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New marketing strategies in the development of regions, cities and settlements (villages)

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Abstract:

Regional- and settlement marketing (in the following: RSM) is a relatively young but dynamically developing branch of the science and practice of marketing. On the basis of the experience of the international as well as national regions and cities producing successful and impressive development it is often referred to as „wonder weapon” in the field of rural development.

The task of RSM – to cut it short – is nothing else but the exploring of the competitiveness, comparative advantages and attraction of the region, the settlement, as well as the supporting of their realization and communication in the interest of the multifold aims concerning development, economics and lifestyle.

In Hungary, RSM has been established by the increase of the self-governing independence in parallel with the multiplication of the relevant functions and tasks, the great extent of development differences among the various parts of the country, the resulting economic difficulties as well as by the new economic forms aiming at the exploitation of the new opportunities arising from the market economic development.

Key words:

RSM, consolidation of the service (tertiary) sector, endogenous development, new marketing strategies, regional-, city- as well as settlement planning, target groups, SWOT, segmentation of market: differentiated segmentation strategy, concentrated segmentation strategy, decentralization

RSM has been especially appreciated since Hungary became member of the EU. The role of RSM is strongly emphasised by the Common Agricultural Policy (CAP). (Opinion of the Economic and Social Committee on Follow-up. Brussels, 10 September 1998)

Nevertheless, by what kind of causes and demands was RSM called into life?

At the end of the '70's, there were a lot of economic, political and social problems in Western Europe that brought this new discipline into being. On one hand, there was the transformation of the economic circumstances (the significant consolidation of the tertiary sector, increasing de-industrialization). Problems in connection with these challenged the local authorities and they had to react. In parallel with this, the issue of the establishment of new-style farms in the country as well as that of the industrial parks in the cities came into prominence (location, level of infrastructural development, economic, nature reserve, and social consequences). Crucial factors such as the issues of natural, economic and human resources as well as the husbandry with these factors came into prominence, in parallel with the issues of natural and recreation facilities (e.g. launching village tourism) and the image of the region or settlement in question. These problems emerged as especially burning issues in the „falling behind” regions where, having lost the old economic basis, new economic forms had to be established afresh or the old ones had to be transformed.

On the other hand, in the 1980's and 1990's the central financial resources had decreased dramatically, as a consequence of which the local authorities had to rely on their own resources, which resulted in the more thorough analysis of market conditions. In parallel with

this, it turned out that the central budget cannot solve the 'non-standard' problem in most cases, and this led to the research of new methods and alternatives in the field of regional planning. As a 'side-product' of this process, a strong decentralization started. The relationship between the administration and the local authorities has changed: the role and the responsibility of the latter have increased.

In the 1990's, the rapid development of telecommunication as well as the political changes (end of the cold war, establishment of the united Europe) had the following consequences: the circulation of commodities, the exchange of services and new technologies and the influx of capital among countries and regions accelerated. There is an interesting process in the Europe of today: the competition among the countries was replaced by the rivalling of regions and settlements, therefore the local authorities have to react to the problems in a fast and effective way. Local authorities express their initiatives in a stronger and stronger way. You can find theories and key concepts in the dictionary of Europe such as endogenous development, decentralization and the initiatives of local communities and civil organisations.

The essence of RSM

There are significant differences between traditional marketing and RSM. RSM has got numerous distinctive features:

- the region, city or settlement as a product has got totally different criteria when compared to the traditional types of product or service;
- this product is aimed at very different potential customers at the same time: for the entrepreneur or investor it means a potential area of investment; for the resident their own living space and for the tourist it means cultural-historical sight.
- 'trading' the settlement in RSM does not mean the direct, traditional selling of it, since it is not accompanied by the transmission of ownership;
- the region, city or settlement as product is not characterised by the feature of elasticity, contrary to other types of product, i.e. it is very difficult to modify, to redesign it on the basis of the wishes of potential buyers, since all sorts of modification are very cost- and time-consuming.

Contrary to the traditional types of product, settlements as products are fixed to a place; therefore they can only be presented thoroughly in their processes and on the premises. It results from this that the attractive features of the given locality can only be shown by indirect tools, problem in connection with this: In the majority of such as advertising publications and by means of various (state and civil) organisations. In another cases the way of thinking and the activity of the local authorities are influenced by political considerations, although it should be excluded in the course of marketing activity. Consequently, it often happens that short-term aims and plans are domineering (depending usually on the election cycle) and the changes in the positions mean a sharp, significant change in the local policy at the same time, which often delay, 'break', or, rather, completely counteract marketing-strategic work.

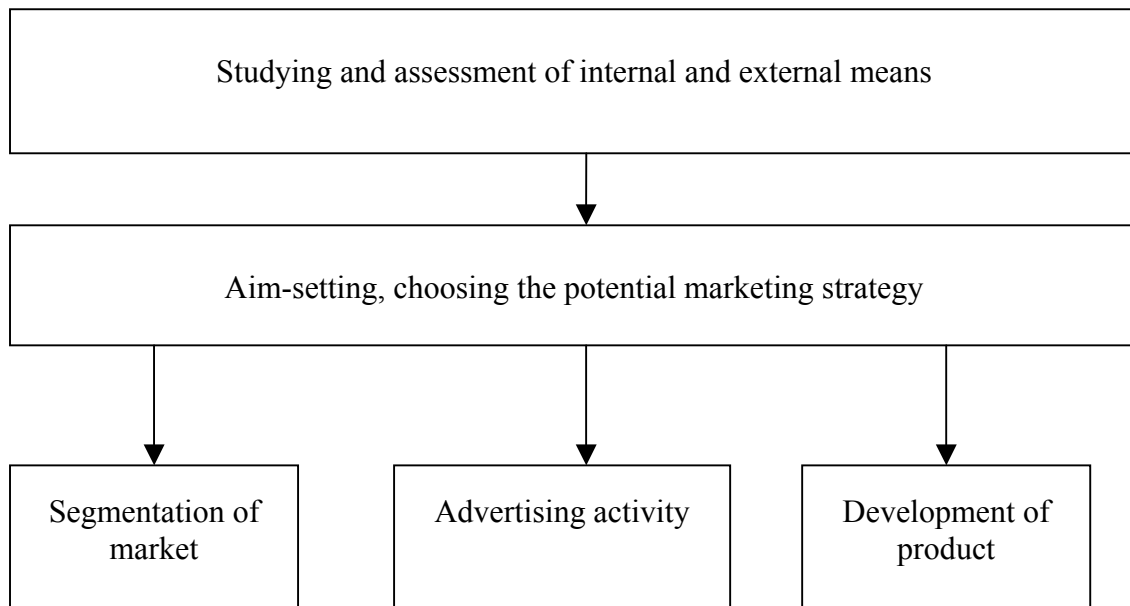
Stages of RSM

RSM consists of a few stages, the omitting or 'skipping over' of either of which endangers seriously the whole marketing process (Fig.1).It is essential for the local authorities to elaborate a wide-ranging strategic plan, in which the key questions and the possible solutions of the problems are worked out in detail. This strategic plan should name the responsible people in charge of the given field of marketing and the executors. In addition, it should

assess financial opportunities, potential sponsors and the results to be expected. (Kotler, P. et al. 1993)

A strategic marketing plan like this, worked out in detail, promotes the 'stretching out' of the exact tasks and competences as well as the conducting of controlling.

Fig.1. Elements of RSM and their connections



Assessment of internal and external conditions

The first important task of RSM is SWOT-analysis, which is the analysis of the potential field of marketing. (SWOT stands for strengths, weaknesses, opportunities, threats.) Local conditions should be analysed first (strength and weaknesses) that may be influenced by the local authority (e.g. protection of the environment, state of infrastructure, etc.). Residents' opinions are crucial, which can be assessed by the usual tools of marketing (questioning, questionnaire, etc.)

The next task is the analysis of external conditions: summing up the opportunities that exceed the local authority's competence. It is essential to be able to calculate in advance, or by and large at least, with the fundamental trends of central politics as well as with the main tendencies of national and international economic policy. At the same time, it is vital to analyse the potential changes of customer habits and to determine present-day and future competition.

The SWOT-analysis provides local authorities with further directions.

Development of product

In parallel with the SWOT-analysis, local authorities have to take into consideration some essential issues:

- they have to guarantee the infrastructural bases of development
- they have to achieve the cooperation of the potential (marketing) partners even at the beginning stage
- the favourable image of the settlement that potentially attracts investors has to be established.

The main goal of this process is to achieve a specific, distinctive, individual character of the settlement or the city. In the course of this process the local aims, intentions and strategic plans have to be harmonized (Parkinson, M., 1991, public-private partnership).

Market segmentation

One of the most important purposes of RSM is market analysis and the precise answering of the question of the potential investors the local authority reckons on. Basically, three strategies can be distinguished:

- **Segmentation strategy**, which does not take into consideration the differences among the participants of the market. The local authority tries to attract as many investors to the settlement as it can. This strategy is characterised by low costs (e.g. detailed market analysis is not needed). Danger of this strategy: low effectiveness.
- **Differentiated segmentation strategy**: the local authority selects on the basis of certain points of view and focuses on certain target groups.

Result: Increasing costs, because specific actions have to be taken for the sake of these potential investors and special advertising activities have to be chosen that are different from each other. However, the local authority can strengthen its position among these groups.

- **Concentrated segmentation strategy**: the local authority focuses on one or two target groups that it wants to draw to the city as investors. This strategy is very effective if the target group is chosen well, but this is the most hazardous strategy at the same time: If the external conditions change to a great extent, (e.g. new rivals turn up, new interests of investors, unexpected political happenings, it can even mean the end of the whole marketing strategic plan.

In the course of the segmentation of market it is essential to prognostise the major question: What is the relationship of the given target group to the product (settlement, city) like? On the basis of this the following target groups can be distinguished:

- „users”, who can either be „heavy” or „light” users, depending on the extent they use the product, often or seldom) and
- „non-users”, who do not use the product at all.

The next stage is the comparing of the buyer and the income, i.e. the „buyer-benefit analysis”. Within this framework three main segments can be sharply distinguished: residents, investors and tourists. This is the basis for the distinction of the relationship of the given target group to the product (settlement, city).

Marketing strategy of local authorities

After the SWOT- as well as the market- and product analysis local authorities can choose from four types of marketing strategy:

- consolidation policy: local authorities with good conditions and sufficient potential investors choose this policy and local authorities which do not count on significant social-economic and welfare changes in the near future.
- Marketing policy that aims at quality development: This policy can be recommended first and foremost to local authorities who are forced to give quality answers to new challenges (e.g. new rivals). (These settlements are usually the disadvantaged and underdeveloped ones.)
- Expansion strategy: The task of this strategy is to gain new investors by means of the existing favourable conditions. (These are the settlements with e.g. good infrastructural facilities that want to attract more investors to the settlement, the city.)
- Diversification marketing strategy: This is the most ambitious marketing policy when local authorities want to establish the new image of the settlement (city) by means of development in parallel with attracting new investors.

Advertising activity of local authorities

The final stage of RSM is advertising activity. Local authorities have to aim for a settlement image which is able to convince target groups about all the possible advantages. In parallel with this, the following conditions have to be fulfilled:

- this message towards the target group should be real and true,
- the wording of the message should be exact and simple (if the settlement communicates too many messages about itself, it can result in chaos);
- the message should be individual so that the settlement could be clearly distinguished from its rivals.

All these mean that local authorities should aim for an individual approach, i.e. they should choose the most suitable and financially rewarding advertising activity from the wide range of possibilities.

Summary

RSM, which is more and more popular in Western Europe and in the USA, challenges Hungarian and Eastern-European researchers to a great extent. We have to cope with a dual task: On the one hand, we have to adapt the rich practical experience of developed countries to the local conditions as well as establish the institutional framework of these activities; on the other, in the field of research, we have to harmonize the answering of theoretical questions with the challenges of practice.

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