

Use of Marketing Instruments in Development of towns: Case Study Slovakia

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Abstract

Marketing conceptual framework has started to apply widely also as an instrument of regional and municipal development in transition economies. Marketing as a scientific discipline has started to enforce in specific conditions of managing the public sector in 80-ties. An interest in this discipline in conditions of the Slovak Republic – young and accession country which has been prepared to access to the European structures – has been particularly caused by two facts: transformation of proprietary relations and democratization of managing processes.

1. Theoretical introduction

1.1 Theoretical approaches to marketing of towns

Marketing of towns has theoretically and practically started to develop at the Netherlands Universities in Rotterdam and Groningen since 80-ties. Famous are the works of innovators Dutch professors *Leo Klaasen (17)*, *Jan van der Meer (17)* and *Leo van den Berg (17)*, who have been meritorious in developing the marketing of towns. They have elaborated the conceptual framework of **strategic city - marketing**. They consider city marketing as a inseparable part of city policy. At the same time *Klaasen* in his scientific and consulting work has tired to enforce **region - marketing** which would include a city space with their surroundings. Other Dutch author *Buursik* describes **city and regional marketing** as a market oriented type of using a municipal and regional type product by a municipality with a cooperation of commercial sphere. He has seen the main aims of a town development in residential, business, investment and recreation areas. It is worth to mention also a notion of **city conceptual framework** used by *Funke*. This one stresses on the whole city characteristic, it means to its region and economic system. City marketing is, beside it, only a part of a city conceptual framework, which is created within the Municipality Establishment Act. Methods described by *Funke* correspond with endogenous and exogenous oriented city marketing. *Grabow/Hollbach – Gromig (7)* have equaled **city marketing** participation, cooperative city development as well as full understanding. It means, they have seen a city as a life space being created by all factors, which have at least a partial influence on certain institutions and public administration. So, citizens and entrepreneurs are not customers, as it is demonstrated by corporate-economy understanding of marketing, but on the contrary, at the same time, they are actors and target groups. From this point of view city marketing has been developed in voluntary cooperation with many participants and on the base of consensus between aims and

conceptual frameworks as a result of the discussion process. There are famous works of *Maier* known from German technical literature.

Except for the notion marketing of cities also other notions are known from practice, like **City – marketing, City-management, town management** (*according to Schaller*), **urban management or marketing of city parts**.

By broadening city marketing in communal practice, a notion differentiation has risen, which has been also supported by no existence of uniform theory of city marketing. It reveals a pragmatic approach to city marketing instruments.

So, this way different definitions and organizational models of city marketing which have exist, coexist together. By all the conceptual frameworks as a key element, we understand – at least in literature – a communication aspect and a requirement of integration.

In the Slovak Republic, authors have published works about individual special structures since 90-ties. According to *Viestova (19)*, regional marketing is an application of marketing philosophical conceptual framework in regional conditions. According to this author, **City marketing** means a marketing conceptual framework applied to a business city centre. Other authors, e. g. *Bernatova and Vanova (4,5)* pay attention to **marketing of areas**, which includes a method applicable for different types of areas and institutions (municipality, state administration, non-profit organizations, commercial sphere) and more specific notion - **municipal marketing**, which is oriented only to one type of marketing representatives – municipalities.

On the other hand, it is necessary to claim, that although there has been an effort of many Slovak authors to acquaint a wide expert and laical public with marketing function in different special structures` conditions , a literature that would systemize individual experiences most often transferred from abroad and present clearly individual notions and approaches has absent so far.

1.2 Applying of marketing in towns of transformation countries.

Communal development policy of Central and East Europe transformation countries is undoubtedly situated in a phase of realignment. Transformation countries like the Slovak Republic, the Czech Republic, Slovenia and Hungary in a process of “being learned regions” stay in front of great challenges within a process of liberalization and a process of European Union opening. This situation has brought many problems (a lack of finance, unclear powers, etc.) but also opportunities which complete plans being managed through city marketing up to present.

Economic, political and local development has been namely mostly realized in these countries through a state plan influence and public instruments of tax policy until recently. It was possible to notice different conceptual frameworks by public interest fulfilling in many European states in the early 90-ties. Traditional tasks and state powers have been deregulated, public funds have been expended more saving and communal performance has been oriented to rising income deficit. For city administration it means a change in its orientation from public management to enterprises for public services performance, with a communal manager at the head and forming of organization according to the principles of entrepreneurship. In

connection of that, communal management relates to arranging and managing of purpose oriented private social system, as well as in public administration.

If we transfer it to the special relevant planning, it also means, by long term real form of the special structures and processes, to assume operative managerial tasks. It supposes to fulfill the operative aims, to define and realize measures and controlling, because of efficiency evaluation after a certain appropriate time period. Right in this place, marketing of cities as an innovative strategy of their development is able to solve effectively their specific problems.

Current opportunities, treats, barriers and factors of success of individual cities should be elaborated by implementation of comparative evaluations.

If we take into account an increasing number of competitive situations in material and institutional spheres (e. g. competition between towns for public funds), it is necessary to adjust the special planning to new mechanisms of offer, demand and this way also to the market and competition. Products of municipal institutions, which have been elaborated up to present, are summarized into three demand forms: (14)

- “negative demand” from a large part of target group in relation with a blank opposite product or performance,
- “absent demand” by those receivers whose planning either points to a lack of information or by potential interest groups, which do not know a price of a planned offer,
- “hidden demand” – although in this case a need is outlasting it can not be fulfilled through the existing planned offer.

A necessity of special planning of development and determination of planning draft is undoubted. This way city marketing requires four basic activity spheres:

1. *Systematic market analysis.*

Creation of clearly oriented and sectorial informative and market research system (full data collection and evaluation of special relevant structures, processes and conflicts – there is a need to act).

2. *Regulation of the offer or performances specific for target group.*

Creation of market oriented policy of goods or performance policy, planning policy (with a stress on increasing competition of regions and municipalities for obtaining limited funds).

3. *Target oriented regulation of a market.*

Creation of target oriented communication policy (e. g. image policy, acquisition marketing and marketing of locations).

4. *Regulation of earnings of performance planning as a rule.*

City products have been delivered without a compensation of performances. This rule does not certainly have a support influence in relation with public or an office. Generally, it is difficult to determine a price policy of goods valuation (this fact has also been demonstrated by the examples of professional and specialized administration, e. g. of statistical regional office in Germany or administration in the Great Britain) so, that the price determination of given public estates would be fully accepted by a demand side. In connection with this, we can assume, that a consistent connection and a harmony of marketing ideas in cities of transformation states, is in the beginning. A stress is put very often more on a short-time ad-hoc policy. It is perspective to put the stress on educational

process through a culture of dialogue and to acquire all the interest groups for consensus which would lead to fulfill a long-term aim.

1.3 Transfer of marketing ideas into a public area.

A question of transferring the marketing idea into a public administration has been already discussed in developed market economies for more than 20 years. It has been shown that it is possible to transfer a marketing instrument file with given changes also into non-profit oriented institutions.

Process of widening of marketing

Consumer goods → **investment goods** → **services, service discharge** → **public entrepreneurship** → **social institutions** → **CITIES (towns)**

Philip Kotler (11,12), a classic of marketing, has defined in his publications marketing of locations (it is also our starting point by marketing of cities) as: “Summarized activities which are aimed to create, fix or change attitude or person behavior to certain locations. The aim of marketing of locations is to attract new citizens, tourists, investors to a certain area, state or country.

Marketing of cities is in harmony with the social conceptual framework of marketing. It is applicable by commercial and non-commercial institutions – it depends on a fact whether they present also a social mission within their product. The social conceptual framework of marketing is the latest conceptual framework of marketing management which came into existence as a reaction to deepen universal problems like poverty, hunger, getting worse of environment. Its base is “to know needs and desires of target markets, to satisfy them better and more efficiently than a competition to fix or increase a welfare of customers and a whole society”. (11)

City marketing, within a social conceptual framework of marketing is also a part of **non-profit marketing**. It is defined as every marketing effort made by organizations or individuals to achieve non-profit aims”. An inevitable assumption for successful marketing initiatives is an active participation of partners in the region and the city, e. g. state government, municipal government, communal partnership, chambers, various units or individual plants.

Regional marketing users: (13)

1. local (municipal) government, Supreme Administration District
2. state government
3. territory development oriented company – private, public or public – private.
4. non - government organizations, or individuals.

City marketing actors: (according to Meier)

1. Political actors (mayor and city council)

2. actors from government (effective oriented government)
3. Actors from private sphere and other interest groups (representatives from units and associations – traffic associations, economic boards, institutions, civic initiatives, tradesman companionships, sport and cultural unions, business units – natural or legal person).
4. External professionals (professional experts – market research, SWOT analysis, experts for process - they work on partial projects or during the total duration of a project, e. g. city marketing).

1.4 Reasons of city marketing origin.

Economize on activities.

In conditions of national and international competition, competitiveness of cities plays more and more important role. Another expression of this economisation, which is getting stronger, is “a policy of big events”, where there are time-limited mobilization of money, people, media with the purpose of achieving a clear formulated aim (e. g. realization of a big event).

Change of social values.

New forms of cooperation between actors of public government and private sphere have strength their importance. From this point of view city marketing, a political – theoretical term, is understood as a participative and cooperative process which enables a more intensive interpretation of citizens into a voting process and is based on elements of direct democracy.

Change of general conditions.

A city development has already been realized in a continuous transformation process. New general conditions demand conceptual framework of realization from political (integration in Europe), economical (market and business internalization, globalization of economy) and technical (new information and communication technologies, transport technologies) points of view.

1.5 Specific features and barriers of city marketing.

Specific features and barriers of city marketing result from facts, that cities are dynamic, not homogenous units, what means original starting point conditions of marketing instruments (created for enterprise of production conditions) are not suitable for the cities. Although enterprise and city marketing come out from the basic marketing philosophy, to satisfy needs and demands of customers and market orientation, there exist some important differences between them.

According to Maier there are some more limits for marketing in public sector.

- Wide spectrum of possible affect in city and regional marketing,
- Necessity of finding a consensus for more actors,
- Voluntary commitment
- Financial problems and absence of aim by achieving goals when obligations are fulfilled,
- Absence of interconnection of priority goals,
- Limited possibilities of sanctions,
- Achieving of set aims (higher interest).

1.6 Process of city marketing

If we take into account variety of activities, which have been included into marketing process of regions and cities, it is necessary to divide it into these phases:

- Conceptual phase
- Phase of analysis
- Phase of creating image
- Phase of strategy
- Phase of strategy implementation
- Phase of control.

Conceptual phase includes formulation of highest aims. Because cities are created by a society of citizens, entrepreneurs, organizations, public and non-profit sectors, their ideas of a city direction differ. It is necessary to set a vision and mission of the city.

Phase of analysis contains analysis of outside environment, inside environment, competition and market. To elaborate this analysis, lots of data and information are needed, which suppose creation of a high quality marketing information system.

On the base of analysis and determination of segments on which city marketing will be aimed, an image, positioning of observed city is identified from the point of view of the target segment compared with a competition.

Marketing strategy is a document, which does not have an obligatory character. It contains suggestions and methods, obligatory for its processor. For other subjects it has a coordination importance. It is a long-term conceptual activity of the city and it should help the city to sell it to given market segments for their different activities (housing, consumption, production), to differ the city from its competition, to use a competitive advantage of the city, e. g. natural conditions, historical and cultural heritage, to achieve satisfaction of citizens, entrepreneurs, visitors, etc.

Phase of strategy implementation is the main task of city management. By realization we understand implementation of aims and conceptual frameworks through projects and plans, which come out from these plans. After a decision about market positioning within the accepted strategy, then comes a creation of marketing mix of cities. That is the decision about a suitable group of tactical instruments addressed to target customers. Individual city uses this specific marketing mix to promote its offer. Marketing mix of cities is quite specific. It results from a character of the product (its main part supplied together with all the subjects which perform in the city). That is the reason why we add four other instruments of marketing mix – people, process, physical evidence and partnership to the traditional marketing mix – 4 P (product, price, place, promotion).

Phase of control includes finding out a common state and its comparison with that which has been expected. If finding out some insufficiency, against those planned, we bring improvement of deviations. In keeping with a non-profit essence of city marketing, a control mainly tends to qualitative values (image of individual cities, quality of their products) than to quantitative values (profit, market share).

2. Research of marketing instruments enforcement in development of towns of the Slovak Republic.

2.1 Start situation

Slovakia as a young and associated country, which has been prepared for access to the European structures, has looked for its place on markets and in world public privacy.

A quality of work of a competent territorial organ of state administration and municipalities plays an unneglectable role. In new conditions they have to look for new ways how to enforce their position in the market to ensure profitability of regions and cities and satisfaction of their inhabitants to attract entrepreneurs, tourists or other capital into regions.

Knowledge of everything what regions and cities (every individually) can offer as their product, identification of possibilities and barriers of their development, weaknesses and strengths as well as a realization phase – all is a role of regional and city marketing. Its success depends on a quality of this knowledge, of permanent watching and evaluating a state of a region and city and their environment.

Importance of observing this issue lies in a specific position of Slovakia as a transformation economy and also in importance of its participation and personal involvement of individuals – citizens in running and life quality of region or city where they live, work and spend their free time.

2.2 Aims of the analysis.

Research examination among representatives of municipalities was oriented to identification of a concrete marketing and communicational instruments enforcement in conditions of the Slovak cities in which the competent representatives of individual cities specified whether there is an institutional form of marketing in their town, who is responsible for performance of marketing activities. In case, that there was no institutional form, they had to identify reasons for this state. We were interested, what were the reasons for enforcement of marketing instruments by municipality representatives in Slovak conditions and why they considered it important, what instruments and forms of promotion they use. We focused on finding out which products of the town they made effort to promote and finally we focused on elaborated marketing strategies.

2.3 Research methodology

In the inquiry examination, a sample was created by all of towns in the Slovak Republic (according to the Municipality Establishment Act), totally 123. A return of questionnaires via mail was 71 questionnaires from 123, what equals to 57,72 %. That was the reason why we widened

Data collection also to personal visits and we succeeded in couple of structural dialogues with heads of marketing departments or hose departments, which fulfill this function in Slovakia. We realized the realized the research in term February – April 2003.

Table 1 **Question areas connected with research of marketing enforcement in the towns of the Slovak Republic.**

Thematic question area	Questions
Institutionalization of marketing enforcement in conditions of the towns	<ul style="list-style-type: none"> • Does institutionalized enforcement of marketing exist in individual cities? • What are the reasons of no existence of institutionalization of marketing activities in the town (lack of finance, need does not exist, lack of professionals, etc.)?

	<ul style="list-style-type: none"> • Who performs marketing activities connected with the town (own marketing department within the organizational structure, workers authorized to perform marketing activities within organizational units, external marketing agency, other subject)?
Reasons of importance for marketing principles enforcement in conditions of the towns	<ul style="list-style-type: none"> • What are the reasons of importance for marketing principles in conditions of the towns (investment flows, tourism development, economic development, fulfill of citizens needs, others)?
Promotion instruments used	<ul style="list-style-type: none"> • Which promotion instruments are most often used in conditions of the towns (advertising, personal sale, sales promotion, public relations, direct marketing)?
Concrete forms of promotion used	<ul style="list-style-type: none"> • What are the concrete forms of promotion used in Slovak towns (press, radio, TV, Others, no forms)?
Concrete products of the town to which marketing effort is oriented	<ul style="list-style-type: none"> • Marketing effort is oriented to promote which products of the town (services, tourism, social events, room renting, others)?
Existence of elaborated marketing strategy of the town	<ul style="list-style-type: none"> • Do elaborated marketing strategies exist for the towns? • In which phase are the marketing strategies for the concrete towns (analysis of the environment and planning, implementation, controlling)? • Where is it possible to acquaint someone with the marketing strategies of the towns (by the competent marketing manager, on internet, other sources)?

2.4 Provisional results of the research

In this place we provide a summary of findings from collection of the questionnaires with the representatives of the Slovak towns, which were elaborated in detail in previous analysis. These provisional results relate to the observed sample of the towns, however, we hope they can also result into more general conclusions:

- In 2/3 Slovak towns there is no institutionalized form of marketing.
- Predominant reason of no existence of institutionalized form of marketing activities (63,8%) is lack of finance, then lack of professionals (29,8%), other reasons (23,4%) and a non-existent need (8,5%).
- Most often other reasons why marketing activities are not institutionalized are: the organizational structure does not contain a post, which would deal with marketing (45,4%), lack of sympathy from responsible people (9%), organs of a town do not deal with a need of town marketing (9%), in small towns apparatus is insufficient and only a mayor is competent to deal with marketing (9%), lack of staff (9%), although the form of marketing is not institutionalized, it is exercised in practice through department of media activities and civic affairs (9%).
- Institutionalized form of marketing activities exists in 1/3 Slovak towns and it is mainly performed by authorized workers within the organizational units.
- No one municipality did not present that it has its own marketing department within the organizational structure and do not use marketing agency or other subject for that.
- Most important reason why to enforce marketing principles in conditions of the towns according to 100% interviewed is economical development, development of tourism (58,3%), investment flows (54,2%), fulfill of citizens needs (41,6%) and finally other reasons (8,33%).
- As the most often other reasons why they consider enforcement of marketing instruments in conditions of the towns so important, they take increasing of employment (50%), strengthen of communication between a citizen and municipality and increasing of credibility of municipalities (50%).
- Most often used instruments of promotion in Slovak cities are: Public relations (66,6%), advertisement (54,2%), sales promotion and direct marketing (equally 12,5%) and finally personal sale (4,2%).
- Most often used concrete forms of promotion are: press (38%), radio and other forms (equally 21%), TV (18,3%). This question was answered also by these, who took , that they did not have the institutionalized form of marketing.
- Most often used forms of promotion are: internet (16,9%), leaflets, posters (2,8%)exhibitions (2,8%), strategic plan of the town economic development (1,4%), publications about the town (1,4%), taking part in tourism fairs (1,4%), multi-sectorial cooperation (1,4%), town TV studio (1,4%) and info chanel (1,4%). No one town took, that they would not apply any form of promotion.
- Marketing effort is mainly oriented to tourism (26,5), social events (25,4%), services(15,5%), room renting (12,7%) and other products of the town (11,3%).
- From other products of the town, marketing effort is mainly oriented to rent industrial parks and other areas – green and brown (11,3%), offers for potential investors (2,8%), economic development (2,8%), offer of human potential (1,4%), national sport events (1,4%) and international and cross border cooperation (1,4%).
- 8,45 % of the total number of people asked, took that there was the elaborated marketing strategy for their town. The rest of them took that there was not any elaborated strategy of marketing activities in their town.
- 100% of those, who had the elaborated marketing strategy of the town took, that it was in a phase of environmental analysis and planning, according to 33,3% of interviewed, it is in implementation phase and no town has its marketing strategy in a phase of controlling.
- According to 66,7% of interviewed, it is possible to acquaint with the marketing strategy on internet, in case of 33,3% by the competent marketing manager and in 16,7% it is possible to be informed from other non-specified sources.

3. *Conclusions*

Marketing of towns offers on one hand a great variety of solving problems typical for current situation in transformation countries, on the other hand it also requires some basic assumptions and abilities – it can also play a role of the instrument of development of the town in conditions of Slovakia. It is necessary to raise some questions by enforcement of the models, conceptual frameworks and methods from the countries where they have already had a long term and intensive experiences (e. g. in Germany, Netherlands):

- what offer does the town dispose? (productive policy performance policy, etc.)
- whether demand for these products exists (orientation for needs and markets)
- which strategies it is possible to enforce in different participated countries and their towns with their specific conditions (appropriate marketing mix)
- Whether it is possible to internationalize a marketing policy
- Whether marketing of towns is really an instrument of solving the problems which have arised in general conditions of transformation countries
- Whether a cooperative interest has really contributed to a wide participation of different groups.

Other questions direct the actors who take part in the process of marketing of towns and who depend on its success or fail:

- Do there exist any representatives of political decisions (mayors, town council) who would motivate other groups, by their influence, to participate in marketing of towns?
- Are there any personal structural and motivation assumptions created for executive administration?
- Does the cooperation between a private sector and offices (public-private-partnership) function, e.g. in a sphere of the communal economy support?
- Are the citizens or other interest groups interested in participation in the process of marketing of towns?
- Do the professional and social responsible experts exist, who would manage and control the process of marketing of towns and at the same time, who would be the representatives of decisions, authorized by competences and accepted by other actors?

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