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MEASUREMENT OF LOCAL GOVERNMENT UNIT MARKETING ORIENTATION

Summary: Since the use of New Public Management (NPM) in practice, public sector institutions have used methods and techniques of private sector management.

The aim of this article is theoretical analysis of local government involvement in marketing activities. Empirical research carried out by the authors on the logo content contributed to the research question: how one can assess the effectiveness of marketing activities of local government? Authors reviewed critically literature on marketing and NPM.

Authors argue that local government must undertake actions in the field of territorial marketing, but so far no measurable indicators have been developed to assess this involvement.

Keywords: place marketing, measures of marketing activities, local government unit (LGU), new public management.

JEL Classification: H83, M31, M38.

Introduction

Contemporary cities and other territorial units[1] depend on how people – both those who live in them and those who manage them – combine social factors such as history, tradition, and human relations with economic values such as land prices, human capital, or value of industrial and cultural objects. In the age of globalization, new media and huge amounts of incoming information one must be visible in the socio-economic environment, and this also applies to terri-

[1] The term "place" is commonly used. This term is applied to cities, towns, regions, and villages [Hanna & Rowley, 2008].

torial self-government units. Managers of cities and regions decide which of place resources should be visible, what is to be promoted and what message should be disseminated. Therefore, the 'place' next to the traditional economy has yet another one – so-called symbolic economy, which task is to 'sell the image', that is expected to represent a particular place – city, town, region [Zukin, 1995, p. 8]. The symbolic economy since the 1990s is a new force that is changing the way residents, tourists and investors think about a given territory. It is most often associated with the culture and entertainment, as art objects (such as monuments, architecture, theatres, etc.) form part of the economic life of a city or region. However, the way in which local government unit discloses both material and symbolic resources to the external socio-economic environment also affects the development of the economy.

Neither place marketing researchers have developed standards nor legal regulations for public institutions that manage cities and regions do clearly define how to measure the effectiveness of their actions. Rather, they follow mechanical and numerical indicators, not taking into account local needs and identified problems of the place [Schiavo-Campo & McFerson, 2008, p. 294]. The local government unit represents the community and administrates its funds. It should therefore take into account the need to measure efficiency and effectiveness, including the effectiveness of actions that promote development – on the one hand, and on the other – long-term effects that are not always indisputably defined.

The authors refer to Daniel Kahneman's thesis [Kahneman, 2011] on the mechanisms of human reasoning. An American psychologist proves that simple metrics are better than complex ones, and correlations between variables do not enrich knowledge about their influence and meaning. This is why authors try to prove that a simple tool can be prepared to measure the degree of marketing involvement of local government units by analysing 4 groups of such measures: developing marketing and / or promotion strategies, using the system of visual identification, spending on promotional activities and evaluating and monitoring information and promotional activates.

1. New Public Management and place marketing

At the end of the twentieth century, business management was introduced to public administration, called as New Public Management (NPM), which led to reflection on integrated place brand management and location itself [Eshuis & Klijn, 2012, pp. 8-10]. The idea of a new public management since the 1980s, first in the UK and later in other countries, has influenced and continues to influence public sector reforms, introducing methods and management techniques specific to the private sector so far. Local government units, in addition to the tasks related to the management of specific problems of the local and regional community, also develop activities focused on the place promotion, treating them as a factor significantly affecting regional development. Local governments now manage cities and regions in a way that is similar to business management, inter alia through risk taking, innovative solutions, promotion, and community and site-specific benefits [Hubbard & Hall, 1998].

Another contemporary approach to manage the place is public governance, which is an interdisciplinary field of study focusing on relationships between government authorities, civil societies and the market, in a context of effective performance [Luces, 2005; Pestoff, Brandsen & Verschuere (eds.), 2012].

As Pasquier & Villeneveue [2012, p. 5] stressed, NPM directs to the use of marketing tools by the self-government units. New public management focuses on setting goals, monitoring and measuring results. Moreover, the Supreme Chamber of Control in Poland when examining the promotion of local government units in Poland points to the need for public institutions to plan, monitor and analyse measurable outcomes and objectives [NIK, 2011, p. 5, 9]. As a result, public administrations in many countries have adapted different methods that let measure out marketing activities and their effectiveness since 90 of the XX century.

The basic marketing model consists of product, price, distribution and promotion [Groucutt, Ledley & Forsyth, 2004, p. 19; Kotler et al., 2002, p. 58]. Measures are recognized in the first three components [Duczkowska-Piasecka, 2013] and practiced in place marketing. In the case of the fourth element, the measurement raises controversy. In business practice there are used [Bonori & Tasinari, 2008] measures to determine the impact of promotional activities on sales volume. In the case of territorial marketing, sales can be taken into account only in a few occurrences, such as a cultural object and ticket sales for events at this facility. However, this indicator is too narrow to take into account all functions performed by self-government – administration, creating conditions for visitors and creating conditions for investors [Beyrow & Vogt, 2015, pp. 9-10]. In conclusion, it should be noted that it is difficult to transfer the indicators used in business to the much more diversified activities in the marketing activities of local government units due to the complexity of the process and the need to develop public value.

2. Measuring of the effectiveness of marketing orientation of a local government

The activity of a local government is public, which results in the following consequences: (a) residents expect from the authorities to settle the local government's failure and successes, and (b) according to the NPM concept, the results are to be achieved [Zawicki, 2002].

The main purpose of state and local government units is to create public value understood as a set of values accepted by residents and added to the public sphere. The marketing process makes it possible to build public value by taking into account both the needs of inhabitants and the place itself as well as the market processes [Duczkowska-Piasecka, 2013, p. 135].

Mark Moore in 1995 proved that the task of government units in society is to regulate, to provide public services and to ensure security, but also – and perhaps even above all – to create public value and to actively shape the public sphere [Moore, 1995]. The core element of Moore's concept is the strategic triangle of three independent processes: (1) defining public value: clarifying and specifying public value outcomes in a particular context; (2) legitimating and authorizing action: creating an 'authorizing environment' that builds a coalition of stakeholders from the public sector, the private sector, and the community and voluntary sector, and (3) building operational capacity: harnessing and mobilizing operational resources both within and outside the organization to implement the policy and achieve the desired public value outcomes [Benington & Moore, 2011, pp. 4-5].

From the Moore's model one may conclude that public managers need to construct appropriate measures to recognize and account for public values. This is a complex issue, requiring managers to decide, for example: Whether to measure results or processes? How to deal with outcomes that happen late and unreliably? How to triage for efficiency? And others. The concept of public value underlines the importance of outcomes and processes, not only inputs and outputs [Benington, 2009, p. 238].

The classical economists in the nineteenth century already used a logical model to analyse the influence of variety factors on the environment, indicating the following elements that can be measured [Szaciłło, 2014, p. 173]:
1) Input – resources of a given project;
2) Activities – what should be done with the resources to fulfil the project mission;
3) Outputs – the volume of work accomplished by the given project;
4) Outcomes – benefits or changes for participants during and after the project;
5) Impact – the long-term consequences of the project.

Testing performance according to this classical model requires a multi-step process: from the assessment of the input (resources) through the processes and activities to results and finally the impact on target groups. In business practice the measurement of marketing strategies is made by the following methods and techniques:

1) Input – marketing research;
2) Activities – marketing strategy implementation (product, price, distribution, promotion);
3) Output – production or service offer;
4) Outcome – sales volume, market shares, etc.;
5) Impact – customer attention, customer loyalty, image, reputation, etc.

The authors hypothesize that for all these elements it is possible to prepare measures enabling to examine a self-government unit marketing orientation if it is assumed that the participant / beneficiary is the local government but not the recipient of promotional activities of a given local government unit.

3. Proposed model of measuring marketing orientation for the needs of local government units

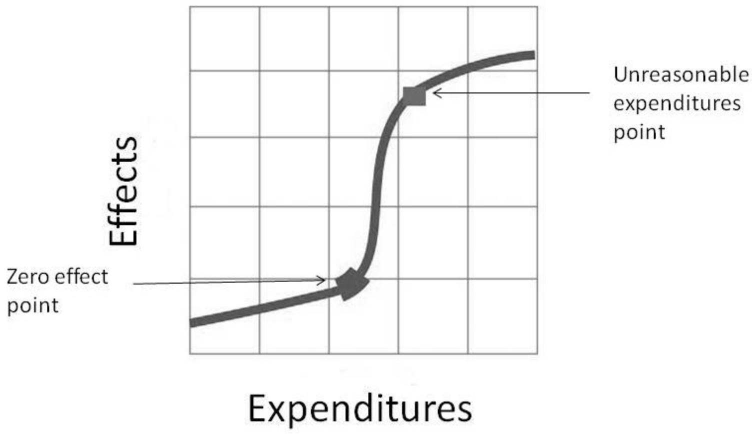
The model of measuring marketing orientation in territorial marketing proposed by Szromnik is based on questionnaires, quantitative and qualitative survey in which respondents make assessment [Szromnik, 2010, p. 87]. A similar solution can be found in Kotler [Kotler, 2008, p. 274 et seq.], although the author takes into account process metrics and exerted impact. Such models limit the analysis of all elements of the input-impact process to the figures directly related to the specific effect of the marketing strategy. However, considering that marketing is based on specific resources and involves at least four elements (product, price, distribution and promotion), the measurement of the level of marketing orientation of the territorial unit by means of questionnaires will be limited and incomplete.

Bearing in mind the specificity of territorial unit management (public value) and the specificity of the marketing strategy (promotional impact on the public), it is possible to propose a selective model. It means not to analyse the activity of each local government, as proposed by Szromnik or Glińska [Glińska, 2016], but to select local governments, which demonstrate in practice the marketing orientation. Concluding, this manifestation should be a starting point for further analysis of the effectiveness and efficiency of marketing practice of a given local government unit. The selective-analytical model consists of following steps:

a. Input – defining the potential (opportunities) necessary for marketing activities (diagnosis of resources, including land, architecture, monuments, natural resources, etc.), which is the basis for elaboration of development strategies of the city or region [Duczkowska-Piasecka, 2012, p. 167][2]. It can be assumed that every territorial unit has such potential resources.
b. Activities – this is an element that allows to select self-government units to measure the their marketing orientation, that is to say what territorial marketing activities are carried out in the three areas of the city or region's activities in relation to:
   – residents – to define activities that lead to the maintenance or acquisition of new inhabitants which going beyond traditional administrating of the territory; the manifestation of this activity may be the advertising of land for single family housing, the promotion of urban schools; efficiency of city services; public services, etc.;
   – investors – to define a development strategy of the place, tax regulations, incentives and offers for investors, adapting educational system to the needs of investors, land offer for investment, etc.;
   – tourists and other visitors – to elaborate a promotional strategy of the place, introduces a strategies of touristic services development, of culture and sport improvement;
c. Outputs – the specific, accomplished or just being accomplished promotional and informational campaigns, the system of visual identity of the place and the activity of local government in the field of involving residents and / or visitors to participate in events;
d. Outcomes – to define in the local government budget the minimum expenditure on marketing and promotional activities. The key element for further consideration is the assumption that there are two important effects when implementing promotional campaigns (independently of the used tools) [Jones (ed.), 2004, p. 240]:
   – *threshold* (the minimum threshold of the recipients' responses to the communication stimuli, which directly leads to the need to spend a certain amount of funds on promotional activities),
   – *wear out* (that is burnout, which means that the audience at some point no longer react to the stimulus, as J.P. Jones' statement: "response curve for advertising is declining").

[2] Place resources influence the recognition of the visitor's attractiveness [Braun et al., 2014, p. 66].

This means that the response curve for marketing communications is non-linear [Scissors & Bumba, 1996, p. 140; Sutherland, 2004, p. 174 et seq.; Bonori & Tassinari, 2008, p. 105 et seq.] (Graph 1).



Graph 1. Nonlinear model of dependence of effects on expenditures

Source: elaborated by the authors referring to [Bonori & Tassinari, 2008, p. 111].

Graph 1 lets to make conclusion that promotional expenses below the threshold of visibility are ineffective because they generate zero effect.

Therefore, in order to achieve promotional results in the marketing orientation, it is necessary to determine the minimum expenditure. It is worth noting that so far in any theoretical models of measuring the marketing effectiveness of a place have not taken into account the volume of planned expenditures on marketing activities as an indicator of self-government unit's involvement in promotion of a place. Practitioners and consultants postulate that these expenditures should range from 2-5% [www 1] of the budget. This amount the authors consider as to be within the range of purposeful expenditure[3].

e. Impact – there are classic instruments used both in business [Kotler, 2008] and place marketing [Szromnik, 2010], such as measures of expenditures, results and exerted impact on attitude, opinions and behaviours of target groups.

The fig. 1 is an attempt to sort out measures that let to estimate the level of marketing orientation of a given territorial unit.

[3] The issue of the volume of inputs is included in the NIK report [NIK, 2011, pp. 6-29]. Authors, on the basis of their own consulting practice, consider spending at least 2% as purposeful and justified.

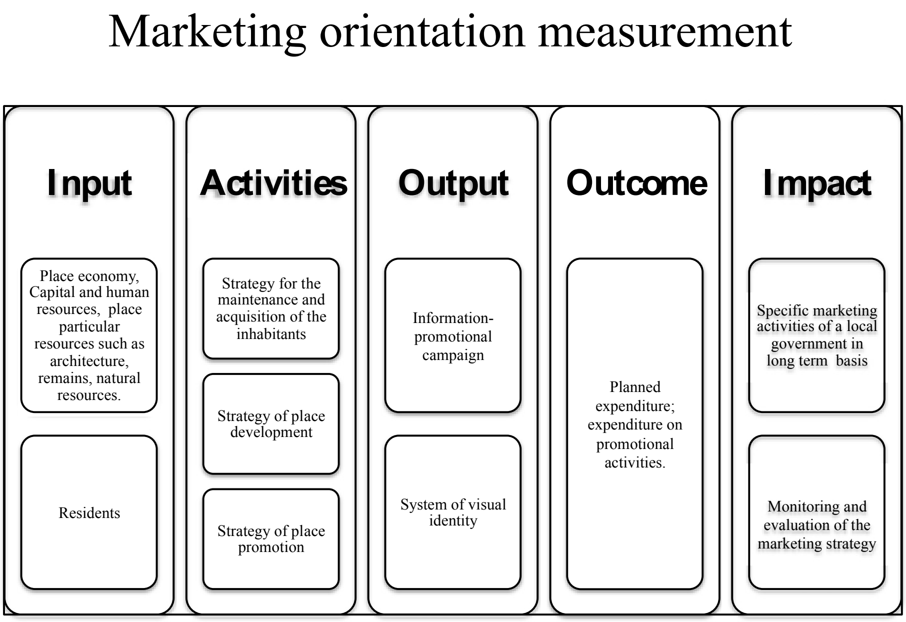


Fig. 1. Marketing orientation measurement

Source: Elaborated by the authors.

By applying Daniel Kahneman's suggestion for simple measures [Dawes, 1979; Dana & Dawes, 2004; Kahneman, 2011, pp. 302-303], the authors propose that desk research in the areas of activity, output, outcome and impact allow for an initial assessment of the marketing orientation of the self-government unit. Consequently selecting those units, in which research of marketing communications activities, their short- and long-term effects on the environment, is justified. It seems possible to specify such indicators (e.g. the level of promotional expenditures in the multi-annual financial plan of local government units, regularity of the campaign, updating the strategies) that they can verify declarations of local governments about involvement in systematic marketing on an independent and comparable basis.

Conclusion

The main objective of the presented analysis was to express that the assessment of marketing activities can only take place when the local government unit is marketing oriented in its actions. Therefore, without defining the level of this orientation, it is difficult to assess the effectiveness and efficiency of marketing strategy. The proposed framework for measurement of marketing orientation of self-government units allows both quantitative and qualitative analysis of this phenomenon.

Quantitative measures use numerical summaries such as percentages, rates, or absolute numbers. These measures are commonly used as indicators of activity and output, such as counts of the number of people participating an event, number of people being under commercial impact, or the amount of funds devoted for marketing activities. Quantitative indicators are sufficient to make comparison over time or between territorial units. However, indicators that are based solely on counts can be misleading and it is important to ensure that valuable information is not lost in the process of turning complex concepts into a numerical measure.

Qualitative measures provide the description of complex phenomena as marketing activities are, based on interviews, documents or other sources of narrative information. They can provide detailed information on the activities (process), outputs, outcomes and impact of a marketing project undertaken by the self-government unit. Qualitative measures are particularly suitable to issues that are complex, nuanced because the influence on people's knowledge, emotions and behaviours, or where there is little existing information to provide a basis for quantitative measures. Qualitative indicators are often combined with quantitative measures to provide a detailed assessment of issues that are not easily quantifiable, or to provide distinction and contextual details to numerical findings.

The proposed framework for measuring the marketing orientation of a given self-government unit provides more comprehension and holistic view on efficiency and effectiveness of authorities responsible for devolvement of a place, which have decided to practice New Public Management with marketing focus.

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MIERNIKI ORIENTACJI MARKETINGOWEJ JEDNOSTKI SAMORZĄDU TERYTORIALNEGO

Streszczenie: Od czasów wykorzystywania koncepcji nowego zarządzania publicznego w praktyce instytucje odpowiedzialne za sferę publiczną korzystają z metod oraz technik zarządzania charakterystycznych dla sektora prywatnego. Celem artykułu jest próba teoretycznej analizy metod i technik badających stopień zaangażowania samorządów w działalność marketingową. Badania empiryczne autorów nad treścią logo oraz wykorzystaniem systemów identyfikacji wizualnej w marketingu terytorialnym w Polsce przyczyniły się do postawienia nowego pytania: jak można ocenić zaangażowanie oraz skuteczność prowadzonych działań marketingowych?

Autorzy stawiają tezę, że jak dotąd nie wypracowano mierników pozwalających ocenić stopień (wielkość) zaangażowania marketingowego samorządu. Dlatego podejmują próbę udowodnienia, że można przygotować proste narzędzie pozwalające zmierzyć to zaangażowanie.

Słowa kluczowe: marketing terytorialny, mierniki skuteczności, jednostka samorządu terytorialnego.