

SERGEY IGNATYEV
INESE RATANOVA

Baltic International Academy in Riga, Latvia

**CITY MARKETING: THE THEORETICAL
AND PRACTICAL ASPECTS
(THE EXAMPLE OF LATVIA)**

Abstract: This article is aimed at studying theoretical and practical aspect of innovative approach to management of region development, especially city development as a part of region, *i.e.* application of city marketing. Being an innovative element for the city environment, marketing orientation allows presenting city as some sort of “goods”, *i.e.* the object of market relations. The subjects of such relations, on the one hand, are population of the city, economic entities, potential investors since they all are the consumers of specific goods, *i.e.* “city”, but on the other hand, the subjects of such relations are local governments which express the interests of local community and are the sellers of such “goods”. It should be mentioned that marketing approach allows identifying specific peculiarities which help the city be different from its competitors; as well as finding out factors which can attract potential subjects of territory development.

Introduction

Currently there are several tendencies in development of the world’s modern cities: the cities become the leaders of sustainable development of human civilization, the cities present the main demand for development technologies and innovations, the cities actively use their resources to increase their competitiveness in the economic, social and natural spheres to attract investment and population. Therefore, the cities are more often seen as the places for living as well as places where you can create comfortable and human friendly environment. There is global competition for population as the most valuable resource which importance cannot be compared with any other resources. The city cannot win in such competitive struggle for labour resources and investment without self-advertising, positioning in the information space as well as without forming an attractive image and good reputation. All abovementioned things can be managed with the help of one of the most efficient mechanisms which is implemented by local governments, *i.e.* innovative city marketing.

All currently existing interpretations of city marketing can be divided into two big groups: economic and management ones. The specialists of the first group understand marketing as purely economic procedure which results in city advertising. City marketing is defined as “the set of actions aimed at optimization of correlation between city functions and their demand from the part of population, companies, tourists and other city visitors” [1, p. 21]. The specialists of the second group mainly understand marketing as the instrument of territory management: “City marketing is the process of planning, co-ordination and control of direct relations between city administration and its different partners and target groups” [2, p. 48]. The city is seen as a “product” which is offered to these “target groups”. The city as a consumption product is territory resources which are demanded by its consumers. The main target groups of city marketing are its population, business representatives and tourists.

1. Theoretical aspects of city marketing

In the Authors’ opinion, city marketing should be seen in a broader aspect since the sphere of its application is much broader. Currently the cities compete on the level with regions and countries; city marketing can exist and be used as an effective instrument of solving problems which cannot be solved by traditional management methods. The range of these problems is very broad and topical both for Latvia and many other countries: it is outflow of population, lack of investment in infrastructure, drop in the living standards and quality of life. Therefore, marketing activity includes broad range of executors, great set of instruments and different tasks resulting from development strategy of the city itself. That is why the authors think that the most precise definition is as follows: **city marketing** is the set of actions of urban society directed at identification and promotion of its interests with the purpose of improving socioeconomic development of the city.

To ensure prosperity of urban communities in the circumstances of global market economy crucially significant is formation of “hard” and “soft” systemic factors which ensure mastering of the following set of key competences:

- 1) proficiency competence, *i.e.* ability to produce goods and services in the sphere of material production at the level of highest world standards;
- 2) knowledge competence, *i.e.* ability to create and sell new knowledge, technologies and science-based products and services;
- 3) relations competence, *i.e.* ability to create and sell services in the sphere of communication and commutation of material, information and financial flows;
- 4) competence of effective city management where the city is managed as a uniform system (corporation) which is aimed at achievement of common aims of leading influence groups;
- 5) collaboration competence, *i.e.* ability of effective identification and co-ordination of the interests of different influence groups and strategic partners as well as abil-

ity on the basis of all these things to formulate common aims and strategies for their achievement;

- 6) life-support competence, *i.e.* ability to create such living environment which can satisfy and surpass expectations of the representatives of leading groups in totality of important for them aspects of life quality.

Detailed analysis of the state of system and external conditions allows:

- 1) assessing conditions in which the city will develop, their advantages and disadvantages with the purpose of decreasing the threats (negative effects) and increasing the opportunities (positive effects), SWOT analysis;
- 2) clear identification of common aims co-ordinated in the territorial community, their positioning, also among competitors, in key directions;
- 3) optimal combination of the policy of product with the policy of territory “price”, allocation of resources and territory promotion;
- 4) co-ordination of the programs of city development;
- 5) getting ranging marks and instruments for measurement and assessment of development results [3, pp. 325-326].

At the same time it is necessary to take into account a number of peculiarities of city marketing. Among them are:

- 1) high (in comparison with rural districts) cost of life and land, especially in big cities;
- 2) concentrated provision of modern city amenities (especially important can be marketing of public utility services and immovable property);
- 3) saturation of informative and educational environment of the city which gives special opportunities to marketing communications, scientific research, marketing studies and sets higher requirements to these fields of activity;
- 4) concentration of transport and business infrastructure in cities which sets specific tasks to marketing of communication services, transport, hospitality and tourism;
- 5) location in the cities of local and higher authorities strengthens “significance”, symbolic character and importance of image problems in city marketing as a leading sector of territory marketing with a higher level of organisation and management.

Urban authorities should know these peculiarities of city marketing and be able to:

- 1) plan city marketing in combination with strategic interests of the territory;
- 2) identify and “measure” image resources of the city;
- 3) within marketing program work with different layers of urban community;
- 4) with the help of marketing instruments solve particular city problems;
- 5) identify target audience and choose correct methods of work with it;
- 6) form positive image of the city and efficiently position the city in the information space.

The main thing in application of innovative city marketing is the mechanism of co-ordination of the interests of all participants of market relations. As the practice of developed industrial countries with market economy (USA, Germany, Spain, France) shows, such mechanisms can be implemented by the Territory Marketing Agencies or Departments in local administrative institutions. Taking into account increase in

responsibility and independence of local governments in the sphere of socioeconomic development of the city, as a part of the territory, to ensure more efficient management on the basis of foreign experience it is necessary to form such Agencies which would consist of the representatives of local governments and business who are the founders and represent the interests of all people in territorial structures.

Territory marketing agencies are organised in administration of territorial authorities in different organisational and legal forms, their main aim is practical work on attraction of investment to the territory and development of marketing strategy on the basis of studying and listing the needs of population, interests of economic entities and local governments. Practical objectives of such Agencies may have the following directions:

- 1) formation of a data bank on all topical issues of socioeconomic development of the territory;
- 2) analysis and development of recommendations on the strategy of territory development for local authorities;
- 3) prognosis on development of the territory and investment market;
- 4) development of programs on improvement of territory image for investors;
- 5) assessment of offered projects on prior territory development;
- 6) work on co-ordination of international investment projects;
- 7) development of interregional and international partner contacts;
- 8) co-ordination of activity of the company's marketing services;
- 9) development and implementation of advertising campaigns, *etc.*

The forms of organisation of Agencies (Territory marketing centres) can be different in accordance with conditions of some particular city.

Speaking about innovative component of any business project (city marketing is rather big business project which involves different industries and all urban community) it necessary to find out which factors can attract subjects and territory consumers to the region, and the city in particular.

2. Findings of research

To find out the opinions about region attractiveness, the authors have performed empirical research. The aim of the authors' empirical research is to find out the opinion of the population, entrepreneurs and the heads of local urban and rural governments of all Latvian regions.

In total the authors questioned 354 inhabitants, 248 entrepreneurs and 93 heads of local governments of Latvian regions. The authors used the following methods of data collection and analysis: questionnaires for population, entrepreneurs and the heads of local governments in Latvian regions, descriptive analysis of obtained quantitative results, factorial analysis of importance of different marketing and non-marketing factors as well as comparison of opinions provided by population, entrepre-

neurs and the heads of local governments. The main notions of research which need empirical interpretation are as follows:

- marketing factors of the region's strategic development, *i.e.* such elements of regional environment which were purposefully created by people in the course of their market activity to attract to the region the resources of territory strategic development;
- non-marketing factors, *i.e.* such elements of regional environment which were not created by people but can attract the resources of its strategic development to the region (Table 1).

The development of individual marketing and non-marketing factors in the region can be empirically interpreted with the help of the question, "Could you assess your city or region in accordance with the following positions?" and the respondents' assessment of 14 potentially attractive factors provided by the authors in the questionnaire in relation to their region, the respondents had to use the scale from 1, "fully disagree", to 5, "fully agree", taking into account the development level of this position in the city or region where the respondent lives. The other level of empirical interpretation of marketing and non-marketing factors of region's strategic development is assessment of significance of these factors in attraction of residents, new enterprises, tourists and investment, to the city or region. The respondents assessed the significance of every factor (and respectively of every resource) using the scale from 1, "No, I don't think that it is an important reason", to 5, "Yes, it is a very significant reason" (for choosing this region as a place of residence, place of business performance or dispose of investment). The analysis of obtained findings of research starts with the average assessment of the development level of marketing and non-marketing factors in Latvian regions and comparison of the opinions of population, entrepreneurs and the heads of local governments.

As the results of the population's assessment of the attractiveness of different factors in their regions show, the most attractive factors in Latvia are non-marketing factors of region's strategic development, *i.e.* beautiful nature, favourable geographi-

Table 1

Marketing and non-marketing factors

Non-marketing factors	Marketing reasons
1. Place of birth	1. Developed technical infrastructure (roads, communications, <i>etc.</i>)
2. Beautiful nature	2. Developed social infrastructure (schools, hospitals, cultural institutions, <i>etc.</i>)
3. Motherland of ancestors	3. Vacant places of employment
4. Good ecological situation	4. Region's image of a suitable place of residence
5. Kind and amicable people	5. Possibility of getting education
6. Family circumstances	6. Possibility of opening and conducting business
7. Cultural and historical monuments	7. Political situation

Source: Developed by the Authors.

cal location, highly developed culture and sustainable traditions, *etc.* In the population's opinion Riga differs from other regions with higher positive image of a suitable place of residence, underdeveloped traditional culture and lower sociability and amiability of people. In accordance with superior development of non-marketing factors, Riga is very similar to the other Latvian regions.

Entrepreneurs evaluate the development of marketing factors (especially, positive image of a territory as a place of residence) in Latvian regions a bit higher than population, although the first places, just as in the case with population, are taken by non-marketing factors, *i.e.* beauty of nature and favourable geographical location. In relation to difference between Riga and regions the entrepreneurs mention worse ecological situation in Riga, greater number of cultural and historical monuments and better possibilities of education.

The heads of local governments of Latvian regions just as population and entrepreneurs of the regions, place non-marketing factors of region's strategic development, *i.e.* beautiful nature, favourable geographical location and good ecological situation, on the first place in accordance with their development level. In contrast with population and entrepreneurs, the heads of local governments higher evaluate social infrastructure of their regions (which they constantly work with), image of the region as a suitable place of residence and possibilities to get education.

In its turn, the significance of different factors of region's attractiveness was identified with the help of factorial analysis of the respondents' answers; it started with analysis of the significance of different factors in attraction of human resources.

The factorial analysis of the population's opinion about the significance of different factors for the choice of particular region as a place of residence showed there were four such factors and the first factor included such elements as developed technical infrastructure, positive image of the region as an attractive place of residence, political situation in the region and vacant places of employment. Most elements of this factor are marketing elements and the factor which attracts human resources to the region can be called "an attractive place of employment". The second important factor includes such elements as developed social infrastructure, good ecological situation, possibilities to get education and reasonable housing prices. This factor mostly unites marketing factors and it can be called "an attractive place for life". The third factor which is as significant as previous ones is purely non-marketing factor which consists of such elements as motherland of ancestors, kind and amicable people and beautiful nature. This factor can be called "native country and amicable people". And finally the last of important factors is also non-marketing factor which consists of two elements – place of birth and family circumstances. It can be called „family's social capital”.

Figure 1 shows the percentage significance of the abovementioned four factors for attraction of residents to the region, *i.e.* it shows the share of every factor in general attractiveness of the region as a permanent place of residence (in accordance with assessment performed by the population of Latvian regions).

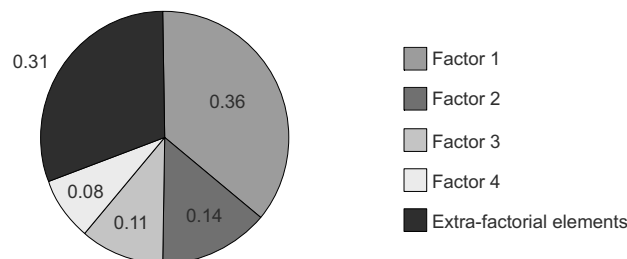


Figure 1. Significance of different factors in general attractiveness of the region as a permanent place of residence, the results of factorial analysis of responses of population of Latvian regions, in percentage points, 2010, n=354 people

Factor 1 – „attractive place of employment”, marketing factor;
 Factor 2 – „attractive place for life”, marketing factor;
 Factor 3 – „native country and amicable people”, non-marketing factor;
 Factor 4 – „family’s social capital”, non-marketing factor.

Source: Calculated by the Authors in accordance with the data of the poll of population of Latvian regions.

As the data of Figure 1 shows, the first two factors which mostly consist of marketing elements determine the degree of attractiveness of the region as a permanent place of residence by 50%. The region’s possibility to attract to its territory human resources by half depends on the existence and the development level of these factors.

The factorial analysis of entrepreneurs’ responses to the same question about the significance of particular elements of regional environment or region’s features in attraction of human resources of territory’s development, *i.e.* permanent residents, showed that entrepreneurs also distinguished four most important factors, however, their elements differed from the assessment provided by the population of regions. So in the opinion of the entrepreneurs of Latvian regions, the first most important factor which attracted permanent residents consisted of three elements: possibilities to open and perform business, vacant places of employment and possibilities to get education. From the point of view of entrepreneurs this fully marketing factor can be called much broader the „attractive place of education, work and business”. The second important factor includes such elements as developed technical and social infrastructure, favourable political situation and positive image of the region as a permanent place of residence. This factor almost fully is a marketing factor and can be called „well-equipped place for life”. In the entrepreneurs’ opinion the third important factor in attraction of human resources to the region consists of the following elements: beautiful nature, good ecological situation and reasonable housing prices. It can be called “an attractive place for construction of housing”. The last important factor which was mentioned by the entrepreneurs includes the following elements: place of birth, motherland of ancestors, family circumstances and it can be called just as the population’s factor „the family’s social capital”.

The last two significant factors for attracting human resources to the region are non-marketing factors. The importance of all four factors in percentage points in accordance with opinions of the entrepreneurs is shown in Figure 2.

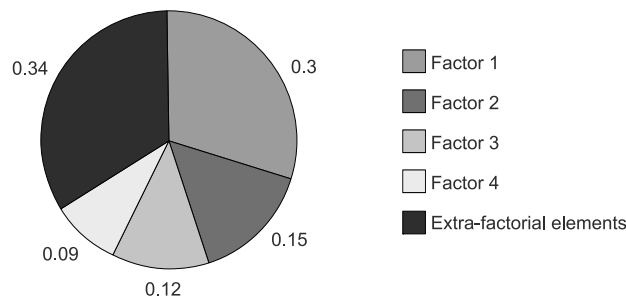


Figure 2. The significance of different factors in general attractiveness of the region as a permanent place of residence, the results of factorial analysis of responses of entrepreneurs from Latvian regions, in percentage points, 2010, n=248 people

Factor 1 – „attractive place of education, work and business”, marketing factor

Factor 2 – „well-equipped place for life”, marketing factor

Factor 3 – „attractive place for construction of housing”, non-marketing factor

Factor 4 – „family’s social capital”, non-marketing factor

Source: Calculated by the Authors in accordance with the data of the poll of entrepreneurs from Latvian regions.

In whole entrepreneurs assess the significance of such marketing factors as „attractive place of education, work and business” and „well-equipped place for life” very similar with population, with the only exception for the fact that entrepreneurs include into the first factor such topical to them element as possibilities of opening and performing business. Further on it is necessary to analyse the significance of the factors attracting permanent residents to the regions from the point of view of the heads of local governments of Latvian remote cities and regions.

As the results of factorial analysis of the opinion of the heads of local governments show, this group of respondents has also distinguished four most important factors attracting human resources of strategic development to the regions. The first factor consists of such elements as developed technical and social infrastructure and possibilities of opening and performing business, it can be called “well-equipped place for business”. In the opinion of the heads of local governments, the elements of the second factor include favourable political situation, beautiful nature and good ecological situation. This factor can be called „clean and peaceful place for life”. This is a non-marketing factor and in contrast with assessment of population and entrepreneurs, in the opinion of the heads of local governments, it takes the second place in accordance with its significance in attraction of human resources of strategic development to the region. The third place is taken by such non-marketing factor as „family’s social capital” which includes such elements as the place of birth and motherland of ancestors. The fourth important factor is marketing factor „places of employment and cheap housing” which consists of two elements – vacant places of employment and reasonable housing prices.

As the data of Figure 3 shows, the heads of local governments who do not downplay the significance of the marketing factor which stimulates business and at-

tracts residents to the territory, highly assess the significance of non-marketing factors, on the one hand, it proves their understanding of causal relationships of region's strategic development, *i.e.* attraction of residents after attraction of business, but on the other hand, it shows their rather weak marketing thinking in the sphere of region's strategic development in comparison with population and entrepreneurs.

As the results of factorial analysis of significance assessment of different factors attracting to the region such resources of strategic development as new enterprises, investment and tourists, which was performed by the subjects of regional development, *i.e.* population, entrepreneurs and the heads of local governments, showed, the situation was very similar, *i.e.* in accordance with the respondents' opinion, the most significant factors were marketing factors which, in their turn, were underdeveloped in Latvian regions (including Riga) in comparison with non-marketing factors. In their turn, most non-marketing factors which the Authors offered to assess and which were better developed in Latvian regions (including Riga) were evaluated by the subjects of regional development of Latvia as not so important as the marketing factors.

As the force of attractiveness of the factors of territory marketing is characterised by the development level of this factor in particular region and its significance, the Authors offer to use such scientific term as real marketing force of the factor. *Real marketing force of the factor* is its capacity to attract resources taking into account the development level of this factor in a particular region; it can be calculated by multiplication of the average point of its development with the average point of its significance. Then it is standardized by division into 25 (in accordance with the Authors' method, it is theoretical maximum possible value of multiplication of the values of factor development and significance), it is measured in percentage points from 0 to 1.

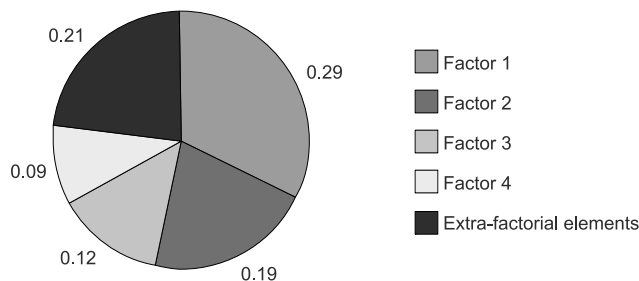


Figure 3. The significance of different factors in general attractiveness of the region as a permanent place of residence, the results of factorial analysis of responses of the heads of local governments of Latvian regions, in percentage points, 2010, n=93 people

- Factor 1 – „well-equipped place for business”, marketing factor
- Factor 2 – „clean and peaceful place for life”, non-marketing factor
- Factor 3 – „family's social capital”, non-marketing factor
- Factor 4 – „places of employment and cheap housing”, marketing factor

Source: Calculated by the Authors in accordance with the data of the poll of the heads of local governments of Latvian regions.

$$S = \frac{X_r * X_z}{25},$$

where

S – is real marketing force of the factor,

X_r – is the development level of assessed factor in the region,

X_z – is the significance of assessed factor in attraction of some resource of strategic development to the region,

25 – is a standardizer, theoretical maximum possible value of multiplication of the values of factor development and significance.

In Figure 4 you can see real marketing force of some factors attracting human resources of strategic development, i.e. permanent residents, to Latvian regions, it presents the opinion of all participants of the poll in whole.

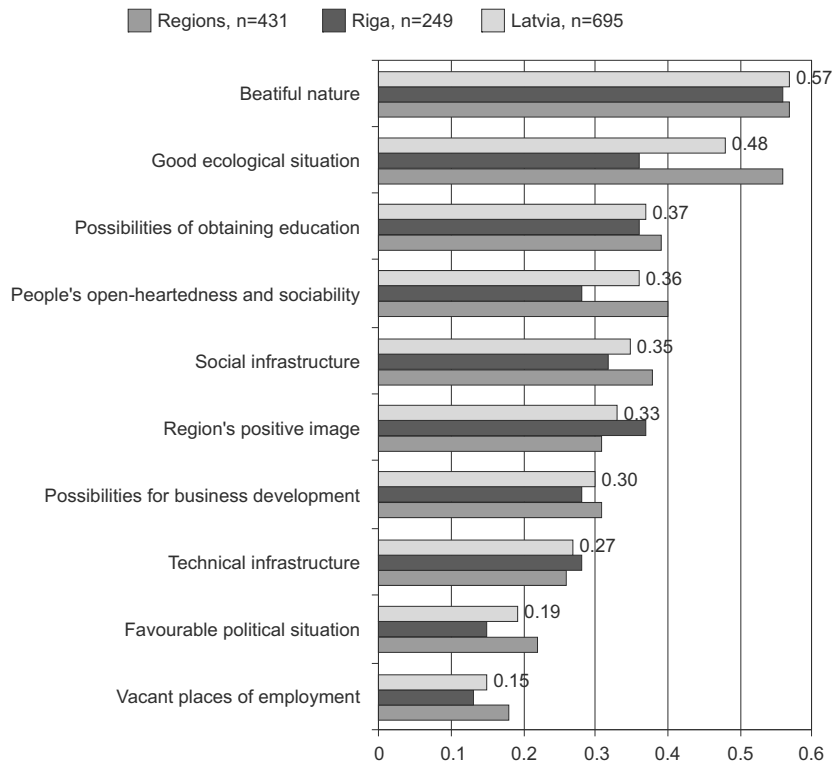


Figure 4. Real marketing force of particular factors attracting *residents* to Latvian regions in assessment of such subjects of regional development as population, entrepreneurs and the heads of local governments, in percentage points*, 2010

* numerical value of percentage points is specified only for Latvia in whole

Source: Calculated by the Authors (Figures 4, 5).

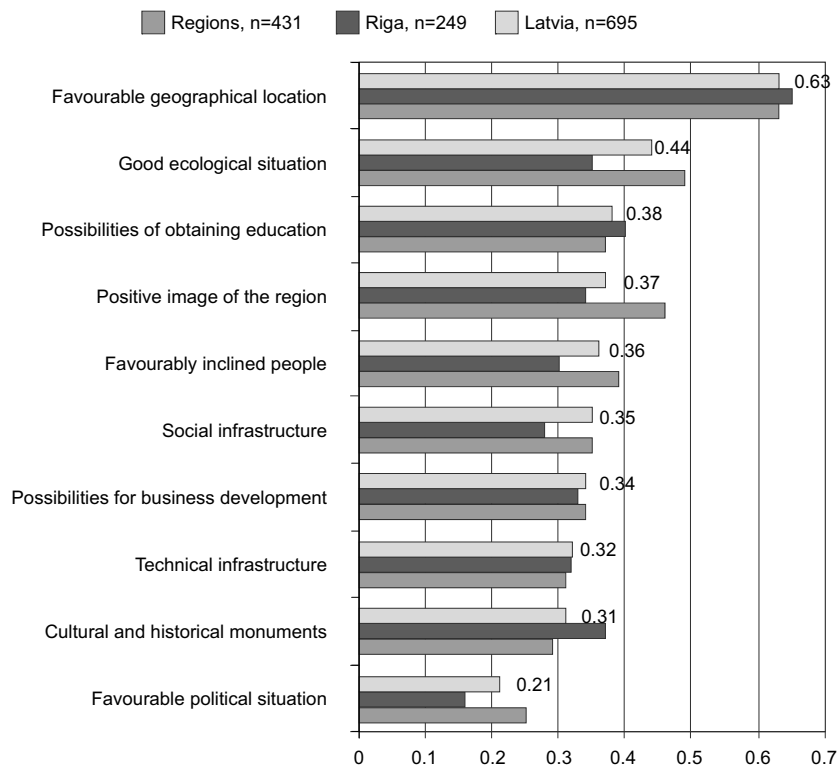


Figure 5. Real marketing force of particular factors attracting *new enterprises* to Latvian regions in assessment of such subjects of regional development as population, entrepreneurs and the heads of local governments, in percentage points*, 2010

* numerical value of percentage points is specified only for Latvia in whole

In this figure really attractive factors which are characteristic to Latvian regions are placed in hierarchic consequence for Latvia in whole, however, they have different real marketing force in Riga and Latvian remote regions. For example, such factors as favourable ecological situation, people's amiability and favourable political situation have greater real marketing force in Latvian remote regions, not in Riga. In its turn, in Riga greater real marketing force is characteristic to such factors as technical infrastructure and positive image of the region.

Figure 5 shows ten factors which are placed in accordance with descending values of their real marketing force in attraction of entrepreneurs and new enterprises to the region.

In this field the leading position is taken by the factor of favourable geographical location, i.e. possibility of real and productive work with this factor both in Riga and Latvian regions with the purpose of attracting new enterprises to the territory. It should be mentioned that quite big real marketing force in attraction of business to the regions is characteristic to such factors as people's amiability, good ecological

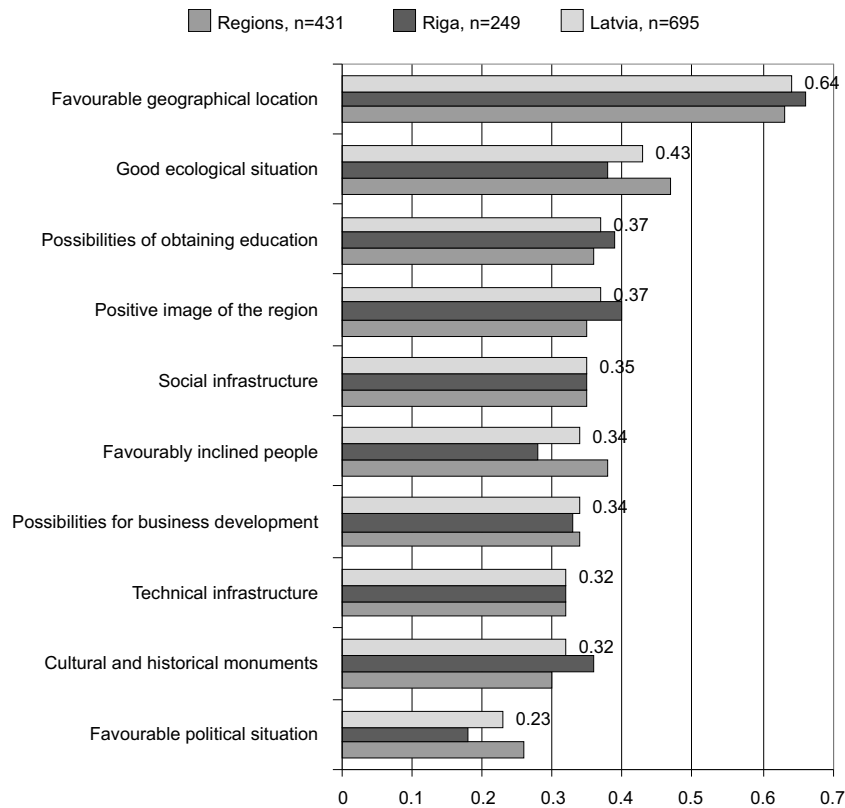


Figure 6. Real marketing force of particular factors attracting *investment* to Latvian regions in assessment of such subjects of regional development as population, entrepreneurs and the heads of local governments, in percentage points*, 2010

* numerical value of percentage points is specified only for Latvia in whole

Source: Calculated by the Authors in accordance with the data of the poll of the subjects of regional development of Latvia.

situation and positive image of the region which is considered to be significant also in Latvian remote regions despite the fact that it is implemented mostly in Riga.

Figure 6 shows real marketing force of ten factors in attraction of such resources of strategic development as investment to the regions. Also in this field the leading position is taken by the factor of region's favourable geographical location.

Figures 4-6 summarise and innovatively present information which should be taken into account by theoreticians and practitioners of strategic development of regions who study and search for new instruments of strategic development which could be quite real for their region. The authors' method which was approbated in the course of empirical research in Latvian regions supplements the science with a new notion of "real marketing force of the factor of region's strategic development" and provides specialists and practitioners with scientifically grounded instrument of

monitoring and planning of region's development with the help of territory marketing. This method can be easily applied in smaller territories to find out the factors which are really available in this particular territory and should be developed with the purpose of attracting the resources of strategic development.

Conclusion

1. City marketing as an innovative element for the municipal sphere in Latvia can be developed in different ways and should be effectively applied with the purpose of encouraging attraction of different resources, *i.e.* human, financial and entrepreneur resources.
2. The perception of territory marketing by different subjects of regional development, *i.e.* population, entrepreneurs and the heads of urban and rural local governments, is very similar, except for some differences which, in comparison with population and entrepreneurs, prove weaker marketing thinking of the heads of local governments.
3. In assessment of the subjects of Latvian regional development, the development level of marketing factors in the capital and regions of Latvia is much lower than their significance for development of the city and region. As for non-marketing factors, the situation is contrary: their significance is much lower than their development level.
4. The specific weight of "marketing-thinking" and "market-inspired" inhabitants in Riga is approximately by 20% higher than in other Latvian cities and regions. In its turn, marketing and market thinking entrepreneurs in Riga and regions do not have significant statistical differences, *i.e.* the entrepreneur keeps its characteristic features in any region.
5. The greatest real marketing force in strategic development of Latvian regions is characteristic mostly to those factors which the authors of this research call non-marketing factors, *i.e.* factors which were not created by people in the course of their purposeful market activity. They are favourable geographical location (for business and investment), beautiful nature (for permanent residents), possibilities to get education and good ecological situation (for permanent residents, business and investment).

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