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# SUCCESS FACTORS OF PLACE BRANDING:

## A Study of Place Marketing Practices

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**Professor Philip Kotler:** “This study will help places move from a haphazard approach to competitive marketing to a more systematic, efficient and effective approach.”

### ABSTRACT

The aim of this article is to evaluate which are the critical success factors in place marketing and place branding, and how these factors could be utilised in place development. A theoretical framework for “branding focused” place marketing was developed, and tested in the empirical research. The focus is on business marketing of places, and on the foreign inward investment agency activity, in particular.

The theoretical framework consists of nine various success factors for place marketing and branding practices. The specific success factors are: Planning group, Vision and Strategic analysis, Place identity & Place image, Public-private partnerships, Political unity, Global marketplace, Local development and Global marketplace, Process coincidences, and Leadership.

The framework has three “dimensions” of success factors. The elements in the inner part (planning group, vision and strategic analysis, place identity and place image, public-private partnerships and leadership) represent the core building stones in place marketing practices. The elements in the sides of the “prism”, (political unity, global marketplace, local development and process coincidences), meet the challenges in the network and in the macroenvironment where the place marketing practices are

performed. The “how and ability” factors –strategic exploitation, organizing capacity, presence of substance, measurement and follow up – bring additional strain to the challenges of place marketing. All these and “how and ability” factors need to be present when practicing place marketing. In fact, all the success factors of the framework are connected and interacting with each other supporting the process of successful place marketing practices.

This article is based on fields studies of the author in Northern Europe and the USA (2002- 2005). The doctoral dissertation (2003) analysed place marketing practices of the Helsinki, Stockholm, Copenhagen and Chicago metropolitan regions. The article discusses also how Northern European versus U.S. place marketers differ in their practices. The tools of corporate marketing and branding can be transferred to place marketing. Places, even nations, can be branded, through creating and communicating a place identity to increase a place’s attraction.

Key words: economic place development, place marketing, place branding, success factors.

### **Place marketing trends and place branding**

There are over 500 regions and 105,000 single communities in Europe competing for the scarce resource of investment, capital, talented people, visitors and residents. Over 300 regions in the world have over one million inhabitants. While the “place-war” has already existed over decades, the “people-war” has also begun on a global scale. City-alliances are a new tool to survive. Numerous capital cities are building, with the surrounding towns or municipalities, a “region” for marketing purposes ,while the famous name of the central city acts as the “umbrella brand”. Strategic alliances with other places can decisively increase the joint value of the place partners. Various functional networks and regions ignore administrative or geographical borders.

Places are now becoming interested in the strategic marketing model. General marketing practices can also be applied also to places ,after adjustments, in spite of the differences between the complex “place product” and the private firms’ products and services. A new tool in place marketing is branding, which has been practiced in private firms successfully for over a century already.

In contemporary marketing, branding is very central, as it integrates all strategic elements into one success formula. Brands are the basis for long-term success for firms and organisations, and drive major mergers and acquisitions. Branding is a potential option for places to establish a place with desired associations. Successful places attract new investment and create a positive success circle.

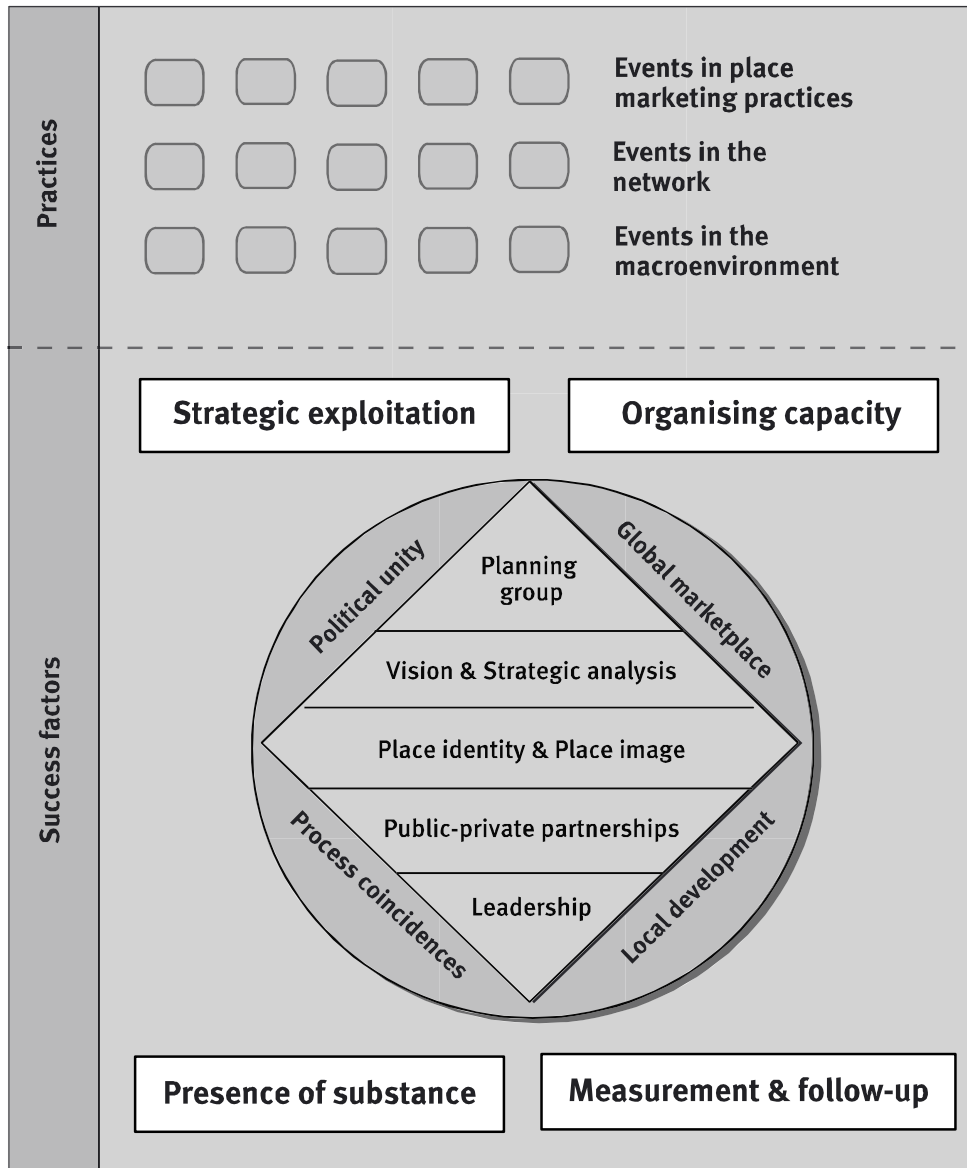
Places can be branded like products and services. Place branding aims especially at increasing the attractiveness of a place. Branding are not just loose marketing activities, but holistic development that influences the whole place. Place branding brings added attraction to a place. A branded place makes people aware of the location and connects desirable associations. It is possible to discover for each place a combination of unique attraction factors to make it different from the competing ones.

Brand identity is the state of will of the organisation, and the active part of the image building process. The brand identity is how the brand is wanted to be perceived. The brand identity is a unique set of brand associations that the management wants to create or maintain. The associations represent what the brand stands for and imply a promise to customers from the organisation.(E.g.Aaker).

Brand image is the perception of a brand in the minds of people. The brand image is a mirror reflection of the brand personality or product being. It is what people believe about a brand – their thoughts, feelings, expectations. (E.g.Keller). Often the intended image does not correspond to the received message of the place. The message comes through competing claims of other places which influence the process, especially if the communication strategy is not fixed on the real core values and substance of the place sending it. This means that the choice of the core values, shaped to the core identity, will be decisive for the emerging image of a place. Even good marketing communication will fail to create an intended image if the basis at the level of the core values and substance is vague.

### **Framework of success factors**

The formed theoretical framework consists of various success which were pre-selected based on the findings of the pilot studies and in the place marketing literature. The building of an *a priori* framework made the theoretical perspective explicit, and helped to focus the analysis in processual studies. The framework was used to guide the empirical study, and was left open for reformulations emerging from the empirical data. The qualitative study had the action oriented multiple case - research approach.



**Figure 1. Framework (Rainisto 2003): Success Factors of Place Marketing/Branding.**

The revised theoretical framework (Figure 1.) has three “dimensions” of success factors. The elements in the inner part (planning group, vision and strategic analysis, place identity and place image, public-private partnerships and leadership) represent the core building stones in place marketing practices. The elements on the sides of the “prism”, (political unity, global marketplace, local development and process coincidences), meet the challenges in the network and in the macroenvironment where the place marketing practices are performed. The “how and ability” factors - strategic

exploitation, organising capacity, presence of substance, measurement and follow up - bring additional strain to the challenges of place marketing. All these “how and ability” factors need to be present when practicing place marketing. In fact, all the success factors of the framework are connected and interacting with each other supporting the process of successful practices.

There must be present enough *organising capacity* for the management of the strategic part of the process, as well as for the operational implementation of the programmes. Organising capacity comprises the capabilities of the management and the resources of the place suggesting that also political unity is needed to achieve the necessary organising capacity for the place.

*Presence of substance* is the “state of affairs” that has been reached by means of, for instance, organising capacity and the process of the systematic strategic analysis.

*Strategic exploitation* of individual core issues in place marketing is essential. Without strategic thinking, the operative actions bring success only by accident – or good luck. Also, both the strategy work and the implementation on the operative levels are needed for success. The strategic work is only the most demanding part of the place marketing challenge. Without *measurement and follow-up*, no place marketing programme is executed in an ideal way. “You get what you measure” is also true in place marketing.

### **Learnings for place management**

Place management has a great challenge in keeping the location progressive and to attract new place development and investments to the location. The existing businesses and residents must also be kept content. New competition rules have replaced the old worn-out ones in the hard competition. Soft new “clever” managerial methods are needed with the development of the place product and the needs of place customers. Arguments that a place needs to be marketed or branded professionally are a new phenomenon.

For a long time, it was sufficient for places just to promote the existing place package. Now, the place product needs to be developed and changed according to the place customers’ needs. This complex turnaround requires managerial skills more than ever.

With the tools linked to the “soul” of a place, identity and image, favourable associations can be created for a place to attract new businesses and visitors to the location, simultaneously increasing the value of the place. Central in place branding is building the identity for the place, which is the active part of management in the process. Medium-sized places need more “critical mass” to be attractive, for instance, for foreign “faceless” capital. Strategic alliances with other locations can decisively increase the joint-value of all the partners, who all could be in a win-win-situation. The well known name of the central city acts as the “umbrella brand”, and building a “region” with the surrounding towns or municipalities is advantageous to all.

Places using leadership to manage the place resources in the complex place marketing process are winners. Passively behaving locations will lose their competitive edge. Public-private partnerships are an efficient practice to combine resources and manage a bigger place development project. PPPs will be, together with the leadership skills, the major challenges for place marketing management.

Strategic marketing involves, in the beginning, strategic analysis. This will then direct in to the necessary strategies and implementation programmes. Also, in evaluating success in place marketing, the goals of the management, are the context in which to view the achievements. Organising capacity is crucial for the success of the place marketing. This means that the place management must establish the required financial and human resources. This leads to the issue of political unity and consistency, which set high challenges for the management of a place.

The global marketplace brings new locations to the competition, but also new possibilities for places. Global competition is a huge challenge for place management. Also exploiting the opening international challenges demands new managerial skills, as so many places are presenting their marketing messages, trying to merge their created identities with trustworthy and differentiated place images. Before “going global”, place management needs to put its own “nest” in order, and the local development of the place is a demanding task with decreasing allocated economic development resources. Process coincidences can surprise the place management if it is not prepared with reserve plans. Strategic planning skills will be increasingly needed.

The place has to be managed, and managed growth is much better for a place than unmanaged development. A good management can save the place’s image even under negative circumstances, and a bad management can ruin even a good image of a

place. There are practical problems, however, linked to the exploitation of the suggestions made. Marketing know-how in general is a scarce resource even for companies, often forming the most important development challenge for the management.

The branding process is a long-term systematic involvement and, therefore, a sustained effort will take the place further along the learning curve. Also, outside advisors might be useful for consultations, and the best practices of successful places should be studied. Professionalism comes along with the work, as a positive “process coincidence”, and an active effort is always better than putting one's future in the hands of the keen place competition.

As an attempt to quantify the above explained qualitative model, a specific “Place Marketing Capacity Index” was planned, and formed in a simple computer Excell-execution. Ten success factors of place marketing, and four capacity factors give altogether 40 perspective combinations. The capacity factors are: presence of substance, strategic deployment, organising capacity and measurement. Each success factor gets a grade valued from the perspectives of the capacity factors, in place relevance. Maximum score is 1,000, when every success factor gets the grade 10, and additionally gets the grade 10 in all four valuation perspectives.

<b>PLACE MARKETING CAPACITY INDEX</b>										
<b>PLACE RELEVANCE</b>										Max
<b>SUCCESS FACTOR</b>	Weight-factors	Presence of Substar		Strategic Deploymen		Organising Capacity		Measurement		Score
		Grade	Score	Grade	Score	Grade	Score	Grade	Score	
		1,0-10,0		1,0- 10,0		1,0 - 10,0		1,0 - 10,0		
1. Planning Group	10 0.25									100
2. Vision & Strategic Analysis	10 0.25									100
3. Activity Programs	10 0.25									100
4. Identity & Image	10 0.25									100
5. Public-Private Partnerships	10 0.25									100
6. Leadership	10 0.25									100
7. Local Development	10 0.25									100
8. Global Marketplace	10 0.25									100
9. Political Unity	10 0.25									100
10.Process Coincidences	10 0.25									100
										100
Max. Score	100 2,5	100	250	100	250	100	250	100	250	1 000

**Figure 2. (Rainisto 2003): Place Marketing Capacity Index.**

This capacity index model has been used in place marketing studies in Finland to get rank comparisons between various locations concerning their ability and capacity to use professional place marketing and branding. Although the evaluation has also subjective elements, the results can indicate differences in the total picture. E.g. if the locations get total scores like 830, 770, 670, 500, 380 points, the results can contribute with other study findings to improve marketing systems and programs.

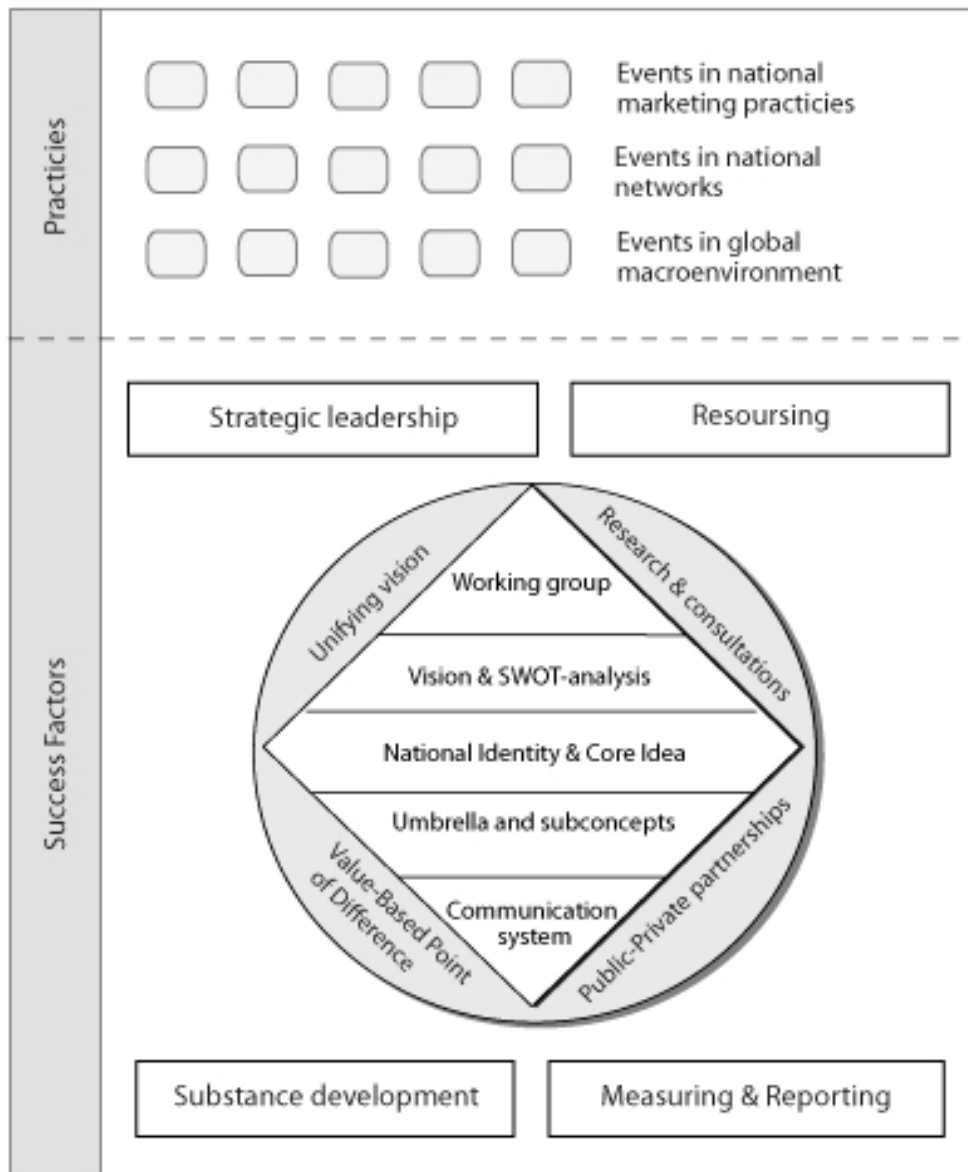
### **New perspective and level to the framework:**

#### **Success Factors of National Branding**

A nation can increase its profile on the target markets through a strong country (nation) brand which is based on the identity of the nation. A professionally managed country brand attracts companies, investments, talented people, residents and visitors.

Various dimensions of the effects of a nation brand are e.g. the public diplomacy, the interests of the export industry, enterprises and investors, destination marketing and the identity and self confidence of the citizens of the country.

Success Factors of national branding include e.g : commitment of the various players, wide level of participants, focusing on own resources, good formulation of the core-idea, different and unique positioning and identity, long-term financing, clear organisational structures and coordination, strong public-private partnerships, united and consistent message, and avoiding political elements to be dominant.



**Figure 3. Rainisto ( 2006): Framework of Success Factors of National Branding.**

The framework of national branding has been developed from the previous framework. Some elements of success factors have been added and adjusted because of different type of place product. Unifying vision of all major players is critical, together with value-based point of difference in argumentation.

The process of building a country brand starts by forming a working (action) group. Then in the beginning professional qualitative and quantitative research is needed to find out how the nation brand is now perceived internationally by the target markets and in the own country by its own residents. The research findings are analysed and consulted with experts, players and stakeholders. Then in the strategy

building phase the core idea and the identity of the nation brand are formed, with the umbrella brand and sub-brands. Good communication system during the whole process is vital. These initial study- and strategy building phases may last 12 - 24 months.

The implementation phase itself will take many years, and the process should always continue. Repositioning of a country brand can take 10 – 15 years. Examples of successful nation branding are Spain, Ireland, Australia and New Zealand. Attempts have been made e.g. in Poland, Estonia, Norway, Scotland, Iceland, Greenland and in Eastern Central European countries. Denmark has started in April 2007 its 4 year country branding process.

In Finland the Finnish Promotion Board is preparing the national branding program, and the author is involved in the planning phase. There has been no single organisation to coordinate or manage the national brand, but many players have worked with the brand according to their own interests and plans. Finland is not well-known as a country, or is often known for wrong reasons, or focused on destination marketing. The Finnish capital of Helsinki has also a very low brand awareness (familiarity) ,e.g. according to the European City Monitor, ranking no. 27-30 , among the least known metropolitan cities. On the other hand, Helsinki has ranked among the top places in the field of research and high-tech potential among 214 European regions (e.g. Empirica Delasasse). There is a huge gap between the substance and familiarity of the city. There is clear place marketing challenge to reach the right decision makers and make them familiar with the city and the country.

### **Place marketing and branding in local economic development -study of Finnish city regions**

The purpose of the post-doc study (2004) was to recognise and analyse tools and best practices of the image work of Finnish city regions. Research questions were , how could new competition tools be developed to increase the attractiveness of Finnish places in the changed EU-environment, and how will the EU-enlargement influence on the ability of the city regions to attract investments and enterprises?

The success of Finland as country so far has been mainly result of positive process coincidences, such as the EU-membership, Euro and economic trends. The faceless capital is seeking the best possible return across borders, and evaluates

investment decisions in global terms focused on cost level and innovation ability. The critical mass of the EU is shifting permanently toward east, and the investment decisions of western companies focus more often also on China, India or Brazil. Place marketing and branding is increasingly a target of interest for public organisations, but there is only little research knowledge about the issue.

The study in question was a qualitative multi-case study, with seven city regions of Iisalmi, Jyväskylä, Kouvola, Nokia, Savonlinna, Valkeakoski and Vammala. The research methods included desk research, expert interviews, internet-documents and various marketing and image work materials. Besides the qualitative analysis the study analysed the image work of each region with the capacity-index model consisting of 40 parameters and factors. The building of this measurement instrument was an effort to get research results of also in quantitative form. Partly subjective interpretation of the results by the researcher (the author) put some limits on the reliability and generalisation of the results. According to the findings, the city regions have realized the importance of the image and marketing work, and have started to invest in various practical forms. These practices vary greatly, depending on the different situations of the regions in question. As general development challenges rise international marketing, political unity and consistency of the place, leadership, and the concensus about the state of will concerning the identity factors of the place. Each place needs also to sharpen its image work, and the development of the brand palette (of the umbrella brand and the sub-brands) remains a great challenge. Many regions use only one marketing slogan and brand for the various sub-markets such as visitors, companies and residents.

The Association of the Finnish Communities has organised together with Rientola Place Marketing Co now twice a Finnish Championship national competition for place marketing, named PIIRI (“Circle”). The aim is to improve the level of marketing campaigns of even small communities or regions. Last time 80 works participated in three competition series: tourist/ destination marketing, regional competitiveness and recruit marketing. This practice could be benchmarked to be used in other countries, too.

## **Place Marketing Practices in the US. and Northern Europe**

The main difference in the U.S. place marketing is that most European countries have national inward investment agencies that act as a single point of contact and can help to coordinate investment attraction activities. The U.S. has no nationwide comparable agency. European place marketing efforts are also better funded, since the EU and the governments are more inclined to provide funding than their U.S. counterparts.

A few local U.S. state governments are reluctant to use incentives or tax breaks out of philosophical support of “free market ideology”. In the U.S., there are hundreds of economic development organisations competing with each other, including actors in state and local governments, utility companies, chambers of commerce and non-profit economic development organisations. This places a great challenge in place marketing on the U.S. places, especially smaller locations, with regard to how to get recognition, become noticed as a location. (Source: Tom Bartkoski, World Business Chicago, Director of International Business Development).

The U.S. place marketing was quicker to recognise the importance of image as a tool in the marketing communication. In Europe, there has been more reliance on content of advertising strategies than on image building. Each country in Europe has its own traditions and target markets. The place marketing model for the U.S came out of crisis of the 1970s. In that period, major cities were encountering a flight of industries to cheaper markets. The first response of places was to launch tax incentives but the incentives were no longer effective to attract investments. Now the U.S. places use a variety of strategies to attract firms. This is similar to the development in Europe, where the “soft attraction factors”, such as entrepreneurship and education, are becoming more important than the “hard ones”, when the place product is becoming more complex and demands sophisticated marketing. In Europe the privatising of industries was a trend, which meant often a slower and sometimes far less aggressive process of economic development. (Source: Professor Irving Rein, Northwestern University, Evanston, USA).

In some European countries membership in Chamber of Commerce is mandatory, whilst strictly voluntary in the U.S. For this reason, too, many U.S. local or state Chambers are very limited in the services they can provide. While in Europe the city regions are focusing most often on foreign direct investment in their place marketing programmes, in the U.S. most of the economic development organisations

focus only on the U.S. domestic market, due to its big size. Also, international marketing is seen as more difficult. Very few U.S. organisations have the resources for international marketing, and the majority of these efforts are coordinated by state development offices. The Southern US states and communities have been most aggressive historically in domestic marketing and are also well represented internationally. Historically, these states started from a lower level of development than other states and continue to have a political culture that supports economic growth through aggressive courting of business from other states and countries. State, local governments and utility companies are willing to spend aggressively to support marketing programs. Most localities, do not have budgets for foreign business and rely on their State offices for on-site representation.(Source: Tom Bartkoski, World Business Chicago).

“While both the U.S. and Europe experience many of the same forces in global competition, EU expansion unleashes a whole new dynamic of place competition and market integration where the rules, practices and relations among places will be unfolding at an accelerated rate of change will have far reaching impacts for winners and losers; those who respond successfully to change and those who do not. Given the vast differences in culture, mobility and resources between the U.S. and Euroland, European places face challenges on a far greater scope and scale than the U.S.” (Professor Donald Haider, Northwestern University, Evanston, USA).

In comparison to the US. place marketing knowledge, the marketing of services is not managed as well in Europe. This is a big challenge, especially for Northern Europe.

### **Conclusions and Recommendations**

To sum-up, some conclusions and recommendations can be made for the use of place development:

- The images of the businesses located in the region are important for the image of the place, and also the firms can benefit from the favourable image of their home location. Therefore, a versatile cooperation between the place and its enterprises should be used to benefit both parties.

- Public-private partnerships should be exploited to stimulate the development of the place. PPPs are very useful in regional place marketing and development and show evidence of working relationships between the community and its companies, as well as providing organising capacity for major development projects.
- Important in planning is to decide on the market segments, and not conflicting brands. The differentiation of the place's offer from those of competing places is crucial for success. Cluster building is one efficient way to establish critical mass and credibility. Each cluster should be seen as a sub-brand, which should have a responsible coordinator.
- The systematic long-term approach of work, consistency and intelligent focusing should be exploited as key elements to secure success in the place marketing process.
- Places need cooperation, and “cross marketing” should be used where all parties involved can all be winners.
- Political unity should be established to decide on the common opinion about the identity factors of the place. The management of the place marketing and place branding process requires professional leadership, who also knows the substance of the place brand and the basic laws related to branding. The consistent development of the place substance is essential, in order not to give conflicting image messages about the place (brand).
- It is important for a place to start the process by making a SWOT-analysis to find the strategic challenges and its place marketing capacity. A place must think, who its customers are, and how it can give them added value and solve their problems.
- Besides the strategic analysis and visionary work the ability to implement in place marketing must be guaranteed. This organising capacity comprises, above all, the talented leadership and management with insight into the whole place marketing and development package, and managing the process.
- Financial resources must be established for creating the spirit, motivation and knowledge for the place marketing process. It seems obvious that Northern European major city regions need, in order to start a potentially successful, long-term place marketing effort, an annual financing of some three million Euros and about 10 talented people, even with the focus on foreign inward investment only.

- Tourism attraction agencies (destination marketing) and inward investment agencies (regional marketing) should cooperate and complement each other's work through their own marketing approaches.
- A single city might need to be part of a larger location in place marketing strategies, in order to acquire critical mass to appeal to investors and companies. A well known name of a central city makes building the familiarity of the region more feasible.

The adoption of a marketing approach will change the whole “business climate” of the place, and should be the issue of all players. The strategic analysis and forming the strategy are where a place can fail or win. Operative programmes and measures are easy for competing places to imitate. Image is a result of long-term consistent work, and has such building stones that are unique and hard to copy. The real point of difference must be found, and then communicated with “one voice”. Confusing messages create incredibility.

The present theoretical framework for successful place marketing discussed above emphasises the potential through branding. The framework presents a challenge to places to move on to a new systematic, and more efficient phase in their place marketing. The author believes that branding will be one of the new techniques in place marketing, and will be the most rapidly expanding area of place marketing during the next two decades.

The best practices in place marketing and branding have not yet appeared, and only a place's imagination sets the limits as to how innovative place marketing programmes can be created. Brand leaders need four qualities (Simon Anholt), namely wisdom, patience, imagination and care. The brands of places need to be managed for the very long term.

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