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## ELEMENT “PRICE” IN THE PUBLIC MARKETING COMPLEX

**Abstract.** The article is devoted to research of theoretical and practical questions of formation of the element “price” in the complex of public marketing. The article defines categories of “marketing complex”, examines the evolution of its development. The article contains an analysis of the main areas of development of the concept of a marketing complex. It is shown that a more relevant approach to the concept of a marketing complex in public administration is to transform its understanding from the 4P’s model into the 4C’s model. The relationship between models of the 4P’s and 4C’s marketing complex is presented in detail. The results of the analysis of the price policy of subjects of public marketing are made.

**Keywords:** price, public marketing, 4P’s model, marketing mix.

### ЕЛЕМЕНТ “ЦІНА” В КОМПЛЕКСІ ПУБЛІЧНОГО МАРКЕТИНГУ

**Анотація.** Досліджено теоретичні та практичні питання з формування елемента “ціна” в комплексі публічного маркетингу. Розглянуто дефініції

категорії “комплекс маркетингу”, досліджується еволюція її розвитку. Проаналізовано основні напрями розвитку концепції комплексу маркетингу. Показано, що релевантнішим підходом до поняття комплексу маркетингу в публічному управлінні є трансформація його розуміння від моделі “4P’s” у модель “4C’s”. Детально представлено співвідношення між моделями комплексу маркетингу “4P’s” та “4C’s”. Зроблено підсумки аналізу цінової політики суб’єктів публічного маркетингу.

**Ключові слова:** ціна, публічний маркетинг, модель “4P’s”, маркетинг-мікс.

## ЭЛЕМЕНТ “ЦЕНА” В КОМПЛЕКСЕ ПУБЛИЧНОГО МАРКЕТИНГА

**Аннотация.** Исследованы теоретические и практические вопросы формирования элемента “цена” в комплексе публичного маркетинга. Рассмотрены дефиниции категории “комплекс маркетинга”, исследуется эволюция ее развития. Содержит анализ основных направлений развития концепции комплекса маркетинга. Показано, что наиболее релевантным подходом к понятию комплекса маркетинга в публичном управлении есть трансформация его понимания от модели “4P’s” в модель “4C’s”. Подробно представлено соотношение между моделями комплекса маркетинга “4P’s” и “4C’s”. Сделано итоги анализа ценовой политики субъектов публичного маркетинга.

**Ключевые слова:** цена, публичный маркетинг, модель “4P’s”, маркетинг-микс.

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**Target setting.** In the context of Ukraine’s integration into European and world communities, the task to build a modern socially oriented state, whose success is ensured by such important factors as knowledge of the desires and needs of citizens, quick and flexible response to their demands are arised. This is ensured by studying of the possibilities and effective use of various methods, forms and methods of promoting state-owned goods and services, forming demand of existing and potential consumers on the basis of public marketing, which actualizes the problem under investigation.

**Analysis of recent research and publications.** The following foreign and Ukrainian scientists, such as: V. Vakulenko, A. Gavrilyuk, V. Golub,

V. Homolskaya, N. Datsiy, I. Drobyazko, V. Kuybida, , M. Oklander, E. Romanenko, K. Romanenko, A. Starostina, V. Tymoschuk, I. Chaplay and others were engaged in research of development and formation of the basic theoretical principles of public marketing and practical recommendations.

**The purpose of the article** is to analyze the element “price” in the complex of public marketing.

**The statement of basic materials.** Price is one of the most important elements of the public marketing complex, which determines the success of this activity. In order to more fully analyze the price component of the marketing complex, we first consider the concept in more detail.

As its know, the marketing complex is one of the central marketing categories. It also has other names: “marketing mix” (marketing mix), marketing structure, “function of four P”, or 4 P’s. Attention is drawn to the latter definition, according to which the success of marketing activities is considered as a “function” of the four main “arguments”: goods, prices, distribution and marketing communications. The name “4 P’s” is explained by the fact that the name of each of these “arguments” in English begins with the Latin letter “p”: product, price, place, promotion.

Some considerations regarding the concept of “marketing complex”. So, Philip Kotler defines it as: “... a set of marketing tools used by the company to achieve its marketing goals” [1, p. 45]. Specialized marketing resource Marketopedia.ru follows the following position: “Marketing complex (marketing-mix) is a set of variable marketing factors that are controlled, the totality of which the firm uses in an effort to trigger the desired response in response from the target market.

The marketing mix function lies in formation of a mix that not only meets the needs of potential customers within the target markets, but also maximizes the effectiveness of the organization” [2]. Thus, the cardinal value of the marketing complex is emphasized not only for the marketing activities of the organization, but also for its successful functioning as a whole.

G. L. Bagiev and V. M. Tarasevich, authors of the book “Marketing” proposed expanded and figurative definition: “The marketing mix (marketing mix) is a “marketing recipe”, the use of which allows the company to bet-

ter meet the needs of target markets and adapt to possible changes in the marketing environment. The simplest structure of the recipe for marketing requires coordinated action in the areas of commodity (product), pricing, marketing and communicative (stimulating) policies. This is the well-known formula of 4P’s: Product, Price, Place, and Promotion” [3, p. 537].

In the works devoted to the problems of public marketing, consideration of the complex of public marketing is rather fragmentary. Thus, the well-known Filipino researcher on nonprofit marketing issues, Oliver Serrat, notes succinctly: “Public marketing actors can use a custom blend of four main arguments: product (or service), location (or placement), price and promotion (Marketing communications). Public marketing actors also use other marketing tools that are used to link them to stakeholders, to increase their effectiveness, and to demonstrate the positive use of the resources they are endowed with” [4].

A similar position is taken by the Ukrainian researcher I. M. Drobyzko: “It is not very easy to interpret marketing mix in the marketing activities of the authorities, which consists of the following elements: product (in the form of a product or service), price, promotion and promotion. At the same time, each of these elements must, firstly, be designed in order to satisfy the characteristics of the target market; and, secondly, to harmonize with other elements” [5, p. 4]. As we see, the author is limited only to the list of the main elements of the complex of public marketing, without considering the essence of the concept in detail and in complex.

Some researchers investigating the problems of public marketing believe that a more relevant approach to the concept of a marketing mix in public administration is to transform its understanding of the 4P's model into the 4C's model. In this connection the connection between these complexes is as follows (table):

The model "4 C's" was proposed by R. Lauterborn in 1990. Today it serves as an adequate reflection of the client-orientation modern marketing concept that describes the marketing mix as a set of tools and measures available to formulate a proposal in order to meet customer needs [6, p. 26].

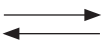
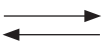
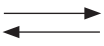
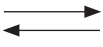
At the same time, some specialists (in particular, A. Gilmore) note that the changed emphasis does not mean that the classical "4 P's" approach has lost its significant methodological significance. Simply the model "4 C's" is recognized by the specialists as more suitable for targeting the activities of public administration actors in order to meet the needs of citizens.

Therefore, using marketing technologies of segmentation and positioning, public institutions can expand the use of marketing tools and increase their efficiency in meeting common interests of public marketing objects [7, p. 84].

French researchers of the public marketing problems A. Kaplan and M. Heinlein call other important reasons for the 4 P's model to be used in conjunction with the "4 C's" model in this area. So, they believe that the understanding of product formation, pricing, marketing, and marketing communications in the public marketing system tends to be narrowed down due to certain constraints.

According to the thoughts of experts, "price" is the most complex element of the marketing complex in the sense of its public-marketing essence. It must be admitted that in the system of commercial marketing, the understanding of this concept is much simpler and incomparably more explored. Moreover, in the vast majority of cases, in market conditions, the price is expressed in a certain amount of money as the equivalent of the consumer received goods. In the complex of public marketing, the price, on the contrary, is rarely measured by money, and more often – in the form of actions, expected behavioral standards, etc. At the same time, both in commercial and public marketing, it is possible to distinguish common, basic, fundamentally important characteristics of this element of the marketing mix.

**The relationship between models of the marketing complex "4P's" and "4C's"**

<b>"4P's" Complex</b>		<b>"4C's" Complex</b>
<b>Product</b>		<b>(Customer needs and wants)</b>
<b>Price</b>		<b>(Cost to the customer)</b>
<b>Place</b>		<b>(Conveniences)</b>
<b>Promotion</b>		<b>(Communications)</b>

Analyzing the differences in understanding the price in commercial and public marketing, A. Kaplan and M. Heinlein rightly point out: "In private companies, optimally formed priced policies help to achieve, above all, financial goals, contribute to customer willingness to pay, and is an element of the company's positioning strategy with respect to competitors. The same principles can not be applied to price restrictions in public administration.

First, public administration is a non-profit sector. And although a certain positive balance can be achieved by public authorities in one period, there is no goal to maximize this surplus under any conditions. Secondly, the notion of willingness to pay often can not be applied to public administration services, because consumption of public services is not always within the free choice of the client. Finally, many public administration services do not have any direct competitors, so there can be no way to evaluate the positioning of the product" [8, p. 205].

Scientists-marketers express different points of view, considering the essence of the price. Thus, Philip Kotler and Gary Armstrong have a profound marketing understanding of the price, which states: "In the broadest sense, the price can be considered as a set of all values that the consumer exchanges for the ability to own the goods or use the product (or service)" [9, p. 522]. The advantage of this definition is its versatility, which does not link it to commercial marketing alone. This approach can be used in any field of marketing, including in public marketing.

The American Marketing Association in its official electronic dictio-

nary offers price determination, such as: "... a formal relationship that indicates the amount of cash or services needed to purchase a certain amount of goods or services" [10].

Researchers-marketers G. L. Bagiev, V. M. Tarasevich and H. Ann define two basic approaches to the concept of price: "Price – 1) money value of money, the amount of money that consumers have to pay to receive the goods. The price assigned by the firm must correspond to the perceived value of the offer; 2) an effective marketing mix tool, ie a marketing mix" [11, p. 707]. As we can see, the first of the above definitions can be considered closer to the political economy of the category "price" with a certain adjustment to the impact of market specificity ("must correspond to the perceived value of the offer").

Ukrainian scientist Taras Grigorchuk holds a similar position: "Price is a certain amount of money that the buyer is willing to pay in order to receive a unit of a particular product or service" [12]. At the same time, it is difficult to agree with Professor Tetyana Primak, who in the marketing manual offers the following definition: "Price – monetary expression of the value of goods or services, economic category for determining the amount spent on the production of goods (services) of social labor" [13, p. 34]. According to this purely political approach, which measures the price only by the amount of socially necessary costs, all prices for the same assortment position of the particular product should be the same. And this trend would be independent of the will of the seller, the place of sale, etc. In practice, this happens quite infrequently.

The difference in price from all other elements of the marketing mix is rightly determined by Philip Kotler and Gary Armstrong: "Price is the only element of the marketing mix that generates profit. All others only increase the company's expenses. In addition, the price indicates the market value of the goods" [9, p. 462].

As we can judge from the above definitions, the specific characteristic of the marketing understanding of the price is its certain "landing", the consideration of the concept of almost every day level, appeal to common sense. In the simplest sense in marketing, the price is the equivalent, for which the buyer is ready to give up possession of the goods, and the seller is ready to give this product.

Lets consider the point of view of the price of specialists in the field of public marketing. So, the American researcher Evert Gumesson, considering the specifics of prices for public services, rightly observes that: "Public services are mostly non-profit organizations. This creates an unusual situation in the relationship with the client/citizen: for example, the connection between the provision of services and payment is not straightforward, because "payment" is made through the taxation system" [14, p. 835]. It is important to recognize the importance of establishing the specifics of the concept of "price" in public marketing in the cited fragment. However, in our opinion, the scope of specificity is even greater. This is due to the fact that the equivalent, expected by the subjects of state marketing in exchange for their goods from the target market, in general, rarely take a monetary form.

The same approach is also followed by L.V. Smorgunov. At the same time, in

our opinion, he considers not only the essence of the price as an element of the public marketing complex, but also the emphasis on expenditures paid for the production of public goods: "The price is the cost of implementing the program at the expense of funds received from the state budget, due to taxes from citizens; thus, the state offers to citizens services that have already been paid by citizens" [15, p. 91].

Significantly closer to the marketing approach, in our opinion, is the position of S. N. Andreev and L. N. Melnichenko: "For state power, the price of a non-profit product is an instrument for increasing its benefits and social effect, saving on aggregate costs in the form of direct financing of the subjects, granting to them privileges and means for development" [16, p. 177]. Thus, the indicated authors expand the form of presentation of prices not only monetary, but also by social dimensions.

The marketing approach to understanding of the analyzed concept is sufficiently reflected, in our opinion, in the following definition: "The price in public marketing should be understood as certain actions, reactions, behavior expected by the public administration from the" target markets "in response to the provision of services, which are included in the concept of state goods" [17, p. 34]. It is this approach to the public marketing definition of the price we will use in our further analysis.

Emphasizing on the problems of pricing in the public marketing system, the American researcher Judith Medill rightly points out: "Price setting is one of the most difficult marketing problems in the public sector. If for the private sector, these procedures are standard,

for most government agencies pricing is a new activity. As is evident, the public sector resists greater temptation and has more restrictions than the private sector. For example, the main problems may appear when the government begins to sell free services to that one. In the context of the growing cost of preserving the environment, this situation is very widespread and very productive on the problems" [18, p. 17]. As we see, the researcher refers only to prices set for public products in monetary terms.

Natalia Shcherbakova, who works in the field of public administration, rightly focuses on, for the most part, the nonmarketing nature of pricing in the system of public authority: "The state body itself determines (in essence, assigns) the service provider, he automatically assigns the service to the category of free or paid (except Services that are paid in accordance with the law), he himself develops a system of pricing, the order and form of service delivery" [19].

Specifics of pricing policies of the subject of public marketing on the public good was the cause of so-called "free rider problem". The problem comes from the fact that the average person will not always promote the public good, to contribute to the benefit of public power when it is unnecessary. For example, if a person does not pay taxes, it still uses the services granted by the government in national defense. The latter, as is well known, regardless of the "free rider" provided by tax payments of other citizens". [20] As we see in today's market and human-oriented society remains a problem that caused the rejection of the majority minded individuals the basic principles of com-

munist relations ("from each — if possible, each — according to his needs"). Note that this problem does not apply solely to ethical and directly affects the economic capacity of public authorities.

A well-known American researcher Tyler Cowen so wittfully interprets the problem of reimbursement of distributed resources as a public good, taking into account the "nobleman's problem": "Public good has two different aspects: the lack of exclusive rights to its consumption and the lack of competition among its consumers". Absence of exclusive Rights "means that the cost of retaining non-payers enjoying the benefits of public goods or services is prohibitively high. For example, an entrepreneur provides fireworks shows. She can watch the show from their windows or back yards. Because the entrepreneur can not charge for the consumption of his services, the considered fireworks show will not bring profit, even if the demand for the show was strong [...] The second aspect of the problems with providing the public good is What economists call "nonrivalrous consumption". Let's suppose that an entrepreneur manages to exclude from the scheme unwilling to pay contributions from an audience that wants to watch the show (perhaps the conditions are created when the show can only be seen from a private erytoriyi). In this case, the fee for entering this field will be charged, and people who do not want to pay this price will be excluded. If this field is large enough, these actions will also be ineffective. Even non-payers can watch the show without increasing the cost of display or diminishing the pleasure of those who paid" [21]. In other words, in the absence of a certain level

of control by the public authorities, the “payment” of the envisaged public price may not occur.

At the same time, subjects of public administration may not always be able to afford “non-market participants” not to pay for the public good. As A. Kaplan and M. Heinlein rightly point out: “These problems do not mean that the price does not matter for public administration in the sense that services should always be provided for free. Obviously, there are some areas in which the government asks citizens to pay the price. Moreover, it would be unethical or even impossible to avoid paying a salary. Moreover, part of the public service involves the collection of certain national and local taxes. Moreover, public management may deliberately decide on an increase in fees charged for certain services To make them more valuable to a citizen. For example, in Germany, household waste management costs have steadily increased since the 1980s. On the other hand, this policy has led to an increase in environmental literacy among the population of Germany” [8, p. 205].

Thus, summing up the analysis of the price policy of subjects of public marketing, we can reach the following **main conclusions**:

1. The price in public marketing, as well as in the commercial, is the equivalent that expects to obtain public marketing subjects from the consumer in exchange for a public product.

2. The price in public marketing is rarely measured in monetary terms. Often, these are the actions, standards of behavior that are expected to get objects of marketing from objects, for example, support, or, at least, the

lack of counteraction to their activities.

3. The specificity of the distribution of the public good leaves opportunities for a certain part of the potential public market to evade the payment of a “public price”, which constitutes the essence of the phenomenon of “the problem of a non-cash”.

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