



# Methodology of Formation of Organizational and Economic Mechanism of Place Marketing

## Metodología de formación del mecanismo organizativo y económico del marketing focalizado

Elena S. KULIKOVA <sup>1</sup>

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#### ABSTRACT:

Place marketing is an inseparable part of the expanded reproduction process of enterprises-subjects of a territory, related to manufacture, promotion, distribution, and sales of the issues products within economic, geographical, and natural specifics of municipal entities. Development of place marketing that participates in the process of production and turnover of goods and services required mastering the theory, methodology, and practice of modern marketing, as well as deflection of the later through the prism of economic interests of economic subjects that are an inseparable part of the algorithm of decision making – all this allows influencing the mechanisms of behavior and stimulation of consumers. Absence of sufficient theoretical developments that open the content, methods, and direction of strategies of place marketing that allow ensuring integrity of economic and moral & cultural approaches and the need for formation of efficient mechanisms for conduct of real modernization of economy and society on the basis of civil society's ideas and partnership relations predetermined the necessity and topicality of study of the processes of development and content of territories' strategic plans as a basis for formation of territory's marketing potential. Orientation

#### RESUMEN:

El marketing focalizado es una parte inseparable del proceso de reproducción ampliada de las empresas-sujetos de un territorio, relacionado con la fabricación, promoción, distribución y venta de los productos dentro de las características económicas, geográficas y naturales de las entidades municipales. El desarrollo del marketing de lugares que participa en el proceso de producción y rotación de bienes y servicios requiere dominar la teoría, metodología y práctica del marketing moderno, así como la desviación del último a través del prisma de intereses económicos de sujetos económicos que son inseparables parte del algoritmo de toma de decisiones - todo esto permite influir en los mecanismos de comportamiento y estimulación de los consumidores. Ausencia de desarrollos teóricos suficientes que abran el contenido, métodos y dirección de las estrategias de comercialización de lugares que permitan garantizar la integridad de los enfoques económicos, morales y culturales y la necesidad de la formación de mecanismos eficientes para conducir una modernización real de la economía y la sociedad sobre la base las ideas de la sociedad civil y las relaciones de asociación predeterminaban la necesidad y la actualidad del estudio de los procesos de desarrollo y contenido de los

in making managerial decisions at the needs of a certain territory (region), reconsideration of certain principles that seemed unchangeable before, direction at the use of planned methods not only in the sphere of production but in the sphere of goods (services) turnover, and growth of attention to methodologies of compilation and realization of targeted regional programs and projects that include marketing activities determine topicality of the selected topic of the research.

**Keywords:** place marketing, marketing potential, organizational & economic mechanism, marketing study, competition.

planes estratégicos de los territorios como base para la formación del potencial de comercialización del territorio. Orientación en la toma de decisiones gerenciales a las necesidades de un determinado territorio (región), reconsideración de ciertos principios que parecían inmutables antes, dirección en el uso de métodos planificados no solo en el ámbito de la producción, sino en el ámbito de la rotación de bienes (servicios). y el crecimiento de la atención a las metodologías de compilación y realización de programas regionales específicos y proyectos que incluyen actividades de mercadeo determinan la actualidad del tema seleccionado de la investigación.

**Palabras clave:** comercialización focalizada, potencial de comercialización, mecanismo organizativo y económico, estudio de marketing, competencia.

## 1. Introduction

Under the conditions of tough economic competition, each territory aims at effective development in view of territory's subjects' results. These include households, business structures, and representatives of public authorities. In view of crisis phenomena, at most territories the mechanisms of self-regulation and self-development are weak, which does not stimulate quick and effective development of the territory. Territories are centers of business activity, concentration of investments, and catalyzers of development. In this aspect, territory, as a space of life of the territorial society, is an independent factor of its development. It constitutes the environment of human living and is a place of economic activities. The spatial management of a large territory is dominated by the functional approach, when the territory is seen as a set of separate functional areas, which contradicts the dynamic changes of social structure and sets the tasks of improvement of territorial management marketing and rational use of region's marketing potential.

At present, the issue of methodological provision of improvement of organizational-economic mechanism of territory's development management (a subsystem of a large municipal entity in dynamic conditions of external environment) is not studied sufficiently. Topicality of the research is predetermined by necessity to solve this problem in the interests of sustainable development of any local territory. The model of organizational & economic mechanism is management of territory's development in dynamic socio-economic conditions of the territory where the main element that determines the character of subject's influence on the management object is the structure of measures on management, motivational component that is formed of interests of the main subjects of territory's development (population, business, and public authorities), regularities of spatial organization, and factors and resources of territory's development; its application ensures harmonization of interests, resources, and motivations, as well as sustainable development of the territory.

## 2. Materials and methods of the research

The scientific methodology of the research is based on the systemic approach to the studied problem and complex consideration of the conceptual provision of development place marketing and territory's marketing potential, theory of economic interests, and its applied value and sense of marketing in institutional economy. The work is of multi-aspect character, as, together with general provisions of the economic theory and marketing, the work uses the analytical methods of modern regional science; the most topical works on urban science and place marketing; foundations of development of methods of targeted strategic plans and regional programs that form territory's marketing potential (Berry *et al.*, 1991). Complex accounting of the factors that influence modern territorial & economic processes and realization of the depth of modern socio-economic problems lead to understanding the necessity for development of the strategies oriented at solving the problems of employment, economic development, and

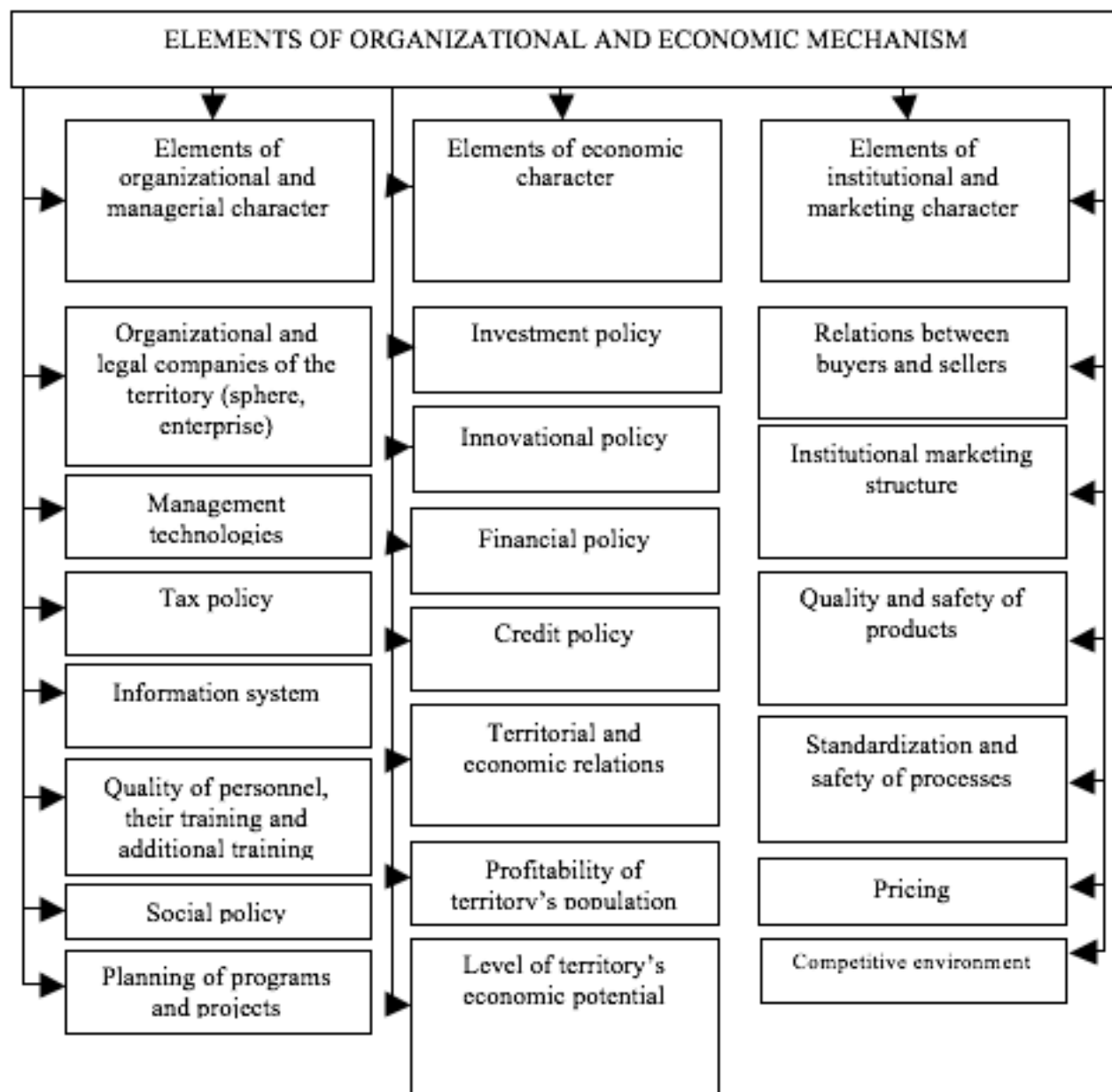
renovation of territories, which is a basis of place marketing. This allows emphasizing on contradiction between the current changes and their manifestation in managerial practice, which ensures authenticity of the received results, which are a basis of practical value of the offered recommendations.

The research methods include socio-economic analysis; cluster analysis; methods of economic analysis; expert evaluation in empirical research; economic and mathematical modeling, etc.

### 3. Results obtained by the author in the process of the research and their discussion

The mechanism of formation and realization of place marketing supposes step-by-step iteration solution that includes improvement of the main elements of the organizational-economic mechanism.

**Figure 1**  
Structure of organizational-economic mechanism of formation and realization of territory's marketing potential



All elements of organizational-economic mechanism are grouped into the main directions:

- elements of organizational & managerial character are an administrative components and suppose implementation of certain regulating actions within a specific local territory for the purpose of creation of comfortable and effective conditions of life for all subjects of the territory (Christensen *et al.*, 2002);
- elements of institutional and marketing character suppose initiation of market categories within the territory, as well as activities aimed at increase of market cost and capitalization of business subjects of the territory (Kulikova *et al.*, 2012). The strategic goal of place

marketing and its organizational-economic mechanism in this aspect is to ensure the territory's competitiveness as a result of growth of living standards, inflow of investments, and economic development of economic subjects. Growth of population's well-being and investments into the territory and economic development of economic subjects is the proclaimed goal of the policy of competitiveness. With high living standards, it is possible to achieve high indicators of competitiveness. This is done by means of concentration of technology and capital in economy, which leads to increase of labor efficiency, product quality, and standardization of production processes. This concentration could be increased by good institutional policy which is also a factor of competitiveness, as effectiveness of territory's economy is determined by its capability to generate reserves with higher level of population's income;

- elements of economic character are the most significant ones, as territory's competitiveness is expressed in the possibility for economic growth and development. At that, economic growth of territory supposes increase of volumes of production of territory's subjects and expansion of competitiveness parameters, and economic development supposes the possibility for application of leading scientific means of territory's development and deeper study and solving the social and ecological problems of the territory (Christiansen, 2000).

As the organizational & economic mechanism of the territory has a complex structure, evaluation of its functioning supposes several main directions.

The presented scheme allows for determination of key directions of evaluation that can express efficiency and effectiveness of the organizational- economic mechanism:

- successfulness of work of all subjects of the territory in view of influence of internal and external environment factors;
- level of using the territory's economic potential.

For a complete qualitative evaluation of the studied phenomenon, we offer to supplement the complex of the used indicators by those characterizing its separate structural elements (Craig, 2002):

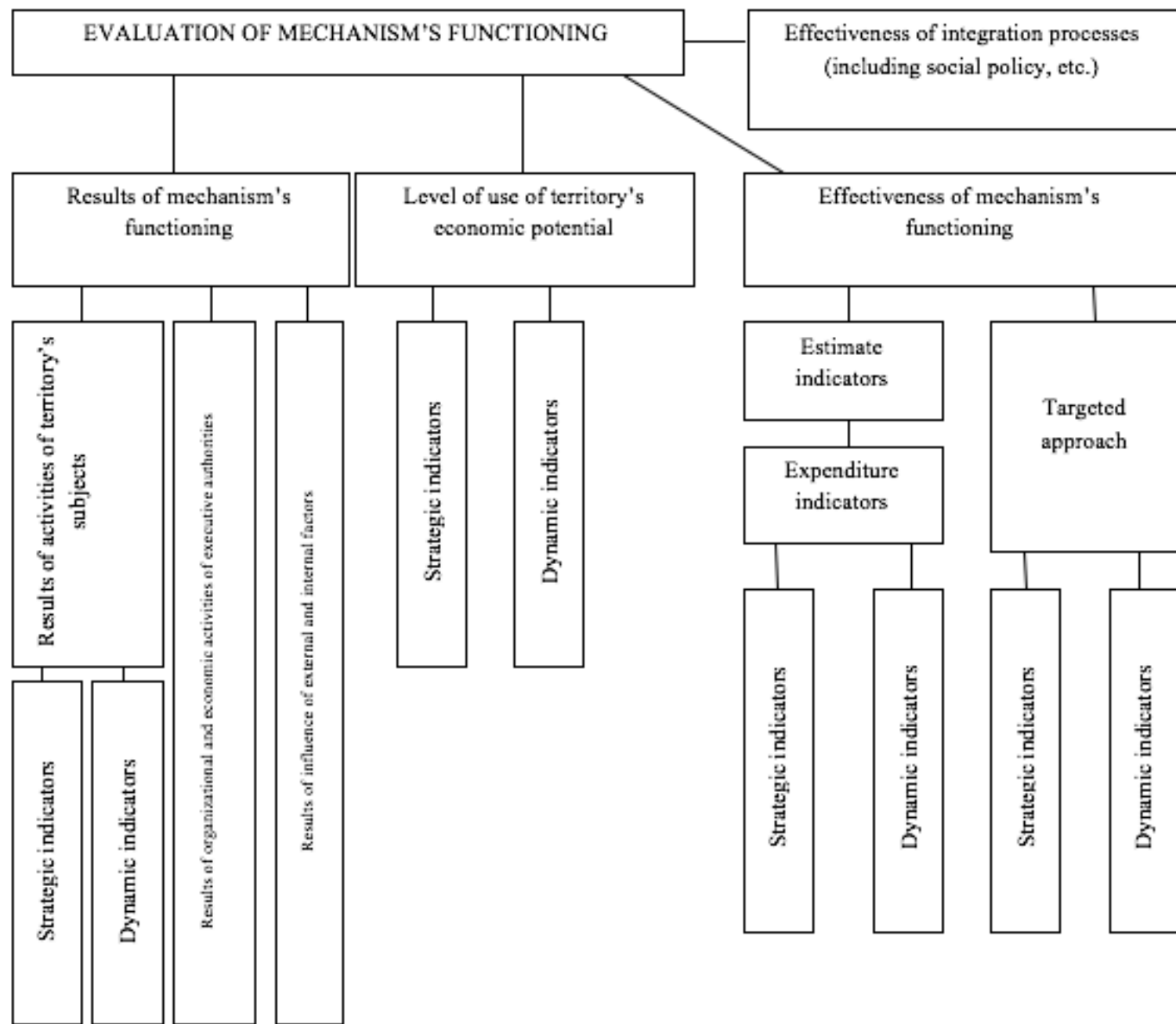
- profitability of management. As the main indicator of any territory's sustainable development of any territory is management, there's necessity for analysis of existing system; the most generalizing indicator of this mechanism is profitability of management, which is determined as ratio of profit over a certain period to expenses for payment for labor of managerial personnel over the same period (Eric *et al.*, 2011);
- return on assets, coefficient of renovation of main funds of leading subjects of the territory: with all significance of natural factors of the territory, economic characteristics of territory's subjects perform the most decisive influence on the territory's mechanism effectiveness;
- ratio of growth of turnover assets to growth of territory's gross product – reflects the tendencies of growth or decline of territory's subjects production.

Multiplicity of indicators of evaluation provides answers to specific questions. Very often it is impossible to see the main thing – namely, to what extent the organizational-economic mechanism of certain territory is effective and efficient?

In this situation, there's necessity for integral evaluation, which could be successfully performed with the help of the method of dynamic normative, which is easily interpreted and provides final evaluation to the organizational-economic mechanism of the territory for the main directions that are given below.

Thus, as a result of the performed research, we can define organizational-economic mechanism of formation and realization of marketing potential of territory – it is management of the complex reproduction development of economic potential of the territory that includes the management system and evaluation of functioning of real sector of production and the sphere of turnover of product (service) and elements of organizational & managerial, socio-economic, and institutional & marketing character. This formulation supposes several directions of start of the organizational-economic mechanism, one of which is stimulation of investment activity.

**Figure 2**  
Evaluation system of functioning of organizational-economic mechanism  
of formation and realization of territory's marketing potential



The most important peculiarity of organization of marketing research of the territory is combination of two factors that have to be taken into account during the research processes. The first one consists in the fact that we speak of marketing here and, therefore, of market mechanisms and regularities that have to be reflected and taken into account in the established territorial programs as economic interests of market activities subjects. In such a format, the concept of marketing research covers primarily study of the market and preparation of forecast materials for the needs for further orientation at the issue of certain products and their sales. Complex marketing research is a system of the most important marketing measures, conduct of which ensures effective making of all types of managerial decisions (Wooley, 2000).

The second factor supposes consideration of the fact that we speak of marketing of the territory that exists in a certain time-space continuum – therefore, administrative resource could be used in this case (Stigler, 1983). At that, absolutization of one or another factor is not allowed – there's a need for both; there's need for foundation on both conditions for the purpose of achievement of the optimal result.

One of the main tasks of the research is ensuring the participation of population, consumers and subjects of the territory in the conduct of the marketing research and post-marketing changes. Solution of this task is based on the following methodological and methodical preconditions.

- A tool for attraction of various population groups to marketing processes is determination

and analysis of public opinion. At that, the respondents should understand the tasks of the research and tie them to their own economic interests. In case of absence of such precondition, no administrative measures will make the respondents to treat the offered issues with interest (Metaxas, 2003).

- Efficient participation of the population in marketing policy supposes its maximal knowledge on the tasks, means, and results of study of the state of external and internal environment. The external environment is the general socio-economic situation in this region (subject of the Federation) and in the country on the whole, normative and legal basis of the regional and federal levels, perspectives of this local territory, etc. The state of the internal environment is determined by efficiency of influence of place marketing on the social, economic, financial, and ecological spheres of the territory (Morita, 1986).
  - A condition for interested participation of population in solving the issues of place marketing is increase of living standards – growth of income, expansion of the sphere of labor application and, this, more complete satisfaction of needs in housing & utilities, medical, educational, transport, everyday, cultural & sports, and other services (Prahalad, 1990). Population's participation in development and realization of marketing programs is possible only if the latter are aimed at solving these tasks. The process of the research has to track how this ideology is based on everyday reality.
  - Solving many specific tasks could be simplified by means of attraction of administration and various groups of population of the territory to formation and realization of programs offered as a result of the marketing research.
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1. Ural State Agrarian University, Ekaterinburg, Russia. Email: [e.s.kulikova@mail.ru](mailto:e.s.kulikova@mail.ru)

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