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Designing the Territorial Marketing Strategy on the Principles of Cluster Policies

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Abstract: The article is dedicated to consideration of special kind of regional economical and political activity; such as marketing of territories. Authors seek to examine the regional marketing tools and strategies from the point of view of cluster policies. Transition of society and separate territories to a sustainable development assumes gradual overcoming of large structural disproportions and regional economies' backwardness; meanwhile, as practice indicates, clusterization might solve the problems of SME's competitiveness and export potential within a region. Cluster technologies (with reference to the territory and branch structure) are the recognized tool of territorial marketing. As the main features of a competitive cluster heterogeneity and evolutional character are singled out. The analysis of SME presence in European clusters is implemented.

JEL codes: M31 · M38 · O25 · O38
Key words: Marketing of the territory · Marketing strategy · Clusterization · Regional development · Economic growth · Regional market

INTRODUCTION

In the last decade an understanding was finally gained that steady rates of economic growth (especially in developing countries) should be connected, first of all, not only with natural resources' extraction, but also with concentration of the intellectual capital [1]. From the point of view of economic safety the new quality of the economic growth based on innovative type of reproduction can promote development of the "breakthrough" (knowledge-intensive) branches, helping to deduce economy on new level of productive forces, to carry out scientific and technical revolution and to raise the population's standard of living [2].

Transition of society and separate territories to sustainable development assumes gradual overcoming of large structural disproportions and backwardness of realization mechanisms concerning rich scientific, labour, natural, production capacities of municipalities. As practice indicates, the main survival strategy of such largest municipalities as the cities (industrial centres) consists in the solution of the main economic problem, which is city transformation from scientific-industrial complex with backward economic structure to the scientific-industrial complex integrated into world economy with high degree of mobility and a diversification [1].

Cluster policies implement a problem of SME's competitiveness and export potential increase within a region. Cluster technologies (with reference to the territory and branch structure) are the recognized instrument of territorial marketing.

According to many authors [3], clusters in modern conditions become new subjects of the competitive relations, replacing in this quality single enterprises and holdings. The statement that a single enterprise is unable to compete successfully in the open markets is a little exaggerated, but it is very close to the truth, especially related to some branches, in particular. Some kinds of activity provide continuous access to the qualified manpower of narrow specialization, to rare and expensive equipment, to closed information channels and so on. The main mechanism of any cluster's development includes combination of competition and cooperation, many participants' interaction, involving small and large enterprises, authorities, higher education institutions, etc., directed on the joint development conditions' optimization, which leads to synergetic effect.

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Literature indicates special importance of cluster participants' geographical concentration and of effective informational and personnel exchange channels [4].

Increase of interest to the questions connected with territorial market development must be related, first of all, to the rate of the regional competition for financial, personnel, intellectual and other resources [5]. In recent years some regions of the developing as well as "transition economy" countries (e.g. Russian Federation), along with the largest cities, began to compete among themselves for attraction of resources, including investments. These processes led to awareness that there is a need in marketing philosophy and technologies introduction in order to design market "appeal" and marketing strategy of the territory and its competitiveness. In this regard each territorial administration tries to offer the most attractive product in the form of internal conditions for accommodation, business and consumers (population, investors, tourists) so that they chose the territory, which corresponds to their requirements. Thus, any territorial establishment needs elaboration of the marketing concept of development and advance on the global market of territories.

This kind of activity (namely marketing of territories) is carried out at meso-level; thus, it, as well as the cluster policy, is designed on the basis of the enterprises' activity analysis, prices and pricing, features and advantages of implementation of activity in the certain region, thus territorial potential is realized not only within the regional dimension, but also beyond it, falling outside regional limits and requirements [2].

Marketing of territories is studied profoundly by many economists in Russia (see, for example, S. K. Volkov [3], N. Bagautdinova *et al.* [4]). This research aims to step far beyond traditional tools of territorial marketing (investment flows attraction, tourism, etc.) and to establish a new approach to the regional development, based on the cluster formation and policy. Our main hypothesis is that cluster establishment must be founded on continuous SME involvement and support.

MATERIALS AND METHODS

Cluster Approach to the Regional Development: From the point of view of a cluster approach to the regional economic development is merely a diversified set of various economic establishments participating in creation of different industrial branches' products. And cluster establishment it not simply the sum of its separate components. Close interaction of managing subjects within the limited territory generates synergetic and multiplicative effects noted by the Marshallian school in the spirit of a triad of external economies, Rosenfeld considering convergence as the integral consequence of geographical concentration [5]. The greatest contribution to formation and development of a practical cluster approach was brought undoubtedly by M. Porter who has proved that clusters are better coordinated with nature of the modern economic competition than traditional branch structures and therefore are more economically effective. Now many scientists-economists suggest to define level of regional competition, proceeding from the number of clusters available in their territory and their "maturity". However, the adequacy of this approach in the conditions of developing and transition economies, in our opinion, still needs to be estimated.

Judging by relevancy of clusters' role in regional development, the process of cluster formation is considered to be a certain panacea, which in the shortest terms can help overcoming economical backlog (comparing with the advanced economies), especially within the sphere of innovative technologies. The cluster policy tends to become an alternative of traditional «industrial policy» measures interfering the competition.

Porterian school representatives, in particular, Delgado and Stern, considered heterogeneity as the integral feature of a competitive cluster. In other words, an agglomeration must include and unite different subjects-the enterprises from small to large, research institutes and universities, legal and administrative subjects, infrastructure units etc. The similar heterogeneous structure which is rationally organized and effectively functioning, cannot be created "artificially" [6]. The state support concerns basically potentially perspective directions and large business units, in result profitable businesses start to prevail and integrate, forcing out small business out of limits of the territory captured by a cluster. Thus experience shows: the cluster policies must not be patterned with cluster leaders' behaviour and performance; the bulk of a gross product is created in small and medium-sized enterprises. In such developed countries as Great Britain, Germany, the USA, Italy, France and Japan this share exceeds 50 %. Experience of developing countries also shows that SMEs play a huge role in the efficient allocation of resources, the generating of employment, the establishment of indigenous entrepreneurship, equitable growth and poverty eradication.[7]

Thus, we can study a cluster's heterogeneity in two ways:

- The static one implies that we calculate the constant of variation of the average firm size at any moment of time;
- The dynamic one consists in following the average firm size change within certain periods.

In our work we seek to express interconnection between the cluster effectiveness (heterogeneity) and regional GDP per capita, so the second method seems to be more relevant in this case.

Presence of SME and Cluster Development: Small businesses within a cluster's structure represent the important element promoting development of the competition and providing necessary flexibility, quickly reacting to emergence of new requirements; small and medium-sized enterprises also act as peculiar "range" for an innovation : "start-ups" with small capitalization generate ideas which can be bought up or supported by the actors who are the centre of a cluster. Small business has also conclusive social value, being a factor of decrease in level of poverty and increase of the general welfare of the region.

Need of integration of small and big business for increase of system's efficiency is undoubted and is actively supported in modern world practice. We studied statistics on clusters of the chemical industry and IT in the European countries. Dynamics of the average size of firm in a cluster and GNP per capita in the same region was considered. Research showed that in many cases the tendency to reduction of the average size of firm in innovative clusters with simultaneous increase of regional welfare was observed (Table 1).

Table 1: Presence of SME in clusters and per capita GDP dynamics.

			An average firm size within the cluster (average number of employees)		Growth rate, % Firm size		
Region	Year	GDP per capita, ∈	Chemistry	IT	Chemistry	IT	GDP per capita
Austria	2002	25855.4	47.7	8.7	-	-	-
	2003	26308.8	42.5	7.2	-10.90	-17.24	1.75
	2004	27459.5	43.4	7.1	2.11	-1.39	4.37
	2005	27959.7	38.9	7.1	-10.36	0.00	1.82
	2006	29423.7	40.4	6.7	3.85	-5.63	5.24
	2007	30563.5	38.2	6.2	-5.44	-7.46	3.87
	2008	30563.5	48.6	6.9	27.22	11.29	0.00
	2009	30563.5	48.6	6.9	0	0.00	0.00
Belgium	2002	25654.3	87.6	17.5	-	-	-
	2003	25568.9	82.9	16.2	-5.37	-7.43	-0.33
	2004	26240.6	94.8	17	14.35	4.94	2.63
	2005	26925.1	96.7	17.2	2.00	1.18	2.61
	2006	27836.5	93.5	16.3	-3.31	-5.23	3.38
	2007	28803.3	89.8	16.6	-3.96	1.84	3.47
	2008	28803.3	92.2	15.8	2.67	-4.82	0.00
	2009	28803.3	92.2	15.8	0.00	0.00	0.00
Cyprus	2002	18300	13.3	10	-	-	-
	2003	18400	12.9	10.3	-3.01	3.00	0.55
	2004	19600	15.4	10.5	19.38	1.94	6.52
	2005	20400	9.8	10.7	-36.36	1.90	4.08
	2006	21400	10.2	11.3	4.08	5.61	4.90
	2007	23300	9.5	10.9	-6.86	-3.54	8.88
	2008	23300	6.5	8	-31.58	-26.61	0.00
	2009	23300	6.5	8	0.00	0.00	0.00

Table 1: Continued

Region	Year	GDP per capita, ∈	An average firm size within the cluster (average number of employees)		Growth rate, % Firm size		
			Chemistry	IT	Chemistry	IT	GDP per capita
Finland	2002	23498.8	28.6	8.4	-	-	-
	2003	23363.1	28.2	8	-1.40	-4.76	-0.58
	2004	25128.4	29	7.6	2.84	-5.00	7.56
	2005	25615.3	26.2	7.7	-9.66	1.32	1.94
	2006	27162.1	28.5	7.6	8.78	-1.30	6.04
	2007	29365.3	28.7	8.1	0.70	6.58	8.11
	2008	29365.3	27.3	7.7	-4.88	-4.94	0.00
	2009	29365.3	27.3	7.7	0.00	0.00	0.00
France	2002	24041.5	48	20.6	-	-	-
	2003	23450.4	46.6	19.2	-2.92	-6.80	-2.46
	2004	24098.9	47	18.9	0.86	-1.56	2.77
	2005	25150	47.6	18.8	1.28	-0.53	4.36
	2006	26016.3	46.7	18.9	-1.89	0.53	3.44
	2007	27336.5	45.9	17.3	-1.71	-8.47	5.07
	2008	27336.5	46.6	17.4	1.53	0.58	0.00
	2009	27336.5	46.6	17.4	0.00	0.00	0.00
Lithuania	2002	9000	26	13.5	-	-	-
	2003	10200	26.4	15.9	1.54	17.78	13.33
	2004	10900	24.9	18.3	-5.68	15.09	6.86
	2005	11900	22.5	20.4	-9.64	11.48	9.17
	2006	13100	24.3	14.6	8.00	-28.43	10.08
	2007	14800	23.6	9.9	-2.88	-32.19	12.98
	2008	14800	23.6	9.9	0.00	0.00	0.00
	2009	14800	23.6	9.9	0.00	0.00	0.00
Sweden	2002	24813.6	21.9	3.4	-	-	-
	2003	25422.1	19.4	3	-11.42	-11.76	2.45
	2004	27032.2	18.6	2.8	-4.12	-6.67	6.33
	2005	27035.5	18.4	2.7	-1.08	-3.57	0.01
	2006	28669	19.2	2.8	4.35	3.70	6.04
	2007	30596.3	19.5	2.8	1.56	0.00	6.72
	2008	30596.3	19.9	2.6	2.05	-7.14	0.00
	2009	30596.3	19.9	2.6	0.00	0.00	0.00

Some empirical studies indicate that the evolutional character seems to being the paramount characteristic defining efficiency of integration process. [8] In the conditions of the free market and in the absence of pressure of the administrative structures which are carrying out policy of an artificial clustering in the region, major companies naturally aspire to fill insufficient flexibility of their own activity by establishing not competitive, but cooperative relations with small business. Otherwise, rational distribution of resources between all players of a cluster does not occur [9]. The state should concentrate on creation such conditions that initiate and support cluster processes. This measures carried out by the state should have indicative character, providing conditions for entrepreneurial activities' development (especially micro and small business, or SME), promoting formation and development of infrastructure elements and units etc. It is thus important to consider current trends of development, emergence of new factors and points of regional economic growth.

RESULTS

Coming back directly to marketing of territories, strategy of increase of an export potential of the region demands not only the most effective use of federal, regional and municipal resources, but also attraction of front lines foreign technology, administrative skills and financial streams from abroad. Critical level of load of separate key branches, or, on the contrary, insufficiency of production capacities for creation of an acceptable employment rate are weighty reasons for refusal of protectionist measures of external trade regulation and creation of strategic alliances with the foreign companies.

An effectively performing cluster becomes an object for the large capital investment as well as for close attention of the regional authorities as businesses' association in a cluster on the basis of vertical integration causes unspontaneous concentration of various scientific and technological units and mass distribution of new knowledge and technologies. Administrative creation of attractive conditions for investment within innovative industrial clusters becomes the territorial marketing goal.

Regarding state regulation support and stimulation of development of hi-tech sectors should include:

- Tax incentives for active foreign investors in the hi-tech sectors;
- The measures aimed at simplification of a visa regime for involvement of highly skilled foreign experts for work in innovative industrial clusters;
- Improvement of state support system of hi-tech branches. One must:
- Create more proportional structures of hi-tech branches financing at the expense of alignment of the industrial branches' budgetary financing volumes, focused on civil and state (for example, the space industry) needs;
- Develop the funding mechanisms of the hi-tech segment based on instruments of the private and state partnership and more active involvement of foreign investors to the joint projects;
- Establish institutes of target programs investment and projects of participating firms' and innovative clusters' crediting;
- The measures directed on customs regulation improvement concerning import and export of the hi-tech goods for the needs of innovative industrial clusters.

Education also plays a significant role in hi-tech and innovative sectors development. As knowledge is becoming increasingly important, the university turns into a crucial part of innovation that produces and disseminates scientific and technological knowledge [10]. To make cooperation between the business world and universities more developed, such practices must be encouraged by the state.

It is necessary to note that the European experience of state regulation and support of innovative clusters' formation testifies inadmissibility of excessive preferences for the foreign investors. Preferences can involve taxation, providing investors with resources-electricity, water, transport infrastructure, communication, warehouse network.

When involving foreign capital it is important to withdraw discrimination concerning national investors. It is not necessary to provide to the enterprises with foreign investments tax privileges which domestic enterprises in the same field of activity do not have. As showed experiment, such measure practically does not influence investment activity of the foreign capital, but leads to emergence on a place of the former domestic productions the enterprise with the formal foreign participation, applying for the preferential taxation [11].

CONCLUSION

As our empirical study showed, an average firm size within a local cluster is usually followed by increase of regional GDP per capita. This seems to be the indirect proof of the statement that heterogeneous clusters are an effective tool of the marketing of territories.

Recommendations about gradual replacement of sectorial structure of industry, which is losing its efficiency, with innovative cluster structures are put forward. It is meaningful also in social aspect: industrial branches' transformation in clusters stimulates attention of the capital owners to investments into science and education, human capital. Change of base of competitive advantages goes in the transition direction from the competitiveness based on preferences, cheap labor and natural resources, to the competitiveness, which sources are hi-tech processes, organizational and economic innovations.

As institutional phenomenon it is necessary to consider the conceptual content of regional marketing strategy creation, or a special type of regional management, which would define needs of local

consumers, internal market segmentation, given strategy of regional positioning in relation to other subjects of national economy, comprehensive programs of unique regional features and advantages creation, fixed behavioral strategy in relation to target groups of consumers.

Up to date the main purpose of territorial marketing consists in defining unique niches on the national and even world markets and also of regional advances' theory and methodology comprehension. Methodological preconditions of the given ideas implementation are necessary for the target orientation and diverse character of the regional marketing strategy maintenance, in connection with all elements of the entrepreneurial activities' process: investment, production and realization and their roles in a certain system of the measures directed on achievement of regional interests.

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