

Marketing Approaches to Attract Investments in Municipalities

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Abstract

In recent decades there has been an increase in competition between municipalities, including among the towns themselves. The free movement of people, goods and capital within the EU and the liberalization of regulations affecting global investment have contributed to the strengthening of investor interest and its territorial deconcentration. Efforts to attract investments are made not only on national but also on local level. The activity of municipalities in this sphere is an important step towards ensuring sustainability in the development of the territory. The attraction of investments that correspond to resources, capacity and demand at municipal/municipal group level will be a top priority over the coming decades. The paper examines modern marketing approaches and means of attracting investments and embracing them within the integrated marketing of territories. Emphasis is placed on the possibility of using high technology in marketing to attract investors. The results of a survey of the practices for attracting investments, which are implemented by the municipalities in Bulgaria, are presented and guidance is given for their improvement, with a view of their more precise targeting, selection and balancing.

Keywords: municipality marketing, investments, integrated marketing.

JEL classification: M31, R58

1. Introduction

While in previous decades authors have talked and written mainly about competition between countries in terms of variables of interest to researchers, in the last two decades interest has shifted to domestic competition within countries. The reasons for this are manifold: from intensified mobility of people and companies to the desire of municipalities to develop marketing on their territories so as to attract the interest of target groups and improve their population's quality of life.

Undoubtedly, investors' interest to launch or move in their business is assessed as an opportunity at the municipal level. Therefore, municipalities should be prepared not only to respond to the interest shown, but also to create conditions directing the attention of potential investors towards towns and villages, and to stimulate the development of those who have already made investments. The opinion has been expressed that a city's attractions for investment are promoted to potential investors, in competition with other cities (Ashworth & Voogd, 1988).

There are several major issues facing municipalities in the path to building sustainable relationship with investors. First, there is the question of what the priorities for development of the municipality are. Priorities must be consistent with the resources available to the municipality, and should take into account the needs and the consent of the population, the

demand from tourists and the interests of local businesses. The second issue is whether investments in the municipality are balanced by sectors (manufacturing, trade, infrastructure, tourism, education, culture, healthcare, sports, etc.), as any imbalance may contribute to increased risks associated with investment within the territory. For example, it makes no sense to invest in a factory or a hotel at a site with no infrastructure. It is precisely the marketing at municipal level that should create conditions for balanced investments in different fields and identify critical deviations. The third important question is about the role of marketing for attracting and developing investors in the municipality. This is a subject that has been studied from different perspectives in different decades. The transfer of marketing approaches and tools applied by businesses to the management of municipalities will definitely bring the latter short-term benefits and long-term advantages. Another key factor for strengthened competitiveness of municipalities is whether they make full use of new technologies to communicate with their target audiences, including potential and existing investors, and provide services rationally and efficiently. Last but not least, it is important whether municipalities seek opportunities to implement public private investment and public private partnership in its various forms, including promotions aimed at investors (Wells & Wint, 1991).

If we go beyond national campaigns to attract investors (marketing, legislation, etc.) and all activities at the macro level targeting existing and potential investors, it is interesting to see what steps municipalities have taken in this direction and how they implement them.

2. Marketing approaches and tools for attracting investment

Using marketing in the development of municipalities will become ever more popular. The reason is the increasing intensity of competition between places to attract potential investors, employers and tourists (Waitt, 1999). Authors have identified a connection between the different target groups and established that the main task for cities and regions is to attract talented and creative people in order to improve their general attractiveness for investors and companies (Zenker, 2009). Another argument in favour of active use of marketing approaches to attract investors are the favourable conditions for mobility of capital which are consistently liberalized in countries/groups of countries, as well as increased investment in business from a distance in a high-tech environment.

The increasing competition between countries, regions and localities drives the use of the marketing of territories. One of its key aspects when it comes to municipalities is attracting investors and investments. Authors have pointed out opportunities for improving the relative market position of cities in an environment of competition between individual localities by attracting commercial investment (Ashworth & Voogd, 1988) with the help of city marketing. The possibility of investment promotions in various forms has been considered (Wells & Wint, 1991). Although many municipalities show interest in investment, the potential of marketing to attract, develop and retain investments is still not fully used. The focus is still on attracting investors, while retaining and supporting existing investors are not among the priorities of municipalities.

In recent decades researches have sought the link between the image of a place and investors' attraction. Authors have shared the opinion that a positive place image, combined with a successful marketing mix, is a powerful tool in competing for resources and other finance-related activities (Avraham & Ketter, 2008).

There are several key aspects that are the basis of classification of the different marketing approaches (the way marketing is carried out). First, there is the level of organization of marketing aimed at investors. Two basic approaches have been identified in theory and practice based on this criterion: incidental approach and systematic approach. The incidental approach is characterized by brief campaign efforts to attract investors, while the systematic approach is

associated with prolonged, planned and coordinated activities aimed at attracting investors to the territory of the municipality.

Another important criterion for classification of approaches to attracting investors is the level of marketing activity. This criterion distinguishes between passive and aggressive approach to attracting investments. Activities under the first approach are related to maintaining basic information traditionally sought by potential investors, and using traditional communication channels. The aggressive approach is associated with strong activity and the use of various channels and means to attract the attention of potential investors to the specific place and conditions.

In terms of the connections made to attract investors we see a uniform marketing approach and an integrated marketing approach. The first approach is characterized by the scope of the investment, which is limited to a particular field, and by the focus on a single specific problem or opportunity. The integrated marketing approach encompasses in equal measure the various fields, binding together the interests of stakeholders, creating all-round favorable conditions for the development of the municipality, and minimizing potential conflicts between the contact audiences within the municipality. Over the last decade, the role of integrated marketing for the development of localities has increased due to the capabilities of new technologies used for the purpose of attracting potential investors.

Marketing tools	Characteristics
PR	Use of different PR tools to improve the image, develop regional brands and promote successful projects.
Place marketing (<i>Kotler, Asplund, Rein & Haider, 1999</i>) / promotion, city marketing	Puts marketing on a professional basis. Development of promotions oriented towards target groups. Besides the direct target effect, promotions seek a beneficial transfer effect on existing and potential investors. It has been suggested that city marketing is of particular importance to those cities which have lost their traditional industries and are focusing on the objective of attracting inward investment (<i>Paddison, 1993</i>). Examples are given of successful practices within the city marketing (<i>Colomb, 2012</i>).
Events	Organizing events within the territory of the municipality to attract companies and visitors. Such events are used to promote the comparative advantages of the municipality.
Incentives for investors	Developing a system of incentives for potential investors. The incentives may include financial, administrative and other reliefs offered separately or in combination. According to authors practices that are based on incentives may be a suitable tool for regional development when they are non-discriminatory (<i>Christiansen, Oman & Charlton, 2003</i>).
Advertising/International press presence	Advertising the positive aspects and the comparative advantages of the municipality may have a favourable impact on attracting investors. In practice such tools can influence and shorten the time of decision-making in the first stages of the investment process.
Marketing channels	The development of innovative marketing channels based on new technologies, with the aim to provide access to information and real time communication.
Brand identity	Building a positive image and brand identity of the municipality to attract and retain investors.
Cooperation and networking	Creating conditions for cooperation and networking, in accordance with the law and the needs of the target audiences.
Platforms for integrated marketing in the municipality with modules designed for investors.	These contribute to improved awareness and communication with target audiences in the municipality. The module designed for existing and potential investors allows the sharing of successful investor projects, statement of investor interest, publications describing investment projects to be implemented by the municipality, and maintaining a platform for inquiries from interested investors.

Table 1. Marketing tools to attract investments at the municipal level

Approaches and tools (Table 1) for attracting investors should be tailored to both existing investors in the territory and potential investors. In the first case the emphasis is on sustainability and development of the business of companies and individuals who have made investments within the territory. In the second case the emphasis is on attracting new investors using the entire arsenal of resources within the framework of a coordinated marketing policy.

3. The practices of Bulgarian municipalities in attracting investments

For the purposes of this publication a study was made of the practices followed by Bulgarian municipalities in attracting investments. The study focuses not only on approaches and tools targeted directly to investors, but also extends to other target audiences which have a strong transfer effect on attracting investors. The study is based on empirical data collected on the Internet. The aim of the study is to identify the approaches and tools used by municipalities to attract investments (by examining the information contained in the websites of municipalities). The study covers all 265 municipalities in Bulgaria. Using content analysis, the content of the websites of municipalities was systematized in terms of presence or absence of information useful to target groups: tourists, investors, businesses and local residents, which information includes the services provided to businesses and residents, news and events. The availability of other language versions of the web pages has also been noted.

The study was conducted in the period 1 – 15 July 2017. The main source of information was data published on the official website of the respective municipality. Data published before or after this period were not included in the analysis.

The check by list showed that every Bulgarian municipality has its own official website, but at the time the study was conducted three websites were dysfunctional. Consequently, the information collected, summarized and systematized pertains to the 262 municipalities with functional websites.

No platforms for integrated marketing have been identified in the study.

The websites of 44.7% of the municipalities (see. Fig. 1) contain information on tourist sites, natural and architectural landmarks, museums, etc., located in the municipality.

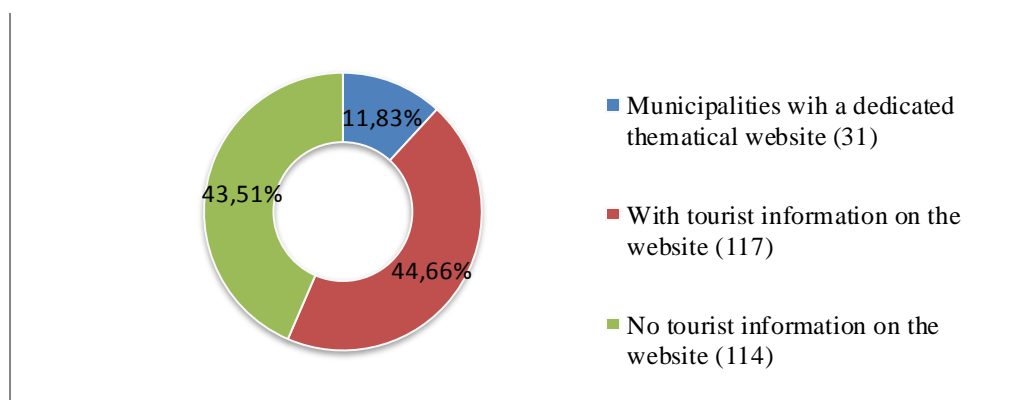


Figure 1. Results from the study of the content of websites with regard to information and communication oriented towards visitors and tourists

Source: Results from the study of the websites of municipalities

An example of good practice is the website of Sofia Municipality, where information on tourist sites is available, and the Municipality also maintains a dedicated website for local tourism. Some municipalities with dedicated websites can be named as an example of bad practice, as their websites are either not regularly maintained, or maintained in only one language, or contain information about a single landmark. A number of municipalities have opted to create an integrated tourist product in cooperation with neighboring municipalities, and advertise this

product on their respective websites, instead of each maintaining a separate dedicated website. Very few municipalities provide information about sightseeing in languages other than Bulgarian.

As regards investments and services for the business, only 5 of the 262 subject municipalities have a dedicated thematic website. These are the municipalities of Burgas, Plovdiv, Ivanovo, Sofia and Shumen. Two of these deal with public-private partnership.

Another 18 municipalities have a special section in their websites containing specific information such as:

- Investment profile of the municipality;
- Marketing profile of the municipality;
- Investment navigator;
- Entrepreneur's Desk.

The mandatory information that is published by municipalities on their websites and concerns the business can be systematized in the following categories:

- Buyer profile. This section relates to public procurement procedures;
- Tenders conducted under the Municipal Property Act;
- Register of municipal properties;
- Annual plan for management and disposal of municipal properties.

The service most commonly available on the websites of municipalities is the possibility to make inquiries about local taxes and fees. The study shows that 129 municipalities offer this service on their websites. It can be used by both citizens and businesses.

A large number of the municipal websites contain information on administrative services - description of the service, legal grounds, necessary documents, forms, fees and deadlines for delivery. Where such information is not available on the website of a municipality, it may be obtained from the Unified Register of Administrative Services in the Republic of Bulgaria, created under a project implemented within the Operational Programme "Administrative Capacity" 2007-2013, financed by the European Union through the European Social Fund.

Undoubtedly positive is the fact that 231 municipal websites, which is almost 90% (Fig. 2) have a section where news and announcements are published, so that all interested parties can be informed on important municipal issues.

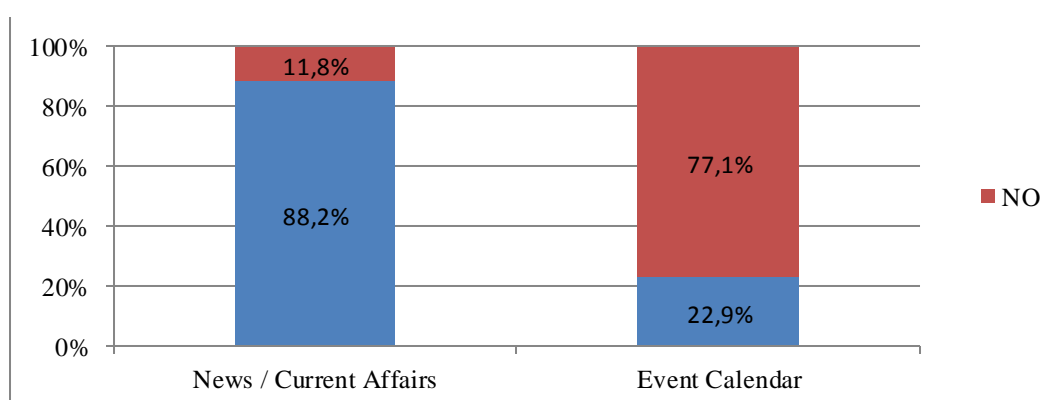


Figure 2. Results from the study of the content of websites with regard to information in News and Calendar

Source: Results from the study of the websites of municipalities

Current cultural and/or sports calendars are maintained only in 60 municipal websites. The websites of 202 municipalities do not contain such information.

As regards the language versions of municipal websites, the study showed that 194 websites are only in Bulgarian. Sixty-eight websites have English version, four have Russian, two have

Turkish, two have German, one has Romanian, and one has French version. Nine websites have a built-in option to translate into the language of choice with Google Translate. Given the limited number of websites that are available in a foreign language one might assume that they are properly maintained, but unfortunately this is not the case. Around 40% of the websites with a foreign language version have significant gaps in maintenance and this significantly reduces their usefulness for the target audiences.

In summary, we can name several municipalities whose websites contain information in most of the areas mentioned above, and have a user-friendly design. These are the sites of the municipalities of Gabrovo, Dobrich, Lovech, Pleven, Kotel, Sofia and Shumen. Only the website of Burgas Municipality offers information in all areas: tourism, investment, services provided to businesses and residents, the latest news and events, and maintains two foreign language versions – Russian and English.

During the same period a second study was made based on secondary information available on the Internet. The aim of this second study was to establish which marketing tools are used to attract directly or indirectly investments. The method of content analysis was used to scrutinize freely accessible information obtained by searching by a combination of 3 to 5 keywords in Google. The results from the study are summarized in Table 2.

Marketing tools	Number of municipalities using these tools
PR aimed at potential investors	124
Place marketing/promotion at municipal level	118
Events	143
Incentives to investors	14
Advertisement/International press presence	241
Marketing channels:	262
Website for investors	5
Chat channel	2
Brand identity	17
Cooperation and networking	25
Platforms for integrated marketing in the municipality with modules designed for investors.	-
Cooperation between municipalities and the "iLoveBulgaria" platform	20

Table 2. Results from the survey of marketing tools used to attract investors, based on the latest information available online

Based on the information processed we can highlight the following positive characteristics:

- A significant part of the municipalities use actively marketing tool which are directly or indirectly aimed at attracting investment;
- All municipalities in Bulgaria have websites which are used as information and communication channels.

However, the marketing at municipal level cannot be defined as an integrated and coordinated process in terms of approaches and tools to attract investors. Each municipality uses a single tool or a combination of tools without a comprehensive marketing concept for attracting investments. Few municipalities have developed a strategy on the priority investment areas to be encouraged locally. As a whole, the municipalities have not identified specific areas where investments ought to be restricted, such as harmful production, hazardous waste disposal, etc. Another problem is that marketing at the municipal level does not make full use of the possibility to communicate in foreign languages, which could lead to difficulties for potential investors.

4. Conclusion

The studies show that the majority of municipalities in Bulgaria use a variety of tools aimed directly or indirectly at attracting the attention of potential investors. Each municipality has its own model of marketing towards investors (based on a single tool or on a combination of two or more marketing tools), and the conclusion was drawn based on a study of the tools used, according to information available online. The fragmentary nature of the marketing targeted at investors may be explained by the fact that few municipalities in Bulgaria have established separate marketing departments within their organizational structure. The results obtained give reason to conclude that Bulgarian municipalities do not use in an efficient manner their websites as an information and communication channel to attract investors. Although an investor portal has been developed and is maintained at the national level, it cannot encompass the specifics of individual municipalities. Specialized platforms for existing and potential investors need to be developed to provide the necessary information at the municipal level, so that investor interest can be guided and stimulated. Investor platforms need to be tied to those oriented towards other target groups. This will create conditions for the successful development and operation of projects. The introduction of platforms for integrated marketing of the municipality will contribute to the following:

- Improving the structure of information and channels for communication with existing and potential investors;
- Maintaining forms for direct contacts with investors;
- Informing other target groups on investor interest;
- A prerequisite for balancing investments by sectors;
- Surveying the public and consumer interest towards upcoming projects;
- Stimulating potential investors by adequately presenting the specific incentives;
- Showing and sharing successful practices in completed projects of existing investors;
- Adequate response to manifested investor interest, etc.

The use of platforms for integrated marketing of the municipality will create conditions for better information environment and adequate communication channels to attract investors' attention, to facilitate communication with local authorities and promote successful investment projects among target consumer groups. Another positive effect may be the opportunity to inform in advance these target groups of investment intentions and future projects, which would reduce the risk of counteractions by individuals who object to the project. There are recorded cases in which investor projects have been frozen after active protests by residents who oppose their implementation in the municipality. The publishing information that will be available to target audiences at all stages of the investment process reduces the risks associated with opposition on the part of the residents of the municipality.

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