

Territory Marketing: Its Notion, Specific Features and Implementation Stages

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Doi:10.5901/mjss.2015.v6n3s4p165

Abstract

The real production research is devoted to the analysis and knowledge systematization of territorial marketing as one of the leading directions of strategic management on administrative-territorial education providing its sustainable development. In spite of the fact that the described phenomenon strongly has entered into modern Russian reality, a different interpretation in the name, contents, methods, tricks and strategy is being observed. Therefore, in this study are indicated problems of implementation of the concept of territorial marketing in Russia, studied its types and characteristics within the concept of the 4-P. The authors proposed approach to the classification of territorial marketing strategies for the eight reasons: the direction of marketing activities, marketing concepts, technology implementation, the method of implementation, referring to product demand, factors of attractiveness, the concept of the Boston Consulting Group (BCG), the basic method of development of the territory, the core conceptual brand. The possibility of their use as an example of municipal formation town of Taganrog (Russian Federation) and the main tourist areas in Southern Russia. Also provided is the author's ability to implement marketing areas, consisting of four successive stages - preliminary, research, staged and realizable. At the same time justified the essence of these steps make up the stages, their methods and means to achieve purposes.

Keywords: marketing of the territories, methods and strategy and fulfillment algorithm of marketing of the territories.

1. Introduction

Marketing of the territories permanently enter into practicing an effective strategic planning abroad. At second half of the XX century many American managers start speaking about such aspect of activity. In 1993 the book by Philippe Kotler and coauthors «Marketing of places» has covered the multiple methods and examples on application of marketing technologies in some specific cities (Kotler Ph.et al., 1993).

Since that time the marketing of the territories has been included into programs of problematic territories improvement. Russia masters this tool also, using both: foreign experience, and domestic practices. In nowadays at regional and state level the politicians and managers more and more attention pay to this direction of marketing, realizing that the marketing of territories is a real tool which will allow to open the potential of the territory and its competitive advantages, to find the productive and economic solutions corresponding to real requirements and interests of potential investors.

Unfortunately, the experts possessing a qualification in this sphere not so many in numbers. The reasons for that are a few:

- the place marketing has started to form as marketing branch only in the late nineties,
- the marketing tools relatively recently start being in use for progression of the cities, territories and countries,
- the number of customers is insignificant (Petrov D., 2011),
- the services on development of marketing plan, strategy, brand are presumed not by every territory.

Till recent time in Russia exclusively the federal government (The Ministry of Finance, Ministry of Economic Development and Trade etc.) within this or that federal target program use to be the key investor in the regions. For the time being the possibilities of the state to act as the key investor have sharply decreased, and the question of attraction the private investments into development of regions has been pushed forward. And, therefore, a fight between the regions for resources and investors becomes aggravated.

Some regions try to coordinate the infrastructure development, attraction of business and use of historically developed industrial productions. But such approach is not always expedient. However it is necessary to tell that the ratings of brands of the countries, regions and cities per various parameters, for example, per set of potentials of such

categories, as people, management, export, culture and heritage, tourism (Xiaoyan Zhao, 2013) in recent years are regularly carried out. Thereat according to these ratings, the positions of Russia within 3 years earned the tendency to strengthening an appeal of the country as a whole.

And in 2013 the state corporation «Development bank and foreign economic activity (Vnesheconombank)» on the basis of subsidiary of Vnesheconombank of JSC FTsPF has launch the new direction - territorial marketing of Russian regions (Federal center of the project financing, 2013).

In spite of the fact that the described phenomenon strongly has entered into modern Russian reality, a different interpretation in the name, contents, methods, tricks and strategy is being observed.

2. Literature Review

Place marketing - the term which translated into Russian literally and has received the name «marketing of places», to our opinion not absolutely fully explains an essence of this phenomenon therefore the terms such as marketing of the territories, territorial marketing, branding of places, branding of the territories also encounter (Hanna S. & Rowley J., 2013; Peel D. & Lloyd G., 2008). To our opinion, the most comprehensive today is the term «marketing of the territories», assuming a possibility of its fine tuning under the administrative-territorial or locally specified unit of any scale.

Along with existence of homogeneous concepts row there is also a set of definitions of this phenomenon (Vizgalov D. V., Kotler Ph., Pankrukhin A.P., Dinnie K). However it should be noted that, according to authors, the majority of them are reduced to understanding of marketing of the territory as the complex of actions on advance of interests of the territory (Vizgalov D., 2011, 2008; Gagarsky M., 2005; Kotler Ph., 2005; Pankrukhin A., 2006; Dinnie K., 2013).

The most comprehensive definition of above-named concept, to our opinion, is the following: «Marketing of the territory is the complex market oriented control system of administrative-territorial formation of certain scale, providing its sustainable development, competitiveness increase, effective sale of territorial product and optimization of use of available resource potential of the market (Yazykova P., 2011).

However, whatever denomination would be mentioned about, the place and territory appear to be an objects of activity of the marketing expert.

Traditionally, after Philippe Kotler, the following versions are considered:

1. Marketing of economic premises zones is economical adaptation, sale, offers of rent of plants, shops and other types of commercial premises or territories. The builders, first of all, shall investigate the needs of business representatives, and then offer complex solutions for formation of industrial zones, shopping centers, offices or commercial buildings. Creation and development of infrastructure increases an investment appeal of such places.
2. Marketing of investments into demesne properties assumes an arrangement and sale of the steadings, sale as the objects of capital investment and utilization for unassimilated, under-populated territories development. As an example of this kind of marketing in foreign practices can be an adaptation of considerable part of Florida and territories of Far West (Kotler Ph. & Armstrong G., 2010). In our country it could be the sites under the elite dachas (country houses), garages, shopping centers, etc. which buyers are the enterprises, businessmen, speculators, etc. whose goal is to sale the places before they will grow in the price. Thus the «marketing of investments into demesne properties includes an arrangement and sale of land lots, development of special programs on purpose to draw an interest of possible investors into the capital, using the advertisement, visits of direct-sales representatives, free trips for survey of sites, etc.» (Gagarsky M., 2005).

The marketing of housing consisting in drawing attention to building, sale and rent is directed on housing creation according to needs of certain groups of clients, i.e. is special for specific objective markets (price preferences, interests and so forth).

3. For example, earlier the housing estates were created for people of certain profession (miner's small towns), certain age (YHE - youth housing estate), modern - for inhabitants with special requests or preferences (for example, «design interiors», «elite housing estate», «international class»). The main tools of this type of territorial marketing are an advertisement in corresponding headlines of newspapers, magazines, work of agents on trade in real estate.
4. Marketing of vacation spots - involvement of potential consumers - tourists - in certain places (resorts, the improved cultural or historical centers) by means of agencies, traveling agencies, airlines, representatives of hotel business and public institutions. Marketing of recreational facilities assumes the infrastructure creation allowing with comfort to place the tourists, and it should be also attractive to certain groups of clients fond of history, legend, etc.

The first and second types of marketing of the territories assume, first of all, an involvement of legal entities, whereas the last two mentioned are private individuals.

In any case, the marketing territory, according to Kotler (Kotler, 2005) and his followers, involves improving the marketing of the following groups of factors:

- Maximum orientation of infrastructure, goods and services to meet the main target groups of consumers territory - its residents, visitors, businesses;
- The creation of investment attractiveness of the area, primarily by improving its image and quality of life;
- Providing full support communities and other stakeholders in attracting investment, new companies, as well as various guest programs.

It is possible to define the main objectives of marketing of the territories as follows:

- Creation of attractive image of the territory (depending on target audience).
- Involvement of potential clients (investors, tourists, experts, representatives of the state structures).
- Increase of region references in mass media.

The concept of "4P" for the first time published in 1964 in the article "The Concept of the Marketing Mix" by Neyl Borden, lies in that the complex of marketing consists of four components: product, price and promotion of goods in the market and product delivery to consumers (Borden Neil, 1964). In the interpretation of place marketing the Marketing mix is transformed as follows (Table 1).

Table 1. The features of 4P of marketing the territories

| Kind \ 4 P | Territorial product | Territorial product price | Allocation, distribution of Territorial product | Territory promotion |
|--|---|--|--|--|
| Marketing zone of economical premises | Economical premises properties (workshop, plant, commercial trade centers, offices, trade centers), their quantity and quality, geographical position, population, personnel, infrastructure development degree, technologies | Transportation outlays, burden of company workers accommodation, building material and equipment expenses, cost of building, tax remissions, degree of comfortless of company sojourn | Place of accommodation if defined by programs of development of region//city, places of trade is the specialized editions, sites of companies, direct sales. | Adds and PR-campaigns, off-load stimulation methods, considering the addressee peculiarity, optimal channel for promotions, carriers, volumes, temporal modes and etc. |
| Marketing of investments into demesne properties | The land resources – range, quantity and quality, geographical position, population (personnel), life level, infrastructure, aptitude to work with hi-tech. | | | |
| Housing marketing | Kinds and types of real estate, quantity and quality, geographical position, infrastructure. | Life expenses, level of income and social benefits, outlays on specific goods and services on the territory | The locus is defined by region//city development programmers, building companies abilities, potential clientele interests; Sales places –the specialized editions, sites and offices of companies-builders and agents of real estates. | |
| Recreational facilities marketing | Hotels, hostels, museums. Guest houses, boarding houses, national parks, historical places, monuments, etc., and some other places for recreation and entertainment, offering their services to the tourists | Offer cost, pocket money and daily expenses, travelling expenses, tickets outlays for sight-seeing places visit, for recreation and entertainment cost, rent needed for recreation and equipment | The locus is conditioned by geography and history of the place, the trading places such as tourist agencies (offices, sites and representatives), aviation companies representatives and other transporters, Internet | |

Inclusion of one more element into traditional understanding of marketing complex - consumers - they force the theorists of marketing to pay attention to modification of «the fifth P» within marketing of the territories. First of all, it is the persons interested in successful development of the territory:

- Local population,
- Representatives of business,
- Attendees / visitors / nonresidents of the territory,
- Public organizations etc.

It should be noted that the consumers of the territory can act at the same time as subjects and objects of marketing that testifies to washing out the borders in subjective-objective relations within the marketing of the territories.

3. Results

Literature analysis (Anholt S., 2010; Hildreth J., 2010; Kotler Ph., 1993, 2005; Vizgalov D., 2008, 2011; Pankrukhin A., 2006), and own researches of authors as well have allowed to allocate the number of classification signs on which it's became possible to determine the following types of marketing strategies of the places provided on fig. 1.

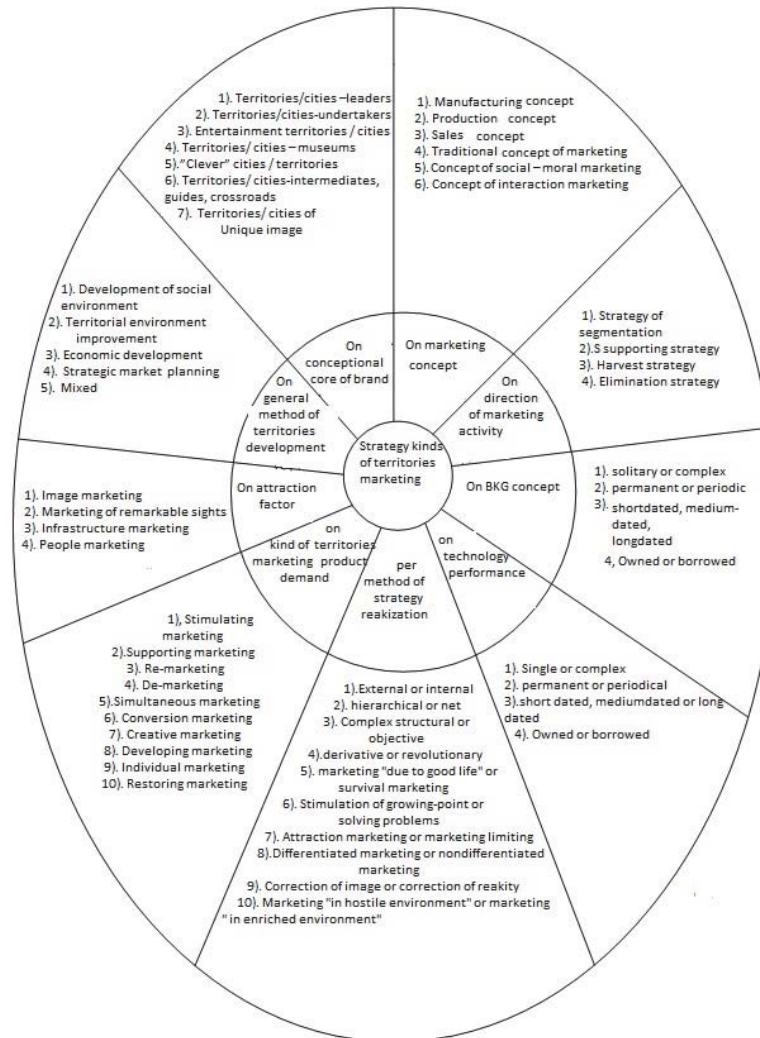


Figure 1. Major classification of marketing strategy

Let's consider selectively some strategies per row of classification signs.

According to BKG concept, a strategy selection depends on object position in corresponding segment of matrix per two readings / indicators - the growth rates of the market and market share. So, for example, at high growth rates of tourist services sale market in Russia, and also at rather small share of the market of Republic of Crimea and Sevastopol, these regions are naturally oriented to strategy of development which is actively supported by local authorities, inhabitants, Russian mass media, Russian Federation government (regarding the subsidizing, investment, active advertizing etc.) (Official site of the Government of the Russian Federation, 2014). In developing situation it is expedient for resorts of Krasnodar region to concentrate on strategy of support - to strengthening own competitive advantages.

If to consider the objects of marketing of the territory presented in the previous example, than being guided by classification connected to directions of marketing activity, the regions have recently joined Russia, should concentrate on segmentation strategy (exit to new segments, deepening of already existing market) with subsequent orientation to internationalization at the expense of unique competitive advantages. Whereas the Krasnodar region should be orientated on offers extension, diversification of activity (for example, at the expense of sports, Olympic tourism in Sochi, etc.).

Interesting from the point of view of the study is to examine the possibility of choice of marketing strategy for the territory of the city of Taganrog, Rostov region (Southern Federal District of Russia). Taganrog is the second largest city in the Rostov region. It is a major industrial and cultural center. In addition, Taganrog - a railway station and one of the largest international sea ports in southern Russia. Near the town is the climatic resort area of Taganrog Gulf (Official portal of Taganrog, 2014; Rostov Region in Figures, 2014). This is a unique and paradoxical territory. In this regard, as there are many opportunities for its marketing, as well as a number of difficulties.

On the one hand, Taganrog - it is an industrial center. Here are developed such industries as mechanical engineering, aeronautics and metal, chemical, food, and others. There are more than 40 industrial enterprises. Their main production are concentrated in the city, on the one hand, economically very profitable, but on the other – nature-costly. And since many of these businesses are at a given time in a rather bad financial and economic status, something like that situation reduces the potential use of the territory as a city businessman. From a tourism perspective, Taganrog also misses opportunities. Despite the relatively mild climate and warm fresh Azov Sea, rich in iodine, Russians prefer to rest in the neighboring region, where the air is cleaner and the development of appropriate infrastructure.

On the other hand, Taganrog - a cultural and historical center. The name of the city associated with many famous names – A. Chekhov, F. Ranevskaya, P. Schmidt, A. Durov, M. Tanich, G. Beriev and others. Rich in Taganrog and monuments, and military background (City of Military Glory) and cultural events ("Operation Smile", "Sport rest of the world", "Under the guise of goodness!"). However, so far the city has not become a museum city.

Also in Taganrog could be implemented the strategy of the city intermediary conductor. Given the fact that after the accession of Russia to the Crimea, he becomes the port city, which plays a major role in Russia's trade in a southerly direction.

Feasibility of single or integrated strategy of territorial marketing all of the above areas should be thoroughly investigated in the near future, as the city has a large unrealized potential still.

In any case the selection of specific strategy in the course of carrying out marketing of the territory should be preceded by the analysis of specific determinants, chronic tops of very object, among which, first of all, its potential, interests of subjects, and also environmental features are the main, Thus process of marketing of the territory can be provided as follows (fig. 2):

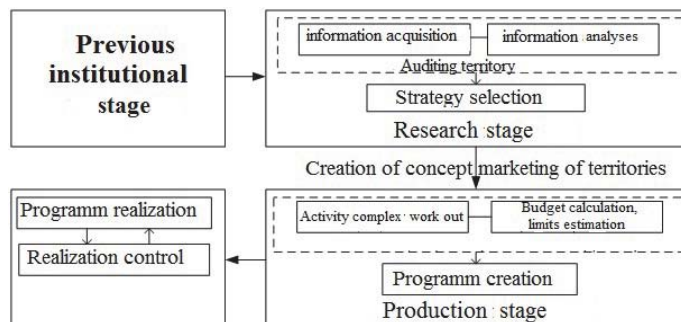


Figure 2. Main stages of carrying out marketing of the territories

The process of carrying out marketing of the territories should include the following stages:

0. *The previous organizational stage* which does not assume the use of technologies and marketing tricks but is directed on creation of organizational link in the executive authority body, urged to carry out the statement and implementation of territorial marketing. The main objective is coordination of efforts, creation of new department or even the public (noncommercial) organization aiming on implementation of marketing of the territories.
1. *The research stage* consists in carrying out the marketing analysis and assessment of potentials of the territories. This stage assumes collecting and analyzing the primary and secondary information (carrying out the primary analysis of the marketing environment, description of internal and external marketing environment of the territory, analysis of the market, demand, analysis of the competitive environment and assessment of competitive advantages, carrying out the PEST analysis and SWOT analysis, development of separate elements of territorial product, possible changes of territorial product segmentation, analysis of consumers behavior, selection of target audience, positioning – all that, finally, should lead to elaboration of strategy of development of the territory.

2. *The production stage* including processes of development of territorial marketing complex and development of territorial marketing policy. This stage assumes the follows:
 - a. the definition of mission of the territory, description of main objectives and tasks, selection strategy (of the main target markets, positioning in consciousness of consumers etc.),
 - b. the suggestion of main types of activity, results expected (criteria of assessment efficiency, qualitative and quantitative indices),
 - c. the calculation of marketing plan budget (and some separate marketing programs taking into account the resources and territory possibilities),
 - d. the creation of marketing program (plan of activity, performers, terms).
3. *Implementation of marketing of the territory program*. The last stage assumes keeping up to the program developed at the previous stage taking into account an influence of environment, and also the current and total control, mechanisms of plan updating, the general assessment of plan implementation efficiency.

4. Discussion

In nowadays the increasing number of experts pays attention to necessity of strategic planning / regions marketing development plan, on regions "profiling", on formation of the territory brand. However the majority of the methods and tricks, borrowed from the foreign sources, are applied unilaterally, irregularly, the activities organized by administrations of the cities are presenting separate and temporally character, do not built into system of region development. It is necessary to apply a systematic and complex approaches to effective application of foreign experience and creation of the methodological base: to use all massif of knowledge on marketing places / branding of the territories / territorial marketing; to estimate the city's/region's capacity on the basis of all resources (investment, economic, social and cultural appeal); to create the system of planning and management of marketing at level of subjects of economy and business, culture, education, social infrastructure and public political organizations. Special role in this process should play the marketing plan of the city / the territory including the description and the marketing analysis of the territory, assessment and opinion of local folks, representatives of business, potential investors and tourists, strategy and tactics, order and the scheme of marketing plan implementation.

The results of research presented in this paper were obtained with the financial support of the Ministry of Education of the Russian Federation within the framework of the project "Creation of a plant for manufacture of multifunctional mobile hardware-software complex of prolonged cardiac monitoring and ergometry" by government decree № 218 of 09.04.2010, the research was carried out in the Federal State Autonomous Educational Institution Higher Professional Education «Southern Federal University» (SFedU).

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