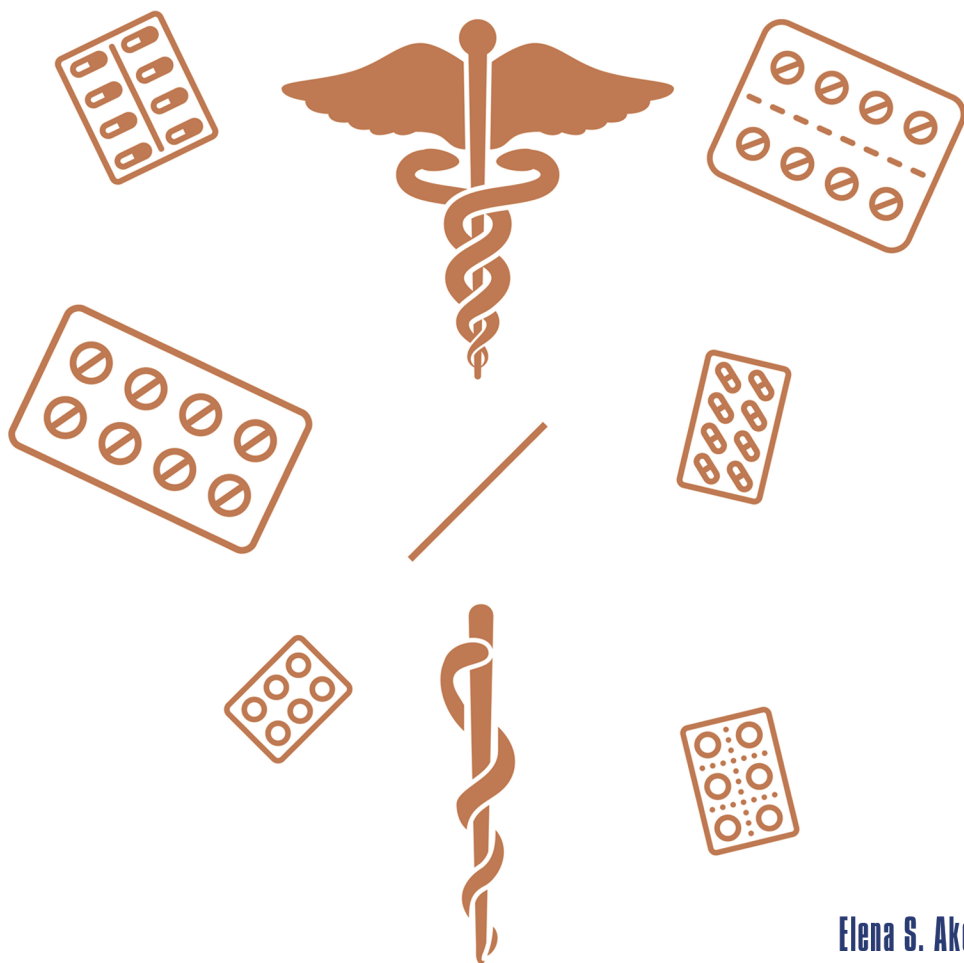


A VOLUME IN  
ADVANCES IN RESEARCH ON  
RUSSIAN BUSINESS AND MANAGEMENT

# Marketing of Healthcare Organizations: Technologies of Public-Private Partnership



Elena S. Akopova  
Yuri V. Przhedetsky  
Natalia V. Przhedetskaya  
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# **Marketing of Healthcare Organizations**

## **Technologies of Public-Private Partnership**

A Volume in Advances in Research on  
Russian Business and Management

Series Editor

Elena G. Popkova  
*Moscow State Institute of International Relations (MGIMO),  
Moscow, Russia*

# **Advances in Research on Russian Business and Management**

Elena G. Popkova, Editor

*Marketing of Healthcare Organizations:  
Technologies of Public-Private Partnership (2020)*

by Elena S. Akopova, Natalia V. Przhedetskaya,  
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*Economic and Legal Foundations of Modern Russian Society:  
A New Institutional Theory (2017)*

edited by Elena G. Popkova

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**INFORMATION AGE PUBLISHING, INC.**

Charlotte, NC • [www.infoagepub.com](http://www.infoagepub.com)

**Library of Congress Cataloging-in-Publication Data**

CIP record for this book is available from the Library of Congress  
<http://www.loc.gov>

ISBNs: 978-1-64113-576-4 (Paperback)

978-1-64113-577-1 (Hardcover)

978-1-64113-578-8 (ebook)

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Printed in the United States of America

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# INTRODUCTION

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Marketing activity determines effectiveness of economic activities and thus is a mandatory condition of supporting high competitiveness of economic subjects. The modern market economy has grown to the previously unseen scale, due to which marketing relations formed even in traditionally nonprofit spheres of national economy—such as healthcare. Due to this, the notion of nonprofit marketing, within which marketing activities are conducted by nonprofit organizations for increasing effectiveness of their activities and supporting sustainable market positions in the conditions of competition together with commercial organizations, appears.

The sphere of healthcare has a range of specific peculiarities that are related to its special role in modern socioeconomic systems. One of these peculiarities is the necessity for provision of total geographical coverage of healthcare organizations and mass accessibility of medical services, which envisages their provision for a fixed (low) price with guarantees state norms and standards. This inevitably sets limitations on marketing activities of state healthcare organizations.

Another peculiarity is the necessity for supporting high competitiveness of healthcare at the level of separate organizations (microlevel) and at the level of territories (regions and cities—mesolevel) and the national economic system on the whole (macrolevel). This is determined by striving for supporting the nation's health and inclusion of the level of development of healthcare into the factors of competitiveness of the modern economy, as well as consideration of healthcare as a perspective vector of postindustrial

and innovational economic growth. This requires from healthcare organizations (including state organizations) manifestation of high marketing activity.

As is seen, these peculiarities lead to a serious contradiction of the healthcare system, the most important aspect of which functioning and development becomes marketing. The initial point of the research in this book is our hypothesis ( $H_0$ ) that this contradiction could be solved with technologies of public-private partnership. The logic of the offered ideas is that while functioning separately, state and private healthcare organizations face various obstacles during implementation of marketing activities, and these obstacles could be overcome (mutually compensated) during unification of efforts of these organizations within public-private partnership—which will lead to development of marketing and increase of competitiveness of the healthcare system.

This book presents the authors' vision of the future modern concept of marketing, which is related to expansion of marketing of nonprofit organizations. The authors view the conceptual provisions of the theory of marketing of healthcare organizations and peculiarities of their transformation and application in the conditions of business-oriented economy. A complex systemic analysis of the modern Russian practice of marketing of healthcare organizations, which occupy the central position in the structure of nonprofit organizations due to their strategically important role in the economic system, is conducted. By the example of modern Russia, perspectives are substantiated and recommendations are developed for development of marketing of healthcare organizations with the help of technologies of public-private partnership.

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# **SECTION I**

**FOUNDATIONS OF STUDYING THE THEORY  
OF MARKETING OF NONPROFIT  
ORGANIZATIONS AND THE MECHANISM OF  
PUBLIC-PRIVATE PARTNERSHIP**

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## CHAPTER 1

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# THE CONCEPTUAL PROVISIONS OF THE THEORY OF MARKETING OF HEALTHCARE ORGANIZATIONS

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### ABSTRACT

**Purpose:** This chapter seeks the goal of determining the contribution of nonprofit organizations into achievement of global goals of sustainable development and determining the essence and meaning of marketing for functioning of modern nonprofit organizations.

**Methodology:** The methodology of the research is based on application of the methods of regression and correlation analysis, which allow for precise determination of the influence of nonprofit organizations on achievement of the goals of sustainable development. The authors also use the complex of general scientific methods—induction, deduction, systemic and logical analysis, synthesis, and formalization (graphic presentation of the research results).

**Results:** In the course of the research it was determined that activities of nonprofit organizations largely stimulate successful achievement of the goals of sustainable development. It is also substantiated that marketing has an important role in activities of modern nonprofit organizations, ensuring

their integration into the market environment and most successful execution of their functions. The key difference of marketing of nonprofit organizations from marketing of organizations is that it is aimed not at promotion of company's products and ousting of rivals from the market in the interests of the company but at promotion of values and social functions, executed by this company and its rivals in the interests of the society. At that, the resources that are attracted due to marketing activities are treated not as profit that is used by the entrepreneur but as possibilities for expanding the company's activities. Another important specific feature of marketing of nonprofit organizations is financial limitations. This barrier on the path of implementation of full-scale marketing activities of modern nonprofit organizations could be overcome with new information and communication (digital) technologies, which make electronic advertising and public relations (PR) available.

**Recommendations:** It is recommended to consider nonprofit organizations as important subjects of the modern socially-oriented market economy and to pay attention to their conducting marketing activities.

## INTRODUCTION

The 21st century is the age of domination of public values as to private interests, prosperity of corporate social responsibility, and striving for total well-being. The global economic crisis, which started in 2008 and continues as of now (2018), showed drawbacks of pure market economy with domination of commercial interests, related to increase of inequality and bringing competition from expected profitable competition to struggle of everybody against everybody, which, instead of synergetic effect, leads to chaos and destruction, and showed transition to a new socioeconomic mode, in which nonprofit organizations have an important role.

The proclaimed course of the global economic system to achievement of the goals of sustainable development (UN, 2018) showed the priority of nonprofit organizations for this system, as only refusal from concentration on receipt of profit in favor of public interests allows involving entrepreneurial structures into the process of formation of socially-oriented market economy. In its conditions, public benefits are accessible for all interested parties, and favorable conditions for a modern human are created and supported: in the aspect of labor—through provision of possibilities for self-realization and constant development, and in the aspect of consumption—through highly-effective satisfaction of all public needs.

The working hypothesis of the research is that nonprofit organizations stimulate achievement of global goals of sustainable development in the modern economic systems, and marketing has an important role

in activities of modern nonprofit organizations, ensuring their successful functioning and maximization of their contribution into achievement of global goals of sustainable development. The authors seek the goal of determining the contribution of nonprofit organizations into achievement of global goals of sustainable development and determining the essence and role of marketing for functioning of modern nonprofit organizations.

## **MATERIALS AND METHOD**

The theoretical basis of the research includes new scientific works on the following issues:

- conceptualization of sustainable development (Deaconu, Gogu, Radu, & Tudor, 2018), (Ślusarczyk & Grondys, 2018), (Yazgan & Yalçinkaya, 2018) and socially-oriented market economy (Bank, 2017), (Bogoviz, Ragulina, Morozova, & Litvinova, 2018), (Felice & Krienke, 2017), (Lee, Byun, & Park, 2018), (Popkova, Bogoviz, Ragulina, & Alekseev, 2018), and (Schlösser, Schuhen, & Schürkmann, 2017);
- specifics of activities of nonprofit organizations (Gratton, 2018), (Kellner, Townsend, & Wilkinson, 2017), and (Roshayani, Mohd Hisham, Nur Ezan, Ruhaini, & Ramesh, 2018);
- role and meaning of nonprofit organizations in development of modern economic systems (Almeida, 2017), (Ceptureanu, Ceptureanu, Bogdan, & Radulescu, 2018), and (Yusoff, Ishak, Samad, & Roslan, 2017);
- essence and peculiarities of nonprofit marketing and its role and meaning for functioning and development of modern nonprofit organizations (Akopova, Przhedetskaya, & Borzenko, 2016), (Ayyildiz, Akmermer, & Akyüz, 2016), (Garland, Yang, & Kang, 2016), (Kumar Sharma, Donthu, & Rountree, 2015), (Mitina, Popkova, Ermolina, & Sherer, 2015), (Popkova, Grechenkova, Boris, Przhedetskaya, & Gornostaeva, 2017), (Popkova, Litvinova, Mitina, & French, 2018), and (Przhedetsky, Przhedetskaya, Przhedetskaya, & Borzenko, 2019).

Methodology of the research is based on the methods of regression and correlation analysis, which allow for precise determination of the influence of nonprofit organizations on achievement of the goals of sustainable development. At that, the dependent variable (y) is the index of sustainable development goals (SDG—sustainable development goals—index), and

the independent variable (x) is the share of the nonprofit sector of economy in the structure of GDP.

The research is conducted by the example of various countries of the world (selected according to the criterion of accessibility of statistical information on nonprofit organizations) as of 2018. The initial data for the analysis are given in Table 1.1.

**Table 1.1.**  
**Shares of the Nonprofit Sector In GDP in the Value of the Index of SDG in Countries of the World (2018)**

Country	Share of the nonprofit sector of economy in GDP, % (x)	Value of the index of SDG, points 1-100 (y)	Position among countries of the world according to the value of the index SDG
Belgium	11.5	79.0	12
Canada	8.1	76.8	20
Israel	7.1	71.8	41
USA	6.6	73.0	35
Australia	4.9	72.9	37
Brazil	3.4	69.7	56
Mexico	2.2	65.2	84
Russia	1.1	68.9	63
Thailand	0.8	69.2	59

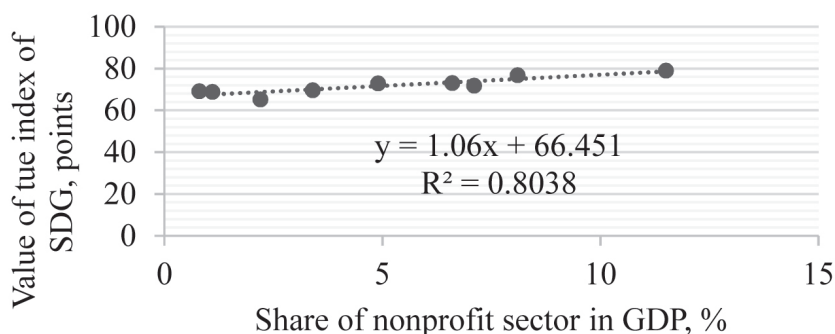
Source: compiled by the authors based on: (*The Non-Profit Times*, 2018), (Einolf, 2018), (EMISS: official statistics of the Russian Federation, 2018), (SDGIndex, 2018).

Also, the authors use a complex of general scientific methods: induction, deduction, systemic and logical analysis, synthesis, and formalization (graphic presentation of the research results).

## RESULTS

Nonprofit organization is the organization that seeks not the goal of obtaining profit but the goal of implementing socially important functions, which could be charity, stimulation of development of culture and sports, educational and medical services, and provision of other public benefits, which production and distribution is peculiar for low investment attractiveness for commercial organizations (which main goal is receipt of profit).

It should be noted that nonprofit organizations can and, as a rule, do receive profit—but it is not a goal in itself but a means of financing of their main public activities. In particular, according to the information of the OECD, nonprofit organizations provided a large share of national expenditures for R&D in 2018: in Belgium—0.62%, Canada—0.51%, Israel—1.01%, USA—4.07%, Australia—0.49%, Mexico—6.23%, and Russia—0.21% (OECD, 2018). The determined contribution of nonprofit organizations into achievement of the goals of sustainable development in countries of the world in 2018 is shown in Figure 1.1.



Source: Calculated and compiled by the authors.

**Figure 1.1.** Regression curve that reflects dependence of the value of the SDG index on the share of nonprofit sector in GDP in the countries of the world in 2018.

The data of Figure 1.1 show that successfulness of achievement of the goals of sustainable development in the countries of the world in 2018 is by 80.38% explained by the share of the nonprofit sector in the structure of GDP. At that, growth of the share of the nonprofit sector in the structure of GDP by 1% stimulates the increase of the value of the SDG index by 1.06 points. This shows strong direct connection between the studied indicators.

As a result of logical analysis, we determined that marketing provides the following advantages for modern nonprofit organizations:

- possibility of maximum coverage of the target audience and establishment and supporting close relations with its representatives;
- collection of feedback from interested parties for improving their activities;
- strengthening of reputation in the market, attraction of resources and search for rivals, including workers (support through employ-

ment or volunteering), state (grants and subsidies), society, and investors (support through donations).

Though marketing always stimulates promotion of organization and its products, strengthening of its market positions and increase of competitiveness, it has its own specifics for commercial and nonprofit organizations—which is shown by statistical materials (Ironpaper, 2018), (Nonprofitsource, 2018), and (Carpetta, 2018). The results of the performed comparative analysis of marketing of nonprofit organizations are shown in Table 1.2.

**Table 1.2.**  
**Comparative Analysis Of Marketing of Nonprofit Organizations**

Criteria of comparison		Commercial organizations	Nonprofit organizations
The main goal of marketing		stimulating growth of the volume of sales and profit	stimulating the implementation of public functions
task of usage of marketing as to	Consumers	formation of needs in provided products and determination of perspectives of its improvement	informing on provided possibilities of satisfaction of existing needs and determining the perspectives of improvement of this process
	Employees	selecting and keeping the most qualified and efficient workers, increase of their loyalty to the company	searching and keeping socially-responsible workers, increase of their loyalty to performed public functions
	State and society	promotion of the products, increase of loyalty to the company	promotion of values, increase of loyalty to conducted activities
	Investors	informing on commercial attractiveness of conducted activities	informing on public advantages of conducted activities
Applied tools of marketing		high-budget tools, including printed and phone ads and PR	low-budget tools that are limited by Internet ads and PR

*Source:* Compiled by the authors.

As is seen from Figure 1.2, commercial organization uses marketing for stimulating growth of the volume of sales of its products and maximization of obtained profit (that is, for gaining own private benefits), and

nonprofit organization uses marketing for stimulating implementation of the performed public functions (i.e., for creation of profit for society on the whole). The task of usage of marketing as to consumer from commercial organizations is formation of needs for provided products (i.e., formation of demand) and determination of perspectives of its improvement, and from nonprofit organizations—informing on the performed public functions and provided opportunities for satisfying the existing needs (i.e., satisfaction of the existing demand) and determining the perspectives of improvement of this process.

The task of usage of marketing as to employees from commercial organizations is selection and attraction of highly-qualified and efficiency workers and increase of their loyalty to the company, and from nonprofit organizations—search and attraction of socially-responsible workers and increase of their loyalty to the performed public functions.

The task of usage of marketing as to the state and society from commercial organizations is promotion of their products and increase of loyalty to the company (for distinguishing the company as compared to rivals and for ousting the rivals from the market) and from nonprofit organizations—promotion of value and increase of loyalty to the performed activities (including activities of competing commercial and nonprofit organizations with the possibility of cooperation with rivals).

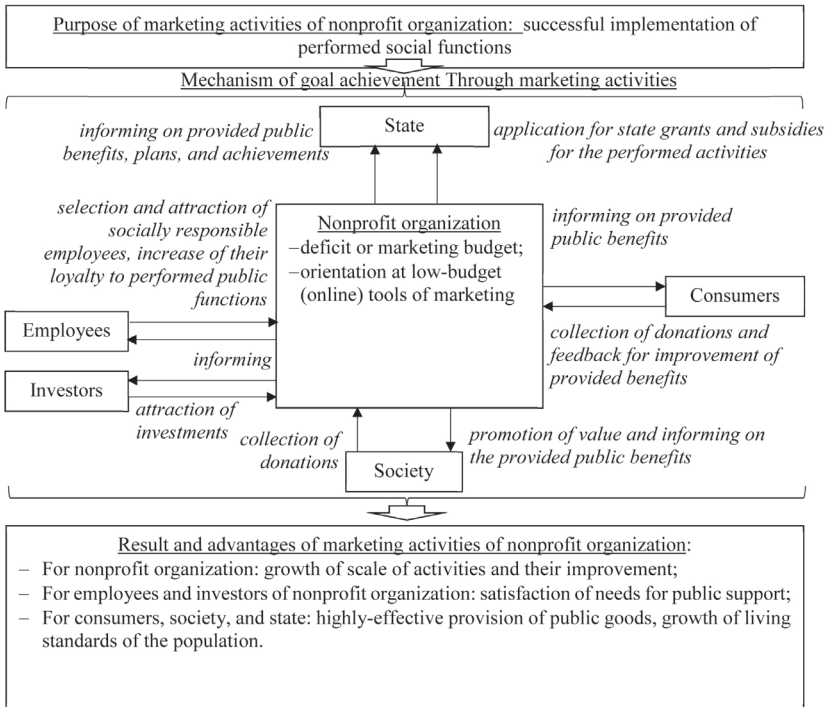
The task of usage of marketing as to investors from commercial organizations is informing on commercial attractiveness of the performed activities (profit, profitability, return, investments, etc.), and from nonprofit organizations—informing on public advantages of the performed activities (social significance, absence of commercial alternatives, etc.).

Commercial organizations have access to high-budget tools of marketing, including television, printed, and telephone ads and PR, and so forth, and nonprofit organizations have access only to low-budget tools of marketing, limited by Internet ads and PR in social networks, e-mail, and on the website of organizations and partners.

Based on the above, we compiled the following conceptual model of marketing of nonprofit organizations (see Figure 1.2).

As is seen from Figure 1.2, marketing allows making nonprofit organization a part of market environment and ensuring its interaction with all interested parties and target audience. It should be noted that marketing communications of nonprofit organizations have direct (coming from nonprofit organizations) and reverse (aimed towards nonprofit organizations) directions.

Results and advantages of marketing activities of nonprofit organizations are gained by all interested parties. The nonprofit organization received a possibility to increase the scale of activities and to improve them. Employees and investors of nonprofit organization satisfy their needs for



Source: Compiled by the authors.

**Figure 1.2.** The conceptual model of marketing of nonprofit organizations.

public support. These needs are not massive and are peculiar for a small part of the modern society, being related to stimulation of increase of living standards of the population. Consumers of the products of nonprofit organizations, society, and state receive advantages that are related to highly-effective provision of necessary public benefits, as well as increase of population's living standards.

It should be noted that in the modern economic conditions marketing activities are peculiar for high accessibility for nonprofit organizations due to development of the telecommunication infrastructure. While before the wide distribution of digital technologies, marketing activities of nonprofit organizations had been difficult and limited, now it could be conducted in full-scale, by automatized electronic information messages and computer processing of feedback data.

At the same time, marketing activities of nonprofit organizations are complicated by implementation of marketing initiatives of commercial

organizations, which cause negative attitude towards electronic marketing with the modern target audience and background attitude to the incoming electronic marketing information. This leads to refusal from model marketing of nonprofit organizations and application of creative approach to its implementation.

## CONCLUSION

Thus, the offered hypothesis is proved; it is shown that activities of nonprofit organizations stimulate successful achievement of the goals of sustainable development. That's why nonprofit organizations should be viewed as important subjects of the modern socially-oriented market economy. It is also substantiated that marketing has an important role in activities of modern nonprofit organizations, ensuring their integration into the market environment and successful execution of their functions.

The key peculiarity of marketing of nonprofit organizations as compared to marketing of organizations is that it is aimed not at promotion of the company's products and ousting the rivals from the market in the interests of the company but at promotion of the values and social functions that are performed by the company and its rivals in the interests of the society. At that, the resources that are attracted due to marketing activities are treated not as profit that is used by entrepreneur but as the possibilities for expanding the company's activities.

Another important specific feature of marketing of nonprofit organizations is financial limitations. This barrier on the path of implementation of full-scale marketing activities of modern nonprofit organizations could be overcome by new information and communication (digital) technologies, which make online advertising PR on the website of nonprofit organizations, via e-mail, and in social networks accessible. It is possible to conclude that marketing is an important component of activities of modern nonprofit organizations and an inseparable condition of their successful and highly-effective functioning and development.

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## CHAPTER 2

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# MARKETING OF NONPROFIT ORGANIZATIONS IN BUSINESS-ORIENTED ECONOMY

## New Challenges and Priorities

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### ABSTRACT

**Purpose:** The purpose of the research is to determine the peculiarities of marketing of nonprofit organizations in modern business-oriented economy, including analysis of their challenges, and determining their new priorities by the example of modern Russia.

**Methodology:** The authors use the method of analysis of causal connections for determining the economic essence of existing statistical and analytical data on the current tendencies of development of socioeconomic system of modern Russia, which allows determining the key factors of business-oriented market economy and related challenges and priorities of marketing of nonprofit organizations.

**Results:** It is determined that due to formation of business-oriented economy in modern Russia there take place deep cultural transformation processes, which influence the specifics of conduct of economic activities. In these new conditions, nonprofit organizations face new problems: increase of resource intensity with reduction of financing and complications with attraction of socially-responsible workers with simultaneous growth of demand for corporate social responsibility from interested parties, primarily consumers. The situation is complicated by expansion of presence of commercial organizations in previously traditional nonprofit spheres of activities—for example, healthcare. With globalization, these problems are aggravated and influence more spheres of national economy, in which nonprofit organizations have been usually dominating. Thus, marketing of nonprofit organizations has new priorities, the key of which are management of competitiveness and obtaining profit in the interests of provision of self-financing.

**Recommendations:** A conceptual scheme of marketing of nonprofit organizations in modern business-oriented economy is presented. It is recommended to search and apply new, perspective technologies and mechanisms of activation and modernization of marketing activities of nonprofit organizations in the conditions of modern business-oriented economy.

## INTRODUCTION

Despite the desire for formation of socially-oriented market economy, modern economic systems are business-oriented. This means that, first, high level of competition in most sectorial markets is set and supported. Striving for intensification of entrepreneurial activities, the state brings the barriers of entering the markets down to the minimum and creates and supports favorable conditions for development of business. Competition constantly grows—from domestic and foreign entrepreneurial structures.

Second, business orientation of modern economy is manifested in domination of commercial plans and values. Developing on the capitalistic ideological platform, modern economic systems and almost all their participants are more or less aimed at receipt of profit and gaining private advantages—while public interests are slowly but inevitable drawn to the background. Commercial criteria (profit, profitability, and return of investments) become the most important landmarks during decision making in entrepreneurship.

Third, in modern business-oriented economy, the state strives for maximum possible reduction of its interferences with economic processes. The age of state paternalism goes to the past, giving way to market

self-management. Privatization opened opportunities for domination of private property in modern economy, and new achievements in the sphere of management stimulate larger refusal from state property in favor of private management, peculiar for higher effectiveness—which makes it more preferable.

The clearest and the most vivid tendencies of formation of business-oriented economy are seen in countries with transitional economy—for example, Russia. The authors offer a hypothesis that in modern business-oriented economy, marketing of nonprofit organizations faces new challenges and should seek new priorities. The purpose of this research is to determine peculiarities of marketing of nonprofit organizations in modern business-oriented economy, including analysis of their challenges and determination of their new priorities by the example of modern Russia.

## **MATERIALS AND METHOD**

Preconditions of formation of business-oriented economy, its signs and characteristics, and peculiarities of conduct of entrepreneurial activities in the conditions of modern business-oriented economy by the example of various socioeconomic systems are studied in the works (Đuričin & Herceg, 2018), (Jayasinghe, Ratnasiri, Smith, & Chai, 2018), (Kufenko & Geiger, 2016), (MacKintosh, 2017), (Pernica, 2016), (Petropoulou, 2018), (Šperka, 2016a), and (Šperka, 2016b).

Conceptual foundations and practical experience of marketing activities of modern nonprofit organizations are analyzed in publications (Akopova Przhedetskaya, & Borzenko, 2016), (Ayyildiz, Akmermer, & Akyüz, 2016), (Garland, Yang, & Kang, 2016), (Gburova & Bačik, 2017), (Kumar, Sharma, Donthu, & Rountree, 2015), (Lou & Alhabash, 2018), (Mitina, Popkova, Ermolina, & Sherer, 2015), (Popkova, Grechenkova, Boris, Przhedetskaya, & Gornostaeva, 2017), (Popkova, Litvinova, Mitina, & French, 2018), and (Przhedetsky, 2019).

At the same time, the influence of business-oriented economy on marketing of nonprofit organizations is insufficiently studied in the existing publications and requires more attention—which is done in this work. The authors use the method of analysis of causal connections for determining the economic essence of existing statistical and analytical data on current tendencies of development of socioeconomic system of modern Russia, which allows determining the key factors of business-oriented market economy and related challenges and priorities of marketing of nonprofit organizations.

## RESULTS

As a result of complex analysis of causal connections of influence of business-oriented economy on marketing activities of nonprofit organizations in modern Russia, we determined the following key factors of this process and challenges and priorities of marketing of nonprofit organizations (Table 2.1).

**Table 2.1.**  
**New Challenges and Priorities of Marketing of Nonprofit Organizations in Modern Business-Oriented Economy**

Key factors	Challenges of business-oriented economy	New priorities of marketing of nonprofit organizations
Modernization of the institutional environment	transformation of public benefits into economic benefits	priority of increased attention to actual tendencies of demand
Liberalization of commercial activities	growth of competition from commercial organizations	priority of management of competitiveness
Formation of consumer society	change of values in favor of commercial settings	priority of formation of social responsibility with workers
Deficit of state budget, crisis	reduction of the volume of financing	priority of attraction of financial resources in the process of marketing activities
Globalization, technological progress	growth of resource capacity of provision of public benefits	
Rationalization of economic activities of the state	setting commercial goals before non-profit organizations	priority of obtaining profit and self-financing

*Source:* Compiled by the authors.

As is seen from Table 2.1, we distinguished four key factors of business-oriented economy that influence marketing activities of nonprofit organizations in modern Russia. The first factor is modernization of the institutional environment. The institute of provision of public benefits, which had been the main one in Russia until the transitional period in 1990s, was transformed and is now seen as an alternative to the institute of provision of economic benefits.

Modern Russian law envisages or creates opportunities for provision on commercial terms of goods and services that have been traditionally considered unattractive for private business and not fit for individual usage by consumers—from provision of educational services at all levels of the

educational system and provision of medical services to toll roads, beaches, and parks.

Under the influence of these institutional transformations, related to creation of conditions for gaining commercial advantages, transformation of public benefits into economic ones took place, due to which higher requirements from modern consumers are set to them. By the example of medical services, it is related to the fact that when they were considered to be public benefits in late 20th century, requirements of consumers were brought down to timely provision of medical services and the very opportunity of receiving them.

In the 21st century, medical services are considered to be economic benefit—and modern Russian consumers prefer paid medical services, provided by private commercial healthcare organizations—due to convenience (absence of lines, better working schedule, etc.) and more thorough work of medical workers (due to higher wages and time allocated for examination of patients).

At that, state healthcare organizations that provide medical services on the terms of mandatory medical insurance—that is, on the free basis for patients—become less popular and have to implement innovations into their activities and conduct marketing research for improving their activities. That is, a top-priority issue for them is manifestation of increased attention to current tendencies of demand.

The second factor is liberalization of commercial activities. Apart from emergence of commercial attractiveness, modern Russia provides the opportunity for private commercial entrepreneurial activities in all spheres of the national economy, including spheres that traditionally specialized in provision of public benefits.

Due to this, the share of private entrepreneurial structures in Russia in 2018 constituted 86.3%, having grown by 15% (trend) as compared to 2000, when it constituted 75% (Federal State Statistics Service, 2018b). This tendency led to growth of competition from commercial organizations and the necessity for nonprofit organizations to manage their competitiveness in the process of marketing activities.

The third factor—formation of consumer society. Under the influence of the above two tendencies, a consumer society formed in Russia—in which commercial companies influence the value settings of consumers, leading to artificial needs, due to which materials motives and stimuli for labor out and replace nonmaterials ones. Change of value settings in favor of commercial settings in society on the whole complicates the process of attraction of socially-responsible workers of nonprofit organizations.

Modern workers are often eager to show social responsibility only in case of high wages—which cannot be provided by nonprofit organizations. Failure of the social institute of self-sacrificing volunteers leads to priority

of formation of social responsibility with workers that are attracted by non-profit organizations.

The fourth factor is the deficit of state budget, caused by the crisis of the Russian economy, which started in 2009 under the influence of the global financial crisis and which is manifested at all levels of the budget system of the Russian Federation. According to the statistical materials of the Federal State Statistics Service, in 2017 the revenues of the federal budgets of the RF constituted RUB 31,046.7 billion (33.7% of GDP), and expenditures—RUB 32,395.7 billion (35.2% of GDP) (Federal State Statistics Service, 2018b). This shows budget deficit of RUB 1,349 billion (1.5% of GDP). Deficit of state budget inevitable leads to reduction of the volume of financing of nonprofit organizations' activities.

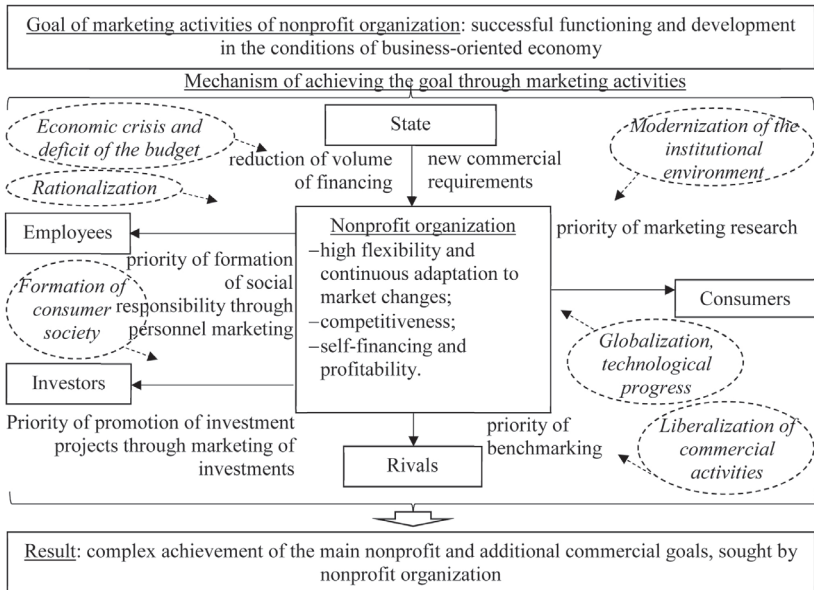
The fifth factor is globalization and technological progress. Accessibility of information on the leading technical achievements and possibility of implementing them into the production process leads to growth of demand for highly-effective goods and services. For example, private healthcare organizations purchase new equipment and materials, providing medical services of high quality (level of wear and tear of the main funds of commercial healthcare organizations in Russia constituted 38.8% in 2017), while state healthcare organizations use obsolete technologies, equipment, and materials, providing medical services of lesser quality (level of wear and tear of the main funds of nonprofit healthcare organizations in Russia constitutes 53.6% in 2017) (Federal State Statistics Service, 2018a).

Under the pressure of competition and growing demands, this leads to growth of resource intensity of provision of public benefits. Due to this, a priority for nonprofit organizations is attraction of financial resources in the process of marketing activities by participating in state and private grants and search for investors.

The sixth factor is rationalization of economic activities of the state. Striving for maximization of effectiveness of managing the state property, modern Russia sets high and contradictory requirements to activities of state nonprofit organizations (e.g., in the healthcare sphere). On the one hand, they have to provide medical services by the terms of mandatory medical insurance (e.g., for free), without the possibilities of development and conduct of independent pricing policy.

On the one hand, state healthcare organizations have to conduct commercial activities, providing medical services on the paid basis, for provision of profitability and self-financing. Setting commercial goals before nonprofit organizations (as an addition to the main nonprofit goals, related to execution of their public functions) leads to priority of receipt of profit and achievement of self-financing.

According to the above, we compiled the following conceptual scheme of nonprofit organizations marketing in modern business-oriented economy (Figure 2.1).



Source: Compiled by the authors.

**Figure 2.1.** Conceptual scheme of marketing of nonprofit organizations in modern business-oriented economy.

As is seen from Figure 2.1, successful marketing functioning of modern nonprofit organizations in the conditions of business-oriented economy is influenced by the factors that are shown in dotted line. As is seen, marketing provides tools for nonprofit organizations' meeting all challenges of business-oriented economy:

- conducting marketing research, which allows studying topical tendencies of change of the market situation and seeing the recent changes of demand;
- personnel marketing, which allows forming social responsibility with workers of nonprofit organizations;
- investments marketing, which allows providing financing of activities of nonprofit organizations as a commercial attractive (profitable) investment project;

- benchmarking, which allows determining and analyzing market strategies of rivals and taking into account their mistakes and successes.

Due to marketing activities, a modern nonprofit organization can show increased flexibility and adapt to changes of the market, supports its competitiveness at a high level, and keep self-financing and profitability. That is, marketing ensures complex achievement of the main nonprofit and additional commercial goals, sought by nonprofit organization in modern business-oriented economy.

## CONCLUSION

Thus, due to formation of business-oriented economy, modern Russia is peculiar for deep cultural transformation processes, which influence the specifics of conduct of economic activities. In these new conditions, nonprofit organizations face new problems: increase of resource intensity with simultaneous reduction of their financing and complicated attraction of socially-responsible workers with simultaneous growth of demand for corporate social responsibility from interested parties, primarily—consumers.

The situation is complicated by expansion of presence of commercial organizations in traditionally nonprofit spheres of activities—that is, healthcare. With globalization, these problems aggravate and cover more and more spheres of national economy in which nonprofit organizations used to dominate. Thus, there appear new priorities for marketing of nonprofit organizations, the key of which are management of competitiveness and obtaining profit in the interests of provision of self-financing.

Obviously, in modern business-oriented economy the traditional approach to marketing of nonprofit organizations is ineffective or cannot be applied at all. At present, there's necessity for development of a new approach to marketing of nonprofit organizations, adapted to peculiarities of business-oriented economy and corresponding to its modern priorities. This requires search and application of new, perspective technologies and mechanisms of activation and modernization of marketing activities of non-profit organizations in the conditions of modern business-oriented economy.

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## CHAPTER 3

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# PUBLIC-PRIVATE PARTNERSHIP AS A MECHANISM OF INCREASE OF EFFECTIVENESS OF MARKETING ACTIVITIES

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### ABSTRACT

**Purpose:** The purpose of the research is to determine possibilities and perspectives of increase of effectiveness of marketing activities on the basis of mechanism of public-private partnership.

**Methodology:** the authors use the methods of quantitative and qualitative analysis. Quantitative methods include regression and correlation analysis—which is used to determined dependence between the object of investments into the projects of public-private partnership in countries of the world in 2017 according to the World Bank and the value of their global competitiveness index in 2017–2018 according to the World Economic Forum. The authors also use qualitative methods—general scientific: analysis of causal connections (logical analysis), synthesis, induction, deduction, and formalization; and special economic method of analysis marketing mix (in the basic model 4P).

**Results:** it is determined that positive influence of the mechanism of public-private partnership on effectiveness of marketing is seen in the macroeconomic scale and is manifested in growth of global competitiveness of economy. It is also shown that public-private partnership provides multiple marketing advantages, which cover all elements of marketing mix.

**Recommendations:** the authors show the action of the mechanism of increase of effectiveness of marketing activities on the basis of public-private partnership, show its dependence on peculiarities of its practical implementation, and recommend studying the peculiarities of modern Russian economic practice of marketing of healthcare organizations and the effect of the system of public-private partnership.

## INTRODUCTION

At present, there's high scientific and practical interest to the mechanism of public-private partnership in the whole world. Society sees it as a means of creation of popular assets and activation of development of state property due to attraction of private investments and rationalization of managing this property. Partnership with private business allows the state to reduce expenditures for servicing and managing state companies with possible preservation of ownership and maximization of effectiveness of their functioning.

As compared to privatization, public-private partnership allows conducting state monitoring and control of entrepreneurial activities, conducted within partnership, and thus avoiding the change of production specialization and preserving the provision of target public benefits. Private entrepreneurship obtains profit from partnership with the state—they are related to receipt of access to state infrastructure, entering new sectorial markets, which were previously monopolized by the state, and reduction of entrepreneurial risks due to receipt of state guarantees of return of investments.

Topicality of studying public-private partnership is emphasized by its large potential in the sphere of stimulating the formation of socially-oriented market economy and achievement of sustainable development of modern economic systems, as it allows harmonizing interests of state (and society) and private entrepreneurship. This work offers the hypothesis that public-private partnership is a perspective mechanism of increase of effectiveness of marketing activities. The purpose of the research is to determine opportunities and perspectives of increase of effectiveness of marketing activities on the basis of the mechanism of public-private partnership.

## **MATERIALS AND METHOD**

Conceptual foundations and advantages of public-private partnership for optimization of economic activities are discussed in the works (Cui, Liu, Hope, & Wang, 2018), (Ivashchenko, Mironenko, Popovicheva, & Zhuravleva, 2019), (Keers & van Fenema, 2018), (Morozova, 2019), and (Tajani, Morano, Di Liddo, & Locurcio, 2019).

Practical experience of implementation of the mechanism of public-private partnership in economic system of modern countries of the world is studied in the works (Cong & Ma, 2018), (Kuznetsov, Akopova, Panasenkova, Przhedetskaya, & Rodionova, 2017), (Lomovceva, Tkhorikov, Gerasimenko, & Polyakov 2016), (Morozova & Popkova, 2014), (Ojelabi, Fagbenle, Afolabi, Tunji-Olayeni, & Amusan, 2018), (Owusu-Manu et al., 2018), (Remington, 2018), and (van den Hurk, 2018).

The issues of provision and measuring of effectiveness of marketing activities are studied in the works (Akopova, Przhedetskaya, Taranov, & Israilova, 2017), (Akopova, Przhedetskaya, & Borzenko, 2016), (Dubova, Koryakina, Chimonina, Bogoviz, & Ragulina, 2017), (Krivtsov, Polinova, Ivankina, Chubarkova, & Prokubovskaya, 2016), (Popkova, Grechenkova, Boris, Przhedetskaya, & Gornostaeva, 2017a), and (Popkova, Poluyufta, Beshanova, Popova, & Kolesnikova, 2017b).

At that, the essence and peculiarities of the influence of the mechanism of public-private partnership on effectiveness of marketing activities are not sufficiently studied in the existing studies and publications—both from the scientific & theoretical and from the practical points of view—and require further research, which is done in this work. For the purpose of thorough verification of the offered hypothesis, verification is conducted with the help of complex application of the methods of quantitative and qualitative analysis.

Qualitative methods include regression and correlation analysis, with the help of which dependence between the volume of investments into projects of public-private partnership in countries of the world in 2017 according to the World Bank (x) and their global competitiveness index in 2017–2018 according to the World Economic Forum (y) is determined. The research objects are developing countries—due to the fact that they show very high level and intensive progress of public-private partnership (countries are selected according to the criterion of accessibility of statistical data). The initial data for analysis are shown in Table 3.1.

The authors also use qualitative methods—general scientific: analysis of causal connections (logical analysis), method of synthesis, induction, deduction and formalization, and the special economic method of analysis marketing mix (in the basic model 4P).

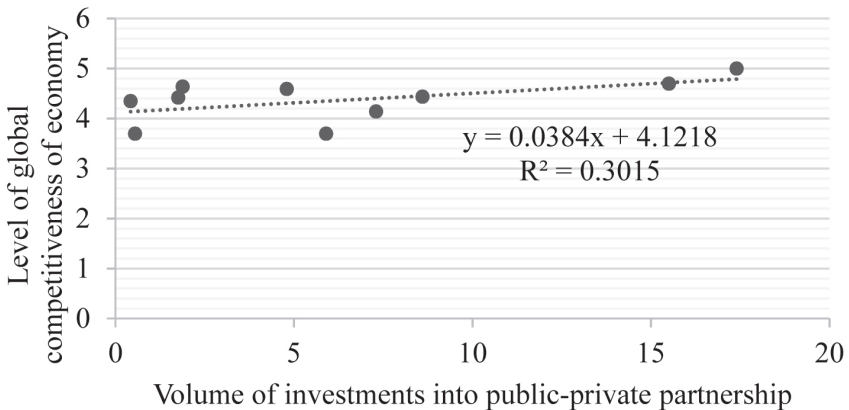
**Table 3.1.**  
**The Level of Development of Public-Private Partnership and Global Competitiveness in Selected Developing Countries of the World in 2018 (Based on the Data as of Year-End 2017)**

Country	Volume of investments into projects of public-private partnership, \$ billion	Value of the global competitiveness index, points 1–7 (position among 137)
China	17.4	5.00 (27)
Indonesia	15.5	4.70 (36)
Mexico	8.6	4.44 (51)
Brazil	7.3	4.14 (80)
Pakistan	5.9	3.7 (115)
India	4.8	4.59 (40)
Russia	1.88	4.64 (38)
Turkey	1.76	4.42 (53)
Ghana	0.550	3.7 (111)
Rwanda	0.422	4.35 (58)

Source: Compiled by the authors based on: (World Bank, 2018), (World Economic Forum, 2018).

### RESULTS

The performed regression and correlation analysis allowed receiving the following results (Figure 3.1).



Source: Calculated and compiled by the authors.

**Figure 3.1.** Regression curve reflecting the influence of the level of development of public-private partnership on global competitiveness in selected developing countries of the world in 2018.

Data of Figure 3.1 show that the level of global competitiveness of selected developing countries of the world in 2018 is by 30.15% (correlation) is explained by the level of development of public-private partnership. At that, growth of the volume of investments in public-private partnership by RUB 1 billion leads to increase of the value of the index of global competitiveness of economy by 0.384 points.

This means that positive influence of the mechanism of public-private partnership on effectiveness of marketing is seen in the macroeconomic scale and is manifested in growth of global competitiveness of economy. The performed additional logical analysis allowed determining the following advantages of public-private partnership for marketing through the prism of marketing mix in the model 4P (Table 3.2).

**Table 3.2.**  
**Advantages of Public-Private Partnership for Marketing Through the Prism of Marketing Mix in the Model 4P**

Element of marketing mix	Marketing advantages of public-private partnership
P1: Product	<ul style="list-style-type: none"> <li>• more complex product (expansion of assortment of products);</li> <li>• growth of quality of products due to increase of service level.</li> </ul>
P2: Price	<ul style="list-style-type: none"> <li>• more flexible possibilities in the sphere of pricing due to combination of state financing and consumers' payment for provided products.</li> </ul>
P3: Place	<ul style="list-style-type: none"> <li>• expansion of geography of presence of organizations;</li> <li>• more optimal management of reserves (logistics).</li> </ul>
P4: Promotion	<ul style="list-style-type: none"> <li>• increase of the marketing budget;</li> <li>• expansion of marketing communications.</li> </ul>

As is seen from Table 3.2, public-private partnership ensures multiple marketing advantages, which cover all elements of marketing mix—let us study them separately in detail.

- P1: Product. Public-private partnership allows making product more complex—that is, it stimulates expansion of assortment of products. For example, in the sphere of healthcare, public-private partnership opens possibilities for filling the existing gaps in free medical services, provided by the state, with commercial medical services. This allows covering wider segment of the market and providing the consumers with the whole complex of necessary medical services, eliminating the necessity for obtaining them in different places.

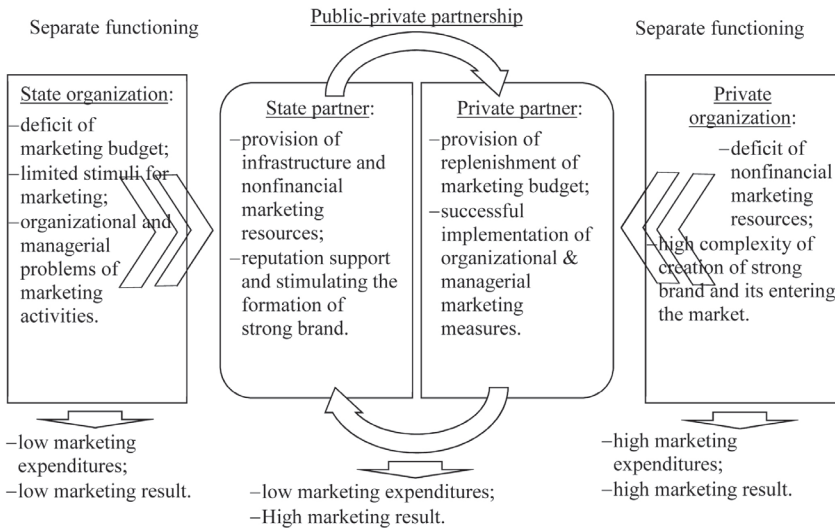
In addition to this, growth of quality of products is achieved due to increase of the service level. The state guarantees strict observation of national standards of quality (GOST, etc.), and private entrepreneurship observed corporate standards of service. For example, within public-private partnership it is possible to achieve high level of provision of medical services (by the state) and better attitude to consumers in the healthcare sphere, as well as convenient regime of work and absence of lines (from private business).

- P2: Price. Public-private partnership provides more flexible opportunities in the sphere of pricing due to combination of state financing and payment for products by the consumers. In case of healthcare, this means that consumers, depending on their capabilities (level of income) and preferences (requirements to quality) may select which medical services are received based on mandatory medical insurance (for free) from the state, and which are received from private business. Due to this, the company that is organized by the principles of public-private partnership obtains pricing advantages, as it allows consumers receiving high-quality products for lower prices.
- P3: Place. Public-private partnership allows expanding geography of presence of organizations, being a form of integration unification of assets. For example, for healthcare it is very important to ensure geographical proximity of healthcare organizations to all consumers, which leads to necessity for placement of assets on the whole territory (region, city). Neither state nor private business can cover the territory independently, and public-private partnership allows forming common network of healthcare organizations with same quality standard and prices for all consumers of the given territory.

At that, more optimal management of reserves (logistics) is achieved. State can purchase better products (due to the possibility of its thorough inspection and certification) and private business has strategies of logistical management, which allow optimizing the stock and developing continuous supply of necessary raw materials. For example, in healthcare, storing of the large number of medical stuff in storage facilities is difficult due to absence of storage areas, high requirements to conditions of storing (most medicines require refrigerators), and expiration dates. That's why optimization of logistics is very popular and accessible within public-private partnership.

- P4: Promotion. Public-private partnership allows increasing marketing budget. Unification of state and private investments provides the necessary budget for full-scale implementation of marketing activities, which could be often unavailable with separate functioning of state or private organizations. Also, expansion of marketing communications is achieved, as state (e.g., informing via the portal of state services) and private (e.g., television and Internet ads) means of communication could be implemented at the same time.

The mechanism of increase of effectiveness of marketing activities on the basis of public-private partnership is shown in Figure 3.2.



Source: Compiled by the authors.

**Figure 3.2.** Public-private partnership as a mechanism of increase of effectiveness of marketing activities.

As is seen from Figure 3.2, in case of separate functioning, state organization experiences deficit of marketing budget (due to absence of the possibility to finance marketing activities in full scale), limited stimuli to marketing (due to monopolistic or oligopolistic position in the market), and organizational and managerial problems of marketing activities (due to complexity of marketing management and inflexibility of management of the company on the whole). At that, marketing expenditures and marketing result are low—therefore, effectiveness of marketing activities is also low.

In its turn, private organization experiences deficit of nonfinancial (e.g., human) marketing resources and faces high complexity of creation of a strong brand and its entering the market, as consumers do not have trust to newly created organizations. At that, expenditures for marketing are high, but result is also high—however, effectiveness of marketing activities is low. That is why state and private organizations strive for public-private partnership (arrows in Figure 3.2).

Within partnership, the functions of the state partner are provision of infrastructure and nonfinancial marketing resources and reputation support for formation of a strong brand. The functions of the private partner are provision of replenishment of the marketing budget and successful implementation of organizational and managerial marketing measures. This allows bringing marketing expenditures down to the minimum and achieving high marketing results—therefore, effectiveness of marketing activities is high.

It is important to note that in practice in most cases of separate functioning of state and private organizations, experience of ineffective marketing activities stimulates its limitation or termination, due to which competitiveness of organizations drops down in the midterm. That is why public-private partnership—due to increase of effectiveness of marketing activities—ensures its implementation and allows supporting high competitiveness of all spheres of national economy and economy on the whole.

## **CONCLUSION**

It is possible to conclude that the offered hypothesis is correct—public-private partnership is a perspective mechanism of increase of effectiveness of marketing activities. Due to unification of resources and division of functions of state and private business, public-private partnership expands possibilities in the sphere of financing and conducting marketing measures, including organizational and managerial aspects. Public-private partnership allows creating strong brands and ensuring sustainability of market positions of organizations.

Within public-private partnership, it is possible to cover the target sectorial markets based on geographical (unification of assets), qualitative (combination of state and private standards of quality), and pricing (payment by the state and by the consumers) parameters. This ensures high accessibility of necessary public and economic benefits for all interested parties and maximum satisfaction of existing public needs.

Public-private partnership provides larger possibilities, but does not guarantee growth of effectiveness of marketing activities, as achievement of this advantage depends on successfulness of practical implementation

of the mechanism of public-private partnership. Due to this, in the context of this research, it is expedient to study the modern Russian practice of marketing of healthcare organizations and effect of the system of public-private partnership.

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## **SECTION II**

**THE MODERN RUSSIAN PRACTICE OF  
MARKETING OF HEALTHCARE ORGANIZATIONS  
AND THE EFFECT OF THE SYSTEM OF  
PUBLIC-PRIVATE PARTNERSHIP**

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## CHAPTER 4

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# TENDENCIES AND PROBLEMS OF DEVELOPMENT OF MARKETING OF HEALTHCARE ORGANIZATIONS IN MODERN RUSSIA

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### ABSTRACT

**Purpose:** This chapter seeks the goal of studying the tendencies and determining the problems of development of marketing of healthcare organizations in modern Russia.

**Methodology:** Methodology of the research includes systemic, problem, and logical analysis, synthesis, induction, deduction, and formalization. Information and analytical base of the research includes the materials of the sociological studies of the All-Russian Public Opinion Research Center and the World Economic Forum for 2018.

**Results:** The work shows that modern Russia is peculiar for the tendencies of development of marketing of healthcare organizations, which are manifested in more active promotion of medical organizations, medical goods and services, and medical workers. At that, there are multiple problems at all stages of marketing activities, related to deficit of investment resources

and insufficient flexibility of state healthcare organizations, as well as mistrust of consumers (difficulty with formation of brands) and low pricing competitiveness (due to availability of free alternatives) of private healthcare organizations.

**Recommendations:** The general conclusion is lack of systematicity of marketing of healthcare and practical impossibility to solve the current marketing problems with separate functioning of state and private healthcare organizations. It is recommended to unify their efforts for cooperation, which will allow overcoming the gaps that are peculiar for each party and maximizing total advantages, related to growth of effectiveness of marketing activities.

## INTRODUCTION

Healthcare is one of the key spheres of national economy that largely determines the population's living standards. In modern Russia, in the conditions of general transformation market processes, this sphere is subject to serious changes, related to emergence and intensive development of private healthcare organizations, on the one hand, and reconsideration of the foundations of functioning of state healthcare organizations, on the other hand. This, two following contradictions of this sphere arise.

The first contradiction is related to the fact that medical services, which are traditionally treated as public benefits, pass into to the level of economic benefits. That's why, even without a possibility of receipt of medical services on the paid basis and knowing about existing opportunities, consumers are interested in obtaining free medical services from state healthcare organizations by the terms of high quality and service, which growth cannot be achieved with reduction of the volume of financing of these organizations' activities.

The second contradiction consists in the fact that growing number of consumers with incomes that are above average who can pay for commercial medical services, provided by private healthcare organizations, realizes their multiple nonpricing advantages as compared to free medical services. This causes growing dissatisfaction with activities of state healthcare organizations and reduction of interest in the effect of the system of mandatory medical insurance, which canceling makes all medical services commercial and, thus, inaccessible for poor groups of population.

Based on this, we offer a hypothesis that marketing of healthcare organizations becomes more popular in modern Russia, but, at the same time, faces certain problems, which require attention and search for perspective means of their solution, in view of priority of the sphere of healthcare for

the socioeconomic system. The authors seek the goal of studying the tendencies and determining the problems of development of marketing of healthcare organizations in modern Russia.

## **MATERIALS AND METHOD**

Peculiarities of functioning of healthcare organizations are discussed in the works (Kit, Vodolazhsky, Timoshkina, Przhedetsky, & Khokhlova, 2015), (Lee, 2016), (Przhedetsky, Borlakov, Przhedetskaya, & 2018a), (Przhedetsky Przhedetskaya, Panasenkova, Pozdnyakova, & Khokhlova, 2018b), (Rakhimbekova, 2014), and (Zlatnik et al., 2018). They are as follows:

- top-priority national economic value, causing large attention from the state, related to licensing and norming of activities of healthcare organizations and action of the system of mandatory medical insurance and providing consumers with possibilities for receiving a certain set of critically necessary medical services on a free basis;
- nonmaterial character (intangibility) of medical services, their close interconnection (systemic character of most diseases) and high complexity of provision, which makes control from regulating bodies and evaluation of the quality of provided medical services difficult.

These peculiarities predetermine the specifics of marketing activities of healthcare organizations, which is related to its belonging to nonprofit marketing—which is confirmed by materials of the works (Akhpanbaeva & Esimzhanova, 2016), (Akopova, Przhedetskaya, & Borzenko, 2016), (Ben Ayed & El Aoud, 2017), (Buccoliero, Bellio, Mazzola, & Solinas, 2016), (Coculescu, Coculescu, & Purcărea, 2016), (Fortenberry & McGoldrick, 2016), (Gheorghe, Gheorghe, & Purcărea, 2016), (Inokuma, Sato, & Masuda, 2018), (Jena, 2017), (Kemp, Bui, Krishen, Homer, & LaTour, 2017), (McIntosh & Bouteri, 2017), (Melethadathil, Pazhanivelu, Nair, & Diwakar, 2017), (Ordabayeva & Yessimzhanova, 2016), (Oztekin, 2017), (Przhedetsky, Przhedetskaya, Przhedetskaya, & Borzenko, 2019), (Rodrigues, Queirós, & Pires, 2016), (Teschner & Lenarz, 2016), and (Vashishtha, 2018).

The performed content analysis of the existing scientific and practical literature showed that the modern Russian practice of marketing of healthcare organizations is poorly studied and thus requires further research, which is done in this work. The methodology of the research includes systemic, problem, and logical analysis, synthesis, induction, deduction, and formalization. Information and analytical basis of the research includes

the materials of the sociological studies of the All-Russian Public Opinion Research Center and the World Economic Forum for 201.

## RESULTS

According to the sociological survey, performed by the All-Russian Public Opinion Research Center in 2018, most of the population consider the low level of development of healthcare to be the most serious problem of modern Russia (All-Russian Public Opinion Research Center, 2018a). The survey of the All-Russian Public Opinion Research Center, conducted in 2017, showed that only 9% of Russians positively evaluate the current state of the healthcare sphere, and 52% think that situation in this sphere is critical. The key problems of healthcare include the following (All-Russian Public Opinion Research Center, 2018c):

- low level of service in state organizations of healthcare—difficulty in organizing an appointment to a doctor, large lines, inattentive and disrespectful attitude of medical personnel (56%);
- low level of professionalism of medical workers—incorrect diagnosis and negative result of treatment (37%);
- pricing inaccessibility of medical products and services and their deficit (35%);
- high level of moral and physical wear and tear of medical technologies and equipment, absence of necessary medical materials and medicines (31%).

According to another sociological research, conducted by the All-Russian Public Opinion Research Center in 2018, most of the modern Russian consumers (46%) prefer using the services of state healthcare organizations, a lot (35%) prefer self-treatment, and a minimum share (11%) use the services of private (commercial) healthcare organizations (All-Russian Public Opinion Research Center, 2018b). According to the Report on global competitiveness for 2017–2018, prepared within the World Economic Forum, Russia occupies 93rd position among 137 countries of the world according to the expected life span (70.9 years), which shows insufficiently favorable situation in the healthcare sphere (World Economic Forum, 2018).

Based on the above, the following key conclusions are made:

- at present, there's crisis in the Russian healthcare system, caused also by low marketing activity of the Russian healthcare organizations;

- a perspective means of overcoming the crisis of the Russian healthcare system is activation of marketing activities of healthcare organizations;
- there's clear opposition between state and private healthcare organizations, which have their own marketing advantages and drawbacks, which does not allow for full and effective satisfaction of the needs of Russian consumers for medical products and services.

As a result of studying the practice of functioning of the modern Russian market of medical services, we determined the following tendencies of development of marketing of healthcare organizations in modern Russia, which are classified according to the objects of promotion in the market with the help of marketing:

- development of marketing of healthcare organizations. Almost all modern Russian healthcare organizations—not only private (commercial) but also state (nonprofit)—have a website, at which current information on organization's activities and competitive advantages are provided. The Internet site of healthcare organizations usually has an option for collection of feedback, which often has a form of consumers' reviews, which could be accessed by everybody. That's why Internet site is an important element of the reputation of modern Russian healthcare organizations. Private healthcare organizations conduct the programs of loyalty for keeping their customers, providing personal loyalty cards with discounts for medical services;
- development of marketing of medical products and services. Innovative medical services are promoted in the market with the help of marketing. State (nonprofit) healthcare organizations post on their website the information on the current innovative medical services for supporting their competitiveness. Private (commercial) healthcare organizations also post information on provided innovative medical services on their websites and have automatic newsletters for their target audience, which include goods offers for innovative medical services;
- development of personal marketing (marketing of medical workers). Competition in the Russian market of medical services is present at the level of healthcare organizations and at the level of medical workers, who are interested in creation of their own customer base (for maximization of their income during working in private organizations of healthcare) and increase of reputation (for formation of career in state organizations of healthcare). For that, specialized Internet platforms—forums, rankings, and so forth—

are created, at which consumers leave feedback and evaluate the work of medical workers.

We also determined the following problems of development of marketing of healthcare organizations in modern Russia, which are peculiar for state (nonprofit) and private (commercial) healthcare organizations at all stages of marketing activities (Table 4.1).

**Table 4.1.**  
**Problems of Development of Marketing of Healthcare Organizations in Modern Russia**

Stage of marketing activities	Problems of marketing activities	
	State healthcare organizations	Private healthcare organizations
1. Conducting marketing research	<ul style="list-style-type: none"> <li>deficit of marketing budget;</li> <li>complexity of processing of marketing information.</li> </ul>	<ul style="list-style-type: none"> <li>small volume of existing customer base and limited selection during conduct of marketing research.</li> </ul>
2. Segmentation of market	<ul style="list-style-type: none"> <li>impossibility of segmentation of market due to normative and legal limitations.</li> </ul>	<ul style="list-style-type: none"> <li>limited segmentation due to impossibility of presence at a lot of market segments.</li> </ul>
3. Development of marketing mix	<ul style="list-style-type: none"> <li>complexity of expansion of assortment due to inaccessibility of new technologies and equipment;</li> <li>limited possibilities in the sphere of pricing;</li> <li>limited channels and means of marketing communications.</li> </ul>	<ul style="list-style-type: none"> <li>necessity for keeping wide assortment of products;</li> <li>low pricing competitiveness due to presence of free alternatives;</li> <li>complexity of marketing communications due to their background treatment by consumers.</li> </ul>
4. Implementation of marketing measures	<ul style="list-style-type: none"> <li>low flexibility due to necessity for strict observation of state norms and standards.</li> </ul>	<ul style="list-style-type: none"> <li>too active, contradicting the expectations of consumers as to medical services' belonging to public needs</li> </ul>

*Source:* Compiled by the authors.

According to the materials of Table 4.1, marketing model of state healthcare organizations could be described as presence of strong brand with low marketing activity. At the first stage of marketing activities—conduct of marketing research—state healthcare organizations usually face the problem of deficit of marketing budget due to the fact that their activities

are financed based on the volume of provided medical services through the system of mandatory medical insurance and marketing expenditures are not set into the price of medical services.

There is also a problem related to complexity of processing of marketing information. At Internet sites of state healthcare organizations and managing organizations—the Federal Service for the Supervision of Public Health and Social Development—there's an option for collection of feedback (wishes, complaints, etc.). However, the practice of feedback is not popular among modern Russian consumers, which makes it the source of limited marketing information. Forms for filling by consumers are not adapted to automatic processing of information and requires manual processing, which cannot be done by state healthcare organizations due to lack of manpower.

At the second stage of marketing activities—market segmentation—state healthcare organizations face the problem of impossibility for segmentation of the market due to normative and legal limitations, related to the necessity for full geographical coverage of the territory for state medical services and their provision in full volume (fixed list of provided services) for free (by the terms of mandatory medical insurance). Being unable to conduct their own product and pricing policy and to select the location, state healthcare organizations are oriented at the set segment of the market.

At the third stage of marketing activities—development of marketing mix—state healthcare organizations face the problem of complexity of expanding the assortment due to inaccessibility of new technologies and equipment and the problem of limited possibilities in the sphere of pricing and the problem of limited channels and means of marketing communications (primarily via the Internet site of healthcare organizations).

At the fourth stage of marketing activities—implementation of marketing measures – state healthcare organizations face the problem of low flexibility due to necessity for strict observation of state norms and standards. In particular, increase of the level of service is difficult in state organizations of healthcare due to high and growing norms of labor efficiency, according to which the time allocated for each patient is strictly limited, and the volume of paperwork for each customer is too large.

The marketing model of private healthcare organizations could be described as forming brands with high marketing activity. At the first stage of marketing activities—marketing research—private healthcare organizations face the problem of small volume of customer base and limited selection during conduct of marketing research. At the second stage of marketing activities—segmentation of the market—private healthcare organizations face the problem of limited segmentation due to impossibility of presence at a lot of segments of the market. Thus, for example, most

pensioners in Russia prefer to receive medical services in state organizations of healthcare according to the place of residence and for free.

At the third stage of marketing activities—development of marketing mix—private healthcare organizations face the problem of the necessity for keeping a wide assortment of products, low pricing competitiveness due to free alternatives, and complexity of marketing communications due to their background treatment by consumers (for example, Short Message Service [SMS] ads are usually treated as spam and deleted). At the fourth stage of marketing activities—marketing measures—private healthcare organizations face the problem of too large activity, which contradicts the expectations of consumers as to medical services' belonging to public benefits.

## CONCLUSION

Thus, the offered hypothesis is proved. It is substantiated that modern Russia is peculiar for the tendencies of development of marketing of healthcare organizations, which are seen in more active promotion of medical organizations, medical goods and services, and medical workers. At that, there are a lot of problems at all stages of marketing activities, related to deficit of investment resources and insufficient flexibility of state healthcare organizations, as well as mistrust of consumers (complexity of formation of brands) and low pricing competitiveness (due to free alternatives) of private healthcare organizations.

The general conclusion is lack of systematicity of marketing in healthcare, practical impossibility of solving current marketing problems with separate functioning of state and private healthcare organizations, and expedience of unification of efforts and cooperation (partnership), which will allow overcoming the gaps that are peculiar for each party and maximizing aggregate advantages, which are related to growth of effectiveness of marketing activities.

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## CHAPTER 5

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# PRECONDITIONS AND PERSPECTIVES OF DEVELOPMENT OF MARKETING OF HEALTHCARE ORGANIZATIONS IN MODERN RUSSIA

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### ABSTRACT

**Purpose:** The purpose of the work is to determine preconditions and perspectives of the achieved and the future development of marketing of healthcare organizations in modern Russia.

**Methodology:** Methodology of the research includes statistical analysis, horizontal and trend analysis—with the help of which the authors study dynamics and structure of the Russian sphere of healthcare (analysis of internal competition), and the method of competitiveness polygon—for evaluation of global competitiveness of the Russian sphere of healthcare (analysis of external competition). Information and analytical basis of the research includes statistical materials of the Federal State Statistics Service and the World Health Organization for 2018.

**Results:** The authors come to the conclusion that the process of marketization of healthcare only just started in Russia; it is under the influence of a lot of internal and external factors, which cause preconditions and perspectives of further development of this process. This leads to possibility and necessity for most effective usage of the existing potential and stimuli for implementation of marketing activities of healthcare organizations for increasing global competitiveness of healthcare on the whole and successful implementation of goals of sustainable development in modern Russia. State (nonprofit) and private (commercial) healthcare organizations are in the same conditions, facing strong pressure from the market environment—which causes the necessity for growth of their marketing activity. They face different problems, but could be mutually compensated—that is, could be solved in complex in case of integration of data organizations.

**Recommendations:** It is recommended to pay attention to the issues of public-private partnership in the healthcare sphere.

## INTRODUCTION

Formation of market economy in modern Russia started the process of marketization of the sphere of healthcare. This became an initial point of development of marketing of healthcare organizations, which became partially initiating (due to emerging opportunities) and partially forced (due to changed circumstances) reaction to new economic conditions. As of now, marketing activities are an inseparable component of activities of the Russian healthcare organizations, regardless of their specialization and form of ownership.

In addition to this, the level of development of the sphere of healthcare is an important component of economy's global competitiveness. In the context of formation of knowledge economy, healthcare is one of perspective and high-tech spheres of national economy, which could potentially contribute a lot into the country's GDP. Striving for obtaining these advantages, the Russian government creates favorable conditions for growth of marketing activity of healthcare organizations, which stimulates development of the healthcare sphere on the whole.

Another important stimulus for development of the healthcare sphere is its inclusion into the number of global goals of sustainable development. Implementation of these goals in modern Russia envisages growth of marketing activity of healthcare organizations, which will ensure their correspondence to the models, based on practice of the leading countries of the world (OECD) and will allow achieving high living standards in Russia. The above shows high topicality of studying the preconditions and

perspectives of development of marketing of healthcare organizations in modern Russia.

The working hypothesis of the research is that achieved successes in the sphere of marketing activities of healthcare organizations in modern Russia belong to the initial stage of marketization of the sphere of healthcare, and there are preconditions and perspectives for its further, more intensive marketization. The purpose of the work is to determine preconditions and perspectives of achieved and future development of marketing of healthcare organizations in modern Russia.

## **MATERIALS AND METHOD**

Fundamental causal connections of development of marketing of healthcare organizations in the conditions of modern market economy are discussed in the works (Ben Ayed & El Aoud, 2017), (Buccoliero, Bellio, Mazzola, & Solinas, 2016), (Fortenberry & McGoldrick, 2016), (Gheorghe Gheorghe, & Purcărea, 2016), (Jena, 2017), (Kemp, Bui, Krishen, Homer, & LaTour, 2017), (McIntosh & Bouteri, 2017), (Melethadathil, Pazhanivelu, & Nair, Diwakar, 2017), (Rodrigues, Queirós, & Pires, 2016), (Teschner & Lenarz, 2016), and (Vashishtha, 2018).

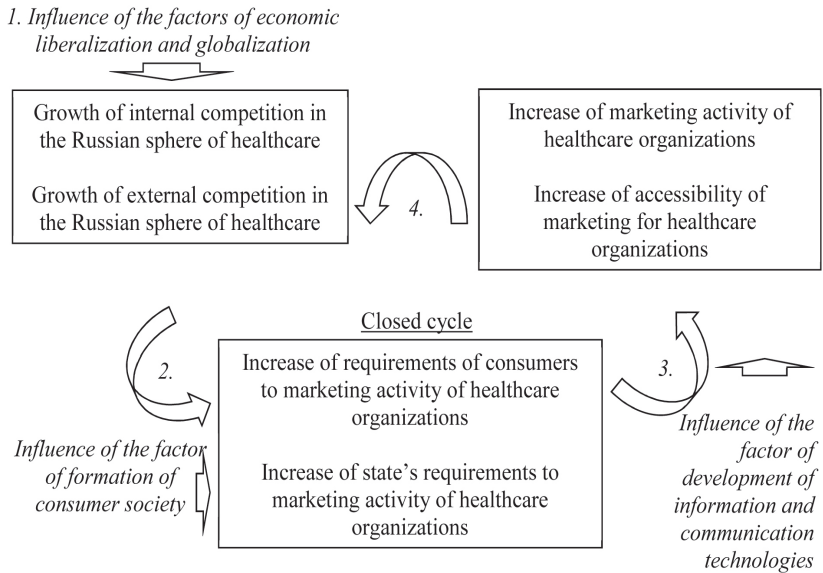
Practical peculiarities of implementation of marketing activities of modern healthcare organizations in various countries of the world are studied in the works (Akopova, Przhedetskaya, & Borzenko, 2016), (Akhpanbaeva & Esimzhanova, 2016), (Coculescu, Coculescu, & Purcărea, 2016), (Inokuma, Sato, & Masuda, 2018), (Ordabayeva & Yessimzhanova, 2016), (Oztekin, 2017), and (Przhedetsky, Przhedetskaya, Przhedetskaya, & Borzenko, 2019).

At the same time, the performed literature overview showed that preconditions and perspectives of development of marketing of healthcare organizations in modern Russia are not studied sufficiently in the existing scientific publications and requires further research.

The methodology of this part includes the methods of statistical analysis, including horizontal and trend analysis, for studying dynamics and structure of the Russian sphere of healthcare (analysis of internal competition) and the method of competitiveness polygon, for evaluation of global competitiveness of the Russian sphere of healthcare (analysis of external competition). The information and analytical basis of the research includes statistical materials of the Federal State Statistics Service and the World Health Organizations for 2018.

## RESULTS

As a result of complex study of preconditions of development of marketing of healthcare organizations in modern Russia, we determined that they are a dynamic system, which develops in a cyclic manner under the influence of certain factors (Figure 2.1).

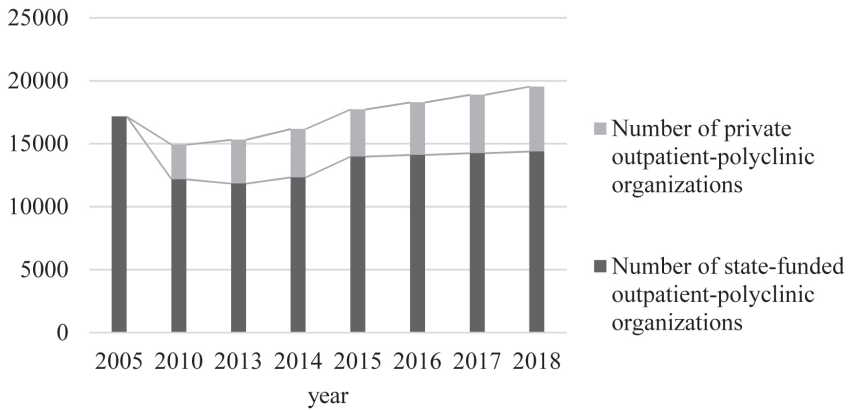


Source: Compiled by the authors.

**Figure 5.1.** The system of factors and preconditions that stimulate cyclic development of marketing of healthcare organizations in modern Russia.

As is seen from Figure 5.1, the initial factors that started the process of cyclic development of marketing of healthcare organizations in modern Russia were economic liberalization and globalization, which caused the growth of internal and external competition in the Russian sphere healthcare. This is proved by dynamics and ratio of state and private healthcare organizations in Russia in 2005–2018 (data for 2017–2018 are forecasted) (Figure 2.2).

As is seen from Figure 5.2, the number of private healthcare organizations, which was zero in 2005, grew to 5,152 by 2018, and their share constituted 26.37%. Global competition in the healthcare sphere led to the fact that consumers received imported alternative to domestic medical products and services.



Source: Compiled by the authors based on: (Federal State Statistics Service, 2018).

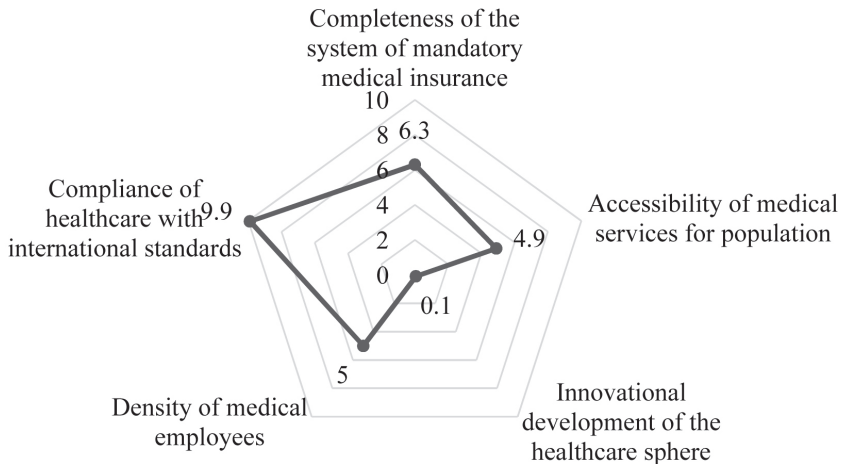
**Figure 5.2.** Dynamics and ratio of the number of state and private healthcare organizations in Russia in 2005–2018.

For evaluation of global competitiveness of the Russian sphere of healthcare, we selected indicators from the Global statistical report in the healthcare sphere for 2018, prepared within monitoring of healthcare in the aspect of implementation of global goals of sustainable development. These indicators are as follows:

- universal character of the service component of healthcare (index of coverage of medical services by the system of medical insurance) (63%), which is the indicator of the completeness of the system of mandatory medical insurance;
- universal character of the financial component of healthcare (share of population with total expenditures of households for >10%) (4.9%), which is the indicator of accessibility of medical services for population;
- aggregate net official support for development of R&D in the healthcare sphere (expenditures per capita) (\$ 0.01), which is the indicator of innovational development of the healthcare sphere;
- provision with doctors and nurses (density per 1,000 population) (8.7 people), which is the indicator of density of medical workers;
- potential of healthcare (implementation of international medical rules) (99%), which is the indicator of correspondence of healthcare to international standards.

According to the methodology of competitiveness polygon, the values of selected indicators are transformed into points—from 0.1 (the lowest value)

to 10.0 (the highest value), based on maximum possible and achieved values of these indicators. The received results are shown in Figure 5.3.



Source: Compiled by the authors based on: (World Health Organization, 2018).

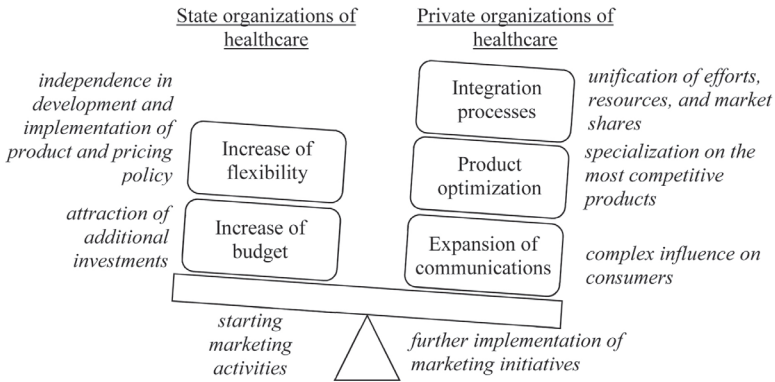
**Figure 5.3.** Global competitiveness of the Russian sphere of healthcare in 2018.

The data of Figure 5.3 show that competitiveness of the Russian sphere of healthcare in 2018 is rather high, constituting 5.24 points out of 10. Competitive advantages of this sphere are correspondence to international standards of healthcare and completeness of the system of mandatory medical insurance. At that, there is low density (deficit) of medical workers, pricing inaccessibility of medical services for population, and critically low innovational development of the healthcare sphere.

Regarding Figure 5.1, it should be noted that the given growth of competition leads to increase of consumers' requirements and increase of state's requirements to marketing activity of healthcare organizations under the influence of the factor of formation of consumer society. Supplemented by the influence of the factor of development and mass distribution of information and communication technologies, this stimulates increase of accessibility of marketing for healthcare organizations and growth of marketing activity of these organizations. This closes the cycle, stimulating further growth of competition in the Russian sphere of healthcare.

We determined and compared perspectives of development of marketing of state and private healthcare organizations in modern Russia (Figure 5.4).

As is seen from Figure 5.4, private healthcare organizations have large perspectives of development of marketing, as they already show high and



Source: Compiled by the authors.

**Figure 5.4.** Ratio of perspectives of development of marketing of state and private healthcare organizations in modern Russia.

successful marketing activity, which should be continued. Perspectives for this are related to integration processes, aimed at unification of efforts, resources, and markets shares to product optimization, which ensures specialization in the most competitive products with further expansion of marketing communications for complex influence on consumers.

State healthcare organizations show lower marketing activity and have to start it in full scale. Perspectives for this are related to increase of their flexibility, which ensures their independence in development and implementation of product and pricing policy, and to increase of the marketing budget by attraction of additional investments.

The comprehensive picture, compiled as a result of studying the tendencies, problems, preconditions, and perspectives of development of marketing of healthcare organizations in modern Russia, is reflected by the results of performed SWOT analysis in Table 5.1.

As is seen from Table 5.1, strengths (S) of development of marketing of healthcare organizations in modern Russia are related to formation of market relations and increase of the level of competition in the healthcare sphere (natural stimuli), as well as growth of requirements to marketing activity of healthcare organizations from interested parties.

Weaknesses (W) of development of marketing of healthcare organizations in modern Russia include deficit of investments and insufficient flexibility of state healthcare organizations, as well as mistrust of consumers and low pricing competitiveness with private healthcare organizations.

Opportunities (O) of development of marketing of healthcare organizations in modern Russia include unification of resources state

**Table 5.1. SWOT Analysis of Development of Marketing of Healthcare Organizations in Modern Russia**

S	Strengths	<ul style="list-style-type: none"> <li>• formation of market relation and increase of the level of competition in the healthcare sphere (natural stimuli);</li> <li>• growth of requirements to marketing activity of healthcare organizations from interested parties.</li> </ul>
W	Weaknesses	<ul style="list-style-type: none"> <li>• deficit of investments and insufficient flexibility with state healthcare organizations;</li> <li>• mistrust of consumers and low pricing competitiveness with private healthcare organizations.</li> </ul>
O	Opportunities	<ul style="list-style-type: none"> <li>• unification of resources of state and private healthcare organizations for increasing the marketing budget;</li> <li>• unification of opportunities (assets and brands) of state and private healthcare organizations for strengthening the market positions (growth of competitiveness).</li> </ul>
T	Threats	<ul style="list-style-type: none"> <li>• institutional barriers (underdevelopment of normative and legal provision) on the path of cooperation between state and private healthcare organizations;</li> <li>• social barriers (mistrust and opposition of interested parties) on the path of cooperation between state and private healthcare organizations;</li> <li>• organizational barriers (strong and insurmountable differences, complexity of management) on the path of cooperation between state and private healthcare organizations.</li> </ul>

*Source:* Compiled by the authors.

and private healthcare organizations for increasing the marketing budget and unification of opportunities (assets and brands) of state and private healthcare organizations for increasing the market positions (growth of competitiveness).

Threats (T) to development of marketing of healthcare organizations in modern Russia are institutional barriers (underdevelopment of normative and legal provision) on the path of cooperation between state and private healthcare organizations, social barriers (mistrust and opposition of interested parties) on the path of cooperation between state and private healthcare organizations, and organizational barriers (strong and insurmountable differences, complexity of management) on the path of cooperation between state and private healthcare organizations.

## CONCLUSION

Thus, the offered hypothesis is correct—modern Russia sees the process of marketization of the healthcare sphere, which is under the influence of

a lot of internal and external factors, which lead to strengths and opportunities of further development of this process. This creates a possibility and necessity for most effective usage of the existing potential and stimuli for implementation of marketing activities of healthcare organizations for increasing the global competitiveness of the healthcare sphere on the whole and successful implementation of goals of sustainable development of in modern Russia.

State (nonprofit) and private (commercial) healthcare organizations are in equal conditions, facing strong pressure from the market environment, which leads to necessity for growth of their marketing activity. They face different problems but could be mutually compensated—that is, solved in complex under the condition of integration of these organizations. Due to this, it is recommended to pay attention to the issues of public-private partnership in the healthcare sphere.

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## CHAPTER 6

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# PECULIARITIES OF FUNCTIONING OF THE SYSTEM OF PUBLIC-PRIVATE PARTNERSHIP IN MODERN RUSSIA

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### ABSTRACT

**Purpose:** The purpose of the research is to determine the peculiarities of functioning of the system of public-private partnership in modern Russia and to determine perspectives of development of public-private partnership in the healthcare sphere.

**Methodology:** The authors use the methods of econometric (horizontal and trend) analysis and the logical method, induction, logical method, synthesis, and formalization. Information and analytical basis include the materials of the research performed by the Association “Center of Development of PPP,” “Public-private partnership in Russia 2016–2017: current state and trends, ranking of regions,” prepared for the 4th Infrastructural Congress “Russian week of PPP-2017.”

**Results:** As a result of the research, it is shown that despite the fact that the mechanism of public-private partnership has been applied in Russia since 2013, it is rather popular at all levels of the system of state management of economy—federal, regional, and municipal—and interests to it grows annually. Peculiarities of functioning of the system of public-private partnership in modern Russia are related to domination of the projects that are implemented in the sphere of communal and energy sphere and transport infrastructure, related to creation (not primarily management) of assets. At that, private business is interested in the projects that require low investments (they are implemented at the municipal level). The most problematic component of the mechanism of public-private partnership is nonoptimality of the selection of private business for participation in the projects, but this problem is solved with the help of online auctions, which will soon oust other forms of competition. There are large perspectives of development of the mechanism of public-private partnership in the healthcare sphere, in which this mechanism is not used very actively. It determines that practice of public-private partnership stimulates the increase of effectiveness of marketing activities.

**Recommendations:** It is recommended to use the mechanism of public-private partnership to development of marketing of healthcare organizations in modern Russia.

## INTRODUCTION

Recently, Russia has been showing high and growing interest to the system of public-private partnership as a means of complex solution of current problems of state and private business and optimization of economic activities. The state, experiencing the deficit of budget, is interested in attraction of private investments in implementation of socially important investment projects, thus ensuring full-scale execution of their social obligations before the society. Interest to partnership with private business from the state is related to striving for increase of effectiveness of management of state property which share in the total structure of entrepreneurship constitutes 6.5% (2.2% of federal property and 4.3% of municipal property).

Private business faces high risk component of entrepreneurial activities and strives for least risky investment projects, which expected profitability is still high. Partnership with the state, which is conducted in the form of state order for creation of socially important assets and provision of socially important goods and services, allows reducing entrepreneurial risks due to stability of orders and guarantees of payment. Private business is interests in entering new, earlier inaccessible sectorial markets, where the level of

competition is initially low, as compared to other domestic markets, which are peculiar for high level of competition.

Based on this, the authors offer a hypothesis that the system of public-private partnership in modern Russia is developing dynamically, but in view of the fact that the share of the sphere of healthcare in Russia's GDP is very low (2.7% in 2018), the mechanism of public-private partnership is not applied sufficiently in this sphere. The purpose of the research is to determine the peculiarities of functioning of the system of public-private partnership in modern Russia and to determine the perspectives of development of public-private partnership in the healthcare sphere.

## **MATERIALS AND METHOD**

The theoretical basis for the research includes the works of modern scholars on the issues of conceptualization of public-private partnership as an economic category: (Cui, Liu, Hope, & Wang, 2018), (Ivashchenko, Mironenko, Popovicheva, & Zhuravleva, 2019), (Keers & van Fenema, 2018), (Morozova, 2019), and (Tajani, Morano, Di Liddo, & Locurcio, 2019).

The authors also use the materials of research of various experts on the issues of functioning of the system of public-private partnership in various modern socioeconomic systems: (Cong & Ma, 2018), (Kuznetsov, Akopova, Panasenkova, Przhedetskaya, & Rodionova, 2017), (Lomovceva, Tkhorikov, Gerasimenko, & Polyakov, 2016), (Morozova & Popkova, 2014), (Ojelabi Fagbenle, Afolabi, Tunji-Olayeni, & Amusan, 2018), (Owusu-Manu et al., 2018), (Remington, 2018), and (van den Hurk, 2018).

Foundations of implementation of the practice of state partnership in modern Russia are set by the Federal law "On public-private partnership and municipal-private partnership in the Russian Federation and implementing changes into certain laws of the Russian Federation" dated July 13, 2015, No. 224-FZ, according to which the most important goal of this partnership is creation and supporting favorable normative and legal conditions for attraction of investments into economy of the RF and increasing the quality and effectiveness of provision of public benefits, responsibility for which is set onto the state (State Duma of the RF, 2018).

This treatment emphasizes that public-private partnership in Russia has to ensure inflow of investments into the Russian economy and, on the other hand, stimulate successful provision of public benefits and full-scale execution of state's responsibilities before society. For studying the peculiarities of functioning of the system of public-private partnership in modern Russia, the authors use the methods of econometric (horizontal and trend) and structural analysis, as well as the logical method, induction, deduction, synthesis, and formalization. Information and analytical basis

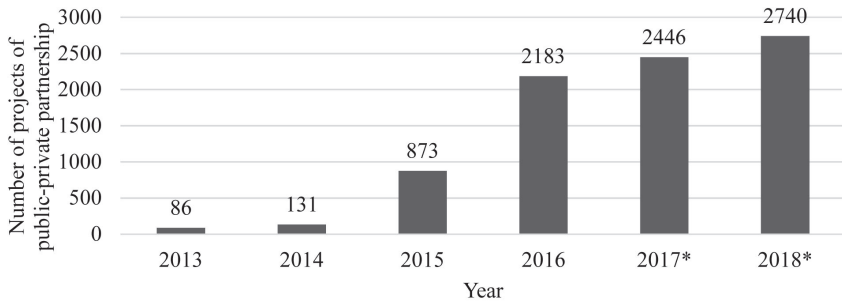
include the materials of the research performed by the Association “Center of Development of PPP,” “Public-private partnership in Russia 2016–2017: current state and trends, ranking of regions,” prepared for the 4th Infrastructural Congress “Russian week of PPP-2017.”

## RESULTS

As a result of the research, we determined the following peculiarities of functioning of the system of public-private partnership in modern Russia. First, public-private partnership is a relatively new phenomenon for modern Russia, which is in the process of institutionalization as of now (Figure 6.1).

\*data for 2017-2018 are forecasted

Figure 1. Dynamics of the number of projects of public-private partnership in Russia in

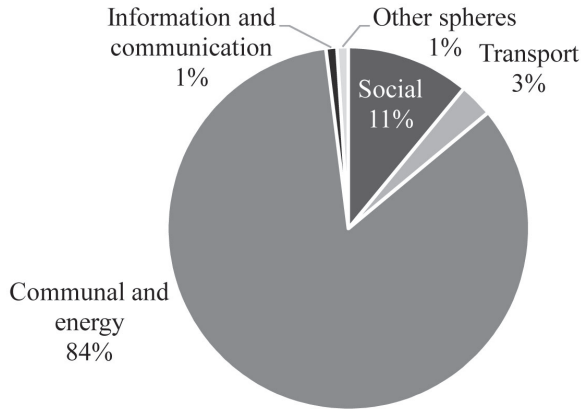


Source: Compiled by the authors based on (Association “Center of Development of PPP,” 2018).

**Figure 6.1.** Dynamics of the number of projects of public-private partnership in Russia in 2013–2018.

As is seen from Figure 6.1, in 2013 the number of projects of public-private partnership was very small, constituting 86; in 2018 it is to constitute 2,740, which is 30 times more (trend). The performed horizontal analysis showed that average rate of growth of the number of projects of public-private partnership in Russia grows by 1.5 times per year. The dominating form of this partnership is concession, as it ensures the highest flexibility of conditions of partnership. In 2017, the volume of investments into Russia’s economy within the mechanism of public-private partnership constituted RUB 2.040 trillion, of which 66% (RUB 1.336 trillion) is private investments.

Second, most projects of public-private partnership in Russia are implemented in the sphere of the communal and energy sphere infrastructure (Figure 6.2).



Source: Compiled by the authors based on (Association “Center of Development of PPP,” 2018).

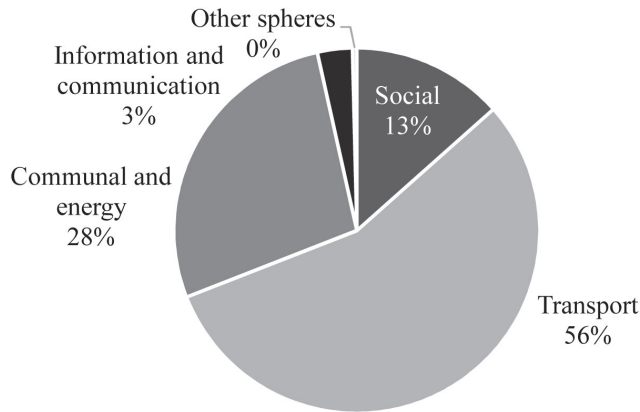
**Figure 6.2.** The structure of public-private partnership projects according to the number of projects in different spheres in 2017.

As is seen from Figure 6.2, the share of communal and energy sphere in qualitative structure of public-private partnership projects constitutes 84%, with the following social (11%) and transport sphere (3%). Healthcare is a part of social sphere, constituting 32%. In the spheres of healthcare, 91 projects of public-private partnership was implemented, of which 76 (84%)—at the regional level.

Third, the highest volume of investments into the Russian economy within the projects of public-private partnership in Russia is attracted in the sphere of transport infrastructure (Figure 6.3).

As is seen from Figure 6.3, the transport sphere accounts for 56% (RUB 845.7 billion) of aggregate investments, attracted into Russia’s economy within public-private partnership in 2017; the communal and energy sphere accounts for 28% (RUB 417.2 billion); the social sphere accounts for 13% (RUB 204 billion). This means that the projects of public-private partnership in the social sphere are peculiar for high share of investments—which is five times higher than in the communal and energy sphere.

Fourth, the largest interest to the mechanism of public-private partnership in modern Russia is seen at the municipal (city) level, as this level is peculiar for the projects with high resource intensity. The largest number



*Source:* Compiled by the authors based on (Association “Center of Development of PPP,” 2018).

**Figure 6.3.** The structure of public-private partnership projects according to the volume of attracted investments in different spheres in 2017.

of projects of public-private partnership in 2017 were concentrated at the municipal level (90%, 1,975 projects), the regional level —9% (193 projects), and the federal level—1% (15 projects). However, the volume of investments for these projects at the municipal level constituted 9% (RUB 114.02 billion), regional—78% (RUB 1038.7 billion), and federal—14% (RUB 182.4 billion).

Fifth, in the practice of application of the mechanism of public-private partnership in modern Russia, emphasis is made on construction of assets, not managing them. This is shown by the fact that almost all projects of public-private partnership envisage creation of new assets, regardless of the property form. At that, management of state property by the terms of public-private partnership, which does not envisage creation of assets, is a very rare practice in modern Russia and is implemented together with measures on creation of assets, which leads to high volume of investments into the projects of public-private partnership on the whole.

Sixth, the process of selection of private companies for the projects of public-private partnership is contradictory and is still being improved. In 2017, most (26.26%) of court cases on the projects of public-private partnership were caused by complaints for competitions and concession agreements. The practice of competitive selection of private companies for participation in the projects of public-private partnership is transformed into the form of online auctions, which ensures high objectivity

and transparency of this process, determining the perspectives of its future optimization.

Seventh, in most cases, implementation of public-private partnership projects helps to achieve the goals of marketization of state property. Despite the fact that optimization of management is not a goal in itself for the Russian projects of public-private partnership, transfer of state property in private management in all projects leads to growth of its commercial effectiveness (profitability) and competitiveness. This emphasizes wide possibilities for future usage of the mechanism of public-private partnership for marketing purposes.

For a more complex reflection of the above peculiarities in the aspect of the healthcare sphere in modern Russia, we performed SWOT analysis of development of public-private partnership in this sphere (Table 6.1).

**Table 6.1.**  
**SWOT Analysis of Development of Public-Private Partnership in the Healthcare Sphere in Modern Russia**

S	Attractiveness of the healthcare sphere for public-private partnership	<ul style="list-style-type: none"> <li>• for private business: readiness of state to cofinance investment projects;</li> <li>• for state: social significance of investment projects and saving budget assets.</li> </ul>
W	Barriers on the path of development of public-private partnership in the healthcare sphere	<ul style="list-style-type: none"> <li>• high intensity of investment resources;</li> <li>• underdevelopment of the institutional environment of commercialization of medical services (difficulty with gaining profit).</li> </ul>
O	Perspectives of development of public-private partnership in the healthcare sphere	<ul style="list-style-type: none"> <li>• modernization of institutional provision in the aspect of commercialization of medical services and in the aspect of simplifying the participation of private business in the healthcare sphere.</li> </ul>
T	Threats to development of public-private partnership in the healthcare sphere	<ul style="list-style-type: none"> <li>• initial negative experience, related to socially irresponsible practice of private business;</li> <li>• imperfection of competition for private business, which leads to nonoptimality of conditions of partnership.</li> </ul>

Source: Compiled by the authors.

As is seen from Table 6.1, attractiveness of the healthcare sphere for public-private partnership (S) for private business is related to readiness of the state to cofinance investment projects, and for the state—to social significance of investment projects and saving budget assets. This emphasizes perspectives and large potential of development of the practice of public-private partnership in the healthcare sphere in modern Russia due to high interest from the state and from private business.

Barriers on the path of development of public-private partnership in the healthcare sphere (W) are related to high volume of investment resources, which limits the number of private companies that can participate in public-private partnership projects in the healthcare sphere. Another barrier is underdevelopment of the institutional environment of commercialization of medical services. Impossibility to cancel the system of mandatory medical insurance leads to necessity for provision of medical services by the terms of this system, which reduces commercial attractiveness of public-private partnership projects for private business.

Perspectives of development of public-private partnership in the healthcare sphere (O) are related primarily to modernization of institutional provision both in the aspect of commercialization of medical services and in the aspect of simplification of participation of private business in the healthcare sphere. Thus, there is a need to reconsider the logic of determining the prices for medical services that are paid within the system of mandatory medical insurance, and to reduce requirements to the volumes of investments for private business within implementation of projects of public-private partnership in healthcare.

A threat to development of public-private partnership in the healthcare sphere (T) is the initial negative experience, related to socially irresponsible practice of private business. This experience is yet absent, but it could be gained with development of the mechanism of public-private partnership in healthcare—so there is a necessity for increased state control over the action of this mechanism. Another threat is imperfection of competition for private business, which leads to nonoptimality of conditions of partnership—however, it could be overcome in the near future by transition to the practice of online auctions.

## **CONCLUSION**

As a result of the research, the offered hypothesis is confirmed; it is shown that despite the fact that the mechanism of public-private partnership has been applied in Russia since 2013, it is rather popular at all levels of the system of state management of economy—federal, regional, and

municipal—and interest to it grows annually (on average, the number of projects grows by 1.5 times annually).

Peculiarities of functioning of the system of public-private partnership in modern Russia are related to domination of projects that are implemented in the communal and energy sphere and transport infrastructure and to creation (not management) of assets. At that, private business is interested in the projects that require less investments (they are implemented at the municipal level). The most problematic component of the mechanism of public-private partnership is nonoptimality of competition selection of private business for participation in projects—but this problem is solved with the help of online auctions, which will later oust other forms of competition selections.

We also determined large perspectives of development of the mechanism of public-private partnership in the healthcare sphere; this mechanism is used insufficiently as of now. It is determined that the practice of public-private partnership stimulates the increase of effectiveness of marketing activities. Thus, it is recommended to apply the mechanism of public-private partnership to development of marketing of healthcare organizations in modern Russia.

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## **SECTION III**

**POSSIBILITIES AND RECOMMENDATIONS FOR  
APPLICATION OF THE MECHANISM OF  
PUBLIC-PRIVATE PARTNERSHIP TO  
DEVELOPMENT OF MARKETING OF HEALTHCARE  
ORGANIZATIONS IN MODERN RUSSIA**

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## CHAPTER 7

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# CURRENT TENDENCIES OF DEVELOPMENT OF MARKETING OF HEALTHCARE ORGANIZATIONS WITH THE HELP OF PUBLIC-PRIVATE PARTNERSHIP IN MODERN RUSSIA

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### ABSTRACT

**Purpose:** The purpose of the research is to consider alternative variants of implementation of the mechanism of public-private partnership in the healthcare sphere, to determine current directions of development of marketing of healthcare organizations within these variants, and to determine the most perspective one from the organizational & managerial and marketing point of view.

**Methodology:** Focus is made in selecting the most perspective variant (without specifying the forms and other details) and implementing the mechanism of public-private partnership in the healthcare sphere in modern Russia. For that, the method of comparative analysis and analysis of causal

connections (through the prism of various categories of interested parties) are used.

**Results:** The authors determine the peculiarities of the context of implementation of the mechanism of public-private partnership in the healthcare sphere in modern Russia, in view of which three alternative variants of implementation of this mechanism are determined. The first variant envisages creation of comprehensive territorial network of healthcare organizations, which will unify state and private organizations under the common territorial standards of provision of medical services and common management. Within the second variant, unification of assets of state and private healthcare organizations takes place. The third variant also envisages unification of state and private assets, but with alternative character of medical services. It is substantiated that the third variant is the most perspective one. The authors offer current tendencies of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia within this (the most perspective) variant through the prism of marketing mix.

**Recommendations:** It is recommended to develop the mechanism of development of marketing of healthcare organizations with the help of public-private partnership, adapted to specifics and context of the healthcare sphere in modern Russia.

## INTRODUCTION

The mechanism of public-private partnership is peculiar for high flexibility and can take a lot of various forms. In certain cases (which is true for such spheres as construction of roads or restoration of cultural heritage objects), public-private partnership is conducted in the form of state order for creation of public benefits by private business with preservation of state property for them. In this case, investment load is set primarily on the state, and private business performs all other production, organizational, and managerial functions.

In other cases (which is typical for the communal and energy sphere and infrastructure), public-private partnership is brought down to privatization to state assets. In this case, assets are transferred into private property, and production and organizational and managerial load is set on private business. However, the state conducts control over the target usage of assets and provision of public benefits. In other cases (as a rule, during R&D), public-private partnership is peculiar for simultaneous state and private investments, and their joint production and organizational and managerial measures are implemented.

In view of variations of the mechanism of public-private partnership, the working hypothesis of the research is that there are several alternative variants of implementation of this mechanism in the healthcare sphere in modern Russia; each of these mechanisms has its own organizational and managerial and marketing specifics. The purpose of the research is to consider alternative variants of implementation of the mechanism of public-private partnership in the healthcare sphere, to determine actual directions of development of marketing of healthcare organizations within these variants, and to determine the most perspective variant from the organizational & managerial and marketing points of view.

## **MATERIALS AND METHOD**

At the scientific & theoretical level, the foundations of action of the mechanism of public-private partnership and its existing forms are analyzed in the works (Cui, Liu, Hope, Wang, 2018), (Ivashchenko, Mironenko, Popovicheva, & Zhuravleva, 2019), (Keers & van Fenema, 2018), (Morozova, 2019), and (Tajani, Morano, Di Liddo, & Locurcio, 2019). At the empirical level, the country and sectorial specifics of practical implementation of the mechanism of public-private partnership are studied in publications (Cong & Ma, 2018), (Kuznetsov, Akopova, Panasenkova, Przhedetskaya, & Rodionova, 2017), (Lomovceva, Tkhorikov, Gerasimenko, & Polyakov, 2016), (Morozova & Popkova, 2014), (Ojelabi, Fagbenle, Afolabi, Tunji-Olayeni, & Amusan, 2018), (Owusu-Manu et al., 2018), (Remington, 2018), and (van den Hurk, 2018).

Successful experience of implementation of the mechanism of public-private partnership in the healthcare sphere is discussed on the works (Almeida, 2017), (Bonfim, Segatto, & Gonçalves, 2018), (Iyer, Sidney, Mehta, Mavalankar, & De Costa, 2017), (Kostyak, Shaw, Elger, & Annaheim, 2017), and (Rodrigues, 2017). Methodological aspects of scenario analysis of application of the mechanism of public-private partnership, which cover related risks, advantages, weaknesses, and means of making regulation, entrepreneurial, and managerial decisions in the sphere of selection the best forms are studied in the works (Ahmed & Nisar, 2010), (Alonazi, 2017), (Bulsara, Kumar, Kumar, & Chauhan, 2015), and (Maslova & Sokolov, 2017).

The performed content analysis of the above research works allowed determining a large number of variants of practical implementation of the mechanism of public-private partnership, including in the healthcare sphere, which selection from the scientific point of view was always predetermined by context—that is, socioeconomic environment in which they are implemented. This causes the necessity for considering the context during studying these variants for modern Russia.

Here, the research is performed at the macroeconomic level, due to which private cases of selection of forms of implementation of the mechanism of public-private partnership for separate investment projects with application of the methods of scenario analysis are not viewed. Instead of this, we focus on general issues that are related to selection of the most perspective variant (without specification of forms and other details) of implementation of the mechanism of public-private partnership in the healthcare sphere in modern Russia. For that, the method of comparative analysis and the method of analysis of causal connections (through the prism of various categories of interested parties) are used.

## RESULTS

We determined the following peculiarities of the context of implementation of the mechanism of public-private partnership in the healthcare sphere in modern Russia:

- action of the system of mandatory medical insurance, within which the main set of medical services is provided for free for consumers;
- high level of work (working on the edge of production capacities) of state healthcare organizations and absence of the possibility to expand them;
- provision by state organizations of healthcare of the medical services that are only covered by the system of mandatory medical insurance and impossibility of provision of additional services—even if they are demanded by the consumers;
- necessity for comprehensive coverage of medical services by the conditions of mandatory medical insurance and geographical proximity (within walking distance of the place of residence);
- large and growing number of consumers who are ready to purchase paid medical services under the conditions of their higher quality (including service and the whole complex of parameters of quality).

In view of the above peculiarities of the context, we determined three alternative variants of implementation of the mechanism of public-private partnership in the healthcare sphere in modern Russia, which characteristics are presented in Table 7.1.

Let us view the alternative variants of implementation of the mechanism of public-private partnership in the healthcare sphere in modern Russia in detail and determine current directions of development of marketing

**Table 7.1.**  
**Characteristics of Alternative Variants of Implementation of the Mechanism of Public-Private Partnership in the Healthcare Sphere In Modern Russia**

Characteristics	Available alternative variants in modern Russia		
	Creation of one territorial network of healthcare organizations	Unification of assets	
		with lack of alternatives of medical services	with alternatives to medical services
Essence	Introduction of common territorial standards and management	cooperation (joint work) be the conditions of specialization	cooperation (joint work) by the conditions of diversification
Advantages for state	reduction of load onto state healthcare organizations, increase of the level of competition in the healthcare sphere	inflow investments into modernization of state healthcare organizations	
		improved satisfaction of public needs	increase of the level of competition in the healthcare sphere
Advantages for private business	growth of the volume of sales, strengthening of brand, growth of competitiveness and share in the territorial market		
Advantages for consumers	increase of geographical accessibility of services	receipt of the whole complex of necessary services	receipt of the whole complex of services with a possibility of selection
Drawbacks	necessity for provision of private medical services by the conditions of mandatory medical insurance	limited choice of consumers, which leads to reduction of competition (and effectiveness) in the market segments	repeated services, provided by state and private healthcare organizations (risks of sales)

*Source:* Compiled by the authors.

within the most perspective one (in view of the fact that these directions are available and similar within all three variants).

The first variant envisages creation of comprehensive territorial network of healthcare organizations, which would unify state and private organizations under common territorial standards of provision of medical services and common management. In this case, the load onto state healthcare organizations will be reduced, as consumers will receive necessary medical services in private organizations of healthcare, which are less busy now.

This will allow eliminating lines and ensuring mass accessibility of medical services by the convenient conditions.

In addition to this, the level of competition in the healthcare sphere will be raised, as state and private organizations will compete by different conditions for consumers and for allocated resources. The state will provide financial support for state and private healthcare organizations. At that, their current geographical location will be preserved—that is, they will be geographically separated.

Private healthcare organizations in this case will gain such advantages as growth of the volume of sales, strengthening of brand, growth of competitiveness and share in the territorial market due to observation of state standards. Advantages for consumers are related to increase of geographical accessibility of services, as within walking distance to their place of residence there will be not just one state organization of healthcare but several, including private healthcare organizations.

A serious drawback and barrier on the path of practical implementation of this scenario is the necessity for provision of private medical services by the terms of mandatory medical insurance, which makes it unprofitable for private healthcare organizations (due to necessity for provision of medical services for fixed low prices, which could be lower than the cost) or for insurance companies (due to necessity for insurance coverage of provided medical services for higher prices), or for consumers (due to growth of insurance fees).

Within the second variant, unification of assets of state and private healthcare organizations takes place. In this case, there is necessity for common geographical location of state and private healthcare organizations (in the same building). This variant envisages lack of alternatives to medical services. This means that state healthcare organizations will continue working in the same regime, and private healthcare organizations will cease providing medical services, which are accessible within the system of mandatory medical insurance, and will specialize in other services.

That is, close cooperation (joint work) of state and private healthcare organizations by the conditions of specialization will be developed. The state will preserve ownership of state healthcare organizations, and private organizations of healthcare will receive business areas on the territory of state healthcare organizations by the terms of rent or purchase.

The advantage for the state in this case is inflow of investments into modernization of state healthcare organizations and improved satisfaction of public needs. Advantages for private business are similar to the first variant, and advantages for consumers are related to receipt of the whole complex of necessary services in one building—at that, the main volume of the services will be provided by the conditions of mandatory medical insurance—that is, for free.

The drawback of this variant is limited choice for consumers, which leads to reduction of competition (and effectiveness) in a lot of segments of the market. In view of the high level of wear and tear of the main funds and technologies, which are applied by the state healthcare organizations, consumers will have to receive a lot of low-quality medical services, without the possibility of receiving medical services of high quality even for money. Reduction of competition will lead to further decrease of quality and growth of prices.

The third variant also envisages unification of state and private assets, but with alternatives to medical services. That is, cooperation (joint work) of state and private healthcare organizations by the conditions of diversification is to be developed. This variant envisages the least radical changes as compared to other studied variants and is simple in practical implementation. Within this variant, both state and private healthcare organizations continue providing the current set of medical services but are in the same building (by the conditions of the previous variant).

Also, inflow of investments into modernization of state healthcare organizations is achieved, as well as increase of the level of competition in the healthcare sphere. Consumers receive the advantage that is related to receipt of the whole complex of medical services in one place with a possibility to select among commercial and nonprofit (fee by the terms of mandatory medical insurance) services. A drawback of this variant is repeated services that are provided by state and private healthcare organizations. Being located in one building, they will experience increased risks of sales.

We think that this variant of implementation of the mechanism of public-private partnership in the healthcare sphere in modern Russia is the most perspective one, as it ensures the largest advantages for all categories of interested parties—the state, consumers, and private business—with the smallest drawbacks. Actual directions of development of marketing of healthcare organizations within this variant of implementation of the mechanism of public-private partnership in modern Russia through the prism of marketing mix include the following:

- P1 (Product): joint development and implementation of the product policy of state and private healthcare organizations. Depending on the tendencies of demand, it would be possible to reduce or increase the volume of provision of most or least popular medical services depending on consumers' preferences. Also, it would be possible to receive sets (complexes) of services by the profitable terms, which combine commercial and nonprofit medical services;
- P2 (Price): conduct of more flexible pricing policy by private healthcare organizations. Common production and management

will allow reducing constant expenditures of state and private healthcare organizations that are unified within partnership. This will allow private organizations of healthcare to introduce the system of discounts and to implement larger programs of pricing loyalty of consumers;

- P3 (Place): Selection of new marketing strategies of geographical location of healthcare organizations. It will be possible not only to place private healthcare organizations on the territory of the state but also vice versa (within branches), which will allow expanding the territorial network of healthcare organizations;
- P4 (Promotion): joint promotion of medical services of state and private healthcare organizations. Creation and promotion of common brands will allow increasing competitiveness of state and private healthcare organizations. Private management will allow increasing the level of service in state organizations of healthcare, and provision of medical services by the terms of the system of mandatory medical insurance will attract wide groups of population, leading to growth of the volume of sales and profit.

## **CONCLUSION**

Thus, the offered hypothesis is correct—modern Russia's healthcare has several alternative variants of implementation of the mechanism of public-private partnership in the healthcare sphere. The most perspective one is the variant that envisages geographic unification of state and private assets (with preservation of current ownership for them) with alternative medical services—this ensures achievement of competition between state and private healthcare organizations and the possibility of consumers' receiving the whole complex of necessary medical services by the most optimal (according to price and quality, based on their opportunities and preferences) conditions.

Within this variant, new wide possibilities open for development of marketing of healthcare organizations with the help of public-private partnership in modern Russia. Specifics and context of the healthcare sphere in modern Russia predetermine peculiarities of implementation of the mechanism of public-private partnership, which make usage of existing model inexpedient. Thus, it is recommended to develop the mechanism of development of marketing of healthcare organizations with the help of public-private partnership, adapted to specifics and context of the healthcare sphere in modern Russia.

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## CHAPTER 8

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# THE MECHANISM OF DEVELOPMENT OF MARKETING OF HEALTHCARE ORGANIZATIONS WITH THE HELP OF PUBLIC-PRIVATE PARTNERSHIP

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### ABSTRACT

**Purpose:** The purpose of the work is to develop the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia.

**Methodology:** The methodology of the research includes system, problem, structural, and process analysis and synthesis, analysis of causal connections (through the prism of various categories of interested parties), marketing mix, and formalization.

**Result:** According to the most perspective variant of implementation of the mechanism of public-private partnership in the healthcare sphere in modern Russia, which envisages unification of state and private assets with alternative medical services, that is, cooperation (joint work) of state and

private healthcare organizations by the conditions of diversification, the mechanism of development of marketing of healthcare organizations with the help of public-private partnership is developed. Within this mechanism, foundations of distribution of organizational and managerial authorities and responsibility are developed, and the algorithm of joint marketing activities within public-private partnership of healthcare organizations is presented.

**Recommendations:** Within the offered mechanism, the following advantages are provided: eliminating duplication of organizational and managerial authorities and responsibility, reduction of constant expenditures, and increase of marketing budget. This mechanism emphasizes the necessity and perspectives of close and mutually beneficial marketing cooperation between state and private healthcare organizations, due to which growth of their competitiveness is achieved. Due to these advantages, the developed mechanism is recommended for practical application in modern Russia in the interests of development of marketing of healthcare organizations.

## INTRODUCTION

Public-private partnership in the healthcare sphere in the aspect of marketing activities is peculiar for high complexity, as it is related to the necessity for harmonization of commercial and nonprofit marketing. One of the potential problems in this process is distribution of authorities and responsibility between state and private organizations of healthcare within partnership, as the sense of its creation consists in overcoming the duplication of organizational and managerial measures for reducing constant expenditures and increasing the marketing budget. A limitation is preservation of state and private ownership for assets within the partnership.

Another potential problem is complexity of direct implementation of marketing measures, as partnership envisages joint marketing of activities of state and private healthcare organizations. Simultaneous growth of effectiveness and provision of corporate social responsibility requires balance of commercial and nonprofit marketing. It is obvious that it would be an unprecedented experience, without analogs in other spheres of national economy, gained interactively during manifestation of high flexibility and adaptability of the partnership's members.

These problems emphasize inexpediency of chaotic and undeveloped practical implementation of public-private partnership in healthcare and actualize the need for scientific development of this process and development of the mechanism of development of marketing of healthcare organizations with the help of public-private partnership, which will outline its organizational and managerial and marketing foundations.

The purpose of the work is to develop the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia.

## **MATERIALS AND METHOD**

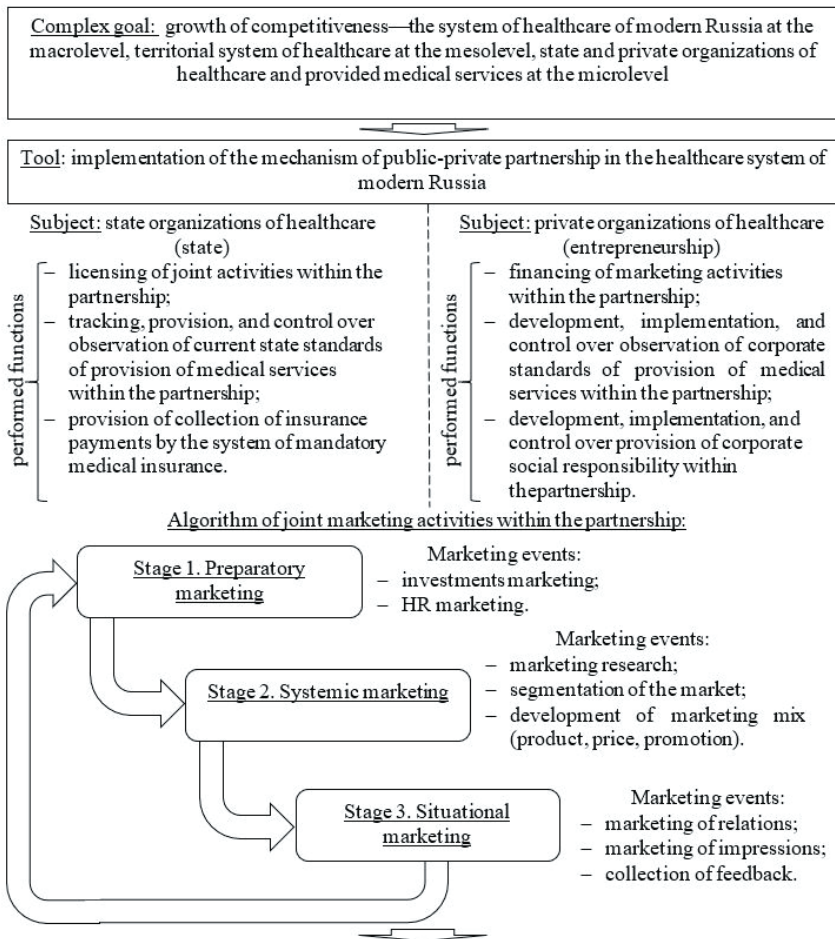
In the process of the research, the authors use the materials of the existing studies of various mechanisms of development of marketing of healthcare organizations: (Adomah-Afari & Maloreh-Nyamekye, 2018), (Akhpanbaeva & Esimzhanova, 2016), (Akopova, Przhedetskaya, & Borzenko, 2016), (Coculescu, Coculescu, Purcărea, & 2016), (Inokuma, Sato, & Masuda, 2018), (Mădălina, Lorin, & Raluca, 2017), (Ordabayeva & Yessimzhanova, 2016), (Oztekin, 2017), (Popkova, Poluyufta, Beshanova, Popova, & Kolesnikova, 2017), (Przhedetsky, Przhedetskaya, Przhedetskaya, & Borzenko, 2019), and (Senthilkumar, Rai, Gunasekaran, & Forker, 2017).

The work also uses the materials of works, devoted to studying practical experience of application of the mechanism of public-private partnership in healthcare, which include publications (Almeida, 2017), (Bonfim, Segatto, & Gonçalves, 2018), (Iyer, Sidney, Mehta, Mavalankar, & De Costa, 2017), (Kostyak, Shaw, Elger, Anaheim, 2017), (Morozova & Popkova, 2014), and (Rodrigues, 2017).

The performed literature overview allowed determining insufficient elaboration of scientific and practical problems of influence of the mechanism of public-private partnership on marketing activities of healthcare organizations and management of this influence in the interests of development of marketing of healthcare organizations. This gap is to be filled by this study. The methodology of the work includes the method of systemic, problem, structural, and process analysis, synthesis, analysis of causal connections (through the prism of various categories of interested parties, marketing mix, and formalization).

## **RESULTS**

According to the determined (in Chapter 7) most perspective variant of implementation of the mechanism of public-private partnership in the healthcare sphere in modern Russia, which envisages unification of state and private assets with alternative medical services—that is, cooperation (joint work) of state and private healthcare organizations by the conditions of diversification, we developed the following mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia (Figure 8.1).



Source: Compiled by the authors.

**Figure 8.1.** The mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia.

As is seen from Figure 8.1, the complex goal of the offered algorithm is related to growth of competitiveness of the modern Russia’s healthcare system at the macrolevel, territorial healthcare system at the mesolevel, state and private healthcare organizations, and provided medical services at the microlevel. This means that practical implementation of this mechanism is interesting for federal and territorial (regional and municipal) bodies of state authorities and society, as well as state and private healthcare organizations.

A tool for achieving this marketing goal is implementation of the mechanism of public-private partnership in the system of healthcare of modern Russia. The subjects of public-private partnership and implementation of marketing activities are state and private healthcare organizations. Organizational and managerial authorities and responsibility within this mechanism are divided in the following way. State healthcare organizations (which represent the state within the partnership) perform the following functions:

- licensing of joint activities within the partnership: collection and provision of necessary documents for licensing are a long and complex process, in which regulating bodies of modern Russia show that highest loyalty to state organizations of healthcare. That is why this function is preserved with them, which reduces barriers for entering the market and for presence in it for private healthcare organizations;
- tracking, provision, and control over observation of current state standards of provision of medical services within the partnership: these standards belong to the procedure of licensing and envisage observation of the set sanitary and epidemiological requirements and rule for provision of medical services;
- provision of collection of insurance payments according to the system of mandatory medical insurance: this function covers medical registration of patients, entering the information into the electronic system of mandatory medical insurance, application for and receipt of insurance payments from insurance companies for provided medical services within mandatory medical insurance.

Private healthcare organizations (presenting private entrepreneurship within the partnership) perform the following functions:

- financing of marketing activities within the partnership: the main investment load is set on private healthcare organizations;
- development, implementation, and control over observation of corporate standards of provision of medical services within the partnership: these standards supplement and expand the current state standards of provision of medical services in the aspect of service;
- development, implementation, and control over provision of corporate social responsibility within the partnership: the most important manifestations of corporate social responsibility in the healthcare sphere are creation of favorable conditions for work of

medical personnel (convenient work schedule, decent salary, comfortable work conditions, and realistic labor efficiency norms) and optimization of provision of medical services to consumers (the fullest satisfaction of existing needs with the lowest price).

At that, state and private organizations of healthcare conduct separate (independent) financial and tax accounting and provide the corresponding reports to the regulating bodies. The employees (medical and other personnel) are distributed between these employers and preserve their offices. This allows supporting independence of state and private healthcare organizations at a sufficient level, for terminating the partnership in case of change of circumstances (normative and legal environment, elimination of necessity for it, etc.).

Let us view the offered algorithm of joint marketing activities within public-private partnership of healthcare organizations. The first stage of this algorithm is preparatory marketing. It is conducted before the start of joint work of state and private healthcare organizations within the partnership and covers the following marketing measures (conducted primarily by private organizations of healthcare):

- marketing investments: it envisages development of a common marketing strategy of state and private healthcare organizations within their partnership, including the supposed volume of necessary investments, marketing measures, return terms, and profitability of private investments. Also, common corporate standards of provision of medical services within the partnership, which cover service (work schedule, one information network, terms of registration, requirements to appearance, etc.) and corporate social responsibility (emphasis on provision of medical services by profitable conditions for consumers) are developed;
- marketing personnel (of both organizations): evaluation of qualification of workers and its increase with necessity, informing on adopted corporate standards of provision of medical services, motivation and stimulation of labor (based on the level of satisfaction of customers, provided through collection of feedback, by payment of bonuses as a percentage of profit of private healthcare organizations).

The second stage of the algorithm of joint marketing activities within public-private partnership of healthcare organizations is systemic marketing. It is conducted systematically in the process of joint work of state and private healthcare organizations within the partnership and covers the following marketing measures:

- conduct of marketing research (private organizations of health-care): evaluation of the volume of geographical market of medical services, determination of consumers' paying capacity, determination of consumer preferences of price and quality of medical services, and so forth;
- segmentation of the market: studying peculiarities and current tendencies of demand for medical services and distribution of provided services between state and private organizations of health-care (reduction of the volumes of provision of certain services and increase of the volumes of provision of others);
- development of marketing mix (product): creation of packages (sets) of medical services by profitable conditions for consumers, determination of needs and development of innovational medical services, exchange of information via a comprehensive information network; determination of conditions of discounts for provided medical services, development of corporate programs of loyalty for consumers; (promotion): using all channels of marketing communications, from Internet sites to marketing in social networks, Short Message Service (SMS) ads, and so forth, joint promotion of services (private organization promotes free services, and state organization promotes private medical services).

The third stage of the algorithm of joint marketing activities within public-private partnership of healthcare organizations is situational marketing. It is conducted directly in the process of provision of medical services of state and private healthcare organizations within the partnership and covers the following marketing measures:

- marketing relations: conclusion of long-term agreements by the beneficial conditions with suppliers for gaining "scale effect" due to partnership, orientation of consumers at recurrent application for receipt of future medical services by beneficial conditions, collection of information on consumers, its processing and usage during conduct of marketing communications (advertising, public relations);
- marketing impressions: desire to show consumers care and interest in the most effective satisfaction of their needs, by providing all consumers with free initial consultation by a state organization of healthcare, at which the needs (necessary medical services), possibilities (paying capacity), and preferences (according to the quality and price) of consumers are evaluated, individual offers for services for each consumer are developed (individual approach),

and services with emphasis on their free basis (refusal from imposing paid services) are provided;

- collection of feedback: evaluation of the level of satisfaction of consumers with provided medical services.

The described algorithm is cyclic, which ensures continuity of marketing activities. The complex result of implementation of the developed mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia includes reduction of load for state healthcare organizations, growth of profit and profitability for private healthcare organizations, and more effective satisfaction of needs for medical services for consumers.

## **CONCLUSION**

Thus, the developed and described authors' mechanism of development of marketing of healthcare organizations with the help of public-private partnership allowed for rational distribution of responsibilities of state and private healthcare organizations within their partnership, preserving the current performed organizational and managerial authorities: for state healthcare organizations—interaction and provision of observing the requirements of controlling bodies, for private healthcare organizations—supporting high flexibility and adaptation to changing requirements of consumers.

Due to this, within the offered mechanism the following advantages are provided: elimination of duplication of organizational and managerial authorities and responsibility, reduction of constant expenditures, and increase of marketing budget. At that, division of property into assets is preserved, as well as workers' belonging to state and private organizations of healthcare. This allows for quick restoration of separate work of these organizations in case of the necessity for supporting the continuous functioning of the healthcare system.

The developed mechanism reflects the key aspects of development of marketing of healthcare organizations within public-private partnership: marketing investments, marketing personnel, conduct of marketing research, segmentation of the market, development of marketing mix, and practical implementation of marketing measures within serving the consumers (marketing of relations, marketing of impressions, and collection of feedback). The presented mechanism emphasized the necessity and perspectives of close and mutually beneficial marketing cooperation of state and private healthcare organizations, due to which growth of their competitiveness is achieved.

Due to these advantages, the developed mechanism is recommended for practical application in modern Russia for development of marketing of healthcare organizations.

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## CHAPTER 9

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# THE ALGORITHM OF APPLYING THE MECHANISM OF DEVELOPMENT OF MARKETING OF HEALTHCARE ORGANIZATIONS WITH THE HELP OF PUBLIC-PRIVATE PARTNERSHIP IN MODERN RUSSIA

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### ABSTRACT

**Purpose:** The purpose of the work is to develop the algorithm of creation of normative and legal conditions for successful practical implementation of the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia.

**Methodology:** Methodology of the research is based on the methods of systemic, problem, structural and functional, and process analysis, induction, deduction, and formalization.

**Results:** The authors develop the algorithm of applying the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia, which shows that successful practical implementation of this mechanism and receipt of the largest advantages from it require thorough preparation. Responsibilities for it are set on government at the macrolevel (national) and mesolevel (territorial—regional and city). This preparation covers creation of institutional provision, selection of perspective projects, conduct of competition, stimulation of practical implementation of started projects, and monitoring and control of implemented projects of public-private partnership in the healthcare sphere.

**Recommendations:** For reduction of the risk component and prevention of possible crisis of the healthcare system of modern Russia, it is recommended to conduct a pilot implementation of this algorithm in practice of certain regions (cities). This will allow determining drawbacks and weaknesses of the algorithm and eliminating them.

## INTRODUCTION

The offered authors' mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia envisages the microlevel practical implementation. It defined the foundations of marketing interaction and cooperation between state and private healthcare organizations within their partnership. This mechanism is perspective and popular in the economic practice of modern Russia, but its application requires creation of the corresponding normative and legal conditions and adoption of regulating measures from public authorities—due to three reasons.

1. Novelty of the mechanism of public-private partnership as such in modern Russia and uniqueness of selected most perspective variant of its application in the healthcare sphere. Despite the growing experience of implementation of projects of public-private partnership, there are still various drawbacks and gaps in the legislative base, which should be determined and eliminated before the practical application of the mechanism of public-private partnership in such top-priority sphere of national economy as healthcare for bringing the related normative and legal barriers and risks down to the minimum.
2. Essential differences of the offered mechanism of public-private partnership in the healthcare sphere from other spheres of national

economy, caused by specifics of nonprofit activities (including marketing) of healthcare organizations.

3. Orientation at gaining primarily marketing advantages which is not the main issue in the projects of public-private partnership that are implemented in other spheres of the Russian economy and which requires peculiar attention from regulating bodies of public authorities.

These reasons predetermine the necessity for thorough and consecutive preparation of the normative and legal environment in modern Russia to future practical implementation of the offered mechanism of development of marketing of healthcare organizations with the help of public-private partnership, which should be conducted according to a clear scientifically substantiated algorithm. The purpose of this chapter is to develop an algorithm of creation of normative and legal conditions for successful practical implementation of applying the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia.

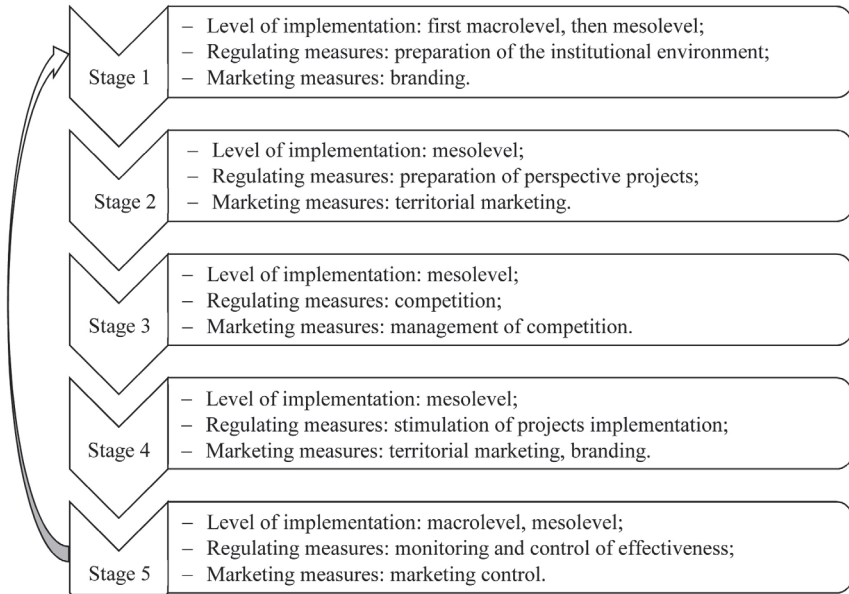
## **MATERIALS AND METHOD**

In the process of the research, the authors use materials of the works of modern scholars, which discuss and compare various algorithms of implementation of public-private partnership with emphasis on creation of normative and legal conditions, which include publications (Almeida, 2017), (Deshpande & Rokade, 2017), (Fuentes, 2017), (Liu et al., 2018), (Morozova & Popkova, 2014), and (Weng, Porth, Tan, & Samaratunga, 2017). The authors also use the works of experts, devoted to studying the process of marketing within the projects of public-private partnership: (Akopova, Przhedetskaya, & Borzenko, 2016), (Popkova, Poluyufta, Beshanova, Popova, & Kolesnikova, 2017), and (Vasilenko, Drozdov, Tagiltseva, Kuzina, & Kuzina, 2017).

The theoretical basis of the research includes theoretical and empirical works, which reflect peculiarities of marketing of healthcare organizations within implementation of projects of public-private partnership: (Przhedetsky, Przhedetskaya, Przhedetskaya, & Borzenko, 2019) and (Purcărea, Coculescu, & Coculescu, 2014). Methodology of this research is based on application of the methods of systemic, problem, structural & functional, and process analysis, synthesis, induction, deduction, and formalization.

## RESULTS

We developed the following algorithm of applying the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia (Figure 9.1).



*Source:* Compiled by the authors.

**Figure 9.1.** The algorithm of applying the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia.

As is seen from Figure 9.1, the developed algorithm is conducted in five consecutive stages, each of which corresponds to a certain level of state management (subjects of practical implementation of this algorithm are public authorities' bodies of the corresponding levels) and envisages implementation of regulating and marketing measures.

The first stage of the offered algorithm envisages preparation of the institutional environment to future practical application of the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia. Within this preparation, it is necessary to create the following institutes:

- Institute of public-private partnership in healthcare. Creation of this institute is related to preparation of the fundamental legislative basis for starting the projects of public-private partnership in healthcare, which determines the order, conditions, and criteria of evaluation of these projects;
- Institute of modernization of the system of mandatory medical insurances. This system should consider not only the influence of inflation but also growth of consumer preferences and requirements to quality of provision of medical services. The emerging additional expenditures of state healthcare organizations should be set into the cost of provided medical services;
- Institute of marketing of state healthcare organizations. It is necessary to provide more marketing freedom to state organizations of healthcare and to determine the foundations of marketing activities of these organizations with specification of accessible tools of marketing and preferable channels of marketing communications.

The above institutional processes are conducted first at the macrolevel (federal) and then at the mesolevel (territorial—regional and local) and are accompanied by branding (state social advertising and public relations) of the conducted reforms in the healthcare sphere, aimed at informing the interested parties on the future changes, emphasizing their advantages, and provision of approval (positive treatment) and support for future and current changes.

The second stage of the viewed algorithm is preparation of perspective projects of public-private partnership in healthcare. This envisages implementation of the following measures:

- determining the current needs (problems in healthcare) and possibilities (perspectives) of solving them with the help of development of marketing within public-private partnership. This requires conducting state marketing research and collection of feedback from interested parties, including consumers, managers, and workers of state and private healthcare organizations on this territory (region or city). Due to application of the outsource tool, state resources are saved, and full authentic, and precise information for optimal regulating and managerial decisions is obtained;
- preparation of project documentation with specification of details of planned projects of public-private partnership in healthcare. This envisages setting the goals of implementation of specific selected projects of public-private partnership in healthcare, description of conditions of their implementation (geographic location, rights and responsibilities of parties), possibilities of gaining

commercial advantages by a private party, control values of indicators for conducting monitoring of the course of implementation of projects, and so forth.

These measures are conducted at the mesolevel (in regions and cities of Russia) and are accompanied by territorial marketing—that is, marketing measures of territorial bodies of public authorities, aimed at increase of competitiveness of the sphere of healthcare on this territory and its positioning as a territory that is favorable for work and living due to developed and highly-effective sphere of healthcare.

The third stage of the developed algorithm is related to conducting a competition among private healthcare organizations for their participation in already prepared projects of public-private partnership. This envisages implementation of the following measures:

- selection of state healthcare organizations with the help of electronic auction. All documents for participation in the competition should be provided in the electronic form and be cyphered for provision of objectivity of selection and its maximum effectiveness;
- open access for project declaration as a result of the competition and conclusion of agreements on public-private partnership. The project declaration should contain detailed information on participants of the project of public-private partnership, the program of its implementation, and expected advantages, related to development of marketing activities of state and private healthcare organizations and growth of their competitiveness.

These measures are conducted at the mesolevel (in regions and cities of Russia) and are accompanied by marketing measures, related to management of competition. The state has to provide electronic auction with conditions for “healthy” competition between state healthcare organizations for the possibility to participate in the projects of public-private partnership. This envisages low barriers for participation in the competition for involving all interested potential participants and wise limits of competition (realistic conditions of partnership agreements).

The fourth stage of the offered algorithm is stimulating the territorial bodies of public authorities in implementation of started projects of public-private partnership in the healthcare sphere. This envisages implementation of the following measures:

- periodic communication with participants of current (within which agreements are concluded, but medical services are not yet provided) territorial projects of public-private partnership in the

healthcare sphere. This communication should be of remote and field character for tracking practical measures within the projects of public-private partnership. Communication should be aimed at determining the involvement of participants of partnership in the process of practical implementation of projects and determining the problems that cannot be overcome without participation of territorial bodies of public authorities;

- Provision of support for participants of started territorial projects of public-private partnership in the healthcare sphere. This support could be provided in the form of modernization of normative and legal provision and in the form of information and consultation provision. Sometimes, it could take the form of financial and investment (or, which is more preferable, credit) provision for projects.

These measures are conducted at the mesolevel (in regions and cities of Russia) and are accompanied by territorial marketing, aimed at positioning of the territory as a favorable environment for development of public-private partnership and marketing of the healthcare sphere, as well as branding of started projects of public-private partnership in healthcare, oriented at information support for all interested parties in implementation of these projects.

The fifth stage of the developed algorithm is related to conduct of monitoring and control of effectiveness of implemented (within which medical services are also provided) territorial projects of public-private partnership in the healthcare sphere. It envisages implementation of the following measures:

- Tracking the correspondence of the work of state and private healthcare organizations within partnerships to the current state standards and requirements and licensing of their activities. As within public-private partnership there will be one common license (instead of two licenses), it will be necessary to make licensing of all partnerships before putting them in operation (provision of medical services);
- Evaluation of organizational and managerial effectiveness of implemented territorial projects of public-private partnership in the healthcare sphere. Determining the breakeven points and profitability of state healthcare organizations;
- Collection of feedback from consumers for evaluation of marketing effectiveness from implemented territorial projects of public-private partnership in the healthcare sphere. Feedback collection should be conducted remotely—for attractive more interested

parties to this process. Feedback could be held in a free form (as reviews, wishes, and offers) and in the form of sociological surveys.

These measures are conducted at the macrolevel and mesolevel and are accompanied by marketing control for determining the target marketing advantages of implementation of projects of public-private partnership, related to growth of competitiveness of certain healthcare organizations and territorial and national healthcare system. The algorithm is cyclic—which envisages its periodic recurrence and transition from the fifth stage back to the first one, which allows achieving the highest effectiveness.

## CONCLUSION

Thus, the developed algorithm of applying the mechanism of development of marketing of healthcare organizations with the help of public-private partnership in modern Russia showed that successful practical implementation of this mechanism and gaining the largest advantages from it require thorough preparation. Responsibilities for conducting it are set on public authorities at the macrolevel (national) and mesolevel (territorial—regional and city).

This preparation covers creation of institutional provision, selection of perspective projects, conduct of a competition, stimulation of practical implementation of started projects, and monitoring and control of implemented projects of public-private partnership in the healthcare sphere. For reducing the risk component and prevention of possible crisis of the healthcare system of modern Russia, it is recommended to conduct a test implementation of this algorithm in the practice of certain regions (cities). This will allow determining drawbacks and weaknesses of the algorithm and eliminating them.

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## CONCLUSIONS

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As a result of the research, it is possible to conclude that technologies of public-private partnership open new wide possibilities for development of marketing of healthcare organizations, which confirms the initial hypothesis ( $H_0$ ). The authors show by the example of modern Russia that public-private partnership in healthcare has its specifics, which causes impossibility of using the models that are implemented successfully in other spheres of national economy and which leads to necessity for developing own new variants of implementation of partnership projects.

The most perspective in modern Russia (due to the effect of the system of mandatory medical insurance) is the variant of implementation of public-private partnership in healthcare, which envisages unification of assets of state and private healthcare organizations with alternatives to provided medical services (that is, during implementation of product strategies of diversification). This variant stimulates intensification of development of joint marketing activities of state and private healthcare organizations by the conditions of their partnership and growth of their competitiveness, as well as increase of competitiveness of territorial and national healthcare systems of modern Russia.

In view of unprecedented novelty of applying the technologies of public-private partnership in the healthcare sphere in modern Russia, first marketing results should be expected in 5–10 years after starting the corresponding regulating initiatives at the state level at the earliest—as microlevel measures on direct implementation of partnerships should be

preceded by serious preparatory macro- and mesolevel measures that are related to preparation of institutional provision and selection of perspective projects of partnership.

Depending on interactivity of federal and territorial bodies of public authorities, responsiveness and interest of state and private healthcare organizations, and involvement of interested parties (consumers, medical workers, and insurance companies that act in the system of mandatory medical insurance, etc.) in the process of preparation and implementation of projects of public-private partnership in the healthcare sphere, three marketing scenarios are possible.

The first—realistic—scenario is the most probable one and envisages impossibility of timely determination of all gaps and weaknesses, due to which the first projects of public-private partnership in healthcare will be conducted with incomplete or contradictory normative and legal provision. In particular, it is logical to expect preservation of limitations of marketing activities of state healthcare organizations and complexity of gaining commercial profit for private healthcare organizations within their partnership. Solving these problems requires additional time period, which will postpone the term of appearance of first positive marketing results, related to growth of competitiveness of organizations and of the healthcare system of Russia, by 5 years.

The second—pessimistic scenario—is least probable, but deserves attention for development of implementation of the corresponding managerial measures that allow avoiding it. It envisages presence of serious or even insurmountable (in the viewed time period—5–15 years) barriers on the path of application of technologies of public-private partnership in the healthcare sphere of modern Russia. The most vivid and expected barrier is population's unreadiness to these transformation processes in the healthcare sphere and mass opposition to reforms of nonprofit marketing in this sphere. Thus, the issues of social marketing of these reforms should be paid attention for timely preparation of society for coming changes and obtaining their social approval and support.

The third—optimistic—scenario is highly probably and envisages quick adaptation of modern Russia's socioeconomic system to application of technologies of public-private partnership in the healthcare sphere. A serious argument in favor of practical implementation of this scenario is accumulated successful experience of application of the mechanism of public-private partnership and its adaptation to the conditions of various spheres of national economy. Within this scenario, it is possible to gain marketing advantages that are related to growth of competitiveness of organizations and of the healthcare system modern Russia—as soon as in 3–5 years.

Thus, the performed research showed perspectives and popularity of the technologies of public-private partnership in the healthcare sphere in modern Russia and their large potential in the sphere of development of marketing in this sphere. At the same time, such issues as information and communication support for interaction and cooperation between state and private organizations within their partnership and processes of restoration of separate functioning of state and private healthcare organizations in case of not meeting the marketing expectations as to their partnership remain unsolved. These issues should be studied in further works in continuation of this book.



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The book is devoted to substantiating the necessity for starting and supporting the high level of marketing activity of modern healthcare organizations that function in the market conditions under the influence of the competition mechanism. The authors substantiate that state-funded healthcare organizations in Russia, which are the basis of the Russian market of medical services, face the deficit of financial resources and do not have sufficient flexibility for high marketing activity and supporting their competitiveness, which leads to growth of dissatisfaction of society with the healthcare sphere on the whole and increase of demand for services of private organizations of healthcare.

The authors show that a perspective solution to this problem is usage of technologies of public-private partnership, which allow conducting deregulation and attracting private investments into development of state organizations of healthcare, thus creating favorable conditions and stimuli for activation of their marketing activities. Recommendations for application of the mechanism of public-private partnership to development of marketing of healthcare organizations in modern Russia are offered.

IAP—INFORMATION AGE PUBLISHING  
P.O. Box 79049  
CHARLOTTE, NC 28271-7047  
WWW.INFOAGEPUB.COM

ISBN 978-1-64113-578-8



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