Traditionally, marketing used to be associated only with the business sector and be perceived as a discipline which has nothing much to offer the public sector. However, some would suggest that many of the management tools developed in business organisations can be, mutatis mutandis, successfully applied in public organisations. Hence, this paper aims to identify what marketing concepts and tools that are used in business organisations can be applied in the public sector and what are the preconditions for their implementation. To this end, two major approaches which have emerged in public management as an alternative to the classical bureaucratic approach are discussed: New Public Management and governance approach. On one hand, it can be argued that they offer wider application possibilities for marketing thinking, on the other – as they are two distinctive approaches they imply quite different marketing concepts and tools. In New Public Management a citizen is seen more as a customer of public services and goods, is at the receiving end of public policies; in the governance approach – is seen more as a partner empowered to shape public services that support him. Nudging and co-creation concepts are discussed as examples of marketing ideas within the context of these two public management paradigms.

**Keywords**: public marketing, New Public Management, governance, nudging, co-creation

1. **INTRODUCTION**

Nowadays, marketing is not only about selling and advertising. As Kotler and Armstrong (2012, 5) rightly put it: ‘Today, marketing must be understood not in the old sense of making a sale – ‘telling and selling’ – but in the sense of satisfying
customer needs. (...) Broadly defined, marketing is a social and managerial process by which individuals and organisations obtain what they need and want through creating and exchanging value with others’. In a similar vein, the definition of marketing by the American Marketing Association (2013) evolved over the past years, stating that: ‘Marketing is 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’. With that in mind, a question can be raised whether some of the marketing tools and techniques used in the private sector can be applied successfully in public sector organisations. Business and public organisations have, after all, different goals and tasks and the scope of autonomy. However, some authors point out that many management methods developed in enterprises can be, mutatis mutandis, applied in public organisations and that management sciences have focused so far too little on public sector organisations, leaving an important area for further research (Koźuch, 2004; Sudoł, 2016).

Against this backdrop, this paper aims to identify what marketing concepts and tools that are used traditionally in business organisations can be applied in the public sector, what are the preconditions for their successful application and whether there are good practices in this field to demonstrate. To this end, two major approaches which have emerged in public management as an alternative to the classical bureaucratic approach are discussed: New Public Management and governance approach. On one hand, it can be argued that they offer wider application possibilities for marketing thinking, on the other – as they are two distinctive approaches they imply quite different marketing concepts and tools. In New Public Management a citizen is seen more as a customer of public services and goods, is at the receiving end of public policies, in the governance approach – is seen more as a partner empowered to shape public services that support him.

The article is organised into five parts. Following an introduction, part two discusses the changing paradigms underpinning the management of public affairs. Part three and four present two opposite marketing strategies which can be adopted in the public sector and the examples of their practical applications. The former is nudging, which is about persuading citizens towards behaviours and choices which are considered by the regulator to be desirable (top-down approach), and the latter is co-creation strategy, which brings various stakeholders together in order to jointly produce a mutually valued outcome (horizontal approach). The final section involves conclusions and offers suggestions for future research.

The methods applied entail a narrative review of the literature as well as a case study approach to exemplify the practical application of selected marketing tools in public organisations.
2. NEW PUBLIC MANAGEMENT AND GOVERNANCE – A CHANGING PARADIGM UNDERPINNING MANAGING PUBLIC AFFAIRS

Although the New Public Management (NPM) and governance approaches (sometimes also referred to as co-governance) are presented in the literature as two distinct approaches in public administration, Kilijn (2012), Mazur and Olejniczak (2012) note that to some degree they both learn from each other and evolve by taking ideas from one another. Hence, they do not have clearly defined boundaries. In fact, we can observe some elements in each of them which have been derived from another, e.g. public-private partnerships. They remain their value at present, however it can be argued that the NPM approach is more suitable for known problems in relatively stable environments, while the governance approach appears to be useful for wicked problems which require intensive cooperation between governments and the social environment (Koppenjan, Klijn, 2016). In a similar vein, Wiesel and Modell (2014) write about the hybridisation of diverse governance logics.

NPM was the first to arrive in the field of public management at the turn of the seventies and eighties, in Anglo-American and Scandinavian countries as an answer to an over-expensive and inefficient welfare state. It was believed that the logic of a free market should be introduced to the public sector as well as new information technologies in the delivery of public services. NPM has been crafted differently in various institutional settings, however, it can be argued that a core feature of this approach is the separation of policy-making (goals setting) and policy implementation (execution) (Koppenjan, Klijn, 2016). Hence, the reform agenda of the NPM entails such processes as privatization and agentification. Governments provide service delivery and public policy through a wide range of private and non-profit actors, or appoint various executive agencies, to improve the effectiveness and efficiency of government performance. This leads to an increase in the number of public service offerings, e.g. in education, healthcare, where market-like mechanisms have been introduced: internal competition, quasi-markets, transition from hierarchical management to management through contracts. However, such a separation makes it imperative to introduce control mechanisms and develop performance indicators to monitor and evaluate the quality of the public services which have been contracted out or delivered by distinct executive agencies. The stress is shifted from ex ante to ex post control (Kilijn, 2012).

What is interesting taking into consideration the aim of this article is that from the NPM perspective, citizens are seen more as customers/consumers and placed at the receiving end of public policies. In the governance approach, in turn, they are co-producers. The biggest concern is not improving economic performance as in NPM, but enhancing citizen orientation. Wiesel and Modell (2014, 179) argue that
the shift from the NPM to governance approach ‘entails a change in the views of citizens from relatively passive and anonymous consumers to co-producers, more actively involved in service provision and decision-making and requiring coordinated services from multiple agencies’. This has been accompanied by the growing critique of market-like arrangements, low compatibility of the management tools indiscriminately adopted from the business sector, the fragmentation of the administrative system (numerous executive agencies), and neglecting the broader context of state activities by narrowing them down to the economic and financial dimension (Mazur, Olejniczak, 2012; Wiesel, Modell, 2014). In the governance approach the focus is on the network-based forms of organizing, which place stronger emphasis on inter-organisational cooperation rather than competition to meet citizens’ needs (Kilijn, 2012; Wiesel, Modell, 2014). It is more about ‘linking’, combining different perceptions, the inclusion of various actors in the policy-making and implementation process, as opposite to ‘fragmentation, separation’ characteristic for the NPM approach. The underlying reason for this course of action is the fact that governments have become more dependent on societal actors to achieve their goals and because of the increasing complexity of the problems they face. Citizens are in themselves important resources and they have a power to obstruct policy interventions (Kilijn, 2012).

Having in mind these two main approaches in public management, the suitability of two marketing ideas from the business sector for the public sector will be discussed, namely: nudging and co-creation.

3. NUDGING AS A PUBLIC POLICY TOOL

Public policy analysis to a large extent rests on the neoclassical economic theory assumption that people are rational, self-interested and always strive to maximize their profits (utilities) while minimizing costs. Hence, the best way to affect people’s decisions is by altering incentives. However, how people make their decisions in reality is far more complicated than a cost-benefit calculation. They are usually influenced by a number of psychological and social factors, such as limited available information or time constraints (Low, 2011). Simon in his seminal work Administrative behaviour: A study of decision-making processes in administrative organization (1947) proposed the concept of bounded rationality, which departs from mathematical modelling of decision-making and takes economical as well as psychological considerations into account. Recognition of these behavioural factors by public policy makers may contribute to the success of public policy interventions.

To explain what nudging is and what are its potential applications in the public sector one should start from introducing the Dual Process Theories. According to
them, when individuals make a decision they apply two distinct but interactive
cognitive processes. The first process is automatic, intuitive and often emotion-
driven. It takes place with our minimal effort and basically without our conscious
control. It is based on heuristics, a kind of mental shortcut which allows people to
solve problems or make judgements quickly. However, they can lead to different
types of cognitive biases and errors, because some relevant information can be
overlooked. The second process is analytical, conscious and can be deliberately
controlled. On the other hand, it is slower and requires more effort and concentra-
tion. Both of them can be appropriate in certain situations; for instance, the auto-
matic process works well in traffic, in an emergency situation or during sports
(Michalek et al., 2016). For a review of the most prominent heuristics and cogni-
tive biases see: (Olejniczak, Śliwowski, 2014). Another important aspect is that
human mistakes in making decisions are systematic in nature, i.e., in their bounded
rationality people are fairly predictable. A very popular example of nudging used
in the business sector is to arrange food items in a supermarket or in a restaurant in
such a way that it will influence the customers’ buying choices. A dictionary defi-
nition of the term ‘to nudge’ means to prod someone gently, especially with one’s
elbow in order to attract attention.

The nudging idea has made its way to the public sector and into public policy
thanks to Thaler and Sustain’s book *Nudge. Improving Decisions About Health, 
Wealth and Happiness* (2008). Drawing on the behavioural insights (heuristics)
public policy makers can design decision-making contexts in such a way that
advance behaviour change in the interest of individual citizens as well as that of
society without restricting freedom of choice, imposing a new regulation or fidd-
dling with incentives. Hence, nudges constitute a less coercive form of government
intervention in comparison to more traditional policy tools such as regulations and
taxations (Kosters, van der Heijden, 2015; van Deun et al., 2018). Thaler and Sus-
tain (2008, 6) define nudge as ‘any aspect of the choice architecture that alters peo-
ple’s behavior in a predictable way without forbidding any options or significantly
changing their economic incentives’. Hausman and Welch (2010, 126) describe
‘nudges’ as ‘ways of influencing choice without limiting the choice set or making
alternatives appreciably more costly in terms of time, trouble, social sanctions, and
so forth’.

The opponents of the idea claim that nudging is a form of manipulation and cit-
izens are steered towards the desired behaviours and choices which are considered
by an external actor (regulator) to be desirable. Thus, nudging impairs their auton-
onomy and their ability to make moral choices for themselves, what is incompatible
with public policy making in a modern democracy (Furedi, 2011). It has been ac-
companied by an argument that the so-called libertarian paternalism, the term
coined by Thaler and Sustain (2008), is an oxymoron, because nudging is in fact
paternalism ‘in disguise’. On the other hand, it also poses a risk of abuse of power
by technocrats (Farrell, Shalizi, 2011). Responding to this criticism, Thaler and
Sustain (2008) point out that there is nothing like ‘neutral’ choice contexts, and
public policy makers organise somehow the context in which people make their choices. Hence, it is impossible for them not to influence peoples’ choices in one way or another. On top of that, they raise an argument that in the case of such social and global challenges as population wide obesity or global warming traditional public policy instruments – provision of information (public information campaigns), direct regulation (bans and injunctions) or indirect regulation (economic incentives) – often fail. And this is because people do not behave rationally and choose options which are detrimental to their interests or the interests of society. Hence, the only reasonable thing to do is to use this knowledge to enhance the effectiveness of public policy interventions.

Hansen and Jespersen (2013, 17–18) add to this debate some valuable ethical considerations. If nudging is intentional, public policy makers (choice architects) take responsibility for the ends promoted. They make a distinction between transparent and non-transparent nudges. ‘Transparent nudge’ is ‘a nudge provided in such a way that the intention behind it, as well as the means by which behavioural change is pursued, could reasonably be expected to be transparent to the agent being nudged as a result of the intervention’, e.g. foot-prints painted on the floor leading to the desired direction. ‘Non-transparent nudge’, in turn ‘is as a nudge working in a way that the citizen in the situation cannot reconstruct either the intention or the means by which behavioural change is pursued’, e.g. using smaller plates to reduce calorie intake. Only in the latter case we can talk about manipulation. Moreover, given the fact that automatic thinking can also prompt reflective thinking, it can be argued that such nudges advance choices which are consistent with the preferences of the citizens who make a decision and as a consequence citizens’ rights and freedoms are fully respected. It can be concluded that the most dubious kind of nudges from the perspective of a modern democracy are non-transparent nudges which cause behavioural change without engaging the reflective system.

The case ‘Save More Tomorrow’ (SMarT) is an example where using behavioural insights (nudges) may induce employees to save more for their retirement. The problem it tackles is well known – due to the demographic changes there is a pressing need for citizens to save more for their future pensions. Hence, governments in cooperation with employers and financial institutions introduce many economic incentives (e.g. tax reliefs), but also nudges. The type of nudging applied in this case are changes to the default policy. It rests on the observation that people prefer not to act unless they have to and have a tendency to procrastinate (status quo bias). Therefore, what works in this situation is to set a default option that every employee is enrolled in a pension program (participation does not require any action to be taken), but he or she can voluntarily withdraw from the scheme. However, this type of nudging has a negative effect as well. The employees do not do anything to save more than an initial value or to change a programme to the one which could be more beneficial for them. To address this problem, Thaler and Benartzi (2004) proposed a programme to help those employees who would like to save more but lack strength of will. The basic idea underpinning the scheme was to
give employees the option of committing themselves now to increasing their savings rate later, every time they get a raise (nudge 1). This is because of loss aversion bias (bias 1) – the empirically demonstrated tendency for people to weigh losses significantly more heavily than gains. Once people are used to a particular level of disposable income, they tend to view reductions in that level as a loss. Moreover, employees were approached about increasing their contribution rates a considerable time before their scheduled pay increase (nudge 2). This is because of the hyperbolic discounting bias (bias 2), according to which people choose a smaller-sooner reward over a larger-later reward. Hence, the main idea is that time lags influence decision making. The employees knew that changes would not affect them immediately. Finally, enrolment in the programme entailed an automatic consent for an increase in contribution rate, each time when an employee is given a raise (nudge 3). In this case once again the status quo bias has been exploited (bias 3). What needs to be emphasized is the fact that the employees could opt out of the scheme at any time (the choice set was not limited). The programme turned out to be a success. In the first firm where it was implemented, it resulted in a high participation rate (78% of those offered the programme joined the scheme), a great majority of them (80%) remained in it through four pay raises, and the average savings rates increased from 3.5 to 13.6 percent in little more than 3 years. (For more details see: Thaler, Benartzi, 2004; and for more cases of applied behavioural insights: The European Nudging Network, http://tenudge.eu).

4. ENGAGING CITIZENS IN THE CO-CREATION OF PUBLIC SERVICES

A completely different role is assigned to citizens in the concept of co-creation. In the business sector, it has been already recognized that developing a new product or service cannot be perceived as solely an internal firm-based activity in which customers are relatively passive buyers and users (e.g. LEGO Factory’s innovative platform, IBM Innovation Jams, Fiat Mio project). In the co-creation model, ‘customers actively contribute and/or select the content of a new product [service] offering’ (O’Hern, Rindfleisch, 2010, 86). Hence, it is argued that customers may be involved in two key processes: they put forward novel concepts and ideas (submit the content) and decide which specific concepts and ideas should be pursued (select the content) (Kahn, 2005; O’Hern, Rindfleisch, 2010).

To understand better this phenomenon, first it should be explained what lies behind this new trend. A successful development of a new product or service requires two different types of prior information: information about customers’ needs and information how to satisfy these needs. The former is best known by customers themselves, the latter by manufacturers or providers. This creates a kind of infor-
nformation asymmetry (von Hippel, 2005). To handle this problem, in a traditional model manufacturers or providers carry out various marketing research to find out more about customers’ needs. This, however, is not an easy task. Customers’ needs change rapidly, are often idiosyncratic and tacit in nature (O’Hern, Rindfleisch, 2010). Moreover, apart from financial efficiency considerations, one should add the increasing complexity of social problems to address which ones require more collaborative approaches, as well as the development of new information technologies which makes such a collaborative relationship easier and cheaper.

Nambisan and Nambisan (2013) identify four roles for citizens in public service co-creation and problem-solving, which correspond, broadly, to four primary innovation phases: as explorers, ideators, designers and diffusers. They admit that these roles do not differ significantly from the roles of customers in private sector settings. On top of that, Kannan and Chang (2013) note citizens’ growing interest in greater involvement in the development and delivery of public services in European Union countries. This involvement may be transaction-based, where citizens interact in order to complete a specific task or to contribute a specific idea, or be relation-based, where there is on-going interaction between individual citizens or groups of citizens with the government.

According to Nambisan and Nambisan (2013) citizens playing the role of an explorer identify, discover and define problems which are invisible or unknown to the state. They can also formulate a problem in such a way that can lead to practical solutions. Two factors are critical for citizens to serve this role. First, thanks to new information and communication technology citizens are able to share knowledge about potential problems in a faster and more efficient way, as well as share their views about a particular issue with others. This, in turn, can lead to better understanding and shared perception of said problem. Secondly, there is greater transparency of state operations and ensuing access to public data which enables citizens to use this information and gain new insights about many aspects of our life. Moreover, citizens can also put forward novel solutions to well-defined problems and thus play a role of an ideator. This is the usual role of customers in the private sector – generating ideas for improving the existing products or developing new products or services. Similarly in the public domain, by bringing their unique needs, usage context and creativity citizens may contribute to the improvement of the existing public services or contribute ideas to address broader problems. They can also be the designers – actively participate in developing and designing solutions and translate ideas into reality. Finally – they can play the role of a diffuser by directly supporting and facilitating the adoption and diffusion of public service innovations.

A practical example of the co-creation concept employed in the public sector is the crowdsourcing ideas platform Challenge.gov. It was launched in 2010 to allow the US government agencies to crowdsourc ideas from the public and solve problems which affect people, communities and industries throughout the country ’with thinkers and doers from any neighborhood and field of expertise’, from students
and hobbyists to small business owners and researchers. It operates as a one-stop platform where all the contests sponsored by federal agencies and their partners are presented. In order to drive participation in solving public problems monetary and non-monetary awards for best ideas are offered. So far over 1,000 contests took place and over $250 million was distributed. The goals pursued and awards offered vary significantly. The projects concerned, for instance, cost-effective clean water systems, gunshot detectors to improve responses to school shootings, and even communications infrastructure on Mars in preparation for future human missions. On the other side of the spectrum – projects were about the creation of an app to track the arrival status of local buses or the creation of logos. (For more details see: Desouza, 2012 or visit the website: http://challenge.gov).

5. CONCLUSION

Traditionally, marketing used to be associated only with the business sector and was perceived as a discipline which has nothing much to offer public administration. Since the public sector serves first of all the general interest of society, its mission appears not to be reconciled with marketing which is often viewed as pre-occupied with profit-making and satisfying private (shareholder) interests (Kaplan, Haenlein, 2009). However, public marketing (i.e. the application of marketing concepts and tools to public administration) ceased to be an oxymoron. Along with the public management reforms, marketing concepts and tools have made their way to the public sector. The reforms initiated by the New Public Management agenda, inspired by market-like mechanisms and ‘new managerialism’ were a response to the criticism of public organizations for being inefficient, self-serving and failing to respond to the needs of citizens. This resulted in taking steps in order to increase the effectiveness and efficiency of government performance, inter alia, by the processes of privatization and contracting out of public services as well as the use of performance indicators and a more customer-oriented approach. While in the NPM perspective citizens are perceived more as customers/clients, in the governance approach they are partners, more actively involved in public service provision and problem-solving. Both of these approaches remain relevant today but are suitable for different types of public affairs (moreover, as it was mentioned before, they do not have clear boundaries and evolve by taking ideas from one another). This paper presents concrete examples of the successful applications of business marketing concepts and tools in public sector settings. They are very different in nature. Nudging presents a top-down approach in managing public affairs, in which citizens are placed at the receiving end of public policies, while co-creation – a horizontal approach, empowers a citizen to actively participate in public service
delivery and problem-solving. The first fits more squarely into the NPM paradigm, while co-creation into the governance paradigm.

It can be concluded that nudging can be regarded as an interesting extension of the traditional public policy toolkit, provided that transparency of a policy measure, which is at the heart of democratic policy-making, is ensured. Particularly, in situations when the intentions and means by which behavioural change is pursued are clear for those affected and when nudges prompt reflective thinking, especially in those areas where traditional instruments turned out to be ineffective. This is especially true for these strategies which aim to help people make choices that are better for the environment or their health (road safety, health promotion, scarce resources and negative environmental impacts etc.). Nudging can entail changes to the physical environment, the way information is presented, telling people what others are doing or using default options (e.g. in the case of pension saving decisions). Another marketing concept discussed in the article which is applied successfully in the public sector is co-creation. It rests on the premise that citizens are in themselves important resources which can be used in public service delivery and problem solving. Crowdsourcing ideas platforms used by government agencies are a good example. Citizens can have better knowledge about the problem and potential solutions by virtue of their expertise or simply their proximity to the problem.

However, it should be noted that developments in both disciplines: marketing and the public sector over the past few decades have made room for convergence between them. From the marketing discipline perspective – this is the shift in orientation: from the short-term, transaction-orientation towards long-term relationship-orientation, which makes it more suitable for the public sector’s nature. As Butler and Collins (1995, 84) point out: a ‘major shift in thinking in marketing towards the relationship, and beyond the transaction, fits comfortably with the long tradition of public sector service provision’. This entails on-going interactions between citizens (groups of citizens) and the state. Nevertheless, the specific features of the public sector must be taken into account in any case while implementing marketing concepts and tools. The public sector is not homogenous and encompasses commercial services (e.g. postal services, transport services), as well as non-commercial services (e.g. prison service, judicature). Hence, there are two basic premises for public marketing: (1) the occurrence of exchange and (2) free (or partially free) relationship that can emerge between the parties: state and citizens. This should be a starting point for a discussion on the possible application of marketing ideas in the public sector. When they both occur only one question remains, inspired by marketing thinking: what actions should be implemented for the partners to be satisfied by the exchange (see: Pasquier, Villeneuve, 2012). This opens an avenue for future more in-depth research. Presented in this article examples of the successful application of marketing concepts in the public sector prove that marketing tools can be a viable extension of the traditional public policy toolkit.
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LITERATURE


MARKETING PUBLICZNY – ADAPTACJA TRADYCYJNYCH KONCEPCJI I NARZĘDZI MARKETINGOWYCH W ORGANIZACJACH SEKTORA PUBLICZNEGO

Streszczenie

Tradycyjnie marketing jest utożsamiany z sektorem prywatnym i postrzegany jako dyscyplina, która ma niewiele do zaoferowania w obszarze sektora publicznego. Niektórzy sugerują jednak, że wiele narzędzi zarządzania wypracowanych w organizacjach biznesowych można mutatis mutandis z powodzeniem zastosować w organizacjach publicznych. Artykuł ma zatem na celu wskazanie, jakie koncepcje marketingowe i narzędzia stosowane tradycyjnie w organizacjach biznesowych mogą być wykorzystane w sektorze publicznym i w jakich sytuacjach. W tym celu omówiono dwa główne nurty, które wyłoniły się w zarządzaniu publicznym jako rozwiązania alternatywne wobec klasycznego podejścia biurokratycznego: nowe zarządzanie publiczne i governance. Z jednej strony można stwierdzić, że otwierają one szersze możliwości dla myślenia marketingowego, z drugiej – ponieważ są to dwa odmienne podejścia, pociągają one za sobą różne koncepcje i narzędzia marketingowe. W nowym zarządzaniu publicznym obywatel postrzegany jest raczej jako klient korzystający z usług i dóbr publicznych, odbiorca polityk publicznych, w podejściu governance – jako partner uczestniczący w ich kształtowaniu. Jako przykłady koncepcji marketingowych wpisujących się w oba te nurty zaprezentowano koncepcję nudging i koncepcję współtworzenia (co-creation).

Słowa kluczowe: marketing publiczny, nowe zarządzanie publiczne, governance, mechanizmy behawioralne, współtworzenie