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## **FACTORS THAT INFLUENCE THE EFFICIENCY OF CITY MARKETING**

### *CZYNNIKI WPŁYWAJĄCE NA MARKETING MIAST*

**Key words: city marketing, success factors**

*Słowa kluczowe: marketing miast, czynniki sukcesu*

**Abstract.** It is more and more widespread that not only the companies, but regional units and even cities are competing with each other. Marketing activities and economic development are closely related to each other and enhance the efficient operation. On the basis of the available literature and other secondary sources, the present study reviews the development and significance of factors influencing the success of city marketing. Besides the improvement of theoretical background I also describe the changes of analysis methods over time and introduce some real practical examples.

### **Introduction**

A town marketing model has to be based on wide basis to be successful. The analysis of success factors goes back to the 1960's, therefore it is considered to be a relatively young area of research. In the field of settlement marketing, however, the first, relevant studies were published only in the early 1990's. In the literature, there are various synonymous definitions for the term key success factors, which are used alternatively. The recurring terms are: strategic factors, key result area, key variable and pulse point. One of the most frequently cited definition is "critical success factors as the limited factors of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization [Bornemeyer 2002].

In the frames of my primary research, I examine the key success factors of marketing activities in Hungarian cities, while the current paper aims to summarize and introduce the references that provided the background for this research.

### **Methodological background of analysis of factors affecting success**

The examination of success factors starts from the presumption that the success or failure of a problem can be led back only to a few key factors. [Schmalen et al. 2006]. The empirical research made in this field can be distinguished first of all on the basis of methods analysing the success factors. These factors can be examined with direct and indirect methods. In case of direct methods of examination, expert inquiries are carried out, during which questions are put directly concerning the variables influencing the success. The research may involve both internal (within the company) and external (customers, competitors, suppliers, distributors, etc.) experts. Originally this method of research has been implemented in the practice by the development of management information system and, according to the experiences, it is gaining more and more importance these days. Direct examinations has got an increasing methodological support and the relevant methods include the creative techniques, such as brainstorming and other surveying techniques, e.g. Delphi method and deep interviews. This type of research is mostly supported by preliminary prepared checklists with the potential success factors. The checklists can be drawn up on the basis of technical literature or the results of interviews with experts.

The direct procedures try to explore the relation between success factors – as independent variables – and the size of success – as dependent variable. They do not investigate the direct reasons of success, but they examine the degree of success as well as the external and internal environment of the company. Further groups can be distinguished according to the method of data search, such as qualitative and quantitative techniques. The qualitative processes result non-quantifiable data and there are qualitative „statements” in the focus, while the quantitative data search gives us quantifiable company data, which can be measured by mathematical methods. Two groups can be distinguished within the quantitative process on the basis of the method of examination: there are explorative (exploring cause and effect structure) and confirmatory (revising cause and effect structure) research methods.

The aim of statistical analyses within the processes is to reveal the success factors and determine their relative importance. In addition to the usual bivariate methods, correlation analysis and pairwise comparison, mostly multivariate procedures are applied (factor analysis, regression, discriminant analysis, cluster analysis).

### Special features of settlement marketing

The market oriented approach of city marketing has become into the foreground in Western Europe and Northern America from the late 1970s. In order to create the financial basis for local governments, it was necessary to improve the place of settlements on the market, that is to „sell” the city as a product [Kozma 2002]

In our days, the actuality of region and settlement marketing is due to the fact that the municipalities of settlements should meet new requirements, keep pace with the possibilities offered by the expanding Europe and follow the directions of development dictated by the European Union. On the one hand, it means the maintenance of special image – in other words the touristic attraction – of settlements and, on the other hand, the competitiveness of the given settlement should be increased and made more attractive for potential investors and visitors with the help of development projects.

Comparing the business marketing with settlement marketing, the greatest differences are in terms of the product to be sold [Ashworth, Voogd 1997]:

- the product is more complex in case of regional and settlement marketing, because the same physical space should be sold simultaneously to different „consumers”, who want to use it for different purposes,
- in case of regional units, the flexibility of some articles and services is missing: it is difficult to convert them according to the needs of existing and potential „consumers”,
- in contrary to the business marketing, the „sale” of regional units does not actually mean the transfer of ownership and does not result the transfer of right of disposal over the settlement services,
- the regional units are located within a spatial environment, a hierarchy and it has a considerable influence on their marketing activities.,
- contrary to company marketing, in case of regional and settlement marketing, the internal target groups are also the „carriers” of regional and settlement marketing,
- the methods and means to be applied are the same as in case of business marketing, but the content and decision process is different,
- the companies select their market segments and target groups freely on the basis of efficiency criteria, while the settlements and regions are not free to choose their citizens. Therefore the internal marketing is inevitable,
- in case of regional and settlement marketing, the consensus of interest groups is of primary importance. The organization of dialogues between political and private decision makers has a special place in this process. These forms of cooperation are mostly called „Public Private Partnerships” (PPP).

### Examination of factors affecting the success of settlement marketing in terms of technical literature

The development of success factor models of regional and settlement marketing started in the 1990`s, that is 30 years later than in the field of business marketing. The present chapter introduces the result of the most important works through processing the technical literature. The first models were built on the study of Porter written in 1991 with the title „National Competitive Advantages”, which examined 100 brands in 10 countries through case studies.

Porter dealt with those factors that may influence the international competitiveness of countries and thus he distinguished the following four factors:

- situation of existing factors (means of production, labour, capital, area) as important elements;
- demand factors: what is the demand for products and services on the internal market;
- existence of relating and supporting sectors;
- enterprise strategy structure and competition.

Based on the work of Porter, Manschwetus in 1995 highlighted the importance of six potential areas concerning the economic competitiveness of regions:

- internal possibilities: material and immaterial sources of the region, such as e.g. labour, infrastructure, landscape and cityscape;
- marketing possibilities: marketing possibilities of the region`s products;
- business human resources: quality of management and level of their qualification in case of the local companies;
- possibilities of synergy: competitive advantages resulted by the cooperation between companies;
- possibilities of image building: image of the region among the key persons and organizations;

- regulations: acts, taxes and subsidies [Manschwetus 1995, p109].  
As regards the Hungarian technical literature, Kozma summarizes the steps towards successful region and settlement marketing as follows:
- situation analysis (SWOT analysis) The results of the research enable to mark some areas where the city can be able to improve;
- determining target group – it should be explored which factors are primarily considered by these target groups during spatial decisions and what is their image about the city in question;
- based on the results of the former research – the city should actually appear on the market. The organization of different international exhibitions, participation of the city in fairs, supporting and encouraging the city to participate in business fairs and foundation of foreign branches can be part of this process.

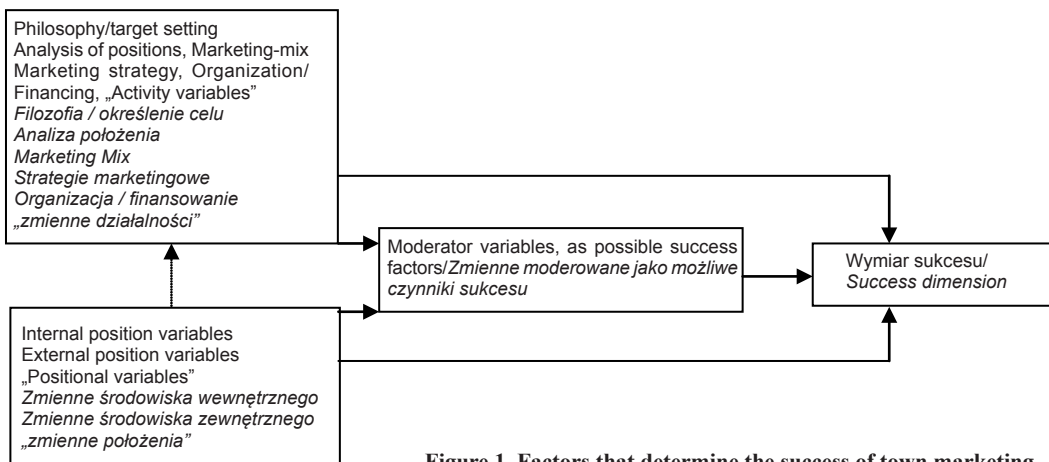
Parallel with these steps, of course, permanent efforts should be made to develop the local conditions of the city (creating city image, material and intellectual infrastructure, creating sights that can attract big crowds of people) [Kozma 1995].

The methods applied in the analysis of success factors of settlement marketing in the 1990’s are summarized in table 1. It is obvious that case studies and interviews with experts were given priority and – regarding statistical methods – the method of bivariate analysis was typically used. In the 2000’s more and more research covered the subject because there was an increasing competition in the „market” of cities, so the group of factors to examine was expanding.

**Table 1. Development of success analysis methods of city marketing in the 1990’s**  
*Tabela 1. Rozwój metod analizy sukcesu marketing miast w latach 1990*

Authors/ <i>Autorzy</i>	Examined population/ <i>Badana populacja</i>	Evaluation methods/ <i>Zastosowane metody badań</i>
Hanold, Honert [1991]	8 towns/ <i>miast</i>	interpretation of single cases based on expert questioning/ <i>interpretacja prostych przypadków metodą ekspercką</i>
Schmalen, Stallmeier [1992]	137 spa resorts/ <i>resortów</i>	bivariate analysis and cluster analysis/ <i>analiza dwuwariantowa i analiza skupień</i>
Schaller [1993]	8 towns/ <i>miast</i>	elaboration of literature and expert questioning/
Beyer [1997]	60 towns/ <i>miast</i>	interpretation of single cases establishment of principles/ <i>analiza prostych przypadków, formułowanie prawidłowości</i>
Beibst, Heyne [1998]	56 towns/ <i>miast</i>	uni-and bivariate analysis/ <i>wielo i dwuwariantowa analiza</i>
Grabow, Hollbach, Grömig [1998]	241 towns/ <i>miast</i>	interpretation of single cases establishment of principles/ <i>analiza prostych przypadków, formułowanie prawidłowości</i>

Source/Źródło: Bornemeyer et al. 1999



**Figure 1. Factors that determine the success of town marketing**  
*Rysunek 1. Czynniki determinujące sukces marketingu miast*  
Source/Źródło: Bornemeyer 2002

**Table 2. Factors determining the success of town marketing in case of Schwabach and Meningen**  
**Tabela 2. Czynniki determinujące sukces marketing miejskiego w przypadku miast Schwabach i Meningen**

Characteristics/Charakterystyki	Schwabach	Meningen
Number of inhabitants/Liczba mieszkańców	38 862	41 111
The organizational frame of town marketing/Organizacja marketingu miejskiego	alliance/alians	alliance/alians
Budget/Budżet [euro]	90 000	37 000
Examination of success factors/Metody oceny czynników sukcesu	project specific/ dedykowane dla projektu	qualitative/jakościowe
Factors that determine the success of town marketing/ Czynniki determinujące sukces marketing miejskiego	<ul style="list-style-type: none"> <li>– communication of town management/informowanie o zarządzaniu miastem</li> <li>– clearly and rationally defined tasks/ jasno sprecyzowane zadania</li> <li>– tight cooperation with the town/ ścisła współpraca z miastem</li> </ul>	<ul style="list-style-type: none"> <li>– town development is based on long-term, rational decisions, well defined destinations and/zarządzanie miastem odbywa się na podstawie długookresowych precyzyjnych decyzji</li> <li>– relying on the increasing participation of inhabitants/bazuje na rosnącym zaangażowaniu mieszkańców</li> </ul>

Source: own study based on Best practice Leitfaden Stadtmarketing 2009

Źródło: opracowanie własne na podstawie Best-practice-Leitfaden Stadtmarketing 2009

The work of Bornemeyer in 2002 has meant the greatest methodological progress. Both the data recording and data analysis was carried out in the frames of primary, quantitative method. He used multivariate analysis for the determination of success factors, with the help of which he created rankings and confirmed that the cause and effect relations between success factors can be observed and measured with indices [Schwerdtner 2008]. He used economic and corporate development theories as theoretical background for his work. The factor groups distinguished by Bornemeyer and the interrelations between them is introduced on figure 1.

The size of success is directly affected by the „situation” and „activity” variables. Internal and external factors can be distinguished in the field of situation variables. Internal situation factors include e.g. the size of the city, the chosen form of corporation, the year of starting city marketing, so all those factors which can be influenced in the long run by those responsible for city marketing. On the other hand, external factors cover those elements which cannot be affected in the frames of the city marketing, but influence the possibilities of action and the size of success (e.g. the intensity of competition).

The „action/activity variables” include the factors directly connected with management tasks.

The moderator variables are the results of activities performed in order to achieve success, but have no direct impact on the size of success. These form the intermediate targets.

As regards practice, the factors learnt from the technical literature are reflected, too. Out of the excellent German samples published in Best – practice Leitfaden Stadtmarketing, I detail only the two samples of Schwabach and Meningen in table 2.

## Conclusions

Both the theoretical and practical examples prove that the success of settlement marketing can be affected by external and internal factors. The secondary sources detailed above gave the theoretical background for my primary questionnaire survey, which was performed among Hungarian cities. On the basis of the special literature I gave priority to the examination of the following areas:

- examination of the qualities of the city (on the basis of indices),
- examination of targets, group of assets serving the realization,
- target groups,
- composition of means to be applied in order to reach target groups,
- actors, stakeholders,
- structure and staff,
- possibilities of fund raising.

The data retrieval is going on at present and will be finished in June 2012. My objective is to explore the special Hungarian features of success factors of settlement marketing and to create a model.

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### Streszczenie

*Na podstawie dostępnej literatury przedmiotu i innych źródeł wtórnych w artykule dokonano przeglądu czynników wpływających na sukces marketingu miast. W artykule poddano także analizie metodologie marketingu miast wskazując na najlepsze praktyki.*

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