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Place Competition: Rethinking Tiebout Model and Theories of Creative Class and Creative City

Summary

This paper demonstrates opportunities for the development of the place marketing theory given by pure model of local expenditures (Tiebout 1956) and concepts of the creative class (Florida 2004), and creative city (Bianchini and Landry 1995). Rethinking them in marketing terms, we then analyse their limitations and show why their re-examining can support competition analysis, targeting, and marketing policy of places. In the discussion section, main directions of theoretical research in place marketing are highlighted.

Key words: targeting, place competition, place user, Tiebout model, creative city, creative class.

JEL codes: M31, O18

Introduction

The most common beginning of a typical article in place marketing such that cities, towns and even villages have to compete for the inhabitants, investors and visitors to meet new global challenges. It follows from this that any place should strive to market itself to succeed in this competition. While these statements cannot be denied, it should be noted at the outset that competition among place consumers is common, along with the place competition.

The beginning of 21 century gives many examples of residents’ resistance to marketing and branding their places as destinations, and businesses and investment locations (Mayer 2013; AFP 2013; Beckmann and Zenker, 2013; BBC 2013). Residents’ reaction to the newcomers (attracted deliberately or moved in regardless of marketing efforts), may be more ambiguous and even lead to the restoration of migration barriers in Europe. A favorable climate and unique marine fauna attract tourists to Lampedusa. What more could be wished for to successfully market the island? Yet tourists are not the only market segment which would like to visit. Since 2008 Lampedusa has become an extremely attractive place for refugees from Northern Africa who attach importance to the position of the island as a transit to Europe more, than its natural beauty. Residents of the island use it as the place to live. These three consumer groups compete with each other for the possibility to use the island in their own ways more than the island itself competes with other places for consumers in general.
Such competition shows differences between those who are target group of place marketing, those who would like to use a place, and those who de facto do it. In other words, a place can be used by groups of people absolutely different from those marketers would like to attract or retain. In this case, reasons for consumption and ways of using of a place can be expected and, to put it mildly, not quite expected by marketers, i.e. a place could be attractive both due to deliberate marketing activities and independently of them.

Going further, it implicitly means that the local community (i.e. that public who already consume an existing place) takes on special significance as a place user and competitor for place. If we take into account the special features of a local community as both user and seller of a place at the same time (Kotler et al. 1999) then its active role in targeting and policymaking is apparent. Other potential users seem to be suitable for a place if they are approved by existing residents, and most of examples listed above also lead to this conclusion. And if so, then the purpose of the relevant place marketing research may be to rank a set of possible users seeking for that which is «more attuned to the environmental product that we have to offer» (Medway et al. 2011, p. 130) instead or concurrently with considering a variety of place product options in order to find the most attractive ones for chosen target group.

In this way, the following interdependent issues are intriguing for place marketing. Should a place participate actively in both forms of competition or is participation in any one sufficient to succeed? Whether features of a place or consumer characteristics influence targeting the most?

To date, place marketing research acknowledges the multiuse character of places as products (e.g., Ashworth and Voogd 1988), and the presence of various target groups (e.g., Zenker 2017) and particular role of residents (e.g., Braun et al. 2013), while the interaction of users, who are considered to be full-fledged stakeholders of a place, in the process of place marketing is mostly avoided (e.g., Kavaratzis 2012). As the result, by the time of worsening the problems mentioned in the beginning of the current paper, research on place marketing have not created relevant conceptual framework.

The aim of the research is to demonstrate how pure model of local expenditures (Tiebout 1956), concepts of the creative class (Florida 2004), and the creative city (Bianchini and Landry 1995) can be useful when analyzing place competition. These concepts have emerged in different historical contexts. However, as we believe, they all can help to understand contemporary tendencies in place development, which surprisingly combine both archaic and cutting-edge elements. The concepts give almost opposite responses to the abovementioned questions and assist to identify factors that should be taken into account by place managers. Thus, the main attention has been paid to the set of these factors and not to comparison of the concepts per se.

We first rethink two concepts and in marketing terms. Then we show how to apply Tiebout’s model for the analysis of the real contemporary case by changing some key variables. Further, we analyze limitations of the creative class and creative city concepts using their criticism. Finally, we discuss new opportunities for place market research when re-examining the concepts and directions of the further research.
Tiebout’s model

Long before place marketing was shaped as a specific field of research, in his classical paper, Tiebout (1956) develops a close to market driven model of “consumer-voter’s” spatial choice with many different consumers and many comparatively separate local communities, while there is sufficient variance among communities to meet the needs of every consumer, and full mobility of consumers to move to the best community. The constant factors in the model are space and the so called revenue and expenditure pattern of any local government so that a significant increase of community size inevitably leads to a decline in the welfare of “old” residents. Thus, the attraction of the new residents makes sense for the old ones if there is any free space in order to decrease costs of public consumption. In the opposite case city management has to limit moving in by both natural and policy means. And any potential consumer can fail “to reach the optimal preference position” if it does so.

Tiebout’s model is of great interest to this study yielding unambiguous answers to the first two questions above. In essence, it is an example of a pure type of place consumer competition. In the model, the fact that the place is already given and can not be changed, essentially limits place marketing per se. If we take into account, that any place corresponds to the lifestyle of their residents more than anyone whatsoever, then selling the place to an individual segment in accordance with its lifestyle (Kotler et al. 1999) becomes formal. The fact that existing residents decide whether the community size is small or large, accounts for why participation in place competition is less relevant than the regulation of users’ access to the place. Joining the community is not an act of free choice for any external consumer because the old residents’ established way of life is immutable and plays decisive role in migration policy. Needless to say that to sell the place and regulate access to it, raising or lowering the entry barriers, is not the same.

Consequently, the existing place (i.e. given land, local financial resources, and “old” resident living standards) and not a certain segment is targeted. If costs of public consumption are low (i.e., size of community is close to the maximum), any new resident is unwanted regardless his or her lifestyle. The opposite is true, and individual or group lifestyle does not play any role as well. As a result, only the land area per resident is relevant, and the number of potential residents replaces any segmentation descriptor when analyzing market and targeting.

This does not mean that in the model a place can exist anywhere and be settled by and attractive for anyone user. Describing limitations, Tiebout considers dividend as the only income which consumers are living on, so that job opportunities do not influence their movement. It means that any economic activities are insignificant for communities and any work skills of existing or potential members are much less valuable for communities than their abilities to pay for public goods through taxes. It also explains why the area of the land is the key attribute of any place in the model and the main objective limitation for immigration. Consequently, the model assumes that the maximum size of the local community is limited and, thus, excludes any large or rapidly growing cities. Tiebout notes that it describes suburban or rural areas rather than cities, and chooses a beach as an example for his calculations.
And the only number of residents is relevant, and users are aware fully of all the place products (one more assumption of the model). Also any qualitative characteristics of the place product and the place consumers (whether desirable or not) do not add value to Tiebout’s model. On the contrary, the model per se can be regarded as a zero-point for the analysis of combinations of competition forms and specificity of targeting.

The creative class and the creative city concepts

Another and mostly opposite point is the set of theories which occurred on the wave of globalization and reflected its impact on place marketing, the creative city (Bianchini and Landry 1995) and creative class (Florida 2004) theories (CC-theories). In spite of the formal similarity of full residential mobility as given in both concepts, its treatments differ. Growing global consumer economy and people’s mobility made available large number of goods and services which people could consume regardless to local community they belonged to (Brown 2003).

It suggests, that attributes of a specific place largely determine motivation of consumption of the least mobile residents while attributes for the more mobile residents are also provided by neighborhoods, and the most mobile place consumers use other places rather than their place of residence. In other words, an absolutely mobile person lives locally and simultaneously realizes his or her preference pattern globally, incl. combining different attributes of different places. Thus, Tiebout’s local revenue and expenditure pattern, i.e. place product, being taken separately, loses its importance for location decisions. That is, most mobile people rather use product attributes of different places than compete for any specific one.

But what factors are the most important for their individual preference patterns if any place, taken separately, does not? On one hand, in Florida’s notion of “three T” (“talent, technology and tolerance”), talent points to the cultural similarity of creative occupations, shows them to be a class. On the other hand, individual talents in reality work and live comparatively independently as a rule, and their individuality is the quality that divides them into countless segments (Markusen 2006). This fact is the opposite of that caused by Tiebout’s assumption, so that the role of individual lifestyle and the number of segments grow from one extreme to another.

Meanwhile, the creative people have in common mutual tolerance, thus, their places of residence should be opened for any individuals and absolutely different small groups without obvious preferences for or limitations to each one. If this openness is compared to limitations on undesirable immigration in Tiebout’s model, it shows absolute distinctions. The immigration is not caused by the size of the community and area of its free land because it is strongly determined by individual lifestyles and activities of the creative people so that the size of the creative city is not limited.

Furthermore, Florida’s “technology” means opportunities for transferring research, ideas and innovation produced by the creative class representatives, who mainly earn from self-employment rather than investment and jobs (incl. hi-tech ones), in the city. Also it demonstrates
one more distinction of the creative city, which considers as valuable the skills of residents rather than their ability to pay for public goods through taxes. One cannot say that to pay for use of an existing place is not important. However, the creation of new city resources contributing to growth and development, including an increase of the tax base, is a decisive factor for choosing the most useful residents. Tiebout’s dividend incomes do not seem to be sufficient for the creative city, which needs to gain additional activities more than just new consumers. Therefore, the couple “creative class-creative city” exemplifies the case when only residential activities, needs, and behavior impact on targeting, while any place features do not.

Finally, various unique lifestyles of the target group representatives require various urban environments. Florida’s consideration of ethnic, cultural, leisure, and consuming diversity of a place as crucial for the creative class, suggests that the place attributes of the creative city cannot be aggregated due to the high level of their qualitative multiplicity. That is, the significance of each single one for attracting and retaining residents decreases. This prerequisite, note, reverses Tiebout’s typical place model, which implies strong specialization, i.e. the place as a whole is strictly associated with the fixed combination of attributes, although place marketers do not focus on it. To sell the creative city, references to special groups is of great necessity, while place product is diversified and flexible and should be marketed aggressively. Along with this, any undesirable groups do not exist or at least are not declared. Otherwise, the friendly atmosphere of the city could not be provided. Being rethought in marketing terms, the concept shows that competition for the creative city between its typical users tends to minimize while the creative city itself competes with other places for the creative class.

Usefulness of the Tiebout’s model re-examining

The two above described concepts are not supported by a lot of empirical studies. Markusen (2006), criticizing the creative class theory, even calls for “alternative tools for shaping the character of cities”. It is relevant to follow this call; however, a disclaimer is needed: these tools should add and not replace the existing ones. Firstly, that the concepts are applicable for some specific cases itself makes them useful for place marketing analysis. Not all of the places which follow the CC-theories have succeeded, but even empirical studies which challenge the theories cannot deny that several cases, such as Amsterdam and Barcelona, show their similarity to the abstract model (Martin-Brelot et al. 2010). That is, CC-theories are not universal but concurrently are not fully rejected. Tiebout’s model and CC-theories give almost opposite responses to the main questions of the paper, and should be regarded as specific cases or as abstract types of combinations of place and place users which include certain specific places and users, although not the full variety.

Secondly, with a change of some of the limiting factors, it becomes possible to adapt the two extreme models for the other specific cases. For instance, if we assume that place managers in Tiebout’s model are influenced by both local and federal regulations, on one hand, and the community borders one involved in a civil war, on the other, the re-examined model becomes applicable for the case of Lampedusa mentioned at the beginning of the paper.
More interesting, one more assumption of Tiebout needs to be re-examined. Tiebout assumes that every consumer-voter chooses the place for living strictly in accordance with his or her preference pattern, one place is used by one way, and user considers the same or close and not different places as substitutes. When a place is used by different groups of users for different purposes concurrently (as a consequence, for example, of unexpected immigration), strict specialization of the place in satisfying certain needs disappears.

Thus, the case of Lampedusa is remarkable also due to the necessity to put into the model “marketing” variables themselves as well as to realize fully the marketing approach in place management. Differences in the portraits of the old and new residents become so significant that marketers begin to divide them into different groups. And exact qualitative descriptions of the groups turn out to be no less important for place marketing than their numbers. Thus, “rich freelancers, retirees or commuters who are tired of big city life” should be differentiated accurately from “refugees and migrants who want to look like refugees in order to get social care” as well as “a quiet cozy safe place with a lot of wild nature far away from the big cities and community which decisively influence on place management” should be done so from “a peaceful place near the place of war, managed by both local community and national and European governments”.

If we now try to explain a wider range of specific cases using the extreme concepts, to identify crucial factors which limit generalization of these concepts could be a proper way to find out needed adjustments. In this context, the main critical empirical findings, examining limitations of the concepts, are of obvious usefulness.

New research questions driven from criticism of CC-theories

Critics of the creative city and class theories, on one hand, and some post-crisis trends of the world, on the other, doubt both the methodological and the conceptual consistency of CC-theories and caution against the immediate and unambiguous application. However, to learn the most from both the theories and their criticism seems to be necessary and possible. In the text below limiting factors of CC-theories are considered, transformed into new research questions, and both are represented in the Table 1.

A study on the migration of the creative class in Sweden (Hansen and Niedomysl 2009) shows that its migration rates do not differ significantly from other population groups and so the results do not prove the high mobility that is predicted theoretically. Similar results were achieved recently by Dai et al. (2012) for China. These conclusions are consistent with the suggestion to change the focus of marketing activities of places from the attraction of new creative residents to the retention of existing ones (Martin-Brelot et al. 2010). That is, not so much permanent competition for the elusive global citizens as some kind of internal targeting may be relevant.

Martin-Brelot et al. (2010) also reveal “personal trajectory” (including ‘born here’, ‘family lives here’, ‘studied here’, ‘proximity to friends’) as the location factor which is dominant for creative European people and diminishes their mobility essentially, so that the role of
“soft” factors of mobility is much less than both personal trajectory and “hard” ones (Martin-Brelot et al. 2010). They also emphasize that personal trajectory factors prevailed in the post-socialist cities and point to cultural and institutional constraints influencing mobility and leading to uneven distribution of the creative class in Europe in comparison with USA.

The importance of the “hard” factors of place attractiveness is indirectly proved by Scott (2006) who criticizes the idea of absolute self-employment of the creative class which supposedly eliminates a place to generate jobs. These findings again show the significance of a place as a target in marketing regardless of type of place users, pointing to certain tangible and intangible place attractions and implicitly challenging the idea of the diversity of the creative city.

Markusen (2006) argues that the definition and metrics of the creative class is quite fuzzy, absorbing a lot of occupations which representatives have relatively different spatial preferences and distribution. This proves the variability of individual segments associated with creative people as place users, but do not consider them as a class. Krätke (2010) points to an essentially different contribution to growth, made by scientific and technological occupations, on one hand, and managers, financiers etc., on the other. Following these conclusions, qualitative characteristics of the creative class for correct market segmentation should be re-examined.

Some papers challenge the absolute value of the creative class as a target group, bringing quite rational arguments. Boschma and Fritsch (2009) do not deny the positive relationship between regional growth and the presence of the creative class and, simultaneously, demonstrate a lack of clarity about whether creative class representatives contribute to regional growth or, on the contrary, whether local conditions determine the productivity of the creative class. Vivant (2013) doubts any opportunity to benefit from the creative economy, emphasizing that the unpredictability of work in this field inhibits a full-fledged urban planning process.

Driven by empirical studies this criticism leads, at least, to minimizing the spatial presence of the creative class, and shows the vulnerability of the theory from the standpoint of policymaking. Boschma and Fritsch (2009) concluded that the creative class belongs to big cities primarily so that the presence of the creative class depends strongly on urbanization which, in turn, is determined largely by national specificity, and Markusen (2006) goes further comparing the theory to “window dressing for tourism marketing and downtown development strategies”. Since the beginning of the global financial crisis debates surrounding the issues have become even more heated, often concerned with place marketing as a whole, and inspired by ideological arguments. For instance, Indergaard, Pratt, and Hutton (2013) emphasize that periods of growth of the creative economy coincide with booms in speculative investment in real estate and thus the phenomena is a situational only. Eisenschitz (2010) emphasizes that any efforts to attract a particular group of potential residents provoke polarization and conflicts in the local community. This point of view is not devoid of some empirical foundations. If we take into account recent tensions surround the legalization of same-sex marriages in France, it becomes very doubtful that the creative class does not compete with other place users and the creative city as an abstract phenomenon can exist in a pure form.
<table>
<thead>
<tr>
<th>Criticizing authors</th>
<th>Limiting factor</th>
<th>Relevant research questions</th>
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</thead>
<tbody>
<tr>
<td>Markusen (2006), Krätke (2010)</td>
<td>profiles of residential preferences of different occupations within the CC; presence of attributes appropriated to the profiles in a specific place</td>
<td>Whether place marketers should segment the CC and then adopt policies to each specific segment?</td>
</tr>
<tr>
<td>Hansen and Niedomysl (2009) Dai et al. (2012)</td>
<td>degree of the creative class mobility</td>
<td>Whether attracting or retaining efforts of place marketers are more required to provide benefits of the presence of the creative class for a place?</td>
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<tr>
<td>Martin-Brelot et al. (2010)</td>
<td>“personal trajectories” as factor of the presence of the creative class</td>
<td>If retaining efforts are more relevant, in what degree can “personal trajectories” per se play the role of the retention factor? Does community really influence spatial behavior of the CC so that it can be regarded as a part of the community and not as separate independent individuals?</td>
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<tr>
<td>Martin-Brelot et al. (2010)</td>
<td>the significance of “hard attributes” in residential preferences of the CC; presence and size/amount of the “hard” attributes in a specific place</td>
<td>If “personal trajectories” do not absolutely determine location decisions of the creative class, should place marketers address the problem of developing specific “hard” place attributes in comparison to the both “soft” ones and diversity of attributes?</td>
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<tr>
<td>Scott (2005)</td>
<td>the significance of job opportunities in residential preferences of the CC; presence and size/amount of “creative jobs” in a specific place self-employment of the CC</td>
<td>Are jobs opportunities in the creative economy\ the creative industries of a place of particular significance among “hard” attributes of a place? Can the creative class generate jobs for itself?</td>
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<tr>
<td>Boschma and Fritsch (2009)</td>
<td>stability of creative activities and incomes</td>
<td>If some of the creative jobs should be generated as a precondition of the CC residence, can instability of the creative sector lead to low efficiency of the CC attraction or retention?</td>
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<tr>
<td>Indergaard, Pratt, and Hutton (2012), Vivant (2013)</td>
<td>contradictions between groups of place users, countries’ difference in urbanization cultural and institutional constraints of mobility</td>
<td>Does the CC compete for a place with the other place users? If so, whose interests does the creative class contradict the most? What kind of cultural and institutional constraints inhibit immigration and residence of the creative class?</td>
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<tr>
<td>Eisenschitz (2010), Boschma and Fritsch (2009), Martin-Brelot et al. (2010)</td>
<td>specificity of place which can provide appropriate attributes for the CC</td>
<td>If the CC exist, as a whole or variety of occupations, and is considered as useful for the place, what kind of specific places are appropriate for its attraction, retention and residence?</td>
</tr>
</tbody>
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Source: own preparation.
Finally, long before globalization reached a peak and the global crisis began, it has been proposed that existing urban activities are more important agents of city development than external investment. Place competition, in turn, can be regarded as a zero or even negative a sum game for the region or country as a whole (Ashworth and Voogd 1988).

Conclusions

If we return to the research questions, then, looking briefly at the limiting factors and relevant research questions, we can see some “intermediate” forms of competition, targeting, and marketing policy. For instance, if the degree of creative class mobility (Hansen and Niedomysl 2009, Dai et al. 2012) does not differ significantly from that of other classes, place itself begins to play a more influential role in place consumer choice, so that it is easier for place marketers. Nevertheless, if the creative class remains the target group, to retain it is more relevant, than any selecting efforts in a pure form. Retention marketing was highlighted in place marketing literature (Ashworth and Woogd 1990, Hospers 2010, Eisenschitz 2010). In terms of this paper, it allows places to compete successfully for the valuable residents, on one hand, and supports them in place consumers’ competition, on the other.

Being considered in the frame of competitive relationships, retention marketing inevitably causes contradictions within existing residential communities (Eisenschitz 2010, Boschma and Fritsch 2009, Martin-Brelot et al. 2010). These contradictions can lead to a particular competition form which differs from the described “marginal” ones. Unlike the most independent and mobile creative people, different representatives of the “old” local community are grouped by some general, and not individual, characteristics. At the same time, these characteristics are not limited by the belonging of a user to the existing (residents) or potential (migrants) user groups, assumed in Tiebout’s model.

Competition between residents differs essentially from the “pure” form of place consumers competition in Tiebout’s model because it can not be managed by selecting of potential residents by their correspondence to the old ones preferences. This, in turn, shows the new type of marketing strategy to be relevant. Ashworth and Voogd (1990) admit concentrated, differentiated, and undifferentiated strategies to be possible for place marketing as it is for the marketing mainstream (AMA 2013). The concentrated strategy, which is associated with the Tiebout’s place, on one hand, and undifferentiated one, which is close to the creative city marketing, on the other, are replaced by differentiated marketing. To satisfy the needs of many user groups and, inevitably, to resolve their contradictions when concurrent use the place they live in becomes more relevant.

Further, retention and differentiated marketing, in essence, mean the special activities of the local authorities and local community as a whole aimed at the creation of place attributes. Note, that the creative city is shaped by the external target group, while Tiebout’s place is given and does not change. The questions whether it is necessary to create city infrastructure using city budget or private investment and whether the creative class itself can create jobs or authorities should be concerned with it, follow from the doubts of Scott (2006) and Boschma and Fritsch (2009).
The accumulation of internal sources for place development transforms the issue of the optimal number of residents in Tiebout’s model into the deeper problem of place marketing efficiency (Scott 2006, Boschma and Fritsch 2009, Indergaard, Pratt, and Hutton 2012, Vivant 2013). The question of whether benefits from the retention of any group of residents are so high to cover costs of this retention will become quite relevant, if we take into account that these benefits are not limited by tax payments. Meanwhile, how to measure place “profit” remains comparatively less investigated topic (Zenker and Martin 2011).

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**Konkurowanie miejscami: przemyślenie na nowo modelu Tiebout oraz teorii kreatywnej klasy i kreatywnego miasta**

**Streszczenie**


**Słowa kluczowe:** określanie celów, konkurowanie miejscami, użytkownik miejsca, model Tiebout, kreatywne miasto, kreatywna klasa.

**Kody JEL:** M31, O18

**Konkuрирование местами: переосмысление модели Тибу и теорий креативного класса и креативного города**

**Резюме**

Статья представляет возможности развития теории маркетинга мест, которые сулит чистая модель местных расходов (Tiebout, 1956), и концепций
креативного класса (Florida, 2004) и креативного города (Bianchini и Landry, 1995). Переосмысливая их в категории маркетинга, автор анализирует их ограничения и показывает, почему пересмотр их может оказать поддержку анализу конкуренции, определению целей и маркетинговой политике мест. В части, посвященной дискуссии, указаны основные направления теоретических исследований в маркетинге мест.

**Ключевые слова**: определение целей, конкурирование местами, пользователь места, модель Тибу, креативный город, креативный класс.

**Коды JEL**: M31, O18

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