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# **PLACE MARKETING**

 **ELIANUM**

**2017**

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# INTRODUCTION

Places around the world are facing globalization, dynamic changes and domestic and foreign competition. In recent decades, many of them have seen their position in the market unstable – they have experienced significant fluctuations with an impact on their market position and ability to keep quality human potential in the place as one of the driving forces of development. In this difficult situation, they are searching for new innovative and creative approaches that would help them develop the place sustainably and increase the welfare of its population. One of such approaches is place marketing.

This university study text deals with the issues of place marketing as part of managing self-government authorities. A paradox of recent decades is the growing globalization on the one hand, and transfer of responsibilities and competences from central to local government on the other hand. For this, we have applied the theoretical knowledge to places on the level of local government, i.e. local and regional self-government.

Our aim is to get readers acquainted with the issues of place marketing. Research and practice as well as many years of our experience show that place marketing is one of the effective tools of place management. It requires systematic and coordinated procedures, from defining a vision, mission and goals, to identifying the strengths and weaknesses, opportunities and threats, main competitors, target markets and the position of the place in the market, to defining a suitable promotional strategy and marketing mix strategies, the ability to translate a widely formulated strategy into individual steps and to thoroughly check how successful they are.

The structure and content are based on broad research and teaching experience of the authors and on testing the content in class during the two years of the KEGA project. The whole study text is divided into three chapters.

The first chapter defines the concepts of place and place development. In literature, the concept of place is not clearly and comprehensively defined. Our definition is based on the assumption that a place is a complex system of economic, social, technical, historical, cultural and political relations and processes which are taking place in a certain environment with an array of interrelated material characteristics influenced by the market, competition, changes in the external environment and thus, they should be managed.

In theory and practice, the approaches to place development are different although effective development of a place and rising welfare and prosperity require a market-oriented approach to the management of the place development, which is expressed through place marketing.

The second chapter brings definitions of the basic concept of place marketing. Place marketing is based on the classical concept of marketing. When this concept is applied in the specific conditions of a place, specific approaches, methods and tools are needed. We assume the major principle of marketing is based on the ethical preference of the needs and interests of society to the needs and interests of individuals and groups, especially when these interests are not mutually consistent. In this chapter, we describe marketing factors of place development. In terms of place marketing, a place is a product different from other products in a number of characteristics. This is a reason why it needs a more detailed specification. We have also defined other tools of the marketing mix in place marketing – price, accessibility, promotion, human factor, partnership – and characterized their peculiarities.

Clarifying the concept of place marketing, it is necessary to define the concepts of places market, benefit for society, social role of place marketing and competition. Benefit for society in a place means direct (expressed in finance) and indirect (growth of welfare and sustainable development) benefit for the place. Our definition of the concept of competition and its typology is based on economic literature and the theory of classical marketing and it takes into account the specific features of a place as a product and the peculiarities of its development. Competition between places is a factor significantly influencing the development strategy of the place and determines the opportunities of the place in the places market.

The third chapter pays attention to strategic marketing planning of the place development at the level of local self-government. Development of a place is a systematic and continuous process and therefore, it was important to define and characterize its individual phases. Marketing approach to the planning of the place development allows to better react to changes in the market. In the case of target market failure, marketing analysis and segmentation allow to effectively direct the subsidies, use the sources of the place and adapt them as much as possible to the needs and expectations of selected segments in the target market and thus create conditions for smooth running of the social and economic functions of the place.

Each chapter is ended with a short summary of the issues, key words, questions and tasks to help the reader deepen the knowledge, and a list of resources used in the chapter.

This publication is a result of the effort to transfer our knowledge from the theory and practice of place marketing in a complete and systematic way.

We believe that this book will read well, will expand the reader's knowledge and will be a useful guide for university students, professionals as well as other readers.

This university study text is an outcome of the KEGA no. 007UMB-4/2015 project titled “Marketing in regional and local development – creation of university study materials in Slovak and English in printed and electronic form”.

Anna Vaňová  
The leading author

# 1. PLACE AND PLACE DEVELOPMENT

The basic concept of this book is place. In literature, this concept has not been defined unambiguously and attention is paid more to specific types of place, such as village, town/city, region or country. In this chapter, we aim to define the concept of place as one of the basic concepts we will use. The place is the object of management that aims to ensure the development of the place. Therefore, we also deal with the issues of place development and different approaches to its meaning.

## 1.1. Definition and disaggregation of place

The concept of place is connected with the concepts of space, spatial structure, spatial value. Place refers to a space and in literature, it is often defined as:

- a bounded part of the earth's surface,
- a socio-economic category,
- a spatial structure,

which, due to the quality of its elements and the way they are organized and interrelated, actively affects the general conditions of the reproduction process and its results.

The concept of place includes territorial units of different size – from supranational units to cadastral areas to boroughs in municipalities, which can be divided into smaller units.

The concept of place is used in different disciplines – history, economics, statistics, sociology, geography, ethnography, or urbanism, which use different criteria to define it.

In the economic science, the main factors of production are capital, land and natural resources, labour and human resources, information and information systems, technology and know-how. Based on this, land or ground is a factor of production and thus, a land consisting of adjacent lots can be referred to as an economic good. Economic goods exist in limited supply, so they are scarce. People need them because they bring benefit.

A place is created by different kinds of goods, which are:

- free,
- public (collective),
- private (tangible or intangible).



The economic utility of a place is affected by:

- the characteristics of the place, which allow different ways of functional exploitation of the place,
- the location, which determines the costs in terms of accessibility.

Based on the above mentioned, a place can be disaggregated on the basis of:

- **location,**
- **time,**
- **size,**
- **value** (Figure 1).

P L A C E							
S I Z E   a r e a	V A L U E						T I M E
	Environment						
	Intangible	Tangible					
	Abstract	Man	Natural		Created by man		
	Image	Human resources	geomorphological	stable	housing	socio-economic infrastructure	
	Atmosphere	Personal infrastructure	climatological		manufacturing		
	Modernity		soil characteristics	variable	financial service		
	Attractiveness		geological hydrological		administrative legal		
	Glamor		fauna a flora valuable natural resources	partly variable	transport	technical infrastructure	
	Esthetic value				communications water system ecological services		
L O C A T I O N							

Figure 1 Disaggregation of place

Source: Own creation

One of the most important characteristics of the place is **location**:

- it has the highest degree of stability,
- in principle, it does not change (only rarely, under the influence of tectonic changes),
- the quality of land can change over time.

Another aspect to evaluate the place is **time**. If the place is conceived as a spatial dynamic value, a socio-economic category, closely connected with the dynamics of places, then it is not possible to define the place without considering the factor of time. All changes happen in time and so time is a factor that must be considered when evaluating a place.

**The size** of the place is understood as its area, usually expressed in square kilometres (km<sup>2</sup>) or hectares (ha) or the number of inhabitants.

Taking into account the fact that the area of the place is relatively stable over time, we will consider the size of the place from this point of view.

**The value** of the place is meant as its tangible and intangible potential that can be measured by quantity and quality. The potential of the place is:

- structure,
- characteristics,
- values of the elements of the material and non-material environment – natural environment,
- human factor (inhabitants living in the particular place and their manifestations, etc.),
- values created by people,
- abstract characteristics of the place.

The potential created by the man can be divided into factors that affect the place:

- for a long time (buildings, facilities, roads, etc.)
- for a limited time (for example different cultural, sports and social events).

Each place has a characteristic potential:

- natural-geographic,
- socio-demographic,
- socio-economic,
- urban,
- innovation potential.

**Natural-geographic** potential represents the basic possibilities and abilities as a basis of the place development. It is created by:

- geographic characteristics of the place,
- relief of the country,
- climate conditions,

- hydrological conditions,
- soil conditions,
- geological conditions,
- fauna,
- flora,
- valuable natural resources,
- natural phenomena,
- formations, etc.

**Socio-demographic** potential of the place is significant from the point of view of the dynamics of the place development, forming of the economic structure, which, with the goods produced, creates conditions to satisfy needs. It consists of:

- personal infrastructure (human capital),
- characteristics, such as the number of inhabitants,
- natural and migration increase and decrease of population,
- age structure of the population,
- sex structure of the population,
- education and qualification structure of the population,
- commuting of the population to work, school, services,
- ethnic structure of the population,
- income structure of the population,
- household structure,
- consumer behaviour of the population,
- life values of the population,
- prevailing lifestyle of the population, etc.

**Socio-economic** potential determines the place of a delimited area in the spatial economic structure, its economic power, stability and prosperity. This potential can be, above all, characterized by:

- sectoral structure of economic activities,
- size of businesses,
- investment activities,
- development and downturn of economic activities,
- accessibility by transport,

- labour potential and its use,
- rate of unemployment and structure of the unemployed,
- spatial distribution of economic activities,
- quality of the environment,
- and infrastructure – technical, social and economic.

**Innovation** potential represents a background of new ideas, innovations, quality human potential, new technology as a separate category of factors with an impact on the place development. It is made up of institutions such as:

- universities and secondary schools,
- research centres,
- cultural institutions,
- development agencies,
- non-profit organizations,
- different societies and associations as well as creative individuals – they can initiate and implement progressive and creative approaches and human enthusiasm.

**The place as a whole, its potential, assets and characteristics (possibility of living, producing, doing business, recreation, transport, public services, atmosphere of the environment, etc.) are an object of purchase, sale and consumption and thus can be considered a product (place as a whole), or products (individual components of the potential).**

A place attractive for its potential at a given time has a better chance to succeed in the places market, since it attracts a financial and human capital, which can subsequently ensure its further development, prosperity and welfare. The place can function on the basis of its production activity in its broadest sense. **A significant factor that plays a role here is that any activity associated with the place is bound with this place.**

## **1.2. Place development**

The word “development” is difficult to define in general. Development is a value-oriented concept about which certain ideas exist, but its exact meaning must be defined by oneself. This word has various attributes that express the point of view taken, for example:

- economic development,

- social development,
- endogenous development,
- regional development,
- place development.

Development = a long-term rise of endogenous abilities, using the internal sources and external conditions.

Economic development is a long-term rise of the economy's ability to provide the inhabitants with various goods and services. This ability is based on the development and *improvement of technologies* and on institutional and system changes as a result of development. Among the basic characteristics of economic development are growth of the product per head, growth of production, i.e. growth of the output per one unit of all inputs, high rate of structural transformation of the economy (changes in the industry and sector structure), high rate of urbanization and modernization of society.

Countries can be developed through economic development and development outside the economy. Economic development can be ensured by four key factors:

1. human resources – health, education, qualification,
2. natural resources – land, mineral resources, sources of energy, climate,
3. capital – funds, grants to ensure positive externalities,
4. technologies – science, technological changes, managerial skills and innovations.

**Place development can be understood as an economic and social process resulting in the creation of a viable and productive place. One of the goals of place development is to initiate the process of long-term competitiveness of the place with an effective use of its spatial potential and specific spatial features.**

Endogenous development – is a development coming from the inside, “bottom-up development”. It is aimed to create growth poles or development poles. The growth poles of an agglomeration are:

- strong businesses,
- sectors and economic centres,
- local zones,
- cities,
- industrial and urban agglomerations,

where the economic power is concentrated and a major part of the gross domestic product is created. These growth poles attract new labour and create conditions suitable for the rise of innovation environment. They gradually engage lagging

peripheral areas in the development, accelerate technical and technological development, i.e. the quality side of developing the place as a whole.

The socio-economic development of the place is part of its overall development. In place development, attention is paid not only to economic and social effects, but also to the need to preserve the place being developed attractive, unique and authentic for future generations, in terms of sustainable development.

The obvious differences in the degree and quality of development of individual places prove that sustainable growth is not always ensured. The most common reasons of such development are:

- lack of professionals in decision-making positions in the place. The elected representatives of the place often take unprofessional decisions, and it can be due to one or more of the following problems – political affiliation, preference of personal interests, lack of competence and experience;
- expectation of and reliance on the assistance from the state and the European Union,
- lack of communication between the representatives of the place and important subjects in the place (big companies, interest groups of legal and natural persons, inhabitants),
- insufficient knowledge and skills of the place representatives to recognize and take into account trends of development, alternative solutions to problems, and lack of visionaries,
- tentative plans of place development without any possibility to implement changes,
- planning approaches not always meeting the needs of the future development and prosperity of the place,
- missing effort and skills to apply strategic planning procedures, which now belong to proven ways to improve the planning of results.

Place development is somewhat similar to the theory of product life cycle (see Chapter 3). It is based on similar phases of development – introduction, growth, maturity and decline, where innovations are a significant stimulus, non-technical innovations being of great importance alongside technical innovations.

Place development is ensured through its management. The ways to manage place development are different – urban management, place management and marketing management of the place.

## Summary

Place is a spatial structure, at a particular time determined by:

- location,
- size,
- value
- and way of boundary delimitation,

in which living and inanimate nature, population, urban structure, production and transport systems and tangible and intangible characteristics are mutually interrelated in such a way that they create a higher system, superior to these lower systems.

The way of delimitation of the place boundary is perceived from these points of view:

- geographic (physical-geographic delimitation of the place) – valley, basin, continent, etc.
- urbanistic – land, city, village,...
- functional (the place has a specific function, is of specific importance in terms of its use),
- catchment area, part of village, city, region, state (industrial zone, residential area, historic city zone, protected area, tourism destination) etc.,
- economic – industrial regions, rural regions, etc.,
- historical – specific areas formed through cultural-historical development that have preserved traditional elements in the lifestyle, language, gastronomy, etc. (ethnic regions such as Gemer, Spiš, Liptov, Kysuce, Novohrad, Tyrolia),
- political – states, groups of states, areas of political influence, areas of interest, areas of political cooperation, etc.,
- purpose – voluntary associations of areas based on the decision of individual states' representatives to solve common problems, reach common goals (microregion, border region, EU, etc.),
- administrative (territorial-administration) – village, town or city, district, region, higher territorial unit, state.

Administrative delimitation of places of different size is connected with the concept of territorial unit. By law, territorial units in the Slovak Republic are municipality and self-governing region. They are independent self-government and administration units in the Slovak Republic, so-called self-governing territories. The concept of place is mainly understood as a territorial unit in terms of self-governing territory. Alongside municipality, we will also use the term

town/city as this term is commonly perceived differently from legislation, not as a synonym of municipality. It is obvious that self-governing territories exist in a wider space that has an influence on them and, at the same time, they create own instruments and mechanisms to ensure the development of its territory.

### **Key words**

Place. Place disaggregation. Place potential. Place development. Place life cycle.

### **Questions and tasks**

What can be considered a place?

What is the difference between cultural and administrative definition of place?

Give examples of how the meaning of “location” and “potential” changes over time.

Which characteristics of potential can be classified as hard and which as soft factors of place development?

What influences the place development in the 21st century?

Give factors that influenced the place development in the past.

What is the value of the place?

Which places in Slovakia have significantly changed their value in recent years?

What was the cause of these changes?

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## 2. PLACE MARKETING AS A TOOL OF PLACE DEVELOPMENT

In public institutions, like in the private sector, a customer-oriented approach is increasingly being promoted. This also applies to the issues of place development. This chapter is focused on the essence of place marketing, its origin and specificity. With regard to the specific features of the place, we will define the marketing factors of place development that are different from the classical factors of development and describe the specific features of the marketing mix tools.

### 2.1. Place marketing

In the 1970s, there were gradually formed theoretical disciplines of service marketing, marketing of social organizations, marketing of non-profit organizations and marketing of social and public sector, and in the 1980s, city marketing. This process is illustrated in Figure 2.

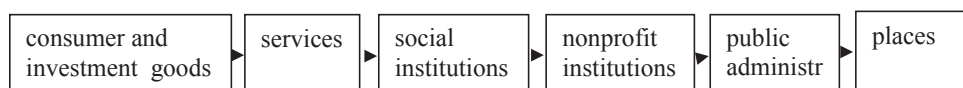


Figure 2 Forming of marketing theoretical disciplines

Source: Own creation

The origin of place marketing was predetermined by changes in the markets leading to problems that each place has, only the intensity of their consequences is different in different places and at different times. To solve the problems, some places in Europe started with better promotion, created a financially more attractive business environment or even started to segment the market and implement specialized marketing. In the 1990s, Europe was suffering a recession and growing unemployment, which forced places to develop sub-products in an effort to gain a competitive advantage for the target segment. A typical feature of areas and places in the period from the 1990s up to now is that they are focused on their own competitiveness.

The most significant problems leading to the origin of place marketing were:

- socio-economic (the end of an important employer, decline of industries and subsequent decline of trading, social sphere, services and other),
- demographic (undesirable migration, outflow of young educated and skilled people, inflow of “unwanted” subjects, dying out of the population, etc.)

- related to resource depletion (natural, economic, etc.)
- ecological (pollution of natural resources and air, lack of water, oversized means of transport, etc., due to **a high interest in the place**),
- changes in techniques and technology,
- globalization of the market and competition,
- political decisions, etc.

In the following years, the development of place marketing was further fostered by processes like:

- political and economic liberalization deepening the polarization between successful and unsuccessful places, high concentration of population in some regions, which has led to urban growth and formation of urban agglomerations,
- trade liberalization, economic integration and globalization leading to stiff competition of places for investors and investment, tourists as well as residents create a need to search for new approaches to increasing the competitiveness of the place,
- increasing flexibility, mobility and individualism of consumers,
- discontented population and entrepreneurs with the place development and the interest of the actors to find an innovative solution that would bring a change in the situation (slow restructuring of the economy, low attractiveness of the area, insufficient coordination and harmonization of activities within the sector, for example entrepreneurship – transport, housing – transport, entrepreneurship – the environment),
- need to revitalize places under the influence of changing lifestyle,
- weakening purchasing power, or outflow of purchasing power due to growing competition,
- interest of owners in properties, interest to retain the attractiveness and price of properties,
- increasing deficit of public finance due to growing demand of the population for a quality internal environment and for services that forces municipalities to search for new forms of finance or better use of financial sources,
- expanding service sector, changes in industrial production toward technologically more advanced production and creative industries gradually changing the dominant localization factors.

These facts have raised a need to define the problem, look for opportunities and perspectives of the place, anticipate changes in the markets and in the competition and thus avoid little effective ad hoc activities. In an effort to increase the competitiveness and subsequent development of the place, local

and regional self-government authorities need to continuously implement new methods and tools as well as new institutional and organization approaches into the management of developing the place.

Approaches to place development are different. Based on the knowledge from literature and experience, they can be divided into territorial, traditional, and oriented to demand /marketing. Individual approaches are characterized in Table 1.

Major differences between the traditional and marketing approach to place development are given in Table 2. In principle, they are different in the ways and goals of the place development.

Table 1 Approaches to place development

<b><i>Territorial approach Spatial planning</i></b>	<b><i>Traditional approach Strategic planning</i></b>	<b><i>Marketing approach Marketing strategic planning</i></b>
The place is taken as a whole, with all advantages and disadvantages, while in development, the emphasis is on reaping the advantages.	It is based on urban use of the place, aims to coordinate activities in the place, respect the interests of existing stakeholders and harmonize individual goals.	It is focused on the needs of target groups, creating conditions for effective use of the place and performing the functions and activities with respect to collective goals

Source: Own creation

Marketing management in the conditions of a place is based on the marketing of the place. Place marketing is understood as application of the philosophical concept of marketing, based on the market and oriented to the market, using marketing methods and tools specific for conditions of the place.

The role of place marketing is to:

- attract the market and take a position in the market (despite existing competition),
- effectively communicate between the demand side and the supply side (to minimize the risks of entering the market),
- effectively use the internal resources of the place (to build a competitive advantage),
- accept and use trends and changes in the external environment,
- foster participation, partnership and cooperation of the subjects in the place, which are customers on the one hand, and implementors on the other hand (integrated approach, fulfilling of the goals),
- treat the place as a product, which can be sold in some sense, sometimes even in earnest when it is a competitive product,
- ensure effective development, as marketing is part of organization and management of the place, part of local or regional politics.

Table 2 Comparison of approaches to place development

<i>Traditional approaches</i>	<i>Demand-oriented approach</i>
Stakeholders build consensus participating in development through forums of participants.	Stakeholders form partnerships (PPP), become members in bodies making decisions about development, budget, etc.
The goal is to increase employment through: <ul style="list-style-type: none"> <li>• employment policy,</li> <li>• support of entrepreneurship.</li> </ul>	The goal is to improve the quality of life of the inhabitants.
Strategies are oriented toward developing entrepreneurship through: <ul style="list-style-type: none"> <li>• exploitation of endogenous and exogenous resources,</li> <li>• support of small and medium-sized enterprises.</li> </ul>	Strategies are oriented toward an integrated approach to the development and promotion of the place through: <ul style="list-style-type: none"> <li>• building, projection and protection of the environment,</li> <li>• building and networking of human resources,</li> <li>• programmes of social support,</li> <li>• coordination and integration of local resources,</li> <li>• place marketing.</li> </ul>
The tools are specialized services to support: <ul style="list-style-type: none"> <li>• entrepreneurship,</li> <li>• local entrepreneurs,</li> <li>• free zones,</li> <li>• industrial parks,</li> <li>• small and medium-sized enterprises, local agencies for economic development, etc.</li> </ul>	The tools of complex support are: <ul style="list-style-type: none"> <li>• progressive system of financing,</li> <li>• project management,</li> <li>• complex system of providing services,</li> <li>• agencies of local economic development,</li> <li>• market analysis</li> <li>• competition analysis, etc.</li> </ul>
Sustainable implementation depends on public resources and decisions made.	Sustainable place development is ensured through: <ul style="list-style-type: none"> <li>• building of a competitive advantage,</li> <li>• financing of projects,</li> <li>• private initiatives,</li> <li>• membership, etc.</li> </ul>

Source: Own creation

Place marketing is a continuous social process that allows to efficiently influence sustainable development of the place through building a competitive advantage, creating consensus between supply and demand and exploiting the opportunities of the place with specific marketing methods and tools. The aim of this process is to minimize the risks of the place when entering the market and maximize its social benefit with regard to its social role.

Here, it is necessary to explain the concepts of sustainable development and social benefit or social profit of the place.

**Sustainable development** is most often understood as such economic development where satisfying the needs and achieving the values of the generations at present is not at the expense of the generations in future. There are three integrated pillars of sustainable development – ecological, social and economic.

**Social benefit of the place** is understood as not only profit in terms of finance, i.e. growth of some items on the income side of a particular budget, but first of all, growth of welfare in the place, growth of social benefit for the place with respect to short-term and long-term objectives including ethical and moral values (it could also refer to wider and longer-term social objectives). Such a definition of benefit is based on the fact that if we consider the nature of the place, which is, from the economic point of view, formed by private and public goods, it is not possible to calculate the economic benefit as it usually involves different subjects. This benefit refers not only to what has been achieved, but also what has been avoided or prevented (damages, ineffective costs, etc.).

The aim of place marketing is to reach a maximum possible social benefit for the place. Social benefit of the place can be perceived differently by different subjects – the benefit for an individual or a certain group can mean a disadvantage for others. The social function of place marketing is in its ability to harmonize the needs of the place with the needs of the market through providing a wide range of products to satisfy individual needs, taking into account social needs (Fig. 3).

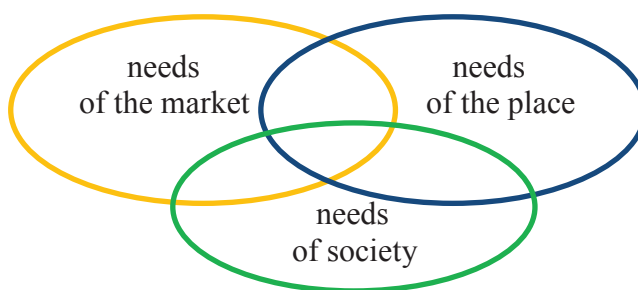


Figure 3 Social function of place marketing

Source: Own creation

The ethics of place marketing must be based on the principle that social needs and interests should be preferred to the needs and interests of individuals and groups in case these interests are not consistent.

This conception does not allow to clearly monitor the effects of place marketing on sales or profits. Instead of the classical interpretations of marketing effects, we prefer a much more difficult control of direct and indirect benefit. This is the reason why a number of goals, tools and methods have been revised.

In comparison with other marketing conceptions, place marketing is specific in a few ways. This is due to the fact that place marketing is applied to a place

and the place represents a complex system of relations, processes and links of different character:

- economic,
- social,
- technical,
- historical,
- cultural,
- political.

They take place in a particular environment with an array of material conditions requiring a specific approach that place marketing should respect and rationally use.

Place marketing takes **the market of places** as a basis – places where the supply of different places meets the demand for them. Place market is specific for physical and social background and has not enough power (more than elsewhere) to tackle a number of problems connected with the use of the place and this is why the intervention of the place administrator is necessary.

## **2.2. Marketing factors of place development**

Development of a place can be governed through factors that have a significant influence on the place development. The economics of place development defines the factors of place development as the resources that are available and the environment in which the development will take place, consequences and risks of development.

In the theories of regional development, most authors agree on these five factors:

- human capital – qualified, educated, adaptable and skilled labour force,
- infrastructure – fast, reliable, quality, with modern technical and socio-economic infrastructure,
- technologies – new, modern, above all information technologies, technical and technological innovation,
- financial capital – available and affordable credit and venture capital,
- way of managing the place – i.e. quality of political and administration management.

From the 1990s, competition is considered one of the principal success factors.

Taking into account different approaches to defining factors of place development, character of the place and marketing theory, we consider the following factors to have an influence on the development of the place:

- a) marketing environment that represents the internal and external environment,
- b) demand in the market,
- c) competition,
- d) quality of the place management.

The factors of place development can be divided into:

- endogenous
- exogenous.

Endogenous factors include internal environment, character of local demand, local/internal competition and management of the place. Exogenous factors are external environment, character of demand in the external market and external competition.

### **Marketing environment**

The content of the **internal marketing environment** is the quantity and quality of the place potential. This has an impact on how this place is exploited and how the needs and requirements of the local and incoming subjects are met, which brings opportunities of developing the place and thus achieving an economic effect and raising the welfare of the place. These are unique characteristics and features of the place. The quality of the place is more or less attractive for different subjects and can include material and non-material characteristics.

Each place is surrounded by other places that create its closer or more distant surroundings. The external environment should be approached on:

- micro-level (surrounding villages, towns and region),
- meso-level (state and neighbouring countries),
- macro-level (continent, world).

The place is part of this **external environment**, characteristic for dynamic development. The development in the external environment is caused by these influences:

- political changes,
- economic changes,
- legislative changes,
- social changes,
- ecological changes,



- cultural changes,
- technological changes,
- demographic changes,
- trends in the world.

The relationship between the external environment and the place can be:

- direct, when the place and its surroundings mutually interact,
- indirect, when the surroundings have a one-way influence on the place, for example through legislative measures, changes of international economic and political relations, etc.

The processes and relations in the external environment lead to different changes affecting the internal environment and the type of supply, while the subjects in the place can influence of these changes on the place only partially, or cannot influence them at all. From the marketing point of view, these changes:

- can be influenced,
- can be partially influenced,
- can not be influenced.

In addition to the marketing environment, the possibilities of place development can be influenced by the character of demand in the market and competition activities of other places.

### **Demand in the market**

Demand in the market can be divided into:

- internal – demand of local subjects for the place products, i.e. demand of permanent and temporary residents, local entrepreneurs and investors,
- external – demand of subjects that are not part of the place, but are from other places. It can be local demand, regional demand, national demand and international demand.

### **Competition**

The third factor influencing the place development is competition. In general, competition is considered as an act of defence against another power striving to take a dominant position or reach the objectives set. In place marketing, the competitors are individual places fighting for customers. Competition is most visible on the national and international level and the most frequent attributes to compare are:

- housing,
- quality of the environment,

- personal security,
- tourism possibilities and shopping.

### **Quality of place management**

The previous three factors have a significant influence on the place development. However, it does not mean that the management in charge of the place development, entrepreneurs and the inhabitants would contribute to the particular place development only marginally. This is why we have defined another factor of place development and called it quality of place development. In the management of the place, it is necessary to have a vision and fulfill it.

### **2.3. Marketing mix in place marketing**

Place marketing has an important system of specific tools, the so-called marketing mix. The marketing mix is defined as a set of controllable, mutually connected marketing tools that help the place implement the marketing strategy and be successful in target markets.

Due to the specifics of the place, the marketing mix of the place differs from the classical marketing mix, which consists of the tools of product, price, distribution, promotion – it is complemented by other tools – people, processes and place. According to some authors, the marketing mix in place marketing, in addition to the basic tools of the marketing mix, consists of other tools, namely the political situation, public opinion, people, corporate identity, material environment, processes and partnership.

We will consider the following tools as the marketing mix tools in place marketing:

- product,
- price,
- accessibility,
- promotion,
- human factor,
- partnership and participation.

### 2.3.1. Product

**In marketing, product is defined as something that can be put into attention and offered for purchase or consumption and satisfy a desire or a need.** This definition suggests that place is a product. Yet, it is necessary to distinguish between place as a space and place as a product.

Place as product has specific features which impact the place market and subsequently, the creation of marketing strategies.

#### **Specific features of the place as a product:**

1. In place marketing, a product that is being created could appear as a finished product offered in the market, which has nothing to do with marketing. To some degree, place is really a product, but at the same time, a variable product that consists of partial products and that is gradually changing over time and space. Although this process is slower, such as in the commercial sphere, it must have appropriate attention.
2. A place is formed by tangible and intangible goods and characteristics. It is a specific good, because it includes all land, constructions and activities in it. Physically, they can be located easily, but at the same time, they are mutually closely related. For this reason, we take the place as a whole, but simultaneously as separate parts, sub-products that create the place.

Total product represents the place as a whole, it means the place potential formed by material and non-material values, relations, structures, quality and quantity. Sub-product represents that part of the total product which is offered in one or more markets as a separate product, but at the same time, is part of the total product. Total product can consist of a number of sub-products (nature, buildings, services, events, different activities, recreation, attractions, production potential, investment opportunities, etc.).

Figure 4 illustrates product of the place as a total product and its sub-products. For better clarity, we have indicated only a few sub-products and mutual relations among them and between them and the total product. The figure is complemented by the impact of external environment, competition and demand.

3. Place is a product continuously re-created by individual subjects or groups of mutually interrelated subjects.
4. Most elements making the product of the place are characteristic for inertia and stability and they lack flexibility in fast adaptation to external influences, which is due to the fixed location of significant parts of the place physical structure and multi-functional and differently conceived sub-products in

different groups of customers. This makes the performance of the place in the market more complicated.

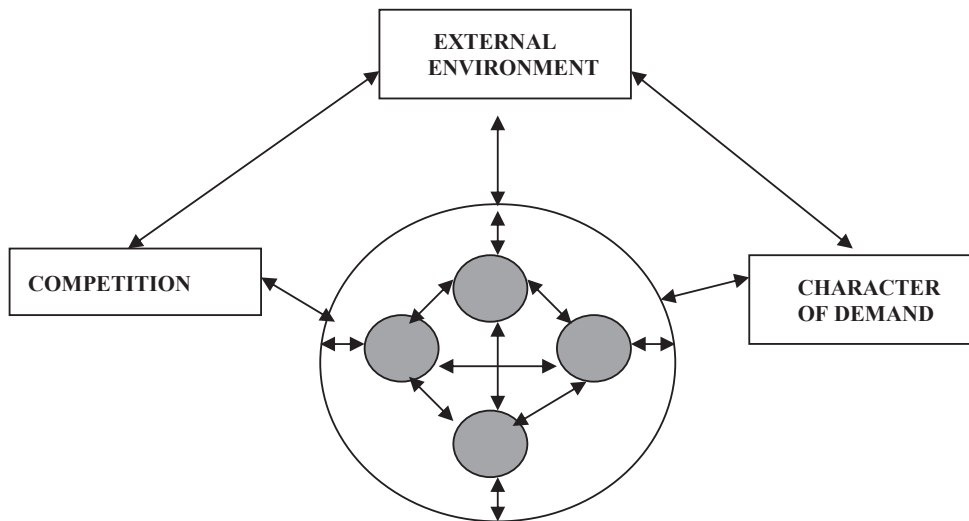





Figure 4 Product of the place

Source: Own creation

Legend: Total product   
 Sub-products   
 Mutual relations 

5. The product of place can be classified as a homogenous or heterogenous product. In reality, no place is a purely homogenous product, it is rather a form of abstraction from sub-products offered by each place.

A place in which a majority of sub-products are oriented to the same industry, or the activities in this place are subject to the dominating potential (spa towns, tourism resorts, etc.), can be labelled as a homogenous product. A homogenous product creates conditions for a non-diversified supply. An advantage is that meeting a need of one particular segment can considerably differentiate the place from the competing places and it will build a distinct image. A disadvantage is the risk of the place collapse in the case of changes in the market or in the macro-environment.

A heterogenous place has no dominating industry or potential, it rather has evenly represented industries or potential. Heterogenous character of the place creates conditions for a diversified supply. The more diversified the supply, the lower the risk of decay and the better perspective of a long life cycle of the place attractiveness.

6. Heterogenous character of the place as a product has an impact on the heterogeneity of consumer needs with the same product, which can result in a conflict between individual groups. Heterogeneity makes the place a multi-functional product. The number of elements of the place as a product as well as the number of potential consumers of this product depend on the size and dominating functions of the place, the importance of the place or the surrounding places, which themselves make a certain product and can act independently or within the natural ties in this whole.
7. Heterogenous character of the place has also an impact on sales and therefore, the place as a product can be sold multiple times to different segments in the market.
8. Sale of the place as a product is meant in the true as well as translated sense. For example, the place can offer for sale as sub-products:
  - properties,
  - labour force,
  - services, etc.

The success of sale of these sub-products depends on the “sale” of the place as a whole through atmosphere, image, experiences or brandname of the place.

9. Sale of the place as a product does not always mean reduction of inventory and the only limiting factor is the existing usable capacity.
10. Place as a product is complementary at macro-level (among places) as well as micro-level (among individual product features). Therefore, its offer to the target segment or segments needs to be very specific.
11. Another specific feature is that, in theory, all sub-products of the place have a customer or consumer, no matter if these products are priced directly, controlled by public institutions or created for a purpose other than direct financial profit. Place markets of commercial capital investments, housing, recreation and other services are real markets. Their effective functioning is equally important for both, economic prosperity of the place as a whole and local subjects.
12. The place is marketed under its own name (city, municipality, district, region, country) or a purposefully created name (regions, associations of municipalities, etc.), which make its commercial brand.

### 2.3.2. Price

Price as a tool of the marketing mix is directly related to sub-products, since some sub-products can be sold. This analogously presupposes the existence of price for these sub-products.

**Price as a tool of the marketing mix is a relative value of the place attributes.**

Price reflects:

- the quality of the place as a whole, sub-products of the place,
- its location,
- its functions,
- the conditions in the place,
- image, attractiveness,
- the importance of the place, etc.

The price of the place includes the price of:

- properties (land, buildings, facilities, residential and non-residential premises, etc.)
- rents (housing costs, business costs, etc.)
- prices of services and goods offered in the place (living costs – food, services, etc.)
- financial instruments managed by public administration (fiscal initiatives – taxes, fees, relief, financial initiatives – loans, subsidies, credits, training activities)
- labour force (basic education, secondary education, tertiary education, professional capacities)
- energy, etc.

A special example of how price is used as a tool of place marketing are participatory budget, VIP passes/cards, city or regional cards, coupons, etc.

VIP passes/cards include price packages with a possibility for customers to save and gain something else (VIP passes, Regional cards, Gopass, etc.)

A coupon issued by municipality belongs to the innovative methods of payment. So far, this system is not so much used in Slovakia. The most modern form are e-cards – city cards that can be also used as pay cards. The introduction

of electronic cards and coupons can increase the participation of residents in carrying out public administration. It can help better apply the principle of democracy, partially compensate for taxes collected and get support from residents. Analysis of the usage of coupons and e-cards can show the interest of residents in individual services and on the basis of the results, better and more flexibly satisfy the needs of residents.

Factors with an influence on the place can be divided into internal and external:

Internal		External
Competition	- prices - quality	Competition Position in the market
Internal demand		External demand
	Consumer perception of price - Psychological perception - Customer relationship Price/ value - Importance of need	
Goals of strategy		Technology
Price of sub-products, e.g. labour force		Legislation
Costs fixed, variable, total		Economy
Tools of mgt. mixu – location, attractiveness, place brand, function, infrastructure, quality of environment, etc		Public administration, state
		Intermediaries

### 2.3.3. Accessibility

Accessibility of the place is a tool of strategic importance. A badly accessible place has a lesser chance of development. **Accessibility of a place means its location, character of access to it and a set of activities making the total product and sub-products more commercial.**

Accessibility is understood as:

- position and geographic location of the place,
- accessibility from and to other places,
- orientation marking in the place,
- character of transport connection (roads, railway, air and water transport),
- number, speed and quality of transport infrastructure in terms of time and distance,

- activities contributing to a commercial character of the product of place, the so-called organization of direct and intermediated “sale” of the place as a total product and sub-products to potential buyers.

From the point of view of location and geographic position, place accessibility is a relatively stable characteristic of this tool. The quality of place location can be influenced over time.

The character of access to the place is meant as access from and to other places, orientation marking in the place, transportation access (roads, railway, air and water transport), number, speed and quality of transport infrastructure. From the point of view of place accessibility, the important thing is how fast distances can be travelled or how fast one can get to the place from other important places. It is necessary to stress here that distance and time belong to the factors with the greatest impact on the attractiveness of the place. **For the accessibility of the place, a system of integrated transport is very important.**

An important component of place accessibility are also activities contributing to a commercial character of the place as a product. They are, above all, activities connected with the organization of direct and intermediated “sale” of the place as a total product and sub-products to potential buyers.

#### **2.3.4. Promotion**

Contemporary society is characteristic for excessive communication that goes beyond the classical concept of communication. Place marketing is based on communication with customer – from needs analysis in the form of marketing research to sales of the product and point of purchase communication. Therefore, the development of the place and its success in the market need a comprehensive marketing communication programme, in which a special role is played by a tool of the marketing mix – promotion.

Our definition of promotion in marketing is based on the classical communication mix, with regard to the specific features of the place as a product, of its market and the development of information and communication technologies.

**The aim of promotion in place marketing is to market (sell) the place successfully in the places market through the communication mix tools.** Its function is to:

- inform about the place as a whole and about the sub-products,
- convince of the advantages of the place,
- motivate the target market or markets to “purchase” the products of the place,
- build the brand of the place,



- arouse the interest of the public in solving the problems of the place,
- obtain public support, to reach a mutual agreement between the subjects that influence the development of the place.

With the right marketing strategy, the development of information technologies – telecommunications, computers, microelectronics, etc., allows a wide public around the world to receive and send information. Target audience is getting to the position of the object and subject of promotion. On the other hand, the great amount of information gives rise to competition, and to find a target audience for the information requires a lot of creativity. These facts place high demands on promotion.

Customers expect that the product offer and promotion will be adjusted to their lifestyle. This is a kind of personification. In such an environment, the role and effectiveness of individual tools of promotion is significantly changing. The increasing selectiveness of communication, fragmentation of media and growing immunity of consumers to the classical forms of promotion urge to look for new ways of communication and new concepts to reach target groups. The ability to adapt to the requirements, expectations and needs of consumers has become a decisive factor of competitiveness in the domestic as well as global environment.

Promotion is currently a must and its development requires a lot of finance. Promotion makes the place better known for the public, raises the awareness of the place and helps it attract new businesses, investors, tourists and people and keep the existing ones.

Promotional communication runs in two directions:

- the sender of the message is the municipality and the recipient is the public,
  - the sender of the message is the public and the receiver is the municipality.
- Sometimes an intermediary helps communicate between these two subjects (e.g. civic association). It is necessary to realize that both these subjects have equal position in the communication process. **Two-direction promotional communication** serves also as a system of feedback.

Promotion as a form of dissemination of information is vital to the synergy of the offered products and presentation of the place's attractive offer and prevents isolation and ignorance.

In principle, we can speak about three forms of promotional communication:

- communication of elected representatives with the employees of the municipality,
- communication in the particular place,
- communication going beyond the borders of the place.

The subjects to communicate with can be divided into three groups:

- subjects that live and work in the place,
- subjects that come to the place,
- subjects that could potentially come.

Communication with each market segment must be different, depending on its needs and expectations.

The major channels of promotional communication at present are divided into personal and impersonal. A decisive role has personal communication and electronic communication.

Places use different forms of promotional communication, depending on the available funds and creativity of people in charge of its implementation and running.

**The promotional mix consists of the following communication tools:**

- Advertising,
- Public relations,
- Sales promotion,
- Personal communication,
- Direct mail,
- Organized events,
- Mobile communication – applications, social networks, blogs,
- Guerilla,
- Internet communication,
- Word-of-mouth (WOM),
- Buzz communication,
- Viral communication,
- Product placement.

**2.3.5. Human factor**

The effort to apply the requirements of determinism to humans as a result of the expansion of social sciences has led to the formation of social determinism, which perceives man as an object of natural law as well as the creator of history. We have taken this postulate as the basis to define the fifth tool of the marketing mix, which is human factor.

In the place, human factor has a key role as:

- the subject initiating and implementing changes in the place,
- the object of changes, which is closely related to the character of the place as a product, character of activities related to the development of the place and, when marketing approach is applied, to customer orientation.

The fact whether the place will develop and prosper or not eventually depends on the people who live, work, relax, do business and shopping there, and those who manage the place; it depends on their ability to exploit the existing resources of the place and create an offer attractive for the market.

### **Human factor as a tool of the marketing mix is understood as:**

- part of the place offer (sociodemographic potential of the place),
- the bearer of the place development (performance potential of the place – human as a bearer of the place marketing, administrator of the place, implementer of institutional organization structures supporting the development of the place),
- a co-creator of the total product and sub-products of the place (voter, resident, labour force, service provider, important person, implementer of sales promotion and disseminator of information about the place),
- a factor organized in certain structures (regional consulting and information centres, development agencies, public-private partnerships, non-government organizations, professional associations, etc.).

Human factor has also a special position in that all parts of this tool at the same time represent the market inside the place. Therefore, when analysing human factor, it is possible to combine the analysis of the internal market of the place with the analysis of this marketing mix tool.

### **2.3.6. Partnership**

The development of the place is influenced by a lot of subjects, directly or indirectly, through individual or common activities. Not all subjects with an influence on the place have the same goals, position and possibility to influence what is going on in the place. Based on the way in which they participate in the process of place development, the participants in place development can be divided into different groups of bearers/subjects/actors of development. To define the position and importance of the various actors of place development, it is necessary to specify them more precisely.

From the point of view of place marketing, the development of the place is closely connected with satisfying the needs of consumers, while these consumer

needs are satisfied with products of different subjects located in the place. The place is offered as a product consisting of different product lines by different

- private,
- public,
- and non-profit/non-state subjects. This fact has an impact on the management and subsequent development of the place.

From the viewpoint of these subjects, place marketing thus represents a marketing approach to public and private goods which can be separate or mutually connected in a combination.

Taking into account the fact that the place is a combination of unrepeatable features and qualities, it can be stated that each place has a comparable chance to attract its group of customers and investment. It only requires using of the right methods and tools, which can be offered by place marketing as a tool of place management. Yet, the final result will depend on the subjects with a direct or indirect impact on the place.

Depending on the type of place, the development of the place is the responsibility of its owners or managers. The development of villages, towns, cities and regions is primarily the responsibility of self-government. Self-government (local or regional) is either a subject regulating and managing the economy in its place, or a subject with delegated competences and responsibility for particular public goods. The development of the state is the responsibility of public administration. It matters what methods and tools they use to manage the place, how they communicate and cooperate with each other and with all the decision makers involved in the development of the place and what opportunities they create for their participation.

In terms of place marketing, the key bearer of the place development are **self-government authorities**. Depending on the competences, self-government authorities should:

- manage the place as a whole,
- coordinate activities in the place and make use of the place's resources as effectively as possible,
- achieve prosperity of the place as a whole and as individual parts,
- ensure that the welfare of the population and entrepreneurs will grow,
- create a competitive environment.

Place marketing can help reach this goal thanks to the methods and tools it offers to develop the place, determining perspective trends of development, products of the place and adjusting the offer of the place to the needs of the market. The aim is to gain a competitive advantage and benefit for the place.

The power to influence the life in the place changes with the level of self-government in:

- competences,
- possibilities of finance,
- quality of the staff,
- size and character of the place managed.

The development of the place is also significantly influenced by **individuals, residents, private, state and public institutions working on the local, regional, national and international level** (Table 3). They have a different share on the place development – self-government manages the place as a whole and the other subjects influence the development of the place indirectly, only partially, pursuing their individual goals.

Table 3 Subjects of partnerships and cooperation

<b>COMMUNICATION</b>	<b>– COOPERATION</b>	<b>– PARTNERSHIP</b>
Public sector	Non-profit sector	Private sector
Mayor, Head of office	Community centres	Residents as individuals
Strategic development dept.	NGOs	Important businesses
Economic dept.	Civic associations	Real estate agencies
Urban planning dept.	Formal and informal associations	Financial institutions (insurance companies, banks, pension funds)
Infrastructure managers (technical, social, personal)		Chamber of commerce and industry, other commercial organitaions
Tourism office/ OOCR		Accommodation facilities, catering facilities, shops
Information office		Tour operators and travel agencies
		Trade unions
		Architects, IT sector, etc.
		media
<b>REGIONAL</b>	<b>NATIONAL</b>	<b>INTERNATIONAL</b>
Regional development agencies	Government political parties	International chambers of commerce
Regional tourism offices	Ministries	Embassies and consulates
Self-government and state government officers	Agencies to attract investors	Agencies to attract investors
	Agencies to attract tourists	Specific development agencies
	National trade unions	International companies

Source: Own creation according to Kotler, P., Asplund, Ch, Rein, I., Haider, D.H., 1999, p. 66 – 73.

The subjects influencing the place can have different and contradictory goals and interests. One form of partnership is link between the public and private sectors, as neither of these sectors can produce efficiently without each other. If they support each other, they help renew the existing and create a new offer and concepts. Lack of mutual cooperation of private and public subjects cannot ensure effective development or marketing of the place. **Partnership between the public sector, private sector, non-government and non-profit organizations, for example in the form of public-private partnership, combines the interests and goals of public and private subjects to accomplish collective goals.**

With regard to the place as a product that consists of private and public goods and their combination, and the participation of the people living and working in this place in its development and management, **public-private partnership appears to be the most effective tool of place development.** The quality and dynamics of place development depend on the character of interaction and quality of social communication between these subjects.

### **Key words**

Place marketing. Marketing factors of place development. Product. Price. Accessibility. Promotion. Human factor. Partnership.

### **Questions and tasks**

1. In your own words, explain the definition of place marketing.
2. Which marketing factors influence the development of the place you come from? Explain what influence they have – positive or negative.
3. In your opinion, who is the bearer of development in the place where you live?
4. Based on place disaggregation, match individual parts of the place with the marketing mix tools.
5. What forms of partnership in a place do you know?
6. Prepare a presentation on the use of a selected tool of promotion in the presentation of the place.
7. What changes in society gave rise to place marketing and what is its justification today?
8. What new trends of place development do you know?
9. Which social networks can public administration use for communication and how does it use them? Find examples on the Internet.

10. What are the possibilities of using mobile communication in public administration? Use also your knowledge about the other marketing mix tools.

More tasks related to the topics above are to be found in the case study book ☺

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### 3. STRATEGIC MARKETING PLANNING OF PLACE DEVELOPMENT

The place can be developed only through purposeful activity – strategic planning or strategic marketing planning. The difference between them is shown in Table 4. The aim of this chapter is to explain individual phases of strategic marketing planning of place development with focus on the analysis and strategy phase.

Table 4 Approaches to strategic planning

Conventional approach Strategic planning	Market-oriented approach Strategic marketing planning
<p><b>Vision and goals</b> - defined from “the top”</p> <p><b>Analysis</b> - internal environment - external environment</p> <p><b>Strategy</b> - offer orientation - a result of consensus of experts without adequate assessment of the preferences of target groups</p> <p><b>Implementation</b> - insufficient definition of competencies reduces the employability of actors</p> <p><b>Control</b></p>	<p><i>active participation of development players</i></p> <p><b>Vision and goals</b> - defined collectively</p> <p><b>Analysis</b> - internal environment - external environment - <i>demand in the market</i> - <i>behaviour of the competition</i></p> <p><b>Strategy</b> <i>Demand orientation</i> <i>Marketing mix tools</i></p> <p><b>Implementation</b> - <i>PPPs with competences</i> - <i>new methods, tools, approaches</i></p> <p><b>Control, evaluation – feedback</b></p>

Source: Own creation

The assumption in this chapter is that the future is largely uncertain, but the place should be a flexible system that can absorb potential changes in the environment and quickly and effectively adapt to them. This establishes a need to create:

- information,
- planning,
- implementation,
- and control systems

that can monitor the changing environment and constructively exploit the opportunities.

**Strategic marketing planning of the place can be defined as a process of searching for and harmonizing the place objectives, market opportunities and available resources of the place, principally focusing on long-term objectives.**

The role of strategic marketing planning in the place is to effectively satisfy commercial and non-commercial needs and expectations of the existing and potential customers of the place by assessment and optimal use of its potential. At the same time, it is necessary to take into account possible changes in the market, in the external and competition environment, establish the place in the market through a sustainable competitive advantage, respecting the public interest.

To accomplish this task, it is needed to:

- analyze the place at its starting point,
- analyze the strengths, weaknesses, opportunities and threats of the place development,
- analyze the competition and world trends,
- analyze the market, identify target segments and their needs, harmonize the offer of the place with the needs of the market.

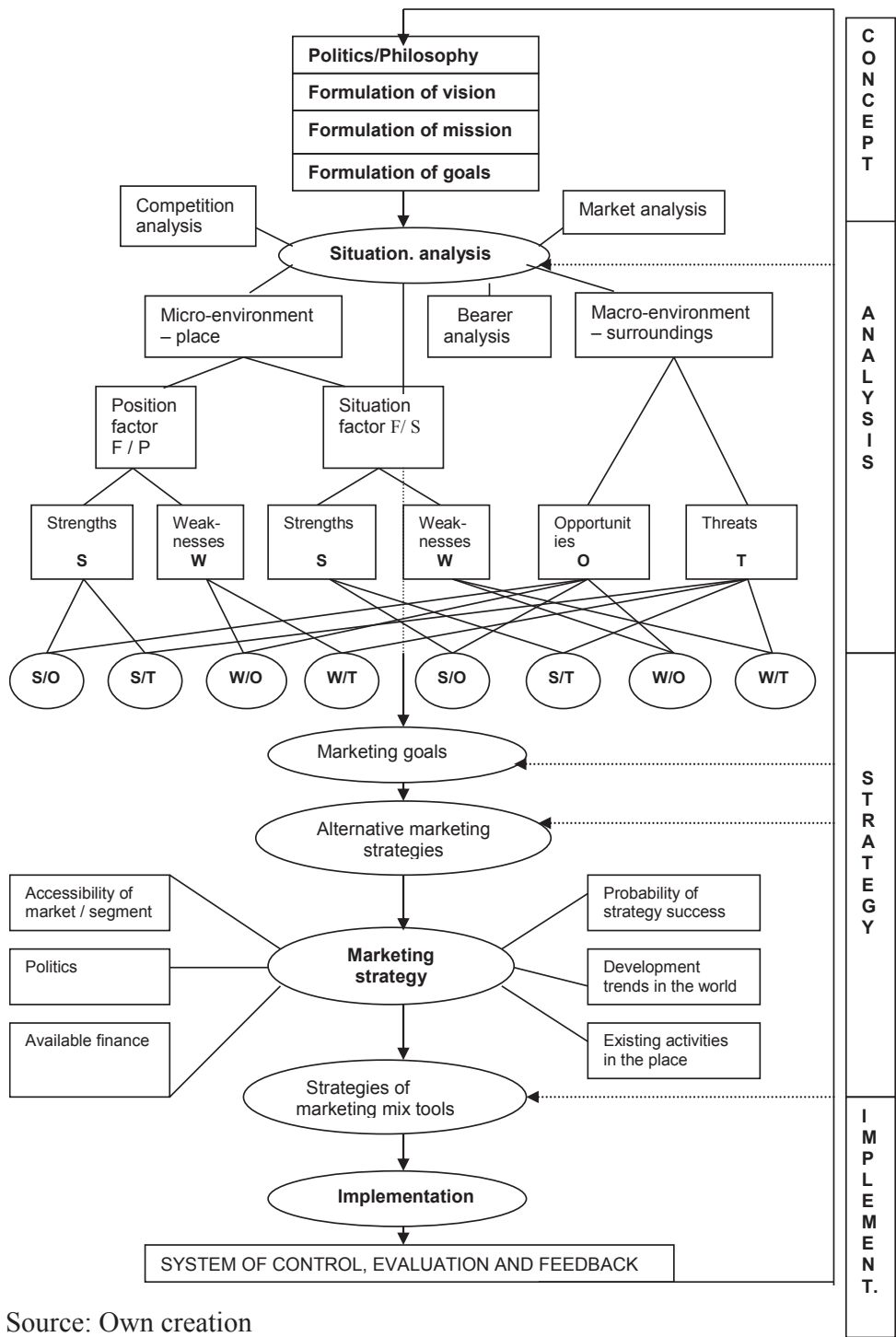
It means to create an optimum strategy of the place development, implement it and continuously control the whole process.

There are different approaches to strategic marketing planning and the most frequently presented opinion in literature is that the process of strategic marketing planning has five phases:

1. concept phase,
2. analysis phase,
3. strategy phase,
4. implementation phase,
5. control and evaluation phase.

Individual phases follow one another, each separately being subject to evaluation and control, the so-called system of feedback (Figure 5). Such a concept of strategic marketing planning is a link between the ability to define a vision and set conditions for the creation of different variants of the place development in future.

Figure 5 The process of strategic marketing planning of place development



Source: Own creation

### 3.1. Concept phase

The development so far shows that missing vision, mission and objectives at the beginning of the whole process are an obstacle to making a purposeful analysis and quality strategy of the place development. The chance to effectively influence the development of the place is thus being lost and all stakeholders are considerably desoriented.

For this reason, we have defined concept phase as a separate phase, although its definition in literature is missing.

In the concept phase, the values and the highest long-term objectives of the place development are set. The concept phase includes the formulation of

- policy
- vision,
- mission,
- objectives of the place development.

**Policy/philosophy** of the place development includes:

- basic attitudes,
- beliefs,
- values,

that have a long-term influence on the thinking and acting of major subjects of the place. Principles affect the way how development strategies are created, the character of the vision, development of the place, quality of the place products, prices, promotion, human resource policy, public relations, employee relations, etc. At the state level, development is determined by the character of public policy, in the region by regional policy, and the nature of local development by local self-government policy.

**Vision** is the top of the pyramid made by mission and objectives; it is the most general idea of the place future in the long term. Formulating a vision is creating a brief, to some degree general but objective and accurate idea of how the place should look like and what it should be in terms of offer, customers and priorities. The most general definition of vision is reaching the prosperity of the place by increasing the welfare in the place.

**Mission** is a permanent definition of the main functions of the place and the activities in the place. The purpose of the mission is to set and clearly present the objective and direction of development. To define the mission of a place means to take into account the strategic possibilities of the place development and its position within the macro-environment, especially in relation to the satisfaction of customer needs. In other words, the mission should be oriented

to the market rather than the product, it should be achievable, motivating and specific. In practice, the mission should lead to a maximum possible satisfaction of the needs of the market and should be formulated realistically and uniquely so that it addressed the most stakeholders. The mission ideas should be written so that people can constantly return to them, draw inspiration and strength from them, re-evaluate them in the case of sudden changes.

The place's mission is transformed into **the objectives of the place development** that serve to evaluate the success of the mission. Objective is a desired state to be achieved in future. An objective should be:

- measurable with qualitative and/or quantitative indicators,
- limited in time,
- specific,
- concrete,
- achievable/ realistic.

The highest objectives, which are expressions of the vision and mission, can be formulated qualitatively as general objectives, without emphasis on quantification. As for time, we divide objectives into long-term, medium-term and short-term objectives (Figure 6). Individual objectives should support, and not contradict each other.

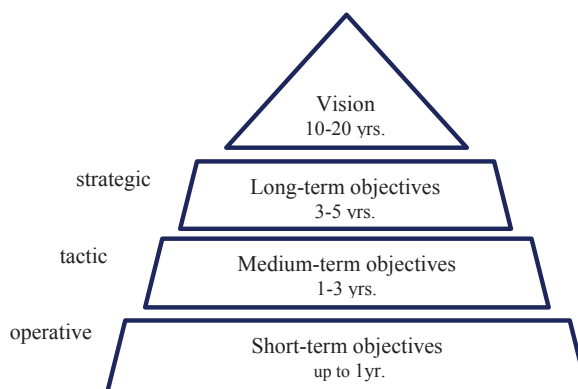


Figure 6 Types of objectives

Source: Own creation

### 3.2. Phase of marketing analysis

Marketing analysis includes analysis of the factors of place development (Figure 7):

- marketing environment,
- demand,
- competition,
- quality of the place management.

Each of these analyses, except for the place management analysis, is a separate part of the analysis phase. Place management quality analysis can be a separate part of the analysis, more often it is a direct part of the analysis of the internal environment. The source of information for the analysis and consequently for the strategy creation, implementation and control is the marketing information system.

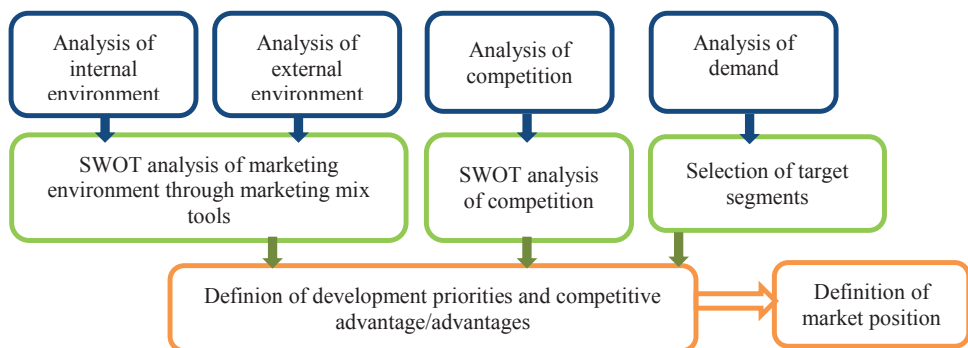


Figure 7 Process of the place marketing analysis

Source: Own creation

### 3.2.1. Marketing environment analysis

Analysis of the marketing environment includes analysis of:

- micro-environment – internal environment of the place,
- macro-environment – external environment.

The purpose of the internal environment analysis is to describe and characterize the current state of the place and point to the specific features, advantages and problems related to the current and future development. The basic preconditions of the place development are contained in its value and location. Analysis of the internal environment is therefore based on the knowledge of the place value and qualification of its location.

Analysis of the location evaluates the location of the place in relation to:

- the development of the place,

- the size of the space (macro-, meso- and micro-location),
- transport accessibility,
- character of the elements and phenomena inside the place.

Analysis of the situation is analysis of:

- the place size (area, number of inhabitants),
- the material and non-material elements of the environment.

The individual components of the potential must be evaluated from the physical (as described in the first and second chapters) and qualitative point of view.

From the qualitative point of view is evaluated the image, attractiveness, glamor and aesthetic value of the place. The image of the place is how the place is perceived, the mental image of the place. The charm, attractiveness and aesthetic value of the place is understood as recognition of the quality of the natural or man-made environment. It is difficult to define or measure these qualities as a set of qualities that can be part of the aspects of a territory, no matter if they are physical qualities, symbols or associations. Although they are not clearly defined, they are active factors of the success or failure of the place and its competitive advantage in the market.

External environment is meant as the surroundings of the studied place. Analysis of the external environment is the collection of information heralding changes in the external environment (the surrounding places – towns and cities, villages, countries, continents, world) with a positive or negative impact on the place. The development of the external environment needs to be examined from the point of view of its past, present as well as future. Owing to this, the world trends must be taken into account from various areas of life. This is especially important when looking for potential ways of developing the place, the competitive advantage of the place, the potential markets and the possibilities of innovation. Among the trends in the world to be respected are for example:

- the long-term growing trend of ecological awareness (inhabitants, companies and visitors are not interested in places with excessive pollution. On the contrary, there is an increasing interest in the environment so far only minimally damaged, which represents the potential for quality housing and recreation. The trend are so-called green places);
- changes in the family structure (the model of family is changing; in the EU, the number of single individuals and one-person households is growing, the birthrate is falling and the age structure of the population is changing);
- changes in the lifestyle (the dominating trends are escape from everyday stress, voluntary simplicity, growing desire to learn, self-determination, expanding communication possibilities, better awareness, etc.);

- migration waves from less developed or endangered places,
- development of information and communication technologies (they influence the new trends in the development of places – creative places, smart places, etc.).

These facts significantly change the needs, which must be translated to the creation of the competitive offer of the place exploiting the current and potential competitive advantage of the place.

The internal environment can be, to some degree, cultivated, whereas the external environment has to be respected.

The results of the marketing environment analysis can be transformed into:

- the strengths and weaknesses of the place that can be influenced,
- opportunities and threats of the external environment that cannot be influenced, or that are difficult to influence.

This system of analysis is called analysis of strengths, weaknesses, opportunities and threats, so-called SWOT analysis.

The purpose of SWOT analysis is to:

1. get information necessary to take strategic decisions aimed at
  - satisfying the needs in all selected market segments,
  - preliminary determination of a potential competitive advantage or advantages of the place,
2. compare the information with
  - the needs and requirements of the market or confront it with the target markets,
  - competition.

This can be done from the point of view of comparison of the current state with the one we want to reach and in terms of time, to:

3. identify the trends, influences and conditions that can impact the creation and implementation of a competitive marketing strategy;
4. assess the strengths and weaknesses – a precondition to create a successful offer of the place in the market. The weaknesses of the place are also disadvantages in relation to the competing places. It is thus important to know their influence and eradicate it. Removing weaknesses “at all costs” could weaken the overall position of the place. Some characteristics and features of the place can be strengths and, at the same time, weaknesses, which then requires a deeper examination;
5. **work out a SWOT analysis of individual marketing tools of the place.** SWOT analysis is usually done as a summary of strengths, weaknesses, opportunities and threats or as a SWOT analysis in relation to the developmental



intentions of the place from the descriptive analysis of the marketing environment. In place marketing, marketing SWOT analysis is a SWOT analysis of the individual marketing tools of the place. This procedure allows to get greater clarity on the status of the marketing mix tools of the place and define strategic approaches to gain a competitive advantage with these tools.

6. compare the strengths and weaknesses of the place with its opportunities and threats. This is to identify the factors from the external environment that can have a negative impact on the strengths or weaknesses of the place in case no problems or possibilities have been envisaged before.
7. determine the priorities of the place on the basis of its situation, world trends and competition.

From the organizational point of view, it is possible to make a marketing analysis and its output - a SWOT analysis directly in a particular place by studying existing sources of information and/or by primary collection of information. It is important to engage in this process the professional and lay public, the commercial and non-commercial sector, people living in and out of the place. The result of such an approach is a good and objective analysis.

The importance of each element of the SWOT analysis can be determined on the basis of SWOT synthesis. This synthesis is based on allocation of points within a given range, according to the importance of individual characteristics (obtained objectively, by comparing the importance with the competition, or according to the market research results). The order of individual characteristics is based on the number of points earned and it expresses the significance or even uniqueness of individual characteristics of the SWOT analysis. For example, a ranking of 1 to 10 points (1 means the lowest significance of a characteristic and a 10 point score means a high importance of the characteristic) can be used to obtain the order of importance of individual characteristics of the place. The scoring should be done by the representatives of the place (mayor, managers and employees of self-government authorities), representatives of the business sphere, state administration, deputies of self-government and the National Council of the Slovak Republic, residents of the place, together 15 to 20 people (read more about the TOWS synthesis in the section of Strategy phase).

### **3.2.2. Analysis of the market**

An important part of the analysis phase is market analysis. The philosophy of marketing maintains that the key to success in the market is knowing of the current and potential needs of customers (further on, the concept of customer will

denote the equivalents of buyer and consumer). Due to the fact that the place as a product caters for different groups of customers, it is necessary to talk about customer markets in place marketing.

In marketing literature, market is divided into:

- consumer market
- and organization market.

The literature about place marketing distinguishes four target markets:

- visitors,
- residents and employees,
- entrepreneurs and investors,
- export markets.

In market analysis, we assume that the target market can be represented by one or more of the following customer markets:

- resident market,
- visitor market (tourists, traders),
- employee market (highly professional labour force, apprenticeship labour force, unskilled labour force),
- entrepreneur and investor market (producers of goods, providers of services, agricultural producers, industrial parks, mining companies, companies and organizations in creative industries, investors, representatives of big corporations and trading companies),
- organization market (authorities of self-government, state administration, public and private profit and non-profit organizations),
- sexport markets (ability of the place to produce goods and services demanded in other places of the domestic and international market; some authors also talk about regional specific features).

In general, target segments of the place are local, regional, national and international citizens, entrepreneurs, investors, companies, institutions, students, buyers, tourists, business travellers, consumers of services, visitors coming on business, public, local authority of public administration (officers), national authorities, institutions, organizations, state administration, social and interest groups and associations, political parties, associations, trade unions, churches, foundations, funds, international representations, mass media, etc.

Each of these markets can be further divided. The markets of residents, visitors and the employed are consumer markets and the trade and industry market, the market of organizations or exported markets are organization markets.

The competitiveness of the place depends on the ability to:

- analyze the behaviour and changes in the needs and requirements of the existing and potential customers in the market,
- satisfy their needs and expectations better than competition.

The customers of the place are the current or potential customers who satisfy their needs or live in the place, visit the place or do various activities in the place. The customers of the place are very diverse. **Market analysis means analysis of all current and potential customers of the place.**

In order to identify customers whose ideas, needs, and requirements the place can best satisfy with its offer, market analysis needs to be done through **market research**. Market research can be carried out by the collecting of:

- primary
- and secondary data.

As the needs of the market are constantly developing, it is more effective to do primary data research – primary research of the market.

A large part of the various place development studies divide the place's customers into categories according to simple:

- demographic,
  - social,
  - and functional characteristics,
- not taking into account their consumer behaviour.

The current nature of consumption requires flexible access to consumer markets and organization markets (Figure 8), as they are influenced by the processes of increasing:

- globalization,
- flexibility,
- mobility,
- individualism,
- competition,
- substitution of products,
- saturation of the markets.

Potential or current customers of the place as a product typically have more than one consumption motive, use more than one function, facility or service of the place and their consumption behavior is determined by the relationship to the place's sub-product that is being used. The creation of a good marketing strategy therefore, presupposes adjusting the offer of the place to the needs, demands and motivation of customers, based on deeper knowledge of their socio-economic,

demographic, geographic, psychographic and behavioral characteristics. For marketing decisions, it means to know the demographic profile of customers, their social and social status, needs, interests, motives, the way how they get information about the place, etc.

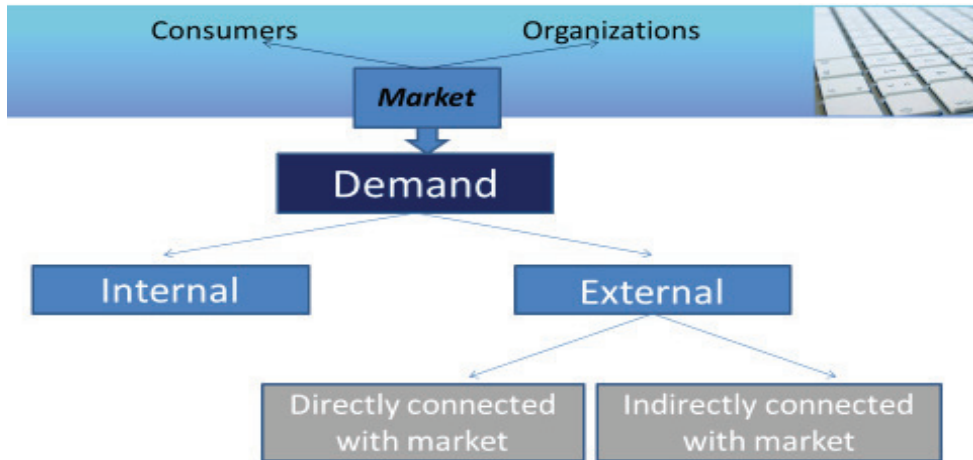


Figure 8 Character of demand in the market

Source: Own creation

Place as a multifunctional product meets the different needs of different customers, increasing the need for an appropriate segmentation of the market. For each place, it is important to identify groups of customers whose needs and expectations its offer can best satisfy. To do this, it is necessary to define them thoroughly, identify their characteristics, needs, and subsequently, create an offer that will address them. This is the way how competitive relationships are shaped. The strategic success of a place is dependent on market segmentation, targeting, and placement of the place offer into specific parts of the overall market.

**Market segmentation is the process of dividing the heterogeneous market into different homogeneous groups, each of which can be referred to as a target market / segment for which a specific marketing mix can be created.**

**Market segment** is defined as a group of current or potential customers of a product who have common selected characteristics that are relevant to the reaction of this group to the stimulation of demand with a particular marketing mix.

Place marketing has two effective ways (Fig. 9) to identify and quantify market segments:

- A. segmentation based on market-product relationship,
- B. segmentation based on consumer characteristics.

## Process of segmentation who – what – when – how many – where

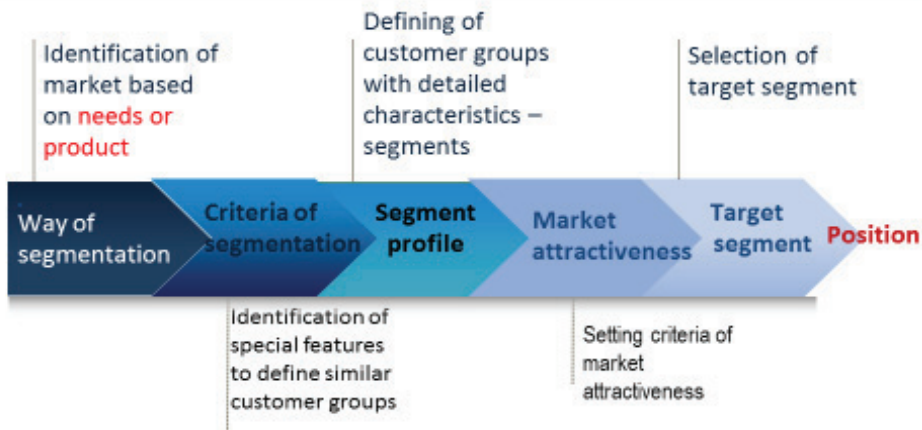


Figure 9 Segmentation process

Source: Own creation

When analyzing the markets in the place, it is possible to use both ways independently or in relation to each other.

- A. The first segmentation method, with the product as a basis, allows to identify consumers who prefer specific places or specific sub-products of the place.

The sequence of steps is as follows:

1. determining of the products to be investigated,
  2. analysis of how the consumers of these products are different from those who do not buy or use them. This approach can also be based on the examination of how consumers perceive different offers of the places by examining selected attributes or examining which attributes are important to consumers. It is practically analysis of the existing market offer that helps determine the market position of the place, and the attributes examined can be potential competitive advantages of the place.
- B. At present, the segmentation based on consumer characteristics prefers the approach referred to as **target marketing**. The key steps of target marketing are:

1. segmentation of the market,
2. selection of the target segment or segments,
3. definition of the market position.

## 1. Segmentation of the market

In case the market is segmented according to consumer characteristics, there market is divided on the basis of criteria (i.e. variables that allow the heterogeneous market to be divided into more homogeneous groups, so-called segments) and then are created segment profiles. Segmentation is effective when the criteria can be quantified and measured.

Sophisticated segmentation uses a wide range of criteria, in which case we are talking about multidimensional segmentation. Individual criteria differ depending on the type of market, whether it is consumer market or organization market. A more detailed overview of basic criteria depending on the type of market is given in Table 5.

In the segmentation process in place marketing, a special position has segmentation based on **geographic criteria** (Table 6). As regards the functions of the place (commerce, housing, job opportunities, recreation, etc.), the existing and potential customers can be divided into five basic segments:

- customers from the place,
- customers from the close surroundings,
- customers from more distant places/surrounding regions,
- domestic/national customers,
- foreign customers.

There is one more segment from the place and closer and more distant places - those who do not use local products, so-called group of non-customers.

If a customer can satisfy their need at a place closest to their location, they often choose just for this alternative. We assume that the closer the place is to the largest market, the more customers are attracted.

To shape customer profiles, it is important to combine geographic characteristics with other characteristics. The needs, consumption and preferences of customers are considerably influenced by demographic characteristics (age, status, education, etc.). Therefore, another frequently used segmentation criterion is **demography**, the characteristics of which are easy to measure and define.

Table 5 Customer characteristics

CONSUMER MARKET	ORGANIZATIONS MARKET
<i>Segmentation criterion</i>	<i>Segmentation criterion</i>
<b>Demographic factors</b> (age, sex, marital status, family – number of members, life cycle, younger, older, without children, nationality, etc.)	<b>Sector</b> (industry – branch, services, agriculture, tourism, etc.)
<b>Geographic factors</b> (customer's region – country, locality, size - city, town, village, climate, density of population, etc.)	<b>Geographic factors</b> (local, regional, national, foreign)
<b>Psychological and parapsychological factors</b> (well or not well marked lifestyle, ambitious, authoritative personality, easy to adapt, personal characteristics),	<b>Size</b> (number of employees)
	<b>Dependence on infrastructure</b> (high, medium, low)
<b>Socio-economic factors</b> (income, profession, education, employment, social group)	<b>Type</b> (profit – non-profit, public – private, co-operative, physical person, Ltd., PLC, etc.)
<b>Behaviour</b> (according to knowledge, use, perception of use and advantages of product, satisfaction with product, buying opportunities, position of customers, intensity of use/visit/consumption, loyalty/place loyalty, attitudes, stage of preparation for purchase)	<b>Behaviour</b> (stage of decision-making, perception of uncertainty, decision-making powers, perception of advantages)

Source: Own creation

Table 6 Geographic segmentation

	Customers – functions	Non-customers
Customers from the place	A	'A
Customers from surroundings	B	'B
Customers from more distant locations (domestic, foreign)	C	'C

Source: Ashworth, G., Voogd, H., 1990, p. 51.

**Psychographic segmentation criteria** are used to get information about the preference of a particular place. An important part of these criteria is lifestyle. It differs not only on the continents, but with different or smaller variations, also in individual countries.

Segmentation according to behaviour serves to detail the segments that use the place's offer and those who do not use it, for example, the current product customers, potential customer and those who have not shown interest in the offer. For example, this is a way to identify loyal customers and create a special offer for them, as well as to find out why some customers will no longer return to the place. If the reason is found out, it is possible to make suggestions and

generate ideas as a starting point for creating a competitive advantage for the place, which can attract, for example, a group of non-customers.

Based on the intensity of consumption, we divide the place's customers into those with repeated interest in the place and those who have expressed interest in the place for the first time, and into the customers who adapt to the new offer of the place quickly or vice versa, slowly.

Behavioral segmentation also includes customer satisfaction analysis that identifies the dominant factors of customer decision-making. Behavior analysis should focus on:

- the reasons,
- the length and frequency of stay of different segments who come to the place for business, work, trade, living or relaxing.

This type of analysis uses the importance-satisfaction matrix, expressing the rate of satisfaction and importance.

We need to develop a **segment profile** for each segment we have created on the basis of the selected criteria.

## 2. Selection of the target segment or segments

The second step of target marketing is the selection of the target segment or segments, which is the result of comparing the place's offer with the needs and requirements of individual segments of the market.

If the segmentation result is to be effective, the segment or segments selected should be judged in terms of their criteria for attractiveness and how the offer can meet their needs.

Segment attractiveness can be evaluated if it meets the following criteria:

- it is quantifiable (segment size, possibility to count the number, to assess),
- it has a yield (ability of the segment to generate profit, to grow),
- it is stable (stability of specific characteristics of the segment, differentiation from other segments, ability to resist changes from the external environment, competition offer),
- it has purchasing power (ability of the selected segment to consume the offered product at present and in future).

To satisfy the segment needs, the place needs to:

- be active (able to offer the target segment an effective marketing mix),



- set achievable goals (ability to reach out to customers and provide services at acceptable cost),
- be profitable (ability to offer a specific marketing mix to the selected segment, a unique advantage over the competition and to implement the goals of the place development and long-term plans),
- be in time (ability to satisfy the segment needs in the current time).

Each segment must be:

- clearly defined,
- big enough,
- accessible,
- measurable.

The selection of the target segment or segments is a result of evaluation of different segments. The place's representatives must decide about to how many a which segments the offer will be targeted. This decision is the basis of three approaches to the activity in the market, or three strategies of covering the market. They are:

- undifferentiated,
- differentiated,
- concentrated strategy.

**Undifferentiated strategy** is applied when the selected market is more or less homogenous. In that case, one marketing mix can be offered to the whole market. This approach is not suitable in the growing competition, because it ignores existing differences in the needs and expectations of customers.



Figure 10 Undifferentiated strategy

Source: Own creation

The opposite of undifferentiated strategy is **concentrated strategy**. In the case of limited opportunities in creating a supply of the place, when it is effective to gear to one segment of the market, it is the most appropriate alternative of market coverage. Concentrated strategy is based on creating one marketing mix meeting the needs and requirements of the customers in the target segment. This strategy is suitable for places that can reach out to a smaller, special, unoccupied or not

interesting for other places target market or segment. The risk of this strategy arises from the dependence of the place on only this one market or segment.

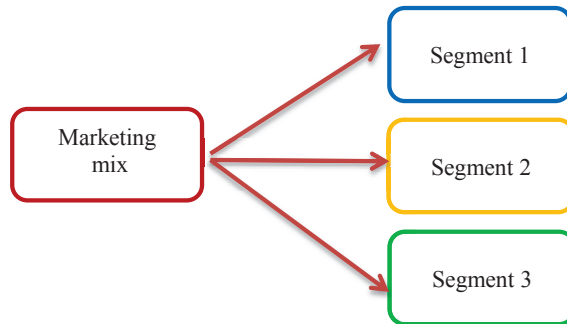


Figure 11 Concentrated strategy

Source: Own creation

**Differentiated strategy** is used in cases where competition focuses on all segments of the market. In such a situation, the place can benefit from a specific offer based on one or more competitive advantages, which will be targeted on a few segments only. The selection of these target segments must be carefully considered, as it may have long-term consequences for the development of the place. The cost of a differentiated strategy is higher than that of an undifferentiated strategy, but also the efficiency of addressing the segments is higher.

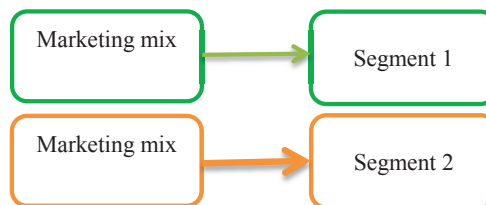


Figure 12 Differentiated strategy

Source: Own creation

Since the place offers many sub-products and the segments it caters for are different, place marketing uses different market coverage strategies for different sub-products.

### 3. Definition of the place's market position

The third step of target marketing is definition of the market position of the place. The decisive factor in making decisions about the place's market position is the choice of the target segment or segments. Determining of the current market position of the place on the market and creating of a new position is based on the SWOT analysis of the place. The resulting advantages and disadvantages are compared with the competition, always in relation to the target segments, based on the identification of the basic attributes the target segments use to evaluate and select the place.

Market position is the place that the offer takes in the minds of consumers, compared with the competition according to important attributes. Market position expresses how the place's offer is perceived by the target market or consumers. Building of a market position is a crucial moment for the long-term success of the market offer. Segmentation helps identify the current market position and gain a new desired market position by creating an offer that will meet the expectations and needs of the target market / target consumers.

Through market segmentation it is possible to find out:

- which attributes of the place's offer are important for which market segments,
- how these segments perceive the existing offer in the place market
- and what offer they would desire.

The existence of alternative places on the market raises the need to know and understand the decision-making process after the interest of local people, investors, tourists, etc. in this place has been raised and then this interest changed into activity (action) initiated by the decision of:

- the investor – to invest in the place,
- the resident – to live in the place,
- the tourist – to visit the place, etc.

Customers as part of different markets, when deciding where, when and under what conditions to meet their needs, reassess various alternatives and criteria of choosing the most suitable place.

The major decision-making criteria for product selection on the side of demand can be considered, for example:

- **attractiveness of the place** (natural, cultural-historical potential, attractiveness of the surrounding localities, image of the place, climate, etc.),
- **sense impression of the place** (genius loci, noise or silence, crowded streets, cleanliness modern architecture, dynamics, etc.),

- **psychical-sociological aspects** (sense of personal safety, family background, friends, colleagues, crime rate, helpfulness and behaviour of the environment, etc.),
- **time aspect** (time needed to travel to or from the particular place, accessibility of highway and other transport systems, time required to arrange administrative affairs, permits, get information, etc.),
- **living costs** (cost of housing, services, transport, different financial benefits – tax relief, fee relief, profit from investment, etc.),
- **lifestyle** (job opportunities, opportunities of meeting, education, sport, health care, culture, self-realization in leisure time, etc.),
- **safety**.

The markets of entrepreneurs and investors have other priorities when choosing the place, for example:

- political and economic stability,
- existence of clusters,
- availability of information,
- effective communication with the representatives of the place,
- character of support from the government and local administration,
- legislation,
- economic conditions of the place,
- accessibility of the place,
- life standard in the place,
- possibilities of education,
- attractiveness of the environment,
- quality of life,
- attitude of the community to the development of entrepreneurship, etc. (Table 7).

Based on this, a suitable marketing mix can be made up. The market position of the place is then based on the specific characteristics of the place, i. e. its uniqueness, the purposes for which the supply of the place is determined, the diffusion of the group of customers and direct comparison of the offer of the place with the competition.

If case the current position is not a good alternative for the place, it is necessary to create the preconditions for taking up a new position and communicate it effectively in the market.

Table 7 Criteria of place selection in the market of entrepreneurs and investors

Spatial level	Criteria
<b>Country</b>	Political stability, significance of domestic market, financial stability, qualified labour force, potential profitability, geographic position, competitive costs, currency convertibility, system of transport, and infrastructure, legislation, potential export base, economic stability, trade unions, inflation, growth, state support in regions, tax system
<b>Region</b>	character of labour force, wages, trade union organizations, accessibility to the market, dynamics, area size, economic structure, suppliers, services, regional support
<b>City/ town, village</b>	Transport accessibility, quality and quantity of labour force, innovation potential, local economic politics and support, life standard
<b>Plot of land</b>	position/location, infrastructure, size and price, state of the environment

Source: Own creation according to Stankowsky, J., 1996, Maier, G. – Tödtling, A. F., 1997, p. 52

### 3.2.3. Analysis of the Competition

Competition in the place market is as intense as in other markets. It stimulates development, through innovations boosting effectiveness or through lower prices. An important piece of knowledge of place marketing, which is practice-based and needs to be accepted, is that competition should be neither overestimated (strong places) nor underestimated (“insignificant” places).

Analysis of competition is based on comparison of the investigated place with other places. Analysis of competing places allows to use the strengths and specific features of the place to eliminate potential threats.

In the past, marketing planning was primarily focused on the needs of customers. Only in the 1980s, competition was included in strategic considerations as a dimension equal to customer orientation. One of the reasons was the transition from peaceful development to aggressive competition.

Although the importance of competition for the place development is obvious, in practice, the realistic assessment of competitors usually takes minimal attention. Often, the reason is either the subjective conviction of the place’s management that they know the competition and its behavior, or the resignation due to the extent of the competition research. Place marketing uses methods and tools that can significantly contribute to a more efficient process, especially in non-price competition.

Competition in place marketing can be divided from different points of view:

1. time
  - current – well-known competing places,

- potential – competing places they can enter the market from different starting positions;

## 2 geography

- local/internal
- local,
- regional,
- national,
- international;

## 3. level of performance

- direct / sector / product – the competition offers the target market similar total products or sub-products. The competition from the product point of view is meant as the place or places, which either offered as a total product or sub-products can be mutually substituted (the economic theory specifies mutually substitutable products or products with high demand elasticity),
- indirect/market – the competition has different product categories to meet the same needs and requirements.

The essence of this concept of competition is to broaden the scope of the current and potential competing offers, which stimulates the creation of longer-term strategic marketing plans;

## 4. needs

- i.e. perception by customer – depending on which of the needs the customer will satisfy first. We follow Maslow's hierarchy of needs (Fig. 13);

## 5. way of satisfying the needs

- the customers in different places have various alternatives to satisfy the same need;

## 6. name / brand name of the place

- the customer makes decisions on the basis of the particular name of the place;

## 7. co-operation

- a) cooperating competitors are those competing places that can become potential partners for short-term or long-term cooperation in competition against other competitors. Cooperation with competition can be based on:
  - the extension of the offer – within the same type of product (a tourist route around medieval mining towns), to new products that will diversify the offer (a congress participants will get information about the possible trips to the surroundings of the congress place, etc.),
  - the extension of the market – satisfying the same needs, the same groups of customers and satisfying new needs and new groups of customers.

- b) uncooperating competition – or bad competition which violates the unwritten rules, prefers aggressive and unfair attacks, massively increases the capacity, often taking a great risk.

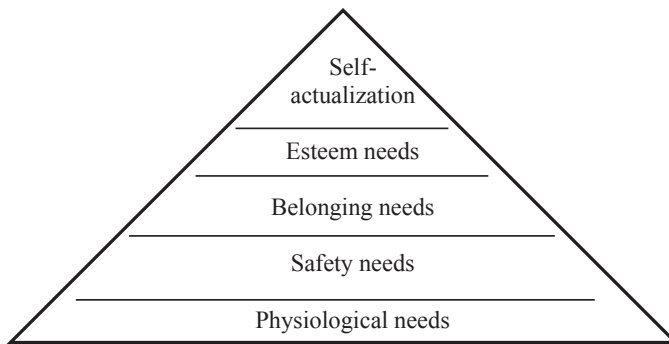


Figure 13 Maslow's pyramid of needs

Source: Maslow, A. 1954, p. 80 – 106

Mutual competition has usually a positive effect, because it stimulates the creation of better development strategies of the place, one possible solution being cooperation.

For systematic **competition analysis**, it is necessary to:

1. decide whether the competition will be analyzed from the point of view of products or market. The competition must be defined either as all ideal places or comparable places,
2. determine other criteria of analysis, such as time, geographic position, etc.,
3. set a system of criteria to compare the place with other competing places – so that the comparison equally includes all important aspects of the place assessment. The assessment and comparison criteria should reflect the needs and expectations of target segments. Competition analysis is therefore preceded by marketing environment analysis and market analysis. The criteria should be qualitative and quantitative. The result of the assessment of individual places should be one value (as a result of different scores) for each place;
4. analyze the objectives and strategies of the competition - it is necessary to benchmark competitors by marketing mix strategies, for example by comparing the supply of the place with the competing places in terms of potential, prices, cost, financial background, accessibility, familiarity and popularity of the place, staff in key positions, the relationship of a particular competitor with other competitors;

5. analyze the position and performance of the competition in the market - it is necessary to analyze the behavior of each individual competitor separately;
6. make a SWOT analysis of the major competitors – to focus, in particular, on information about their market share, budget, funds raised from foreign sources, new investments and utilized capacities;
7. predict the behaviour of the competitors and their reaction to the strategies of other competitors and the possibility of new competitors entering the market.

The need for a stronger focus on competition has led to the concept of strategic groups. If the number of competitors is high, which is common in the case of competition, it is not possible to track all competitors. If the number of competitors is reduced to several strategic groups, the competitive analysis can be very transparent. Similarity or difference is a criterion to divide competitors into different categories, so-called strategic groups. In place marketing, strategic groups are places:

- comparable at a given time in terms of strategic behavior, expressed in the marketing strategy (places use the same or similar key variables, e.g. range of the place's offer, customer approach),
- comparable in characteristics (size, importance, potential, financial resources, etc.),
- having similar features and similar goals (high quality, etc.).

The outcome of the competition analysis is the competition profile, on the basis of which the management of the place will:

- determine the main competitors,
- predict their behaviour,
- compile a list of minor, alternative or potential competitors,
- suggest possibilities and ties of cooperation to create a unique offer, a competitive advantage that is difficult to imitate, and find a way to inform the current and potential customers about it,
- determine a competitive advantage of the place to gain a position in the market. (Competitive advantage is a unique, specific and difficult to imitate characteristics of the place.) In this regard, it is important to compare the type and character of the place's customers with the customers of the competition and how these customers see the place in question and the competing places.

Information about competitors can be obtained from secondary sources, personal experience, but it is also effective to get up-to-date information from primary marketing research among customers, for example through blogs, websites, etc.



### 3.3. Marketing strategy phase

Strategy is a tool to reach the objectives set. The strategy sets out the objectives, the procedures to achieve them and allocates the resources to achieve the objectives by implementing the procedures.

Marketing strategy is an organized marketing approach expected to help achieve the marketing objectives. It includes specific strategies for target markets, the marketing mix, and the amount of marketing costs. In place marketing, the creation of a **marketing strategy** includes the activities to be done, assuming that the future of the place is largely unclear and it is difficult to estimate its future development. If a place is to absorb different changes and efficiently and quickly adapt to new opportunities and trends, a plan of procedures and activities must be developed to decide which services, production and activities will be supported, which will be maintained and which will have to be terminated or given up. **The marketing strategy of the place development presents the trends of future development and tools and procedures to achieve them.**

The concept of marketing strategy is closely connected with the concepts of competitive advantage and unique competences/abilities.

The marketing strategy of the place development is specific in that it respects different subjects with a different relationship to the place, with different interests in the place, and is a result of negotiations of different interest and political subjects preferring different ways of achieving the objectives. To avoid the risk of radical changes in the objectives and ways of implementing a marketing strategy when the political representation of the place changes, the marketing strategy should be publicly approved and accepted as an official document, even though it is not mandatory to create it and respect its content.

The marketing strategy of the place development is a plan for a longer period and therefore, consists of several stages of investment and transformation. When creating a marketing strategy, we do not start from scratch, because each place has its character given by the potential. The creation of marketing strategy for a place requires an interdisciplinary and team approach.

The development of marketing strategy:

1. reconsideration of the **vision, mission and objectives** of the place development based on the results of the marketing analysis,
2. **formulation of marketing objectives** on the material and time level

At the beginning of the strategy phase, the overall objectives set out in the concept phase are complemented by marketing strategic objectives and specific marketing objectives, specified in quantity and time. Marketing objectives must be set out

for different areas with an impact on the prosperity and development of the place, such as position in the market, municipal profit, competitive advantage or objectives leading to free development of the place, controlled growth, limited or zero growth of the place.

Considering the several ways of reaching the marketing objective and the changes in the market, the marketing strategy should be developed in more alternatives. They should include different alternatives of marketing strategy and strategies of the marketing mix tools to develop the place.

From the different alternatives of marketing strategy are selected those that have the best chance to be implemented in a particular time. The selection of a suitable alternative depends on:

- reachability of the segments,
- political priorities,
- ongoing activities in the place,
- availability of financial resources (funds, investor,...),
- expected success of implementation,
- trends in the place development.

Assuming that the creation of the marketing strategy of place development is based on respecting and influencing the needs of the target segment, exploiting the strengths and eliminating the threats of the place, it is necessary to take into account the SWOT synthesis. The SWOT synthesis is an overview of the strategic situation of the place as a result of assessment of individual factors of SWOT analysis. The combination of individual factors of SWOT analysis influences the generating of different variants of the future, which is a basis for systematic strategic choice. The combination of potential opportunities and threats together with the predicted strengths and weaknesses that brings the place into harmony with its environment. The place can thus focus on the opportunities that correspond with its strengths and avoid the risks it cannot resist due to its weaknesses. The results of the SWOT synthesis transferred to so-called “TOWS matrix” are the basis to formulate alternative strategies developed to reach harmony between the internal qualities of the place and its external environment. (Figure 14).

		MARKETING MICRO-ENVIRONMENT	
		<b>Strengths (S)</b> Own resources, possibilities, qualities with a potential positive influence on strategy implementation	<b>Weaknesses (W)</b> Internal negative factors with a potential negative influence on strategy implementation
MARKETING MACRO-ENVIRONMENT	<b>Opportunities (O)</b> External positive factors with a potential positive influence on strategy implementation	Conceptual strategy "maxi-maxi"  <b>Aggressive growth strategy (SO)</b>	Conceptual strategy "mini-maxi"  <b>Reversal strategy (WO)</b>
	<b>Threats (T)</b> External negative factors with a potential negative influence on strategy implementation	Conceptual strategy "maxi-mini"  <b>Diversification strategy (ST)</b>	Conceptual strategy "mini-mini"  <b>Defensive strategy (WT)</b>

Figure 14 TOWS matrix

Source: Own creation according to Ochрана, F., 2002. p. 85; Lesáková, D. et al., 2001, p. 53.

**SO (Strengths-Opportunities) strategy, aggressive growth strategy** is the most attractive strategic variant. It can be developed in a place where strengths are prevailing over weaknesses and threats. Such a place is able to take advantage of all opportunities. It is a progressive type of strategy and its aim is to increase the market share or to enter new markets.

**ST (Strengths-Threats) strategy, diversification strategy**, is the strategy of a strong place existing in an unfavourable environment. The strong position of the place should be used to eliminate threats or to focus development on “safe activities”. It is a stabilization strategy that aims to maintain the market position and make changes only to the extent necessary.

**WO (Weaknesses-Opportunities) strategy, reversal strategy**, is suitable for an environment surrounded by an attractive macro-environment, where weaknesses are prevailing over strengths. The strategy focuses on taking advantage of the opportunities offered to strengthen the current position and remove weaknesses.

**WT (Weaknesses-Threats) strategy, defensive strategy**, is suitable for a problem area in an unattractive macro-environment. It is a form of damping strategy based on consolidation or reduction if the current trend of development in the particular area has not been successful.

A specific type of place development strategy is a **combined strategy**, which combines two or three previous types of strategies. Combined strategy is justified in the place, because the objectives are met over a long period and the combined strategy ensures adaptation to the current situation.

Place development marketing strategies are based on the current status of the market and differ according to whether the objective of the place is to succeed in the new market, to acquire or maintain a market position or to market a new product, and the like.

The place can be developed and get a competitive position in the market due to a competitive advantage through six **target market strategies**:

- strategy to attract tourists, traders and entrepreneurs in tourism,
- strategy to attract new business activities,
- strategy to keep and develop the existing business activities,
- strategy to support small and new businesses,
- strategy to develop export activities and attract foreign investors,
- strategy to support population growth or change the structure of the population.

In addition to the above-mentioned approaches to creating marketing strategies of the place development, there are used strategies based on the strategies of image marketing, brand building, co-creation, attraction marketing, infrastructure marketing, and marketing of people. Based on experience, these strategies, implemented independently or sequentially, are either little effective or even inefficient.

### **3.4. Strategies of the marketing mix tools**

The development of the place and creating of a competitive position of the place in the market can be achieved through the strategies of the marketing mix tools focused on particular target markets. The marketing mix tools are an important instrument to market the offer and create a competitive advantage of the place. Integration of the marketing mix elements is a guarantee of the consistency of the marketing strategy as a whole. The aim is to distinguish the offer of the place from the competitive offers of other places and to create a strategic advantage on the relevant target market or markets. The choice of the marketing mix tools and their combination is the result of the decision on competitive strategy.

There is no universal recipe of the marketing mix for specific situations in the market. The importance and use of individual marketing mix tools varies according to the situation, they are effective only in an optimal combination.

There are no clearly defined patterns to help build the most suitable strategy of the marketing mix tools. Scientific techniques help identify the market, select target segments, measure the results achieved, but the choice of the marketing mix is based on experience, intuition and creativity of the management. That is why marketing is often referred to as art.

Individual tools of the marketing mix are influenced or complemented by local influences either positively or negatively (quality of air, important attraction and transport routes in the surrounding places can have an impact on the total product and sub-products of the particular place).

The strategies of the marketing mix tools should be mutually connected, they should respect each other, and the activities within individual strategies should be coordinated.

### **3.4.1. Product strategies**

For each type of strategy, it is essential to select suitable product-market combinations, an effective product placement strategy on one or more markets, and prioritize the activities to be carried out.

The place is marketed as a total product or through individual sub-products that represent a product mix. Part of the product strategy is the creation of a product mix, a set of all product lines and components that make up the offer of the place. Product line is a group of products that are either related in function or are offered to the same groups of customers. Each product line needs a marketing strategy. The creation of a new product line is based on the results of the place analysis, segment needs and requirements and the cost of implementing the product line. It requires assessment of the new product line within the product mix in terms of:

- economic and staff costs,
- social compatibility (number of newly created positions, influence on the current structure of activities),
- attractiveness (competitiveness),
- complementarity (in relation to existing infrastructure),
- saleability (with regard to consumer trends).

The place can be developed using the strategic approach created by I. Ansoff – the product-market expansion matrix. The matrix captures the product-market relationship and presents the possibilities of strategic focusing of the place (Tab. 8).

Individual strategies can be implemented in the place gradually or independently, depending on whether the place is taken as a whole or sub-

products. It is important to respect the principle of long-term and continuous development, taking into account the ongoing and expected changes in the markets. Individual strategies should be ordered from market penetration, to market development, product development to diversification. In the case of a significant change in the place conditions (policy, capital entry into the place) any strategy can be implemented.

Table 8 Product-Market strategies

	<b>Current product</b>	<b>New product</b>
<b>Current market</b>	Market penetration	Product development
<b>New market</b>	Market development	Diversification

Source: Ashworth, G.J., Voogd, H., 1988, no. 1, p. 69

The goal of the **market penetration** strategy is to prevent loss of existing markets, stabilize and strengthen the position of current sub-products on existing markets. The penetration strategy is comparable to the stabilization strategy. It is used when the place has a chance to keep the existing market, it only needs to pay increased attention to the product.

The goal of the **market development** strategy is to find new markets for the existing products by expanding at regional, national or international level or by attracting new market segments with a special offer.

The **product development** strategy is based on increasing the quality and radical upgrading of the existing sub-products and creating a new product offer for the current target groups. This strategy requires considerable financial resources and is either a sign of the place innovativeness that is aimed at beating the competition, or it may be the result of a delayed response to changes in the external environment, in the best case an effort to keep up with the competition.

The **diversification** strategy represents a challenging and risky approach aimed to fundamentally change the competitive position of the place. This strategy can be implemented in the place provided there is enough available funds, high quality and determined human potential in the management positions of local government authorities and important subjects in the place, a suitable strong investor or a financial grant. Implementation of this strategy assumes offering a new total product or sub-products to new target groups. Creating a new product requires time, awareness of the needs of the new target group, substantial investment from local entrepreneurs, local government, state, and activities to attract new entrepreneurs and investors. Launching a new product in the market or markets implies additional costs of promotion, staff and organization. The implementation of this strategy can bring exceptional market success for the

place on the one hand, but on the other hand, if the finance is used inefficiently or the focus is on heavily saturated markets, it may involve a risk leading to stagnation or decline of the place.

In formulating a product strategy, it is necessary to accept the stages of the product – the place's lifecycle, especially in places with clearly defined and dominant function. The product lifecycle is based on the development of demand for the product during the product lifetime. It can be applied to the place marketing and can be also used as a complement to the market definition. The life cycle of the place is characterized by five phases – development, introduction, growth, maturity/stagnation, decline, the length of the phases being different for different sub-products of the place and for the place as a total product. For the place as a total product, it is very difficult to clearly define the stages of growth, maturity and decline. Tracking the life cycle of the place is challenging and, in principle, it can only be done retrospectively, by comparison, which is connected with its measurement.

Several authors have dealt with the issue of measuring the life cycle of the place, but so far, there is no method that is generally acceptable. The problem is to determine the variables and get their values. The life cycle of the place as a total product generally reflects its sales and profitability over time. However, such an unambiguous statement is not possible with the place. The basic variable is time, because the product develops and is marketed over time. The second variable is sales or profit. In the first chapter, we mentioned that the sale of a territory as a whole is only possible with restrictions. The reason is that the sale can express the interest in the place as a whole, the consumption or the purchase of its sub-products. The profit is not always understood only as the financial profit expressed by income (for example, income of the budget), but also as the prosperity of the place and the growth of its population's welfare. So, these variables need to be replaced in monitoring the life cycle of a place. The emphasis should be on the nature of variables - they should be quantifiable, data should be available and comparable at least in terms of monitoring development over a shorter period of time. The problem may arise in measuring the lifecycle in the long term – from past to present, when selecting variables that are comparable.

It seems that the easiest way of monitoring is the population development as a variable, reflecting the different phases of the place life cycle. Given that the world's population is rising steadily, but the absolute increment is low, the growth or decline should be monitored using both absolute data and relative comparisons. The information value of this indicator is currently declining mainly in the short term, because the natural increase is very low (the European trend), and even in the case of economic growth or recession there may not be a sharp change in the population. Rather, this trend will be reflected in long-term monitoring.



Another variable may be the gross domestic product. However, it is not always measured at levels lower than national or regional level. At lower levels, the variables could be employment, investment in the place, volume of production, etc. The information value of these indicators for the life cycle has not been examined and therefore, this issue would need more research.

The measuring of the life cycle of the place's sub-products seems to be slightly easier. A place aimed at the development of tourism could monitor, for example, the development of the number of visitors, a place developing as a city of education or modern technology could monitor the increase in the number of students and population with university education, and for a place whose main objective is to attract new inhabitants, it could be the increase in the number of immigrants and the like.

Although the monitoring of the place's life cycle is difficult, it has its significance. Changes in the development of the place usually come gradually, and so it is possible to get prepared for them. In the case of sudden changes (natural disaster, etc.), the intervention of public administration is usually delayed, but with the marketing tools, it is possible to quickly overcome the stage from recession to recovery.

The life cycle of some places or their sub-products ends in the stage of decline (stocks, exhaustion of resources, tragedy), some products are leaving the market, other products are returning from this stage to the growth stage due to changes in the market, good promotion, product innovation (revitalization of urban centres, countryside, etc.). Knowing and understanding the interdependence gives the place manager greater chances to prepare a marketing strategy for the place development that will ensure a "long and peaceful life cycle".

In developing product strategies, attention must be paid to the preferences and needs of target groups. In practice, it means to offer a particular product or its specific advantage to particular target groups, where it is expected to sell successfully. When creating a comprehensive offer of the place, it is therefore necessary to respect the principles of:

- complementarity,
- interdependence and continuity of sub-products,
- monitoring the trends.

### **3.4.2. Pricing strategies**

Complex pricing involves the use of strategic and tactical prices. The strategic price of the product is the price presented in the official materials. It is based on strategic decisions, in line with the market position, quality and image of



the place, customer's idea of the product value, depending on the stage of life cycle, return on investment, market share, expected growth rate, etc. The tactical price varies according to the changes in the market, regardless of the product quality, in order to activate marginal demand and gain a dominating position. To achieve a due effect, this price must be actively promoted.

Local authorities can influence the pricing policy of the place directly (through taxes, fees or subsidies) or indirectly (through building modern infrastructure, promotion, influencing the quality of the environment, etc.). They can implement fiscal initiatives (taxes, fees, tax reliefs), financial initiatives (loans, credits, subsidies) as well as perform training and education activities focusing on this issue. In developing pricing strategies, each individual sub-product should be approached individually.

From the customer's point of view, the price of the product is good or bad. This depends on how much the customer is willing to pay. How much the customer is willing to pay is affected by:

- the amount of his/her finance,
- psyche,
- energy spent to gain the product.

In some way, the price is a signal of quality in cases where the place is comparable to other places or when the customer wants to show his/her social status.

Pricing strategies are considerably influenced by:

- the objectives of the place development,
- the character of the product,
- the stage of the product life cycle,
- the competition.

When choosing a pricing strategy, it is necessary to take into account that motivation through price depends mainly on:

- the character of the market,
- the position on the market,
- the goals of the place development.

If the place strives to dominate the market through an exclusive product and has a good image and the capacity for such a position, it can apply the **price skimming** strategy. The success of this strategy depends on the existence of a segment willing to pay a higher price whose demand is not elastic. The likelihood of competition entering the market should be small.

If the place development is based on the price leadership strategy to attract the most investors, visitors and residents and gain the largest share in the market, sub-products are valued at relatively lower prices and we are talking about the **penetration pricing** strategy. The success of this strategy depends on the market sensitivity to price changes (market growth at low prices) and the inability of competitors to keep similar prices. For a place, this means that it should provide tax reliefs and financial benefits to domestic and incoming visitors or entrepreneurs and investors, provided these benefits will be reflected in the prices of the products provided. This strategy is closely linked to the policy of the superior territorial unit at the state or EU level. The applying of this strategy means low cost to the place.

If the offer of the place is made up by a product or sub-products that are, for example, an imitation of the competition products, it is necessary to decide what market position to take in the market in terms of quality and price, with nine different types of strategies.

When designing pricing strategies, the following factors should be considered:

### **1. the prices of land and properties**

The price is set by the owner's requirements and the purchasing power of the market. In the case of land and properties owned by the local government, the pricing principles are regulated by the legislation or price maps.

**Price maps** can be beneficial in creating pricing strategies as a statistical information document. They are a form of market monitoring, collecting information on real estate prices and informing the professional and lay public about them. Price maps can have a regulatory and stimulating function. They make offers more objective helping both the customer and the contractor get better price orientation in the real estate market and a better idea of the real value of the property. Price maps improve the real estate policy of self-government (in particular local government), support the development of the real estate market and help reduce the risk of speculation with them. Knowing the real value of real estates, they can serve as a basis for calculating the real estate tax. Price maps should reflect the overall tax and fee policy and the development potential of the place, which may directly affect the amount of real estate tax, rental rates for residential and non-residential premises and land;

**2. existence of financial and fiscal tools** (the competence of local government, European Union, various grant agencies). They can support the development of the place through various discounts, tax holidays, reliefs, surcharges, deductions from the base price of real estate, rents, fees, etc.;

### **3. the price of labour**

The price of labour should reflect its quality (education, skills, etc.). In reality, this price is affected by the external environment, supply and demand and internal

conditions of the place, including its location. These factors should be reflected in the pricing strategy of the place;

#### **4. the prices of goods and services**

These prices are affected primarily by the situation in the market and the decisions of central government, only partially and indirectly also by local government through financial tools in its competence.

#### **3.4.3. Accessibility strategy**

A favorable central location and transport infrastructure are strategically important factors in the development of the place and represent its competitive advantage.

The location of the place can not be directly affected. If it is disadvantageous, a competitive advantage can be gained by quality and fast transport.

The place accessibility is connected with the quality and speed of accessibility of its sub-products. The place accessibility also means a set of activities that commercialize the product of the place. The task of the distribution system is to deliver necessary information to the right person at the right time and in the right place to make a purchase decision and get finance to places where is the interest to order, make a reservation of or pay for the product offered. The information must be up-to-date, delivered via modern communications technologies and available where the customers expect it. In this respect, the place can gain a competitive advantage by quality and fast accessibility of its information.

#### **3.4.4. Promotional strategies**

The system of classical commercial advertising is being ousted by the constantly rising prices for media space, decreasing efficiency of ATL (Above The Line) communication and growing BTL (Below The Line) communication as a result of the changing role and position of the media, high market saturation with products, substitutes, growing market segment requiring communication tools to transmit communication messages to small target audience groups and the effort to keep the existing customers with tight links. Consumers today are increasingly ignoring it, and the only way to gain a competitive advantage through promotion and attract the target market or segments is to use modern approaches and technical and non-technical innovations.

At present, it is possible to talk about four key, perspective types of promotional strategy for the place:

- creative,
- emotional,
- innovative,
- integrated.

**Creative promotional strategy** is based on the ability of the creator to differentiate the place from competitors by the selected creative idea and attract the attention of the current and potential customers of the place.

**Emotional marketing strategy** is based on the fact that the efficiency of communication grows with the ability to give it a certain emotional subtext, its advantage being that it is very difficult to copy.

Immediate reaction to the development of technology, especially information and communications technologies, is an **innovative promotional strategy**. Modern technical tools enable the introduction of new promotional techniques. At the beginning, they increase cost, but they have good chances to attract the attention of a wide public, as well as to have an influence on more specified groups according to their individual needs. The current trend is two-way communication, which restricts one-way communication and this brings benefits for the whole place. The most important innovations in the place promotion are on-line communications – the use of the Internet, digital technologies, 3D and 4D systems, GPS (Global Positioning System), multimedia terminals, mobile networks, mobile phones, etc. Everything is reproducible today (except for tastes and smells). Satellite services enable, for example, to locate places and objects with a real view, which can be used to attract investors, residents and tourists to the place, navigate drivers, etc. The Internet makes it possible to establish contact with millions of people at almost zero cost.

**Integrated promotional strategy** is based on integrating communication activities. A suitable combination of communication tools helps to efficiently mediate the place's offer and demonstrates the maturity of the culture of local authorities and subjects in the place. The goal of integrated promotional strategy is to increase the interconnection of all promotional tools, increase their efficiency for internal and external communication, which, despite the increasing communication costs, ultimately helps maintain or reduce the total cost of promotion.

The sequence of steps in creating a promotional strategy is as follows:

1. Identification of the subject of communication,
2. Identification of the target recipients and their current “mood” in relation to the subject of communication, i.e. how the subject of communication is perceived by the majority of target audience, how deeply they know it, what their attitude to it is, how important it is for their needs and interests.

3. Formulation of the vision and goals of communication,
4. Choice of the message (content, structure, format),
5. Choice of the media (personal and non-personal communication channels),
6. Choice of the source of the message (should be reliable, competent and popular),
7. Choice of the promotional tools,
8. Setting of the time, length and frequency of communication,
9. Creation of the budget,
10. Inter-connection of individual measures, preparation of a timetable according to the importance of individual steps,
11. Decision about the tools of assessment /control of the strategy effectiveness,
12. Implementation,
13. Control and evaluation.

In designing a promotional strategy, it is important to decide about the channels to transmit messages to target segments, which affects the success of promotion. Communication channels are classified as:

- personal
- non-personal.

Personal communication channels are very effective, for they ensure direct feedback. Non-personal communication channels are mainly those media that mediate a message without personal contact. Recently, the importance of the Internet and mobile networks has grown and they have become the most effective communication channels. The great benefit of both channels is the possibility of interactive communication. Through these communication channels, the management of the place can learn about the opinions of residents and other customers on certain problems, and they also have the possibility to get very valuable information, also indirectly, from conversations of other people, without their own participation. The possibility to search information and obtain immediate results is also essential in all areas of human activity. In this context, the Internet and mobile networks in promotion become an important source of building a competitive advantage for the place.

Another important part of marketing strategy development is the choice of promotional tools, which must be an integrated system. The individual tools should complement each other and coordinate with other tools of the marketing mix.

## Promotional tools

### 1. Public Relations (PR)

One of the most effective promotional tools is communication with the public. PR can reach a wide audience at relatively low cost. Public relations are a planned and systematic activity that is aimed at:

- creating and strengthening trust, understanding and good relationships with important public groups,
- changing the attitudes and behaviour of decision-makers in the place,
- getting the support of these subjects and groups in order to effectively implement the strategy,
- building a positive image and brand name of the place. A place that wants to be present in the market, create a positive image and get known among the current and potential customers should use a unified graphic style, the so-called single identity system for all activities.

PR are internal and external, depending on which part of the public they are aimed at.

**Internal PR** are aimed at own employees, elected representatives and residents. The aim of internal PR is to identify these segments with the mission of the organization by targeted, planned and regular communication about the objectives, missions, directions and future of the organization, to build and maintain formal relations within the organization, to avoid the emergence of crisis situations or to address them through media communication.

**External PR** are aimed at the public. The goal of external PR is to reach out to target groups in order to convince them, get them understand the situation, gain their confidence, understanding, prevent crisis situations and build and maintain formal relations at local, national and international level.

The PR tools that reach target groups **directly** are:

- interpersonal communication,
- consultation,
- informal meetings (business lunch, dinner, etc.),
- communication through specialized publications and periodicals that are not available for a wide public.

The PR tools that reach target groups **indirectly** are:

- media (printed, electronic, agencies),
- various events,
- annual reports,

- financial or material sponsoring,
- lobbying,
- information services,
- services of the public office,
- notice boards,
- information panels, etc.

## 2. Advertising

Advertising is a paid non-personal form of presentation and support of the place's product or products through different media which is done by an identifiable sponsor. Advertising of a place should always focus on what is unique and specific to it. No investor or tourist would come to the place promoted to find, buy, or see what other places also provide. Advertising of the place must include things that will imprint deeply in the memory of the recipient. Advertising can be done through various communication channels such as the Internet, printed materials, multimedia, and so on. The most commonly used promotional materials are: flyers, brochures, books, publications, maps, studies, annual reports, calendars, postcards, posters, tourist guides, videos, banners and more.

## 3. Sales promotion

Sales promotion is a promotional tool that represents short-term incentives to activate buying or selling. It is often combined with advertising or personal communication to support the goals of the promotional programme. Through its tools, it stimulates interest and offers strong incentives for “buying” by using some form of coercion in the form of benefit that adds value to the consumer. For example, if the local government aims to attract the business sector and investors, it can use price advantages for business and housing premises or increase its competitive advantage by taking part in specialized exhibitions and fairs, delivering presentations for commercial representations, journalists and the professional public or by removing bureaucratic barriers. This tool also includes a range of souvenirs and promotional items.

Sales promotion can create a short-term but also a sustainable competitive advantage.

## 4. Personal communication

Personal communication is a form of verbal presentation in conversation with one or more potential “buyers”, aimed to offer the place to potential visitors,

residents, entrepreneurs, investors, etc. It functions effectively especially on the grounds of personal relationships, making and keeping personal contacts, directly or vicariously. An advantage of personal communication is personal interaction and direct feedback, where one party can discover the needs of the other one and make flexible adjustments of the message content. It is effective mainly when setting preferences.

Good personal communication can make a long-term employment relationship or even friendship based on mutual trust which can be a good starting point for building of a competitive advantage. Personal communication can have the form of both formal and informal presentation. It helps to create various types of relationships, from sale-and-purchase up to personal friendships. However, these advantages are compensated by high implementation cost.

Personal communication management requires choice of suitable staff, managers and their continuous education, training, motivation and evaluation. It is important to concentrate on factors such as care for the current and potential target customers and effective use of time during communication, i.e. paying special attention to customer relationship management with social and marketing communication tools.

## 5. Organized events

Events in a place boost the interest of the customers and media in the product and the place. The events organized by companies, organizations, institutions or places for their customers represent a rich, innovative and creative approach to building of image, trust and friendly relationships with customers and a wide public.

Events are an impersonal communication channel through which the organizer sends a certain preconcerted message to the target audience. There are different types of organized events:

- Social (balls, rag days, etc.),
- Cultural (music, folklore, theatre, film events, festivals, etc.),
- Sports (tournaments, matches, etc.),
- Company (company/organization days, etc.),
- Gastronomic (making traditional or untraditional food),
- Historical (historical fencing performances, folklore festivals),
- Commercial (exhibitions, fairs, etc.),
- Educational (big congresses, conferences, etc.),
- Thematic (New Year's Eve, Children's Day, etc.),
- Information (open door days, etc.),
- Other events.



Organized events as a form of promotion:

- cause emotions,
- lead the target group towards active participation and engagement while providing an intensive emotional experience,
- attract the attention of consumers, potential customers and the media.

People often associate the emotions and memories of the event with the place where it was located. Positive experiences cause the need to communicate them on social networks, which increases interest in the event, as well as popularity and visit rates.

## 6. Virtual communication

The Internet is an inseparable part of everyday life. The advantages of the Internet communication include the possibility of:

- accurate targeting,
- easy measuring of the users' responses,
- continuity of display of promotion sharing,
- information updates as needed,
- up-to-date information thanks to quick data transfer,
- easy altering, sending, archiving and linking of information,
- building relatively anonymous user databases,
- addressing a wide public regardless their location and current time, with low cost.

The most often used forms of promotion on websites include:

- Blog,
- Banner,
- Text link,
- Electronic mail,
- Chat,
- Audiovisual communication,
- Social networks.

### **Blog**

Traditional media such as television, radio, newspapers and magazines are forms of unilateral and static communication technology. Blog, as a form of Internet communication, allows publication of promotional texts, attaching audio

files available to a greater number of consumers – we can speak of millions – practically free of charge.

### **Banners**

Internet advertising posters, so called banners, are linked to something exceptional on the homepage. Banners can be static, animated or interactive. A specific form of banner is a so called button. It is usually placed in the upper part of the website and is used for promotion of other web servers. To make the banner successful, it needs to have an attractive headline and provide a simple and quick approach to the message.

### **Text link**

Other communication tools include text links and placement of the logo of the advertiser who becomes a sponsor of a particular website.

### **Electronic mail**

E-mail is a dominant service for the Internet users. The messages in the electronic form are sent to the e-mail addresses. They can have a character of requested or unsolicited mail.

### **Chat**

The main disadvantage of e-mail – the absence of quick immediate response – was eliminated by chatting systems. Chat allows electronic communication between the Internet users in real time, or on-line discussions with several users at the same time.

### **Audiovisual communication**

The Internet is used for visual and voice communication so it enables arranging video conferences, discussion forums, IP telephoning, instant messaging (ICQ, g-talk, skype). All these technology options make communication faster and allow better cooperation between various entities.

### **Social networks**

Social networks consist of the community of users, people or organizations that have something in common. For instance, it can be real friendship, kinship, employment, hobby, interests, or a particular social problem. Such users are interconnected and share information. Communication takes place on the Internet with the access from a computer or a mobile phone. Today, the most popular international social networks include:

- Facebook
- Twitter
- YouTube
- Instagram
- Linknet, etc.

Social networks provide a lot of opportunities for interaction with customers through plug-in applications, groups and fanpages. Each social network is specific and has its specific users. Social media give the users a chance to share their ideas, contents and relationships online. The user can create, comment and post their own content and share it with the others. The users' posts can have the form of a text, a video, animation, images, photos, etc. The concept of social networking creates vast possibilities for presentation. Creative and interactive communication brings the product, place or brand to attention. On the other hand, customers can attach videos, photos or comments to their profiles. They can also have discussions managed and possibly entered by the discussion group administrators. In this way information is spread to people who would probably not get it otherwise.

## 7. Direct mail

Direct mail as a marketing communication mix tool is effective when there is a need to address an exactly defined target segment or individual subjects. The means are telephone, mail, Internet, e-mail or teleshopping (mainly for tourist destinations), one use objects (3D objects), etc. Direct mail also includes sending offers, notices, comments or other shares to the consumers. Each of these forms should contain the reply/response option - telephone number, website address, contact email. Direct mail is a popular medium as it provides selective choice and personalization of the market. It is flexible, can be pre-tested and its effect is measurable.

The significance of this tool has been growing, but only in its Internet form. Some professionals even expect the other forms of direct mail to be shortly replaced by the Internet.

## 8. Word-of-mouth

One of the most popular ways to promote a place and spread information to people is **word-of-mouth**, abbreviated as WOM. Word-of-mouth is a form of personal communication that includes exchange of information about the product or service between the target customers, neighbours, friends, relatives or colleagues. Products, brands, services, events, destinations represent one of the important conversation topics. People exchange information with direct or less direct links to the place products or the place as a whole.

## 9. Buzz communication

One of the WOM techniques and part of buzz marketing is buzz communication. It is the concept based on making a buzz. It is a way of

“making” the consumer talk about the product and the media write about it. It is a relatively cheap technique but very demanding as for the content. Creation of a quality campaign concept is rather complicated as it expects finding extremely interesting, unusual, or even controversial topics that would have a potential to make a necessary buzz among both the consumers and the media. The topic that evokes talking and writing must be funny, fascinating and it should trigger conversations. This communication model is based on direct participation of the target audience in marketing communication – the recipient forwards the message to their friends and they tell the other people. That is how buzz is made – a buzz that will also make the media concentrate on the topic.

#### 10. Viral communication

It represents the type of promotion aimed to achieve exponential growth of brand or product awareness in a form of uncontrolled spread of information among people via the internet. This can be compared to spreading the virus which explains the name origin. Viral communication is based on capability of the sender to attract the consumers’ attention so they forward information about the product or a website with more details to each other. There are two forms of viral marketing: active and passive. The passive one relies solely on positive statements of consumers and does not try to influence their behaviour in any way. Thus the effort to get positive response depends on quality offer. The active form means that the sender tries to use the viral message for influencing the customer behaviour. An example can be the message with promotional content which is so interesting for the target audience that they willingly forward it through their own communication channels and with their own communication tools. This implies that to make viral marketing work it is necessary to come up with an interesting, creative message that will not only catch the recipient’s attention, but will also seem worth forwarding to their friends. The purpose is to create an image, animation, video etc., which would be shared by the users for its creative character. The greatest enemy of the legal viral marketing is SPAM, unsolicited or undesired electronic mail.

#### 11. Guerilla communication

Guerilla communication or campaign is an unconventional communication campaign with low cost which has made it very popular in recent days. It can not only attract attention but also keep the cost low. Unconventional approach of guerilla communication is supposed to surprise and impress the target group with its original solutions.

## 12. Product placement

Intentional and paid placement of a place (city, village, region or its locality, historic landmark, monument, name, etc.) in an audio-visual piece aimed to promote it is called product placement. Quality product placement shows the place or its sub-products in a positive or attractive context which causes emotion and the need to visit the place. Contrary to the classical promotion, it is perceived by the viewers as a very unforced method. The problem with product placement is measuring its effectiveness. One of the most popular indicators is e.g. visit rate increase.

## 13. Mobile communication

Development of mobile networks as well as the desire to communicate with the customers as fast as possible and in the most attractive way has also caused rapid development of mobile marketing communication. There are many formats and principles of use of mobile marketing communication through text messaging or applications. The advantage of mobile marketing communication is the possibility of accurate targeting of a campaign (information about the consumer's identity, behaviour, personal preferences and geographic location), the ability of mediate direct interaction between the advertiser and recipient, high operability in real time, simple and quick updating, high user comfort, low cost, large scale use and, last but not least, simple measurability.

### 3.4.5. Human factor strategy

Human factor is an inevitable component of marketing mix in place marketing. An effective development of a place requires an independent strategy for this marketing tool.

The process of building the competitive advantage of a place at the level of other marketing mix instruments used for decision-making and management depends on the executives' potential quality, their ability to accept and use strategic marketing approach to work, but also the character and culture of the organization applying place marketing.

Competitive advantage founded on place management can be built, to a certain degree, with good internal marketing based on:

- selection of professionals for management positions,
- suitable motivation,
- education, training, personal support and creativity.

What is also important is responsibility awareness, position in a company, creation of favourable working conditions, institution culture, optimal

organization structure that will, on the one hand, secure quality flow of information between the individual levels of workers, and, on the other hand, clearly define competences that will effectively cover the whole area of place administration. That may help create background for positive attitude to work, employer and place, which will have an effect on the relationships to customers, quality service and overall work outcomes. Thus the goal of quality place management and also development and prosperity of a place will be achieved. It is also important to train the members of local self-governments because only a few of them are professionals in place development management.

In strategic decision-making processes it is often forgotten that without support of the residents, their sufficient loyalty and awareness, it is impossible to realize some intentions effectively. Therefore, it is necessary to provide continued education of the residents in connection with the development objectives of the place, as well as protection and preservation of high quality environment.

Making a functional institution or organization structure can be a prerequisite of effective management and coordination of activities in a place when it is necessary to enforce the needs of the place in higher territorial structures. This may have an impact on achieving synergic effect in raising and using funds. From the aspect of building the competitive advantage of a place and its further development it is inevitable to provide conditions, support and coordination of such efforts.

The place can get a competitive advantage through the human factor tool if the strategy is targeted at the subjects influencing the quality of place development. It is mainly related to the fact that place development is significantly influenced by the activities of the elected representatives, e.g. administration, planning, organization, HR, etc.

The strategy of this marketing tool is supposed to be oriented on HR management, implementation of new organization forms, elimination of administrative and bureaucratic barriers, implementation of new processes and procedures in place management.

#### **3.4.6. Cooperation and partnership strategy**

Success of the place development is not always determined by such factors as location, climate, natural attractions or money. The factors that often turn out to be decisive are human efforts, willingness, skills, experience, vigour, human values, culture, and organization system. Therefore, it is important for the local governments to accept the integrating role of place marketing, and for their executive units to cooperate with each other and with the important entities of the place, when it comes to marketing activities. The key principle of using place

marketing is voluntary cooperation of various entities “from below”, i.e. from lower social or organizational levels, minimization of bureaucratic processes and growth of flexibility in place development management which allows quicker adaptation to changes. Relationships between the entities in a place are not pre-regulated. The emphasis is put on networking – creation of cooperation networks between the entities of public, private and non-profit sectors, as well as the possibility of the citizens’ involvement in place development management.

Cooperation and networking of the subjects involved are the core parts of the Public Governance approach as the further evolution stage of New Public Management. **The key and most common form of cooperation is building partnerships**, i.e. cooperation and seeking solutions on the grounds of mutual agreement and recognition of importance of the other subjects in achieving the objectives set by self-government. **The essence of the functional partnership in local self-government is participation of all influential subjects in a place.**

Success of any marketing strategy of development requires opinion unity of those who write the concept and those who implement it. Place development dynamics is significantly influenced, on the one hand, with certain dependence of the businesses on decisions of local self-governments (e.g. land use, area planning, infrastructure building, reconstructions, taxes, fees) and, on the other hand, dependence of the local self-government on the willingness of the private sector to cooperate. There are many reasons for cooperation in a place and some had been outlined in the previous chapters. A strategy focused on partnerships should help dealing with lack of funding for development projects implementation on the part of public sector but also realization of big investment objectives by the private sector with inevitable participation of the public sector (completing e.g. transport infrastructure, public lighting, etc.). Considering this strategy, it is important to support community involvement through creation of the platform for the citizens’ involvement in the place management, which will increase the sense of identification with the place.

Places showing mutual respect, consolidation and economic re-evaluation of the efforts of all subjects involved may gain a sustainable competitive advantage in this respect.

As was mentioned in relation to the human factor tool, education is a significant factor affecting the place development: the higher the education, the higher the citizens’ demand for better quality of life. The inhabitants are more demanding, more critical, but also more engaged. Thus quality of human resources in a place is reflected in their ability to participate in public affairs, either through direct involvement in the events or indirectly, through various formal and informal associations, partnerships and organizations.

This strategy should be focused on providing conditions for networking, cooperation, partnership and participation. Place development as a result of the public sector, private sector and NGOs is an optimal solution that needs to be reached.

This strategy should also include organization and coordination of regular meetings and public discussion, mainly with relevant subjects. For instance, it is important to present strategic objectives and decisions, together with the highest possible number of the subjects involved. The goal should be involvement of the public and the crucial subjects with the potential to affect successful implementation of the strategy in the process of strategic (marketing) planning. Involvement in this process makes the subjects partially responsible for the future development of the place so it becomes their personal matter. Any strategy submitted for a public discussion should be, after adjustments, approved by the public authorities as a binding document. It increases credibility and willingness to participate in public affairs.

A special type of marketing that can be used for place development in the case of priority of this tool is relationship marketing. Relationship marketing is strategic orientation targeted at maintaining and improving the relationships with both current and potential subjects involved, i.e. stakeholders.

### **3.5. Implementation phase**

For successful implementation of a marketing strategy it is inevitable to know what to do and what results are expected. In the implementation phase, marketing strategies are transformed into specific marketing activities. The implementation steps of marketing strategy and marketing mix strategies are planned in time through action programs. They are the background for determination of:

- the extent and character of activities,
- the extent of necessary funds, budget,
- human resources and responsibility,
- the form of control and evaluation of the particular activity.

The implementation phase involves concrete measures that lead to fulfilment of the vision through meeting the particular goals. At this stage, it is necessary to secure continuity of the individual activities in space and time, as well as active cooperation of all subjects involved. In practice, this means suitable inclusion of marketing in the activities of self-government authorities, i.e. establishment of an independent marketing department or another form of adequate inclusion of marketing activities in the organization.



### **3.6. Control and evaluation phase**

In literature, strategic marketing planning is characterized as a dynamic process which is subject to change and influence of development dynamics in macro- and micro-environment, in the markets, among competitors, etc. Continuous monitoring of these changes takes place within control and evaluation stage. It is the feedback system – permanent functionality control of the components and marketing instruments in relation to the current situation in the market. Regarding the fact that place development always takes place within non-stop transformation process, on the grounds of feedback system it is possible to identify wrong or ineffective steps, capture behaviour changes in the market and respond to them on time.

In the control and evaluation phase, it is necessary to continuously evaluate the effectiveness and efficiency during implementation, as well as market approach. In professional literature, marketing audit is mentioned as one of the control and evaluation methods. It is very difficult to do marketing audit of a place, but it can be very effective.

Marketing audit of a place can be divided into the following steps:

- Pre-audit activities that will determine the extent and focus of audit,
- Information gathering and analysis,
- Formulation of recommendations,
- Drawing up implementation measures.

In place marketing, the purpose of audit is examination of vision, mission, general and marketing objectives, place marketing strategy, marketing mix, external environment, organization and systems.

Elaboration of a quality marketing audit is demanding in financial, personnel and organization aspects. It requires experts who submit a comprehensive, independent audit with good information value.

### **Summary**

Knowledge of determining elements of the marketing process is essential for sustainable development of a place. Professional literature dealing with place marketing does not cover this topic sufficiently and in practice, the approach to place development is often ill-conceived. That is the reason why we have defined and described the process of strategic marketing planning, its basic methods and instruments relevant to the place.

In place marketing, customer orientation is considered the most substantial condition for place development. We have conformed strategic marketing

planning in a place to this fact. We have divided the process of strategic marketing planning into five phases – concept, analysis, strategy, implementation, and control and evaluation. The starting point of building the marketing strategy of a place is definition of vision, mission and development objectives of the place. These should be adopted as a binding document in the place. With regard to the social role of marketing, all significant subjects living and acting in the place should participate in its creation. Another important step is analysis. In the analysis, strong emphasis is put on identification of the competitive advantage or advantages of the place through implementation of the marketing environment, market and competition analysis, and on its possible use in an effort to harmonize the offer of the place with the needs and expectations of both current and potential customers.

Strategic success of a place is based on targeted marketing. Therefore, we have paid a lot of attention to market analysis. We have provided characteristics of different approaches to segmentation and we have described target markets of the place from several aspects.

It is important to know about the analysis of competition among places whether it analyzes the competitors from the aspect of product or market approach, as well as setting the criteria for comparison with other competing places. It is essential to make sure that the criteria represent the needs and expectations of the target segments. The result of the whole process of competition analysis should be identification of the main current and potential competitors, their character, identification of one or several competitive advantages, and confirmation of their acceptance by the target markets.

In our opinion, the most convenient approach to creation and selection of the marketing strategies is creation and selection of alternative marketing strategies of place development and marketing mix strategies, from both material and time perspectives and with regard to a particular situation. We believe at present, when it is extremely difficult to foresee the changes in the external environment and markets or the competitors' future development, it is impossible to consider just one right variant of the place development. The creation of various alternative marketing strategies can help improve profiling of competitive relationships.

The particular alternatives of strategic approaches in the place need to be re-evaluated from the aspect of compliance of the marketing strategy with a vision, mission and objectives of the **place, as well as the analysis results. Re-evaluation should also include the aspect of potential risk, compliance of the strategy with other development objectives of the place, life cycle of the place, vulnerability of the strategy, availability of the target segments, availability of funds, politics at both local and national levels, political priorities, activities existing in the place and supposed development trends around the world.**

A special position in the process of strategic marketing planning belongs to the phase of control and feedback which has a substantial impact on successful implementation of a marketing strategy. It has been proven by practice that failure of control processes and feedback have caused the most serious problems in the process of strategy implementation.

On the grounds of the facts presented above, we find that the starting point of place development should be sought in the character of the place and the target market, and in the application of place marketing through strategic marketing planning in the place. Strategic marketing planning is a mechanism which transforms the needs of customers in the place into decisions of the self-government authorities and operation records of the self-government executive units.

### **Key words**

Strategic marketing planning. Concept. Marketing analysis. Marketing research. Segmentation. Marketing strategy. Strategies of the marketing mix tools.

### **Questions and tasks**

1. What is the difference between the planning processes in the classic and strategic marketing management?
2. Why is it important to define the vision and objectives at the beginning of planning?
3. What is the result of marketing analysis?
4. What is competitive advantage and why is it important for creation of a strategy?
5. Which ways of creation of action plans do you know (from management theory) and what makes them different from a marketing strategic plan?
6. Which cities or villages can serve as an example of the human factor importance?
7. Search the Internet for the examples of place development in Brighton, Trnava, Vienna, Brno, Amsterdam, Spišský Hrhov, Podkonice, etc. What can you learn from them?

More tasks related to the topics above are to be found in the case study book ☺

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## CONCLUSION

This university study text deals with the issues of place marketing as part of local government management. The aim was to define the basic theoretical concepts of place marketing its specific features. Special attention was paid to strategic marketing planning. The marketing process is systematic and continuous, repeated until the goals set can be considered as achieved.

By meeting the needs of target segments, place marketing can influence the development and increase the place's potential. Its economic and social effects on villages, cities, regions and states can be extensive. It can affect the income of the population, income of the non-profit sector, business sector profits, local budget revenues, development of human potential, employment, development of education, infrastructure, regulation of the development of entrepreneurial activities, creation and protection of the environment, exploitation of land, landscape and natural resources, financial and legislative stability, the growth of quality of life as well as the overall development of the place. The development of the municipality or region can benefit not only locals, entrepreneurs, but also neighbouring municipalities and regions, state administration and self-government authorities and, ultimately, the whole state.

The content of the study text is divided into three chapters. The major explanatory text is complemented by illustrations and tables. An inherent part of this book is a collection of case studies that extends the issues of this book and the examples therein, and complements individual topics with examples from practice.

The university study text "Place Marketing" is primarily intended for students of economic study programs, but also for students of geography, architecture, urbanism, information systems in public administration and marketing. The professional public can get a comprehensive view of the area of place marketing with the definition of concepts, crucial phenomena, tools, processes and their specific features.





## **PLACE MARKETING**

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