

## Regional and settlement marketing in Hungary

**Abstract.** Regional and settlement marketing (in the following: RSM) is a relatively young but dynamically developing branch of the science and marketing practice. Based on international experiences, RSM is used by several regions and cities reaching successful and impressive development. The task of RSM is to explore competitiveness and comparative advantages of the region or the settlement, their relation and communication concerning development, economics and lifestyle. Local authorities, administrative bodies and other local institutions of the state and the whole social and economic hierarchy have to face new tasks and projects.

*Key words:* regional and settlement marketing, market segmentation, regional development.

**Резюме.** Регіональний та локальний маркетинг є відносно новою науковою галуззю, молодістю, але такою, що динамічно розвивається, територією маркетингу. Міжнародний досвід засвідчує, що успіх дисципліни залежить від пошуку відповідей на економічні проблеми, пов'язані з відмінностями у розвитку регіонів. Регіональний та локальний маркетинг означає індивідуальну ринкову орієнтацію у діяльності певного міста чи регіону. Це означає, що місцеві органи самоврядування можуть формувати свої послуги таким чином, щоб максимально задовольнити потреби користувачів.

*Ключові слова:* регіональний та локальний маркетинг, маркетингові послуги, відмінності між регіонами.

**Rezümé.** A régió- és településmarketing viszonylag új tudományág, a marketing fiatal de dinamikusan fejlődő területe. A nemzetközi tapasztalatok alapján a terület- és vidékfejlesztésben e diszciplína létét és sikerét elsősorban a régiók közötti fejlettségbeni eltérések és az ebből következő gazdasági problémákra adott válaszai határozzák meg. Az RTM egy sajátos piaci orientációt jelent egy város, település vagy régió működésében. Ez azt jelenti, hogy pl. az önkormányzatok úgy alakítják ki szolgáltatásaikat (közüzemi szolgáltatások, ügyintézés, helyi adók, szociális juttatások, oktatás stb.), hogy azok felhasználóinak (polgárok, vállalkozók, befektetők, turisták) igényeit kielégítsék.

*Kulcsszavak:* régió- és településmarketing, marketingszolgáltatás, régiók közötti eltérések.

The importance of different tools of regional development (e.g. R&D activities, innovation centres, educational tools) has been increasing in the member states of the EU, as it is a key factor of their economic competitiveness and growth. The introduction of Regional and Settlement Marketing (RSM) represents the market and consumers orientation in the government of regions, towns and other settlements. RSM means that local authorities, administrative bodies and other local

\* Szent István University, Faculty of Economy and Social Science, Institut of Social Science. Szent István Egyetem, Gazdaság- és Társadalomtudományi Kar, Kommunikációtudomány Tanszék, egyetemi adjunktus, Bellasz.Zsuzsa@gtk.szie.hu

\*\* PhD, Szent István Egyetem, Gazdaság és Társadalomtudományi Kar, Társadalomtudományi és Tanárképző Intézet, Pedagógia és Pályatervezés Tanszék, egyetemi docens. Szent István University, Faculty of Economy and Social science, Institut of Social Science and Teacher training, Department of Pedagogy and Career plan, assistant professor, gombos.norbert@gtk.szie.hu

\*\*\* PhD, Szent István Egyetem, Gazdaság és Társadalomtudományi Kar, Társadalomtudományi és Tanárképző Intézet, Vezetéstudományi Tanszék, egyetemi adjunktus. Szent István University, Faculty of Economy and Social Science, Institut of Social Science kollár.csaba@gtk.szie.hu

institutions can develop their 'products' – education, public services, social allowances, investments etc. – in such way to meet the needs and expectations of their 'consumers', i.e. citizens, tourists, investors; it is not only a tool that improves the settlement functions, but a new, marketing focused conception that aligns to this special market and consumers.

### ***Material and method***

In our paper the methods of RSM and its possible use and future in Hungary's regional development are reviewed.

### ***Results and discussion***

#### **RTM in Hungary**

The role of RTM in regional development is emphasized in the CAP, and so after Hungary's accession the principles and methods of RTM came to the front. Crucial factors such as the issues of natural, economic and human resources as well as the husbandry with these factors came into prominence, in parallel with the issues of natural and recreation facilities (e.g. village tourism) and the image of the region or settlement in question. These problems emerged in disadvantaged regions which, having lost their former economic basis had to establish new economic formations or undergo economic transformation. On the other hand, in the 1990's central financial resources decreased dramatically, and so local authorities had to rely on their own resources. They had to realize that a more thorough analysis of market conditions is needed. In parallel with this, the central budget could not solve the 'non-standard' problems in most cases, and this led to research of new methods and alternatives in the field of regional planning. As a 'side-product' of this process, a strong decentralization started. The relationship between the public administration and the local authorities has changed: the role and the responsibility of the latter have increased. Nowadays, an interesting process can be noticed in Europe, the competition between countries is replaced by the rivalry of regions and settlements; therefore the local authorities have to react to the problems in fast and effective way. The former methods should be replaced by new principles and key concepts such as endogenous development, decentralization, initiatives of local communities and civil organisations.

#### ***Main characteristics of RSM***

There are significant differences between traditional marketing and RSM:

- the region, city or settlement as **product** has got totally different criteria when compared to the traditional types of products or services,
- this product is aimed at very different types of potential customers at the same time: it means a potential area of investment for entrepreneurs or investors; space of living for residents and cultural-historical site for tourists,

- 'trading' the settlement in RSM does not mean the direct, traditional selling of it, since it is not connected with the transmission of ownership,
- the region, city or settlement as a product is not characterised by elasticity, contrary to other types of product, i.e. it is very difficult to modify, to redesign it on the basis of the wishes of potential buyers, since all sorts of modification are very costly and time-consuming.

One of the most important purposes of RSM is the preparation of market analysis and the choice of potential investors the local authority reckons on. Basically, three strategies can be distinguished:

- **Segmentation strategy**, which does not take into consideration the differences among the participants of the market. The local authority tries to attract as many investors to the settlement as possible. This strategy is characterised by low costs (e.g. detailed market analysis is not needed). Low effects of this strategy can be dangerous.
- **Differentiated segmentation strategy**, where the local authority selects on the basis of certain points of view and focuses on certain target groups. As a result, costs can be increased, because specific actions and special advertising activities have to be taken for the potential investors. However, the local authority can strengthen its position.
- **Concentrated segmentation strategy**, where the local authority focuses on one or two target groups of investors. This strategy is very effective if the target group is well-chosen; it can also bear risks if external conditions change to a great extent, (e.g. new rivals or competition turn up, new interests of investors, unexpected political changes which can even cause the end of the whole marketing strategic plan). In the course of the market segmentation it is essential to prognose the relationship of the given target group to the product (settlement, city). The target groups can be divided into:
  - 'users', who can either be 'heavy' or 'light' users, depending on the extent of their use of the product,
  - 'non-users', who do not use the product at all.
- The next stage is the comparison of the buyer and the income, i.e. the buyer-benefit analysis. Within this framework three main segments can be sharply distinguished: residents, investors and tourist. This is the basis for the distinction of the relationship of the given target group to the product (settlements, cities).

### ***Marketing in the regional development in Hungary***

In Hungary, the strategy of regional development and its operative programmes should be focused on supply and demand, especially in disadvantaged areas. The area or region in question should be considered as a unified project, the strategy

for development shall be built on the data of the examination of external and internal conditions.

In modern market economies the competitiveness of a region, city or settlement is determined by its function, the quality of these functions, and the share in national or international division of labour. The new RSM strategies are in total contrast to the former concepts; formerly it was typical to attach main elements of regional development to economic and technical performance, and to finance the projects from external sources.

In the contrary, new models consider internal, endogenous economic factors and human resources as key elements, and they are based on interregional cooperation.

Offshoring services can give good development possibilities mainly in two fields: IT services and Business Process Services. IT services can provide jobs for experts in software design, data processing, database services, IT support, maintenance, web-services, web-hosting. Business Process Services can be divided into three parts: customer services, back-office services and other business services (for example HR, accounting, taxation services, marketing services etc).

### **Summary**

RSM which is widely used in Western Europe and in the USA challenges Hungarian and Eastern-European researchers. We have to cope with a dual task: on one hand, we have to adapt the rich practical experience of developed countries to the local conditions as well as establish the institutional framework of these activities; on the other hand, in the field of research, we have to harmonize the answering the theoretical questions with the challenges of practice.

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