

## The Regional Development Strategy Based on Territorial Marketing (The Case of Russia)

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**Abstract:** Regional marketing is a tool for shaping the internal advantages of the region, investment and economic development factors, increasing attractiveness of the area as a whole. Implementation of active organizational and economic changes in Russia's regions will lead to stabilization and subsequent growth of the national economy and social development. Modern Russia is characterized by a new qualitative state of a national economic, political and social life, it is becoming a significant part of the worlds growing economic integration and globalization processes. This makes the question of competitiveness of the country as a whole incredibly important. It is crucial to find a compromise between the diverse economic interests, the formation of innovation management, as well as to enhance the country's participation in the international division of labor and cooperation of labor.

**Key words:** Regional economy % Territorial marketing % City branding

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### INTRODUCTION

Background study determined that the formation and development of regional marketing in the country's transition to a market economy contributes to the economic development of the areas (regions). Regional marketing is a tool for shaping the internal advantages of the region, investment and economic development factors, increasing attractiveness of the area as a whole. Relevance of this topic is also due to the need to create a system of socio-economic processes in the region, ensuring the strengthening of federal foundations of the Russian state, the optimal level of the population and the economy constituent republics, regions, territories, autonomous regions under conditions of market relations [1].

Implementation of active organizational and economic changes in Russia's regions will lead to stabilization and subsequent growth of the national economy and social development. Otherwise, there is an extremely negative alternative - long-term depression.

Increasing relevance of this research is also defined by the deepening of "regionalization" reforms in Russia. This will consistently implement the decentralization of government, to increase the role of the republics,

territories, regions and autonomous regions in the implementation of the all-Russian economic, regional, ethnic, social, investment and financial policies.

We think of regional marketing in terms of three disciplines, which is shown in picture 1:

- С Regional Strategy is developing a vision for regional marketing, assessing the drivers of brand performance in that region and identifying market opportunities;
- С Regional Plan Development is building off the regional strategies to create an integrated marketing plan;
- С Regional Deployment is the implementation of tactics, along with measurement and analytics to review results and optimize the plan.

Together, these three disciplines allow an organization to understand its product's market variability and respond with data-driven, market-level tactics that drive product performance.

In order to promote economic development public and regional ministries, agencies and companies use territorial marketing more and more often. On the one hand, the main purpose of these organizations is to attract

investors and in such a way to create the jobs for country, region or city. On the other hand, to firmly attach already existing companies to the territory. Their work is carried out on the background of an increasingly competitive area. Marketing with its principles, focusing on consumers and differentiated treatment of the market has already proved its efficiency [2]. Marketing methods and tools can be used successfully in commercialization potential of the territories.

In connection with urban marketing there is a problem of global cities identification, with increased influence of processes of globalization. Territory is a kind of a specific product that is perceived in a certain way by its main and potential consumers. The prevailing image in the minds of consumers, associations and feelings that arise in the process of real or virtual “communication” with the city to determine the nature and allow us to identify it among a number of different cities.

Currently, there is the most common point of view that the traditional concept of urban identity was blurred by the following factors:

- C Invasion of global multinationals that sale products internationally;
- C Changes in the structure of space-time relationships, which make it possible in the modern economy to perceive distanced cities as close.
- C Distribution of migration flows and the various cultures on all six continents.

On the other hand, in the context of globalization in the struggle for the economic survival cities tend to attract a certain amount of international capital for the development of factories, infrastructure, etc., focusing on unique, individual characteristics of the region [3].

**Amphibious Nature of Marketing:** The amphibious nature of marketing is manifested in the fact that, on the one hand, marketing is an area of special knowledge and skills, such as the ability to organize the sales process and after-sales service and the implementation of other specific operations and activities. On the other hand, marketing is a management function, implying, for example, market research and analysis, development of business and functional strategies. Marketing can be seen as an integrative function of management, which translates customer needs into profits, because it directs

and modifies all the other features in the direction of serving the customer. Modern interpretations of marketing see it as a business philosophy, tactics and the strategy of the company in a competitive environment. Thus, marketing is now considered as one of the three dimensions: it is a special business philosophy; a set of tools with which the company is studying the market and acts on it; it is a function of management, within which enterprises implement planning, organization, control, incentives and management activities on the market.

In the first place, representatives of executive authorities should pay particular attention to the following changes: a large part of the property is now owned by private individuals in the individual and / or collective form, so executive authorities cannot control (in the old sense of the word) business activities of such companies. In addition to that, spatial mobility of people has increased significantly, they are no longer “tied” to the territory of registration and have ample opportunities to choose their residence and work activities. Territory became the object of the comparative analysis in selecting the location for working potential and existing financial, investment, innovation, social resources. Also, social objectives cannot be achieved in full financial support from the state. The volume of social guarantees and financial reinforcement declined and now the territory should decide what social guarantees and what resources it can provide for its residents. Citizens living and leading activities in the territory became the main active resource that in the course of business can create and grow territorial wealth [4].

It should be recognized that the general personal liberty of a citizen in a market economy provides the basis to intensify the search: “Where I can satisfy my needs better”? Person begins to compare territories and territories for the first time forced to engage in competition with each other in order to attract attention to themselves and become preferable for a person [5]. The main objective of territorial management should be to create conditions for the retention and attraction of this active resource for the benefit of the territory. There is a necessity to understand what needs does a person have as a citizen and as a member of the production activity. Territorial management should be aimed at achieving the maximum satisfaction of human needs and requirements, to maintain the appeal and prestige of territory, attractiveness concentrated in human resources for living and doing business in a particular area.

### **Territorial Marketing Strategy**

**Implementation:** Territorial marketing is a tool to manage territory and develop its own value through the promotion of goods, services, works and activities of people and organizations operating there. In territorial marketing, the whole territory becomes an economically active subject. Its peculiarities, richness and developmental abilities, together with its geographical opportunities and its tourism potentialities, with the cultural diffusion and the enhancement of its artistic and naturalistic heritage, make territorial marketing an important promotion tool of the territory itself and a development incentive.

Territorial marketing actions are aimed at finding potential investors with the objective of stimulating actions in specific areas that need economic interventions. Territory promotion is based on the exploitation and enhancement of local resources [6]. In the specific case of cultural heritage, the challenge is even more interesting. Attracting the interest of an investor means to achieve the first goal of marketing activity. Secondly, potential investors must have the possibility to invest according to a mutual benefit. Substantially, on one hand the needs of the cultural heritage require attracting new investments, while on the other hand the investors need to take advantage of the benefits these kinds of actions can offer.

The increase in value of a particular territory can cause an increase in the number of investors, setting a new balance between internal and external resources, external resources which can lead to improvements in both the economic and cultural sectors.

The customers in the territorial marketing have different aims and interests towards the same territory: some of them are interested in life quality and living conditions improving in the region, while the others are mainly oriented to export from the region the value added created in it. It is possible to mention the different target groups in the territorial marketing [7].

Territorial marketing innovation systems consist of knowledge and learning processes represent the most dynamic leverage for the growth processes of individuals, organizations, businesses and territories. In the new "knowledge economy" approach, innovation is conditioned by several factors - of both a socio-cultural and technical-economical nature - which can affect the various stages of the process, ranging from the production of new knowledge to its practical application and commercialization. Innovation is a collective/interactive process, which cannot take place outside a highly territorial and systemic dimension that favors it

because of the proximity advantage. In this scenario, organized local networks are particularly important; for example local economic development agencies in partnership with universities, research centers, institutions etc., can govern local innovation marketing systems, encouraging continuous processes of collective/interactive learning, both among territorial stakeholders and between these and the outside world.

Innovation shall then be oriented on the one hand to encourage highly participatory local innovation systems finalized towards collective learning and on the other, to work simultaneously on several fronts:

- C Innovations that can improve competitive potential, both in business and the public administration;
- C Innovations that can improve the access of disadvantaged populations to social services and the economy;
- C Innovations that can promote participatory processes;
- C Innovations that can improve quality of life in terms of health, ease of access, physical and food security, use of time etc;
- C innovations that encourage the creation and dissemination of innovations themselves.

Human resources are also crucial for guaranteeing successful development policies. Without development agents, or qualified planners, entrepreneurs, experts skilled in territorial economy, reliable administrators, wise promoters, territorial analysts and so on, it is more difficult to sustain development processes. On the other hand, these skills have to be continuously updated according to the trajectory set by internationalized local development and the new technologies available. Therefore the role of education and training is crucial and crucial is the close link between places for education and places for practice, through joint planning of training processes and training methods, as an encounter of demand and supply, needs and prospects.

The tools here described can strengthen the capabilities of local actors in pursuing the above-mentioned strategies, according to the scheme presented in Figure 1.

As for any other types of marketing, the concept of "4P" is also suitable for territorial marketing. While some authors call its components like instruments (means) of territorial marketing implementation, others - the basic coordinates of marketing planning, the rest just call them four components of territorial marketing.



Fig. 1: Regional Marketing as a whole

Table 1: Strategies, Capacities and Instruments for human territorial economic development

Strategies	Capacities	Instruments				
		Value Chains	Territorial Marketing	Innovation	Training	International Partnerships
Democratic Governance	For sustaining the processes	+	+		+	+
Local Partnerships	For sustaining the processes	+	+	+		+
Sustainable Competitiveness of Endogenous Resources	For innovating the processes	+	+		+	
Social and Solidarity Economy	For forming capacities	+			+	+
National Policies	For connecting the processes	+		+		

The territorial product includes territory resources, which are attractive for consumers, their variety, quantity and quality. They include, for example, raw material resources, human resources, infrastructure, sights, level of business activity, the level of development of business sphere supporting, levels of investment prospect, etc.

The price of the territorial product includes the expenditures, which are incurred by the consumer in the process of “buying” this territorial product, for living and carrying out activities in the area. Full price of the product takes into consideration the territorial explicit and temporary expenses, which is especially important while comparing and selecting areas. For residents the territorial product price includes the cost of living, income and social benefits, the cost of goods and services on the territory, for tourists - the cost of hotel voucher, the daily cost, for the investors - the time and efforts which are required to obtain the necessary information, the project costs taking into account tax benefits, etc.

Localization of the territorial product in the area - it is, on the one hand, the geo-economic position of the region with the neighboring regions (“outside” look) and on the other hand - accommodation, allocation of certain types of resources within the analyzed territory (a view from “inside”) [8]. Proper use of specific localization of the territorial product let it effectively promote specialization and cooperation territory connections.

Promotion of territorial product involves using of various marketing communications instruments to give the information about the territorial product, beliefs of decision-makers to acquire the territorial product in preference to the territorial product and also reminder to the customers of the need to acquire the territorial product. Using the principles of personal (private) sales in the territorial marketing involves personal meetings, for example, of the first persons of the territory with potential investors. The organization of public opinion helps to create a favorable public attitude of the general public, but one should not forget about non-personal activities of the promotion and establishment of publicity, as well as conducting targeted advocacy of the territorial product to get the profit.

**Approaches:** There are several different approaches to territorial marketing:

The “American style” - in the United States, the first administrators who dealt systematically with the development of local territory did use the typical categories of marketing, borrowing from the techniques for selling goods and services. The result was a model that implied a pragmatic, anglosaxon-based vision. According to that model, the main aim of a local community is “to sell” what they own to whom is most interested in: urban areas, tax breaks, attractions, shows. The rest does follow.

The “European style” - to the previous model we can set the “European” named model. Due also to the wider constraints (cultural, administrative, social) of the region, this model is aimed at building an attractive territory system which is comprehensive and involving various public and private actors (that is to say, a place to live, a place to invest in, a place to visit and to come again) [9].

Tourism marketing - tourism marketing is the ability to attract people for longer or shorter periods with consequent positive relapses on the economic, social and cultural fields. Marketing results do depend on:

- C The value of territory (historic, cultural, architectural, landscape heritage).
- C The level of activism of its community (various events and initiatives).
- C Integrate offer of structures, services and goods for different categories of tourists (family, youth, sporting tourism, etc.)
- C The accessibility to the territory and its excellences. Nowadays it's worth noticing that the tourist is someone who is more and more interested in quality, who seeks personal feelings and personal experiences and who demands to satisfy different needs (culture, food, entertainment, etc.).

**Territorial Marketing in Russia:** At present, the majority of subjects of the Russian Federation face the problem of improving the image and investment attractiveness of regions, setting priorities for development, creation of effective programs for interregional cooperation. Regional marketing programs development is an important task of regional economic development. Regional marketing provides the basis for the regional enterprises economic activities, allows for efficient market mechanisms to work at the macro and micro levels, provides the answer to most questions relating to the allocation of priority goals and objectives for the region.

Regions now face the need to conduct an independent economic and social policy. In this regard, the problem of creating an effective regional policy aimed at the economical reconstruction, reformation and investment attraction becomes crucial. Clearly defined and implemented plans for territorial development based not on federal financial resources but the use and development of local capacity, should be based on a new, market-based mechanisms of cooperation between different agencies [10].

**Preconditions of Marketing Theory in the Territorial Management:** Modern Russia is characterized by a new qualitative state of a national economic, political and social life, which is presented by the following processes.

- C Russia increasingly sees itself as a unified state, which tend to worry about the national economic and political interests. Regulatory and promotional functions of the state are fully implemented.
- C Russia is becoming a significant part of the international economic world due to a growing economic integration and globalization processes. This makes the questions of country's competitiveness, finding a compromise between the diverse economic interests, the formation of innovation management and enhancing the country's participation in the international division of labor and cooperation of labor extremely important.
- C There is a growing number of supporters of new model of social development, which promotes changing in local communities and the formation of modern civil society as a significant element in the development of certain territories and the country as a whole.
- C Development of negative international trends (terrorism, drug trafficking) creates a prerequisite for joining efforts of the international community and Russia in the fight against the common evil.
- C Russia, being a multi-ethnic, multi-religious state, wanting to preserve its unity, aims to support the desire of Russian people to develop the different national traditions, culture and language. The country experiences the formation of new territorial communities and new types of inter-territorial cooperation.

**Problems in the Implementation of Strategic Territorial Management:** There are two most significant problems in the implementation of strategic territorial management:

- C When choosing principles of creating forecasting and analytical documents it is necessary to pay attention to qualitatively new tasks of the territorial management. The main task of government in a market economy is to offer public services; and the main actions of the authorities aim to ensure viability, the organization and coordination of the subject areas and to create conditions for improving the quality of life and socio-economic development of the territory [11].

C It is important to understand who is the consumer of territorial management process. Basic customer and consumer advocates to the regional management are its population. Regional population entrusts executive and representative government the implementation of management process hoping that “collective manager” will achieve maximum effect with limited resources and for the shortest possible period of time.

Fundamentally new goals and objectives of the territorial management provide the basis for the search of new methods, management tools, even adaption of business practices to the practice of territorial management. The use of marketing theory in the territorial administration allows to re-define management goals and objectives. In the modern territorial management a key indicator of success should be meeting the needs of residents in the territory of public goods and services, creating more attractions, living conditions and the development of commercial and non-commercial nature than in other areas.

### CONCLUSION

Different techniques and tools of regional marketing are widely used in many developed and developing countries. World experience of regional marketing can be used in Russia, but it should not be viewed solely as a means of overcoming the economic crisis. The formation of regional marketing in Russia, as in many other countries, should be evolutionary in nature, which will contribute to the solution of country’s problems in the economic crisis and the beginning of sustained economic growth.

According to experts, information transparency, along with sound economic policies, is a regional resource that is much more valuable than oil, diamonds and other raw materials. Occupational exposure and promotion of information in a standard, understandable for both the external and internal environment is one of the most important strategic reserves of the region. In Russia there are very few examples of regional and municipal authorities that are seriously dealing with the issue of information to promote and maintain a favorable image of the area. The current situation is that without powerful territorial marketing strategy there will not be any trust between authorities and residents. Without trust, there is no investment and production development. Without the production development there is no economic growth.

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