

Identifying Competitive Advantages for Territories

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Abstract

Territories like businesses struggle in an ever stronger competitive environment. The opening of markets and the free transfer of information about every spot in the world to every spot on Earth almost instantly as well as the easy movement of people makes it very important for territories to promote themselves. They compete not only as destinations in tourism related aspects but also as places to live in, work in and develop your business in. It's no wonder that territories start to adopt business techniques to let them thrive in this environment. Territories are certain areas with their own already set resources like natural resources, historical sights, special products, created only there, specifically-skilled people, specific traditions, food and so on. Advantages are usually derived from attributes that allow a territory to outperform its competitors and strategic management should be concerned with building and sustaining these advantages. This article will attempt to find ways of accurately identifying the advantages of a territory, classifying them as competitive or comparative in order to find ways and approaches of using them as means to developing and marketing the territory as a whole while attempting to satisfy all stakeholders' needs and wants.

Keywords: competitive advantages, comparative advantages, territorial marketing.

JEL classification: M31.

1. Introduction

A territory is a certain area which has specific resources available – these could be natural resources, historic and special interest sights, products, specifically produced or hand-made there, certain traditions, food and so on. Some authors suggest (Filippi, 2014, pp. 597-615) that a territory is also defined by the relations it has with the different stakeholders. Three main meanings of the term territory are suggested: an administrative region, a geographical dimension of development, and a local extended network. A 'territory' can be seen as a potential economic asset for product differentiation, such as Geographical Indications (GI). Nowadays territories compete on the market the same way as businesses do in an ever stronger competitive environment. The opening of markets and the free transfer of information about everything anywhere in the world almost instantly as well as the easy movement of people makes it very important for territories to promote themselves. They compete not only as destinations for tourist activities but also as places to live in, work in and develop your business in. It's no wonder that territories start to adopt business techniques to help them thrive in this environment. Marketing a territory as a whole is usually considered the job of the municipality or other government or local government managing institution of the territory. The most commonly used business technique, which is usually considered, is marketing the territory and mostly using the promotional activities, suggested in marketing, in the tourism related aspects. But the author believes that promotional activities which are only related to tourism are not a good approach of marketing a territory since usually the territory can offer much more than that. The resources that are already being promoted should be considered of course, but a broader consideration should be given to all available resources and to a wider range of audiences. Marketing a territory based on the available resources, their development and promotion in an integrated way will be a source of competitive advantage for the territory and as it's already an existing source it will help tremendously in the development. Strategically

using already available resources in order to develop competitive advantages is the fastest and least demanding way to reach the goals of successfully marketing a territory.

2. Competitiveness of a territory

The competitiveness of a territory is defined by its ability to adapt to the changing conditions of its environment. Territories have to compete in order to maintain or improve their market positions and gain access to a variety of internal and external benefits including those of incoming visitors, investors, budgets and so on. Some authors suggest that the competition between territories can be described as direct and indirect (Wawrzyniec and Yusupova, 2015). Direct competition is present when territories offer the same or similar products and they have a strong market position. Indirect competition occurs when the managing organization tries to create favorable conditions for its internal stakeholders – beneficial economic conditions for businesses and high quality of life of people living on the territory. This is supposed to create better performance of the territory and to translate into the entire region's development – economic, social and so on. In this way the desire to improve the competitiveness of the territory actually helps its development. It is considered that a territory competes in its whole, not on the basis of individual resources, and the importance of factors like innovation and knowledge is highlighted. According to some authors (Wawrzyniec and Yusupova, 2015), in order to be considered competitive in the long term a region as a whole should have the ability for the so-called expanded reproduction of intellectual resources, namely the creation of added value.

3. Advantages

Advantages are usually derived from attributes that allow a territory to outperform its competitors and strategic management should be concerned with building and sustaining these advantages. In order to be able to successfully develop the advantages of the territory we need to be able to recognize the different kinds of advantages that can be considered.

A competitive advantage is an advantage that the company or territory has over its competitors, allowing it to generate greater sales/margins and/or retain more customers than its competitors (Ivestopedia, 2016a). Competitive advantages can be recognized in the cost structure, product offerings, distribution network and customer support. What organizations look for is sustainability of the advantage. And sustainability is achieved when the advantage is hard for competitors to duplicate.

There can be two types of competitive advantages – comparative advantages and differential advantages.

A comparative advantage for a company is present when it can produce something at a lower relative opportunity cost than anyone else. The theory of comparative advantages was first introduced by David Ricardo in 1817 (Boudreaux, 2008) to explain why countries engage in international trade even when one country's workers are more skilled at producing every single good than the other countries. The concept of comparative advantage for companies can be applied to territories too. In order to find the comparative advantages of a territory we need to compare its opportunity costs or in other words the cost of what it is giving up in order to produce a specific good. So specializing in the production of one good that the territory is capable of producing cheaper than its competitors and exporting it outside of the territory is a source of gaining a comparative advantage.

A differential advantage is present when a company's products or services differ from its competitors due to some unique feature (Ivestopedia, 2016b). Differential advantages can be found in unique benefits or characteristics of the products, company or territory that set them apart and above their competitors in the customers' point of view. Furthermore, these are

benefits that the customers value and believe they cannot obtain anywhere else. In order to determine whether there is a differential advantage an entity has to first identify the benefits that are sought by the target audiences and list them in priority order. In this way differential advantages will be ranked by priority and by importance of target segments which will result in having advantages listed by high ranked to low ranked benefits and from important or not to target segments. Tonkova (2011) specifies the main types of differentiations – “ones that affect the whole marketing mix, a particular marketing element or a single variable, while the target orientation of differentiations is expressed in three basic trends – differentiation concerning competitors, differentiation concerning a company’s own offer and one that concerns particular cluster of objects/subjects”.

Literature review has revealed that in recent years the term cooperative advantage has been introduced (Huemer, 2014). This refers to the idea of a mutually beneficial relationship-oriented value creation by two or more participating actors. A cooperative advantage can be seen as sustainable if the two interacting parties work together symbiotically and the interaction creates benefits which are valuable in other relationships also.

4. Marketing of a territory

P. Kotler defines marketing and its concept as: “satisfying needs and wants through an exchange process. The aim of marketing is to attract new clients by promising higher customer value while retaining old customers constantly meeting their changing needs“. The increasing mobility of people, financial, tangible and intangible resources which are fundamental and provide a basis for comparing areas in terms of attractiveness for people to live in, conduct their business in, invest in, visit as tourists and so on. Local communities are interested in the attractiveness of their own territory, because it determines their own financial independence. In other words one of the main purposes of territorial marketing is to increase the competitiveness of the territory by improving the competitiveness of: businesses that operate in it, the social systems available there, the education and medical services of the area, and also to increase the visibility and recognition of the area, to improve the interest in tourist attractions and so on. Nowadays, marketing has become an integral part of the strategies of commercial and non-profit organizations and should be used in territory management also. Therefore, there is no doubt that territory marketing has a crucial role in the development of areas. As suggested by Vdovichena and Olijnych (2013) the following arguments in favor of territory marketing should be noted:

- “improving quality of life and well-being of its citizens and companies;
- political stability;
- creation of domestic demand;
- civility market;
- long-term goals and strategies;
- spread of modern management methods and marketing management;
- investment growth of domestic residents in local production;
- active government policy to support these changes, while maintaining the openness of the economy, including international competition”.

For territories to become competitive they must strategically promote specific features distinguishing them from similar areas, or in other words establish and promote their competitive advantages. This strategy can be achieved through specifically marketing the territory’s advantages. This is a process that in the resource-based approach includes the following steps:

1. Analysis of the environment of the territory.
2. Identification of the advantages of the territory.

3. Development of a product or product variations based on the advantages.
4. Analysis of the customers' needs and wants and selection of products or product variations to offer.
5. Segmentation and positioning of the products that are selected.

All of these should lead to building a positive attitude of the target segments towards the territory which would help its development. Some of the factors that make marketing of a territory successful include:

- Shared vision and strategy by all stakeholders.
- Involvement of all relevant stakeholders in all decision-making for the development of the territory including proposed entertainment and events.
- Development and implementation of adequate and specific procedures which deliver clear added value to all relevant stakeholders, including businesses.
- Keeping strategic capabilities of the main regional actors and all other stakeholders in lined through clear communication.
- Appropriate promotion of the territory through high transparency, effective and efficient management.

Taking into account these success factors is the stepping stone of building not only success but also sustainability into the marketing of the territory. In order to be successful, it is very important to keep an open mind and not to disregard change in general, including change in the technology, socio-economic and political environment. It is also very important to keep in mind that the marketing of the territory should not rely only on public funds, involvement of business and residents and visitors is very important in keeping the focus on the important aspects for the stakeholders and not to get disoriented towards what the market expects.

5. Identification of competitive advantages.

The identification of competitive advantages of a territory is the first and very important step to successfully marketing the territory. In order to be developed and included in the strategic management, the competitive advantages of a territory must first be identified so they can be used as prerequisites for development of local potential. As mentioned earlier competitive advantages can be sought in the resources that the territory already has. Tonkova (2014) identifies the main resources that a territory can possess:

1. "Human resources – these include population, residing in the region, originating from the region but currently residing elsewhere, temporary residents of the region.
2. Natural resources are topography, climate, soils, minerals, water resources, flora and fauna, places of special natural interests, protected areas etc.
3. Financial resources are tools used to administer the territory and invest in its development.
4. Material resources.
5. Cultural and historical resources usually shape the tourist profile and potential of a territory.
6. Information resources.
7. Infrastructure."

The other aspect that could be added to the available resources of a territory is discussed by Wawrzyniec and Yusupova (2015), who suggest "relational resources as a source of regional competitive advantages". They argue that the relational resources of a region are the lasting ties and contacts between entities in the region as well as ties between regional actors and external environment. These also include the ties and networks for transfer and dissemination of knowledge within the region. The above mentioned authors argue that "regions will not be able to effectively build a long-term sustainable competitive position without developing strong

relationships with their stakeholders (municipalities in the region, NGOs, local business associations, universities, etc.), oriented towards common objectives”.

6. The process of identification of competitive advantages.

In order to start marketing territory's competitive advantages we need to first recognize the competitive advantages of the territory, the sources of the advantage and the ways that it can affect the territory's development. The easiest and most comprehensive way of doing this is by creating a list of the advantages, their importance to the stakeholders and the territory in general, the stage of their usage (are they being used efficiently and effectively?), the potential of the resources and is it explored to the fullest and so on. In order to find out if competitive advantages are being used accordingly, Tonkova (2015) suggests that the maps of local potential should be used, which will help to identify and prioritize the resources of a territory in order to be able to successfully employ them to achieve development of the territory. According to her every region needs clarity for the development of local potential and the economic geographic models should be applied. An adapted model of maps for developing local potential, based on competitive advantages, is presented in Table 1.

Map №	Content of the relevant map	Sources and methods of acquiring information
1	Comprehensive list of all competitive advantages of a territory, which outline the main existing activities like: local arts and crafts, locally produced or hand-made products, local food and drinks, natural, cultural, historical resources, educational, health, social advantages.	Information provided by the appropriate local governing organizations and other local organizations, conducting marketing researches amongst local residents, visitors and business – all interested stakeholders who are involved in the development of the territory or participate actively in different activities.
2	Presents local resources generating potential for future development of a region – all resources that are currently underused should be identified.	Thorough and meticulous analysis of the available resources and their potential should be conducted. Interviews with interested business representatives or other similar stakeholders can be used for better understanding.
3	Represents new and renewable aspects of businesses and social activities listed by strategic priorities. These should correspond to the resources at hand and their availability and readiness to be used.	These are aimed at the investors' interests. These are innovative approaches to already available resources. In order for those to be recognized – thorough methods to reach all stakeholders ideas and proposals should be used. It could be helpful to use integrated platforms for idea submissions.
4	Interlinks the information for the first three maps in order to reveal the balance of the current and future activities with the resources already available on a territory.	Comprehensive analysis from different points of view should be considered in order to assure thoroughness.
5	Points towards the specific transfer	It is necessary to consider the available

	effects and assessment of their impact on the development of local potential.	resources as an integrated system, whose development will contribute to the sustainable development in the interest of all target audiences.
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Table 1. Maps of local potential based on competitive advantages of a territory.

Source: Adapted from Tonkova, 2015, p. 119-126

After all resources and their potential for future use and development have been listed, the next step in the process of identification of competitive advantages of a territory should be prioritizing them and listing them in such an order that is relevant to the target audiences and the stakeholders in general. This can be achieved by market researches within the stakeholders of the territory. A useful way of achieving this is by employing integrated marketing solutions like integrated marketing platforms for the development of a territory, suggested by Tonkova (2012). By using integrated marketing platforms the management organization of the territory will be able to achieve – information dissemination within stakeholders about the decisions taken or upcoming, encouraging public-private partnerships in offering the local products and brand in general, collecting ideas about future events and offerings of the territory, coordinating investment plans with appropriate target audiences and so on.

The available resources, their potential for future development as well as the opportunities to use them as an integrated system which delivers specific transfer effects have to be assessed and prioritized according to the interests of all target audiences and other relevant stakeholders. The next step is to group them in clusters which will allow their integrated use and promotion of the transfer effects. Once all the resources of a territory have been identified, prioritized and assessed, the governing organization of the territory can use marketing techniques in order to promote them to the target audiences and build the territory's image towards all relevant stakeholders.

7. Case-study

Even though the development of territories based on local potential is not very common in Bulgaria, examples of good practices based on traditional local production, local crafts and cuisine can be found. For example the traditional Rose Festival held in Kazanlak, Bulgaria. The Rose Festival is usually held in the beginning of June when the roses are in full bloom and give an opportunity to enjoy their beauty and fragrance. The festival has long traditions and has been established back in 1903 to celebrate the roses which have been the main source of income for the whole region – the so called Rose Valley. The festival includes several supporting events in the surrounding areas like rose picking rituals, rose oil distillation presentations, carnival, the coronation of the new Rose queen, an international folklore festival, several exhibitions of traditional Bulgarian cuisine, traditional dance competitions, traditional crafts exhibitions, wine tasting events, concerts and many more (Rose Festival official website, 2016). As of this year the first ever Rose Museum was established in Kazanlak which provides additional opportunities for the development of the territory. The Rose Festival events take part in eight different locations in the Kazanlak area which helps local businesses and people to become more visible in the global markets and promote themselves better. According to recent statistics from the Ministry of Tourism in Bulgaria (Ministry of Tourism, 2016) Kazanlak has been visited by over 200 000 tourists during the Rose Festival in 2016, which is about 25 % increase compared to 2015 (Ministry of Tourism, 2015). This has a great impact on local economy in terms of restaurants, stays in hotels, transportation, souvenirs, locally produced goods as well as a good use of the word-of-mouth advertizing of the region and the rose oil production in general. According to the Ministry of Tourism's official data – tourists have been

accommodated in hotels in 100 km vicinity of Kazanlak (Ministry of Tourism, 2016). This proves the great influence of the Rose Festival on local economy. The Festival has also been used as a way to strengthen the international relations of the town of Kazanlak with its sister-towns from Hungary, Greece, Macedonia, Italy, Belgium, Japan and China (Kazanlak Municipality, 2016).

As the mayor of Kazanlak has stated in a recent interview (Radio Focus, 2015) – the Rose Festival has grown from a 3-day to a whole month event, keeping tourists and visitors interested in the traditions of the Rose Valley. The event is also no longer funded with the municipal budget, but from sponsors and donors and even accumulates profits for the local government. The Rose Festival, held in Kazanlak, Bulgaria is a great example how the local traditions and crafts can be used to develop a territory in the long run by using the available competitive advantage they have over similar territories to grow.

8. Conclusion

Territories are facing an ever stronger competitive environment due to globalization, free transfer of information, people, money and goods. In order to thrive in this environment their governing bodies need to increase their competitiveness not only amongst tourists but also towards other target audiences like businesses, people living there, investors, visitors and others. One of the easiest and most efficient ways of doing this is by using the territory's competitive advantages. These can be advantages that are already available on the territory and thus easy to benefit from. They could be natural, historical, educational or health resources, locally produced goods, local crafts and arts, specific food, drinks and so on. In order to be able to use these competitive advantages of the territory successfully for its sustainable development, it is necessary to first identify them, recognize them as comparative or differential in their nature, prioritize and assess them in order to be able to successfully market them to the appropriate audiences. Creating a comprehensive list of all advantages of the territory and using the maps of local potential to prioritize the local resources is recommended as this is a thorough way of including all available resources, finding out if they are being used accordingly and prioritizing them in a way relevant for the target audiences of the territory. In such a way the increased competitiveness of the territory leads to better quality of life on the territory and improves its attractiveness to external and internal audiences thus leading to sustainability in its development.

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