficiency, 329
  Revenue Production, 336
Summary  339

14. Establishing a Price  343

Stage 1: Determining the Proportion of Costs That
the Price Should Recover  343
  Critical Role of Cost Accounting, 343
  Positioning Services on the Cost Recovery Continuum, 347
Stage 2: Determining the Going Rate Price  354
Stage 3: Examining the Appropriateness of Differential Pricing  355
  Participant Price Differentials, 356
  Product Price Differentials, 358
  Place Price Differentials, 359
  Time Price Differentials, 360
  Price Differentials Based on Quantity of Use, 360
  Price Differentials as Incentives, 362
Stage 4: Considering Psychological Dimensions of Pricing 363
   Psychological Considerations in Initial Price Decisions, 363
   Psychological Considerations in Price Revision Decisions, 368
Summary 373

15. Promotion: An Overview 377
   Role of Promotion 378
   Marketing: Synonymous with Promotion, 379
   Effective Promotion: Wasteful or Misleading, 379
   Program Adoption Process 382
   Communication Process 384
   Conditions for Successful Communication, 386
   Promotion Mix 390
   Coordinating the Promotion Mix 392
   Promotion Objectives, 392
   Characteristics of the Target Market, 393
   Stage in the Program Life Cycle, 394
   Financial Resources Available, 394
   Prohibitions, 394
   Establishing a Promotion Budget 395
   Arbitrary Approach, 395
   Percentage Approach, 395
   Service Participation or Use Approach, 396
   Objective and Task Approach, 398
Summary 398

16. Advertising and Public Service Announcements 401
   Advertising 401
   Common Uses of Advertising, 402
   Developing the Advertising Campaign, 406
   Who Develops an Advertising Campaign? 426
   Public Service Advertising 428
   Background of PSAs, 428
   Broadcast PSAs, 430
   Print PSAs, 430
   Billboard PSAs, 433
   Marketing PSAs, 433
Summary 435
### 17. Personal Selling

- **Common Uses of Personal Selling**
  - Recruiting and Retaining Clients, 440
  - Fundraising, 441
  - Lobbying, 442
  - Other Activities, 442

- **Prospecting and Targeting**
  - Developing a List of Prospects, 443
  - Targeting, 444

- **Preparation**
  - What’s in It for Them? 445
  - Who Should Be Contacted? 449

- **Presentation**
  - Stimulus-Response Approach, 451
  - Formula Approach, 452
  - Need Satisfaction Approach, 452
  - Guidelines for Improving the Effectiveness of a Presentation, 453

- **Handling Objections**

- **Closing**

- **Follow-Up**

- **Summary**

### 18. Publicity and Incentives

- **Publicity Incentives**
  - Distinguishing Between Publicity and Advertising, 463
  - Developing Relationships with Media Personnel, 464
  - Press Releases, 466
  - Publicity Campaign, 467
  - Cable Television, 467

- **Incentives**
  - Purposes of Incentives, 473
  - Strengths and Limitations of Incentives, 474
  - Planning and Coordinating Incentive Programs, 475

- **Summary**

- **Index**