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UNDERSTANDING THE MARKETING MINDSET

“In a match made in marketplace heaven, the world’s busiest Web site and the world’s largest postal administration formed a business partnership in 2003 that continues to grow and strengthen to this day. eBay and the Postal Service™ share an important and growing customer segment—the millions of small and home-based businesses scattered across the country. Just one facet of the partnership—the USPS® ‘postage solution’ technology imbedded into the eBay Web site—generated millions of shipments and significant new revenue for the Postal Service in only its first year of operation.

Today, the Postal Service and eBay share Web sites and software, advertising, and promotions, and the partnership has been a resounding success for both parties. According to the San Jose (CA) Mercury News, at the 2005 eBay Live! Conference, special guest Postmaster John E. ‘Jack’ Potter received a ‘rock star’ welcome from eBay President and CEO Meg Whitman and thousands of eBay PowerSellers. ‘eBayers let it rip,’ the newspaper reported, when Whitman asked the audience, ‘How much do we love the Postal Service?’ ”

Anita Bizzotto, USPS® Chief Marketing Officer



FIGURE 2.1 A winning partnership

You may find a few things surprising about this quote—first, that the U.S. Postal Service even has a Chief Marketing Officer! At most, you might have expected a Communications or Public Relations Manager. Consider as well their teaming up with a retail giant. As you read in the opening story of their more than 230-year history, you will notice an infusion of the five earmarks of a successful marketing mindset:

- Adopting a Customer-Centered Focus
- Segmenting and Targeting the Market
- Identifying the Competition
- Utilizing All 4Ps in the Marketing Mix
- Monitoring Efforts and Making Adjustments

While you read, imagine what might have happened if the Postal Service had not developed this mindset and made these changes—changes inevitable for all public agencies to plan for and embrace in this world of technological booms, instant gratification, new and fierce competitors, and unleashed globalization.

Opening Story: The United States Postal Service—A Work in Progress



The history of the Postal Service is more than a story about mail. It is a marketing story, one that began in 1775 when the newly formed Post Office Department established a guiding principle that “every person in the United States—no matter who, no matter where—has the right to equal access to secure, efficient, and affordable mail service.”¹ Evidence that this rudder is still guiding the ship appeared on CNN 230 years later in a commercial promoting that customers can now do just about anything at usps.com[®] that they have been doing at the post office. The tagline touted: “Working for you.”

Practicing a Customer-Centered Focus from the Very Beginning

Perhaps Benjamin Franklin planted that seed for a customer-centered mindset when he became the first Postmaster General[™] in 1775 and began to organize the service with an emphasis on new and shorter routes and authorization for post riders to carry mail at night to speed service between Philadelphia and New York.

Subsequent Postal Service leaders also listened to their customers and tried to respond. The Pony Express[™] was contracted in 1860 to provide speedier service to the Pacific Coast. Before 1863, postage paid only for the delivery of mail from Post Office to Post Office. In 1862, progressive Postmaster General Montgomery Blair advocated that mail be delivered free by salaried letter carriers, arguing that if the system of mailing and receiving letters was more convenient, people would use it more often, and this would increase desired revenues.

And it wasn't until 1896 that rural customers began receiving direct delivery (along with offers for stamps, money orders, and registered letters), with typical reactions similar to the Arizona citizen who wrote: “It looks as if ‘Uncle Sam’ has at last turned his eye in our direction.”²

Segmenting and Targeting Markets

Customer segmentation and customization of services is an important part of effective marketing, but many would claim the Postal Service has a tough time implementing programs when they are perceived to “unduly discriminate among customers.”³ It hasn’t stopped them, however, from developing product options (e.g., First-Class Mail[®], Express Mail[®], Standard Mail[®], Parcel Post[®], etc.) and from implementing programs that meet the needs of and provide superior value to key market segments.

Consider how the Postal Service has taken advantage of personal computers to help small business and home office users. PC Postage[™] software products offer customers the ability to purchase postage over the Internet and use their standard desktop printer to print the postage indicia directly onto envelopes or labels for mail or packages. A service called Click-N-Ship[®] allows customers to pay for postage and print shipping labels from the USPS Web site, and another online service called Carrier Pickup online notification lets them arrange for next-day pickup of the packages by their regular letter carrier at no extra charge. These services are providing this growing market with customer access to postage 24 hours a day, 7 days a week, from the convenience of their home and office computers. As one postal print ad puts it, “The Post Office. Conveniently located on a computer near you” (see Figure 2.2).

Identifying the Competition

According to Postal Service annual reports, First-Class Mail volume declined by 4.6 billion pieces in fiscal years 2002 and 2003, the greatest declines in First-Class Mail since the Great Depression.

Competition had continued to grow for every postal product. United Parcel Service (UPS) and FedEx Corp. had entered the scene as major competitors in the early 1980s, promising to deliver packages to most U.S. addresses before 10:30 a.m. the next morning. Postal shipping and overnight products then improved but lost market share to the new shipping specialists, and the rise of electronic communications and other technologies offered alternatives for conveying statements, payments, and personal messages.



FIGURE 2.2 Postal print ad targeting small businesses and home office users

Franchised mail retailing systems rang an additional alarm. At a Mail Boxes Etc. outlet, for example, a customer could bring in an item, and the staff would efficiently package it, price it, and assure its rapid delivery. The availability of packaging material and packaging service at Mail Boxes Etc. was in great contrast to what a customer could expect to get at the local Post Office and in fact pushed the Postal Service into offering similar services.

To become more competitive, the Postal Service began to change and restructure. In a win-win-win move in 2001, for example, the Postal Service announced a business alliance with competitor FedEx that began with offering FedEx drop boxes at Post Office locations in Charlotte, North Carolina. The partnership has since grown into FedEx drop boxes on postal property, a seven-year, \$6.3-billion transportation contract to fly Priority Mail and Express Mail

shipments on FedEx airplanes, and Global Express Guaranteed, a premium international shipping product from both companies with date-certain service in one-to-two days to most major markets.

Utilizing the 4Ps in the Marketing Mix

In its *2004-2008 USPS Five-Year Strategic Plan*, the Postal Service commits to continuing its businesslike transformation through the execution of bold strategies developed to improve the value of the mail and mail-related products and services.

In the following section, specific strategies and tactics currently being used by the Postal Service have been organized by the traditional mix of marketing strategies, the 4Ps: Product, Price, Place, and Promotion.

Products and Services

It would be more than interesting to know how Benjamin Franklin, an inventor in his own right, would have reacted in 1775 if he were told about the lineup of products and services offered by the Postal Service in 2005:

- Colorful stamps ranging from the generic American flag to the Black Heritage collection, Sporty Cars, the Northeast Deciduous Forests, and a tribute to Dr. Seuss (Theodor Seuss Geisel) with the varieties available at no extra cost
- Choices of formats for stamps, including books, adhesives, rolls, and even subscriptions
- Ancillary services, including Selective Service registration and applications for passports
- Mailing products, including bubble envelopes, holiday boxes, pre-inked rubber stamps, scales, and embossers
- Specialty items such as stamp lapel pins, Ronald Reagan stamp-art tote bags, NASCAR-themed merchandise (the Postal Service sponsors a race car in the Busch Series), and framed Disney stamp artwork
- Unique services for businesses, including access to custom bids from direct mail shops and comprehensive mailing databases

- Free DVDs on how to protect your household from telemarketing fraud, work-at-home scams, and identity theft
- For holidays, special occasions, and business uses, the ability to design and mail your own holiday cards and postcards, complete with your favorite pictures, personalized messages, and your choice of having the cards printed and mailed for you or having them sent to your home or place of business for mailing
- Opportunities to contribute to social causes through the purchase of stamps, supporting such causes as Breast Cancer Research (\$45.6 million raised to date for research since 1998) and Stop Family Violence (\$1.8 million raised to date for domestic violence programs since 2003)

Price

In the beginning, postage fees were based on the number of sheets in a letter and the distance a letter traveled, a stark contrast to pricing structures and incentives of today where rates are based on weight, size, shape, desired speed, day of the week, and whether domestic or international bound. And there are options to pay extra for services such as a Certificate of Mailing, Certified Mail™, Delivery Confirmation™, Insured Mail, Registered Mail™, Restricted Delivery, Return Receipt, Signature Confirmation™, and Special Handling.

Incentives are included among the Postal Service pricing tools, with a strategic effort in place to work with the mailing industry and its customers to develop innovative pricing approaches such as the recently approved Negotiated Service Agreements, which allow the Postal Service for the first time to negotiate pricing discounts and incentives for increased mail volume, as well as customized services with individual customers.

Place

Expanding access to improve convenience is perhaps the most aggressive marketing effort to date. Consider the evolution from post riders on horseback in 1773 (with boats, sleds, snowshoes, skis, and mules pinch hitting), to the use of stagecoaches in 1775, rail in 1832, steamboats via the Isthmus of Panama in 1849, and air in 1911 to the access and delivery options we have in 2005.

Today, customers have the ability to go to more than 37,000 retail locations or use one of the new award-winning self-service Automated Postal Centers® (the ATMs of the Postal Service), providing access to frequently purchased products and services in Post Office lobbies without waiting in line, as well as in additional locations such as airports (see Figure 2.3). Kiosks accept payment via debit and credit cards; dispense postage based on weight, desired speed and destination; weigh and rate envelopes, flats, and parcels up to 70 pounds; prepare Express Mail forms; provide certified mail return receipts; and allow you to hold mail and file Change of Address forms.

Then consider the capabilities of the Web site, usps.com, that provides the ability among many service offerings to print postage, request next-day pickup of prepaid Express Mail and Priority Mail packages at no extra cost, purchase a Post Office box, or request that mail be held, forwarded, or redelivered.



FIGURE 2.3 Extending hours and shortening lines through a new distribution channel

Promotion

Although the Postal Service has no official motto, it has several famous inscriptions, including one at the General Post Office in New York City: “Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds,” and one at the site of the Smithsonian Institution’s National Postal Museum with a focus on customer benefits versus product features: “Messenger of Sympathy and Love, Servant of Parted Friends, Consoler of the Lonely, Bond of the Scattered Family, Enlarger of the Common Life, Carrier of News and Knowledge, Instrument of Trade and Industry, Promoter of Mutual Acquaintance, of Peace and of Goodwill among Men and Nations.”

In terms of a corporate logo, the official seal from 1782 to 1837 featured the figure of Mercury, the fleet messenger of the gods and the god of commerce and travel in Roman mythology; then from 1837 to 1970, the symbol pictured a post horse and rider, speeding with mailbags; and from 1970 to the present, the official seal has been the bald eagle, poised for flight above the words “U.S. Mail.” In 1993, a new corporate logo was unveiled, one with an eagle’s head leaning into the wind. This has not, however, replaced the 1970 postal seal as the official seal.

The Postal Service uses all advertising media to promote its products and services, including Direct Mail (obviously), broadcast and cable television commercials, newspaper and magazine ads, drive-time radio ads, retail posters and take-aways, Web site banners and email blasts, and even a three-panel outdoor display in New York’s Times Square in the fall of 2004. Its campaigns range from specific product, service, and event-driven promotions to seasonal themes on a grand scale. In 2004, it mailed an eight-page, five-inch-by-seven-inch *Shipping and Mailing Holiday Guide* to more than 100 million residential addresses, spelling out postal shipping options and explaining how Americans could go online to send holiday gifts without ever leaving their homes or offices. The tagline? “Quick, Easy, Convenient.”

In 2005, the Postal Service launched a grassroots promotional campaign, training and engaging thousands of Postmasters and station and branch managers nationwide to reach out to prospective medium, small, and home-based businesses, first to create awareness

about the Postal Service Web site, usps.com, and then to promote postal shipping and advertising tools. Over a span of five months in 2005, Postmasters and managers personally contacted more than 160,000 potential customers and reportedly generated \$25 million in annualized revenue for the Postal Service.

Monitoring Customer Behavior and Satisfaction and Making Adjustments

Success measures for the Postal Service included in the *Five-Year Strategic Plan* call for an objective way for postal stakeholders, including Congress and the American people, to evaluate the performance of the Postal Service using valid measures and reliable data.

Systems used include ones to measure customer satisfaction and track service performance. In the third quarter of 2005, the Postal Service announced that it achieved an all-time high score of 96 percent on-time performance for overnight delivery of First-Class Mail, as measured independently by IBM Consulting Services. Customer satisfaction, also independently measured, showed that 93 percent of residential customers rated their experience with the Postal Service as excellent, very good, or good.

Methods are also in place to provide citizen input. As of December 2002, the Postal Service sponsored 212 Customer Advisory Councils, groups of citizens who volunteer to work with local postal management on postal issues of interest to the community. Ideas for improvement can also be submitted on the Web site in a section requesting proposals for new products and services and improved financial performance and enhancements to existing products, services, or operations.

The Marketing Mindset

A Marketing Mindset, apparent in the evolution and ongoing transformation of the U.S. Postal Service, begins with awareness of basic principles and is sustained through practice, feedback, and adjustments. This introductory chapter is intended to offer a summary of fundamental marketing theories, those representing the underpinnings of the five principles just introduced. For those of you who have had a

marketing course or similar training, it will be a quick review. You will experience a simple transference of principles to the public sector arena. For others who are new to marketing, it will be a brief immersion, with subsequent chapters providing more in-depth discussions of the application of these principles and stories exemplifying each.

Principle #1: Adopt a Customer-Centered Focus

One quick way for you to get a sense of a customer-centered focus is to assume your customer (target audience) is constantly asking the question “What’s in it for me?” This is often referred to as the WIFM phenomenon, one that sends successful marketing managers on a relentless pursuit to fully understand and satisfy the wants and needs of target customers better than competitors do.

This customer-centered focus didn’t emerge as a strong marketing management philosophy until the 1950s, when it became a core component of the marketing concept, contrasted in the following by Kotler and Keller with alternative philosophies:⁴

- *The Production Concept* is perhaps the oldest philosophy and holds that consumers will prefer products that are widely available and inexpensive, and therefore the organization’s focus should be to keep costs down and access convenient. Gas stations in the private sector and garbage collection in the public sector practice this philosophy, at least in part.
- *The Product Concept* holds that consumers will favor those products that offer the most quality, performance, or innovative features. The problem with this focus is that program and service managers often become caught up in a love affair with their product, neglecting to design and enhance their efforts based on customer wants and needs. It is otherwise known as the “build it and they will come” or “make it and it will sell” philosophy, one that may explain the challenges that community transit agencies face as they attempt to increase ridership on buses and that parks and recreation departments face in their attempt to rent out facility space to generate additional revenues.
- *The Selling Concept* holds that consumers and businesses will probably not buy enough of the organization’s products to meet

goals if left alone, and as a result, the organization must undertake an aggressive selling and promotion effort, one with risky assumptions that customers “talked into buying” today will be glad they did and, even if they’re not, will come back for more and won’t bad-mouth the company...an unlikely scenario. In some public schools in the U.S., for example, special interest groups are working to ban military recruitment officers from high school campuses, concerned with perceptions of aggressive selling.

- *The Marketing Concept* is in sharp contrast to the product and selling concepts. Instead of a “make and sell” philosophy, it is a “sense and respond” orientation. Peter Drucker went so far as to proclaim, “the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.”⁵ In the public sector, the implications are that programs and services that have been designed to meet targeted customer wants and needs will require less promotion (e.g., advertising budgets) because satisfied customers may become “evangelists” for the agency. If a city utility’s natural yard care workshop is exciting, and better yet, if those who attend are able to keep their lawn weed-free without the use of harmful chemicals, they are bound to share their enthusiasm about this new-found resource with their neighbors.
- *The Societal Marketing Concept* takes the marketing concept one step further. It holds that organizations should develop and deliver superior value to customers in a way that maintains or improves the consumer’s *and* the society’s well-being. The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices and to weigh potential negative impacts of satisfying consumer short-term wants (e.g., fast food) with long-term societal well-being (e.g., an obesity epidemic). The U.S. Postal Service would exemplify this concept, for example, if it chose the least polluting among competitive delivery vehicles.

A customer-centered focus works for you because it is essential to exchange, a process that involves (stated simply) the voluntary transfer of a product to a customer in exchange for some cost (monetary

and/or nonmonetary) paid by the customer. Marketers manage this process with the Exchange Theory in mind, which states that what we offer the target market (benefits) has to be perceived as equal to or greater than what they will have to give (costs).⁶ To do this, you'll want to know all costs the target market perceives to the exchange and then create benefits that balance the scale. When the target market perceives that costs outweigh benefits, your task is to increase the perceived benefits, reduce the perceived costs, or both.⁷ Without this, the theory proclaims that the exchange won't happen.

To develop customer-centered strategies, you need information (market research) to answer fundamental questions. What costs and barriers do target markets perceive to purchasing a product, utilizing your programs and services, or performing a desired behavior? Costs can be monetary or nonmonetary, and barriers can include everything from a lack of awareness that a product or service exists to a perception of a lack of skills needed to participate in a recommended behavior (e.g., composting). What benefits (WIFM) can they imagine from the exchange, and which of these do they value most, ones that we can then amplify? What, for example, is the most compelling perceived benefit of being tested for HIV/AIDS? Is it a longer life because it would lead to earlier treatment? Is it peace of mind? Or is it the ability to assume responsibility for not spreading the disease?

In addition to understanding what influences our target markets to “buy,” a customer-centered focus also recognizes the buying decision process and the marketing role at each phase.

Figure 2.4 shows that the process consists of five stages: *need recognition*, *information search*, *evaluation of alternatives*, *purchase decision*, and *postpurchase behavior*. At the need recognition stage, the customer recognizes a problem or a need. (A parent helping his or her child with a term paper, for example, needs more information on the history of Native American tribes.) It may have been triggered by internal or external stimuli, information a marketer would want to know so that marketing programs can involve these factors. During information search, the consumer engages in finding out more about a potential program, service, or behavior. (At this point, the parent and student do a Google search for optional resources.) Of importance for you is how, where, and from whom target markets obtain information. At the alternative evaluation stage, the consumer uses information to

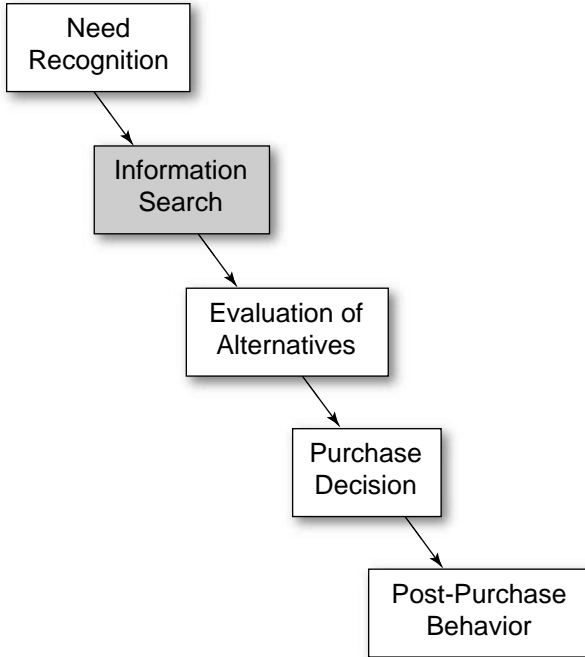


FIGURE 2.4 The Buyer Decision Process⁸

evaluate various options and brands in the choice set. (One of the options that shows up from the Google search is a database from the local public library.) Of most interest here is what options (competitors) are being considered. As implied, the consumer then makes a purchase decision, with the marketer recognizing that an intention (like a fish on the line) may still need to be “reeled in.” (The library database is chosen because it emphasizes the age appropriateness of the information, a primary concern for the parent.) And finally, the successful marketer knows that the job does not end when the product is bought, that satisfaction (or dissatisfaction) with the purchase will ultimately impact customer loyalty, positive word-of-mouth, and therefore future sales. (When completed, the parent notes in an optional comment area on the library’s Web site that information on one tribe was scarce. They receive an email within twenty-four hours from a librarian directing them to an additional resource.)⁹

Note that although Figure 2.4 implies that consumers pass through all five stages, this happens more when making complex, major decisions than for routine ones. In reality, a person may go

straight from need recognition to purchase or may of course never get to the purchase decision.

Principle #2: Segment and Target Markets

Markets are groups of your existing and potential buyers (e.g., mass transit users), and a fundamental premise is that buyers most often differ from each other in one or more ways. They most likely differ in their wants, values, attitudes, resources, geographic location, and even prior experiences with your product or organization. Through market segmentation, organizations divide large, heterogeneous markets into smaller, more homogeneous segments that can be reached more efficiently and effectively with products and services that match their unique needs (e.g., suburban commuters).

Major variables used to segment consumer markets include those that are descriptive, benefit-related, or behavioral in nature. Descriptive factors include *geographics* such as nations, regions, states, counties, cities, neighborhoods, or worksites; *demographic* variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, and nationality; and *psychographic* factors based on social class, value, lifestyle, or personality characteristics. Benefit segmentation is an effort to distinguish prospects on the basis of different benefits that they might be seeking from a specific purchase. Behavioral segmentation divides a market into groups based on past purchasing or other related behaviors. For example, a campaign to increase HIV/AIDS testing may target women that are already getting an annual pap smear, deciding to work with health care providers to include this test as well.

An additional potential segmentation variable worthy of mention is what is known as the Diffusion of Innovations Theory, the theory that people differ greatly in their readiness to try new products. In a given product area, there are five groups (see Figure 2.5):¹⁰

- *Innovators* are the most venturesome and adopt new ideas first.
- *Early adopters* are motivated by opinion leaders and adopt new ideas early but carefully.
- *Early majority* are deliberate in their adoption of a new product, acting before the average person.

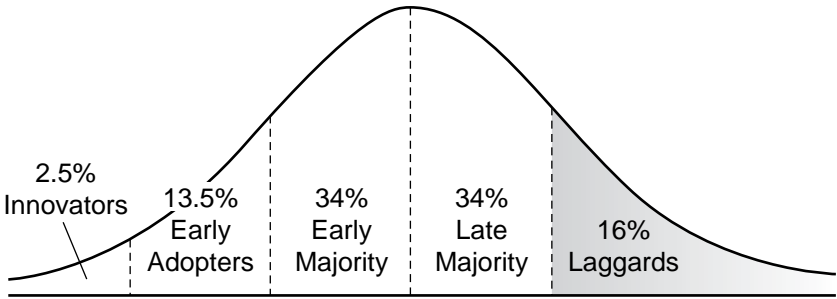


FIGURE 2.5 Segmentation on the basis of relative time of adoption of innovations. Reprinted with the permission of The Free Press, a Division of Simon & Schuster Adult Publishing Group, from *Diffusion of Innovations, Fifth Edition*, by Everett M. Rogers. Copyright © 1995, 2003 by Everett M. Rogers. Copyright © 1962, 1971, 1983 by The Free Press. All rights reserved.

- *Late majority* are skeptical and adopt a new product only after a majority of people have tried it.
- *Laggards* are suspicious of changes and adopt them only when they have become something of a tradition or cultural norm.

In reality, most market segments are described using a variety of variables in an effort to better define target groups.¹¹ One of the most promising developments in multivariable segmentation is “geodemographic” segmentation, where business information services link U.S. Census data with lifestyle patterns and purchasing behaviors to better segment their markets down to ZIP codes, neighborhoods, and even city blocks.¹²

Business segmenting includes a different set of variables to create homogeneous subsegments. Demographic variables of interest include industry type, location, and company size. Other factors include operating variables (e.g., whether the firm uses advanced technology), purchasing approaches (e.g., centralized or decentralized purchasing), situational factors (e.g., whether the business needs quick and sudden delivery or service) and personal characteristics (e.g., whether the company shows high or low loyalty to suppliers).

After segmenting the market, the organization evaluates and selects segments. Kotler and Armstrong describe major options:¹³

- *Undifferentiated*, a strategy in which a firm decides to ignore market segment differences and go after the whole market with

one offer. This might also be considered a mass marketing strategy, one that Henry Ford epitomized when he offered the Model-T Ford in one color, black, or that the Postal Service did in its first century.

- *Differentiated*, where an organization decides to target several market segments and design separate specific offers to uniquely appeal to each one. Tobacco control programs have very different strategies for prevention than for cessation, for example, and for teens versus pregnant women versus seniors wanting to quit.
- *Concentrated* marketing goes after a large share of one or a few submarkets. Public health programs focused on HIV and AIDS, for example, allocate significant resources on very defined segments, such as gay men and African American populations.

In reality, most governmental agencies serve broad markets. Of importance and recommendation here is that you know when the market you serve is differentiated and therefore needs different approaches (e.g., business versus consumer needs for postal services.)

Principle #3: Identify the Competition

The trick in identifying an organization's competition is to avoid what Harvard Professor Theodore Levitt calls "Marketing Myopia." In a seminal article in *The Harvard Business Review* in 1960, he claimed that the railroad industry caused its own decline by insisting, "We're in the railroad business." Had they instead defined the business they were in as the transportation business, they would have seen the competition coming—automobiles, trucks, and airplanes. If they had looked to the customer benefit sought, they would have seen that the market need that the railroads were serving was transportation, not railroading.

At the narrowest level, you can define your competitors as organizations offering similar products and services to the same customers, often at similar prices. These are considered direct competitors. A wider definition would include indirect competitors—those organizations or activities that customers and potential customers use to fulfill the same need. As illustrated in Table 2.1 governmental agencies often have tough competitors.

TABLE 2.1 Examples of Competitors for Public Agency Programs

Agency	Program	Direct Competition	Indirect Competition
Library	Summer Reading Program	Bookstores	Videogames
School Districts	Public Schools	Private Schools	Home schooling
Utilities	Natural Yard Care	Weed & Feed	Neglect/Do Nothing

After defining them, you then find out all you can about these competitors. You must constantly compare your products, prices, channels, and promotion with those of strong competitors, paying close attention to what customers see as the strengths and weaknesses of their offerings. This then becomes a platform for developing marketing strategies, including developing a competitive positioning.

John Zagula and Richard Tong, former leaders at Microsoft, offer “Five Battle-Tested Plays for Capturing and Keeping the Lead in Any Market” in their book *The Marketing Playbook*, providing a straightforward, practical perspective on competitive strategies:¹⁴

- **The Drag Race Play**—The simplest of the plays, it involves direct competition with one competitor and focuses on “out-running” them (e.g., Microsoft vs. WordPerfect, and the U.S. Postal System vs. FedEx).
- **The Platform Play**—In this play, you get others to stand with you, defending against common competitors (e.g., Amazon.com’s symbiotic relationships with big retailers, and a public utility working with other vendors to offer different types of energy: electrical, coal, gas, wind).
- **The Stealth Play**—Where you “survive by avoiding direct confrontation” (e.g., Enterprise Rent-A-Car deciding not to compete with the travel-related business but rather focusing on capturing and dominating the insurance temporary replacement market, and state troopers distributing alcohol test strips for patrons at local bars on New Year’s Eve).
- **The Best of Both Play**—In this more complicated play, you “run up the middle between opposing alternatives” (e.g., Lexus

capturing the “Japanese” as well as “luxury” car seekers, and a program in South Africa called “Toot-n-Scoot” where customers who have drunk too much to drive safely are driven home in their car by someone who arrives at the restaurant or bar on a collapsible scooter that fits in the trunk of the drinker’s car).

- **The High-Low Play**—Offers the market a high-end as well as mass market option (e.g., Sheraton’s premium-priced Hotels and Resorts and Sheraton’s mass market offer: Four Points and a public hospital offering single, double, and dormitory rooms).

Principle #4: Utilize All 4Ps Available in the Marketing Mix: Product, Price, Place, Promotion

Detailed descriptions and theories regarding each of the 4Ps of marketing will be presented in Chapters 3 through 7. The principle introduced now is that marketing is more than what most people think when they hear or use the term. When asked what they think of when they think of marketing, most people will mention phrases such as selling, advertising, direct mail, telemarketing, busboards, and outdoor billboards. In truth, these are only a few of the components of only one of the marketing tools to be considered: promotion. In ideal marketing planning scenarios, decisions regarding promotion are not even considered until decisions for each of the other 3Ps have been made, decisions that create the offer to be promoted (product, price, and place).

To develop a common language and understanding of these four tools used to pursue marketing objectives, the following section presents a brief description of each, with examples for public sector agencies.

Product

An organization’s products may or may not be tangible objects because a product is frequently defined as anything that can be offered to a market to satisfy a want or need, which can include *physical goods* (food waste composters offered by a utility), *programs* (small business workshops), *services* (public transportation), *experience* (tours of the White House), *events* (Earth Day), *people*

(city councils), *places* (parks), *organizations* (public schools), *information* (library Web sites), and *ideas* (water conservation).¹⁵

In developing product plans, major variables for you to consider are those related to *quality, design, features, options, size, name, and packaging*. For example, a public library will make the obvious product decisions regarding choices of books, reference materials, and periodicals. Offerings at many libraries, however, have expanded enormously to now include options to check out audio books, music CDs, videos, and DVDs, select books in large type, take advantage online databases and ebooks, and attend special lectures, community forums, and even film screenings. You will even find in some libraries espresso stands and teen cafes. You should also consider as part of the library's product strategy additional components that affect customer satisfaction and appeal such as the number and location of personnel for assistance, the look and feel of library cards, and atmospherics such as building layouts, lighting, colors, chair comfort, and artwork.

Price

Most likely you think of price as just the amount of money paid for a product or service. In reality, it also includes other values that consumers "give up" in the exchange process. Given this, the real price a customer pays also includes nonmonetary costs such as their time, effort, psychological risks (e.g., taking car keys from a friend who has been drinking), or any physical discomforts that may be experienced (e.g., wearing a seatbelt).¹⁶

Continuing our example of libraries, monetary pricing decisions will include prices for checking out books, materials, and other resources (free in most cases), any fines and payment schedules for late returns, and costs for workshops, programs, or special training. To meet agency goals in terms of visits to libraries, checking out materials, participation in programs, and customer satisfaction levels, the marketer will also consider strategies (often through the use of product and place variables) to reduce costs (e.g., ways to reduce time to check out a book or effort to find a parking spot).

Organizations know that the prices they set will affect the demand for their product. For-profit organizations try to set prices

that will maximize their profits. Public agencies have quite a different set of goals, ranging from pure subsidy to partial or full cost recovery to creating some surplus over costs. You will read more about these differing pricing objectives in a later chapter.

Place

Place strategies include important decisions regarding where, when, and how customers will access the offer, most often referred to as the distribution channel. Convenience of access is often one of the most important considerations for customers when deciding among competitive alternatives, both direct and indirect. Perceptions of convenience will be determined by a variety of variables such as physical locations, days of the week and hours open for business, purchasing options (e.g., online), and delivery options (e.g., overnight).

For libraries, place considerations are numerous, from physical locations, parking, hours, days of the week open, and placement of after-hour return boxes to whether materials can be reserved online and maybe even mailed to your home. And thinking even more progressively, what about installing drive-through windows where customers can return and pick up materials from their cars? After all, banks, coffee stands, fast food restaurants, cleaners, and pharmacies have come to depend on them to compete and create satisfied customers.

Promotion

Promotions are often described as persuasive communications (versus information or education-oriented ones), and an organization's communication strategy includes a custom blend of advertising, personal selling, sales promotion, public relations, and direct marketing (e.g., direct mail, email, and telemarketing). The communicator's real job is to ensure that the target audience members know about the offer, believe they will experience the stated benefits, and are inspired to act.¹⁷

Promotional activities for libraries include elements from each of these categories. Consider a summer reading program targeting elementary students in a county. Promotional vehicles might include advertising (billboards), personal selling (school librarians mentioning the program to students), sales promotion (banners to

attract the attention of parents dropping off and picking up children from school), public relations (stories and calendar listings in local newspapers), and direct marketing (postcards to households in targeted ZIP codes).

A Final Word: The 4Ps versus The 4Cs

It should be acknowledged that these four Ps represent the sellers' view and language for the marketing tools used to influence and facilitate exchange.¹⁸ The buyer has a different perspective, as suggested by Robert Lauterborn:¹⁹

Four Ps	Four Cs
Product	Customer solution
Price	Customer cost
Place	Convenience
Promotion	Communication

Principle #5: Monitor Efforts and Make Adjustments

In Chapter 1, "Improving Public Sector Performance by Seizing Opportunities to Meet Citizen Needs," we raised many challenges (even demands) faced by governmental agencies to increase efficiencies and effectiveness to improve performance. The marketing functions and activities within public sector agencies are no exception to this responsibility, which leads us to ensuring that systems are in place for evaluating marketing efforts and making any implicated adjustments. It is a control process, designed to maximize the probability that the organization will achieve its established short-run and long-run marketing objectives, as illustrated clearly by Andreasen and Kotler in Figure 2.6.

As suggested, critical components of the system begin with a clear understanding of objectives and goals. Then you acquire tools to measure outcomes; after measuring the outcomes, you conduct rigorous analysis of these outcomes and identify explicit steps for needed course corrections. Then the cycle repeats itself.

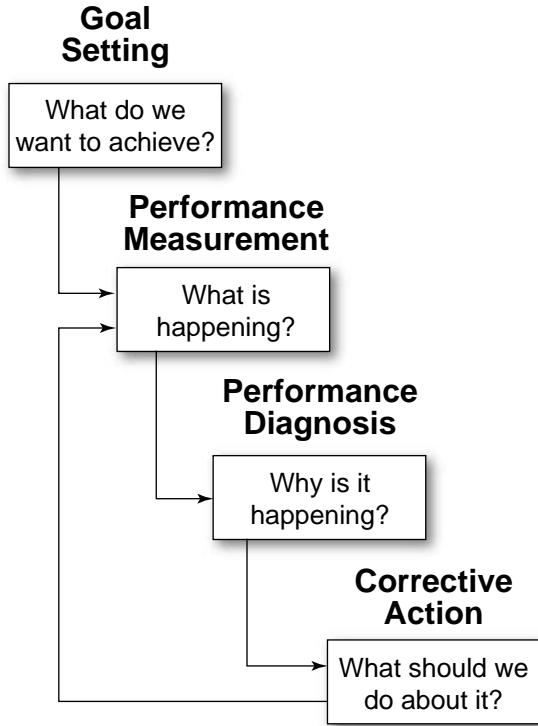


FIGURE 2.6 The Control Process²⁰

Numerous tools are available for use in this process, which will be discussed in detail in Chapter 12, “Monitoring and Evaluating Performance.” Referring back to our library example to illustrate a few, this systems approach might include monitoring total circulation and then stimulating book usage through newspaper articles or subscription email alerts for new arrivals when desired volume levels are not met. Or it could involve analyzing the circulation of each of the library’s major departments during different parts of the day or week to determine where additional efforts are needed to support established objectives. At a more complex level, it could attempt to look not just at circulation but at who was taking out books and develop strategies to bring the number of teenagers utilizing services to established goal levels. It could also include mechanisms to solicit customer comments, measure levels of customer satisfaction, and determine critical areas for improvement that would make goal attainment more likely.²¹

Moving from Here

The American Marketing Association defines marketing as “an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.”²² This chapter has made the case that marketing can and has contributed to governmental agency goals, objectives, and missions and that five fundamental principles are key to successful efforts, ones that have guided commercial marketers for decades. In the next eight chapters, we explore the application of these principles to assisting public agencies in eight performance arenas:

- Chapter 3 Developing and Enhancing Popular Programs and Services
- Chapter 4 Setting Motivating Prices, Incentives, and Disincentives
- Chapter 5 Optimizing Distribution Channels
- Chapter 6 Creating and Maintaining a Desired Brand Identity
- Chapter 7 Communicating Effectively with Key Publics
- Chapter 8 Improving Customer Service and Satisfaction
- Chapter 9 Influencing Positive Public Behavior: Social Marketing
- Chapter 10 Forming Strategic Partnerships