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Analysing Regional and Place Marketing Activities in Hungary through the Example of Specific Regions

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Introduction

The competition between the regional areas has become stronger and stronger as a consequence of the transnational companies' appearance. The competitiveness has gained a new meaning and can be interpreted on each fundamental unit of the economy: the ability of firms, industrial branches, settlements, regions, nations, regions above nations to establish a long-lasting relatively high level of earnings and rate of employment, while they are exposed to the international (global) competition. (Europe 2000)

While the economy of Europe is competing with America and Asia, there are more than 500 regions, and more than 100000 settlements that compete for the foreign investors the ventures that aspire to become inhabited and the high qualified workforce. The small difference between some areas characteristics and qualities can have deterministic importance in the settling down decisions of companies, therefore the long-lasting successes in the competition can be assured by these local factors that hardly change, and cannot be created on the spot for example: knowledge based, innovative industrial environment, the intellectual block of the inhabitants, unique, natural environment with plenty of resources. (Enyedi, 1997, 2000)

Because of the strengthening decision making autonomy of the regions and towns the local authorities need to lean on their own resources to create the social and economic welfare. That requires the increased examination of their conditions, market environment and motivates to the use of new regional development methods. (Kukely, 2006)

The years after the transformation brought serious changes to the Hungarian economy. The aspects and the general environment has changed. This process reached the concepts about the Hungarian rural and regional development. In 1999 based on the Law XCII. - which is the modification of the one from 1996 XXI. – there were seven planning-statistic regions defined. The regional distribution was mainly based on European Union statistic support system (NUTS - Nomenclature of Territorial Units for Statistics). (<http://simap.europa.eu/>)

The regions can be seen on Table 1.

| Name of the Region | Regional centre | Territory (km ²) | Population | Density of population (/km ²) | County | Towns of county rank |
|----------------------|-----------------|------------------------------|------------|---|---|--|
| Northern-Hungary | Miskolc | 13428 | 1289000 | 96 | Borsod-Abaúj-Zemplén, Heves, Nógrád | Miskolc, Eger, Salgótarján |
| Northern Lowlands | Debrecen | 17749 | 1554000 | 88 | Hajdú-Bihar, Jász-Nagykun-Szolnok, Szabolcs-Szatmár-Bereg | Debrecen, Szolnok, Nyíregyháza |
| Southern Lowlands | Szeged | 18339 | 1367000 | 75 | Bács-Kiskun, Békés, Csongrád | Kecskemét, Békéscsaba, Szeged, Hódmezővásárhely |
| Central-Hungary | Budapest | 6919 | 2825000 | 408 | Pest | Budapest főváros, Érd |
| Central-Transdanubia | Székesfehérvár | 11237 | 1114000 | 99 | Komárom-Esztergom, Fejér, Veszprém | Tatabánya, Székesfehérvár, Dunaújváros, Veszprém |
| West-Transdanubia | Győr | 11209 | 1004000 | 90 | Győr-Moson-Sopron, Vas, Zala | Győr, Sopron, Szombathely, Zalaegerszeg, Nagykanizsa |
| South-Transdanubia | Pécs | 14169 | 989000 | 70 | Baranya, Somogy, Tolna | Pécs, Kaposvár, Szekszárd |

Table 1 *Regions in Hungary*

Source: <http://articles.gourt.com/hu/Magyarorsz%C3%A1g%20r%C3%A9gi%C3%B3i>

Place marketing from the beginning

The appearance of the place marketing's application may be put to the 1970-80. Until then marketing techniques that had been shaped, worked out and used in the goods' world as a reaction for the changes in the marketing environment were adapted as new views of management, control and organization solutions, those were also used more and more often in non economic activities, so in different in community efforts (non-profit marketing), in social

spheres (social marketing), in party politics (political marketing), regarding some large, complex systems. (Rechnitzer, 1995) With the globalization of the economy, the role of the urbanized regions gets upgraded, and the post industrial economy is dominated by the large cities. (Cséfalvay, 1999)

The active participation in the new developmental period of the global economy produces the development of the intensity as a consequence in the global dimension of the economic relations; therefore the leaders of the local settlements have to respond to the new challenges of the changing environment extremely fast. (Kukely, 2006)

The European regionalization process was started by the homogenization, cohesive effect of the globalization that has generated that the regions and settlements of the different countries got in the centre of the regional development policy. (Bertalan in Sarudi, 2004)

Regional differences in the social and economic welfare

Table 2 shows the GDP per capita on purchasing power parity in the EU27 average in different European regions. The consecutive lines of the table hold the data of the most developed and the least developed regions in each EU-member. Among the Hungarian regions on the basis of GDP per capita every region is regarded as underdeveloped excluding the Central Hungarian region.

| | |
|---|-------|
| Belgium | |
| Région de Bruxelles Capitale/ Brussels Hoofdstedelijk Gewest | 248.3 |
| Prov. Hainaut | 81.6 |
| Czech Republic | |
| Praha | 157.1 |
| Střední Morava | 59.8 |
| Italy | |
| Lombardia | 141.5 |
| Sicilia | 67.3 |
| Cyprus | 91.4 |
| Latvia | 45.5 |
| Lithuania | 51.1 |
| Luxemburg | 251 |
| Malta | 74.4 |
| Romania | |
| Bucuresti-Ilfov | 64.5 |
| Nord-Est | 23.6 |
| Slovenia | 83.3 |
| Slovakia | |
| Bratislavský kraj | 129.3 |
| Východné Slovensko | 42.3 |
| Great Britain | |
| Inner London | 302.9 |
| Cornwall and Isles of Scilly | 79.2 |
| Hungary | |
| Middle Hungary | 101.6 |
| Central- Transdanubia | 61,1 |
| West- Transdanubia I | 66,8 |
| South- Transdanubia | 45,6 |
| Northern-Hungary | 42,5 |
| Northern Lowlands | 41,9 |
| Southern Lowlands | 44,2 |

Table 2 *GDP per capita in the European Regions, 2004, Regional per capita GDP in PPS (index EU-27=100)*

Source: <http://epp.eurostat.ec.europa.eu>

Shaping the marketing policy

Aswoth and Voogd define 4 different types of the local marketing policy that can be capable for local authorities Figure 1.

- Consolidation policy
- Quality development policy
- Expansion policy
- Diversification policy

The local authorities aim for the improvement of their conditions, and prevail on new consumers at the same time. (Kozma, 1995)

| | Holding the areas' conditions | The improvement of the areas' conditions |
|--------------------|-------------------------------|--|
| Existing consumers | Consolidation policy | Quality development policy |
| New consumers | Expansion policy | Diversification policy |

Figure 1 *The Four types of the local authorities' marketing policy*

Source: Ashworth, G. J. – Voogd, H. A város értékesítése: marketing szemlélet a közösségi célú várostervezésben. KJK-Kerszöv Jogi és Üzleti kiadó. Budapest, 1997.

The goal of the places and institutions with the view of holistic marketing to create long-lasting relations with the persons and institutions that can influence directly or indirectly the success of the place's institution's marketing activity. (Kotler - Keller, 2006)

Factors of success in place marketing

The success factors of the place marketing were examined by the researcher Rainisto, Seppo K. in 2003 in the University of Helsinki. In his research he focused on the marketing activity of 4 global city regions with more than 1 million numbers of inhabitants. He analysed the following two success factors:

Planner group

Rainisto (2003) formed four types of local authorities on the basis of the ability strategy creation and realization (Figure 2):

- Losers, who have low ability of strategy creation and realization
- Frustrated, who have high ability of strategy creation, but low in realization
- Players, who have low strategy creation ability, but good in realization
- Expanders, who have high strategy creation and realization ability

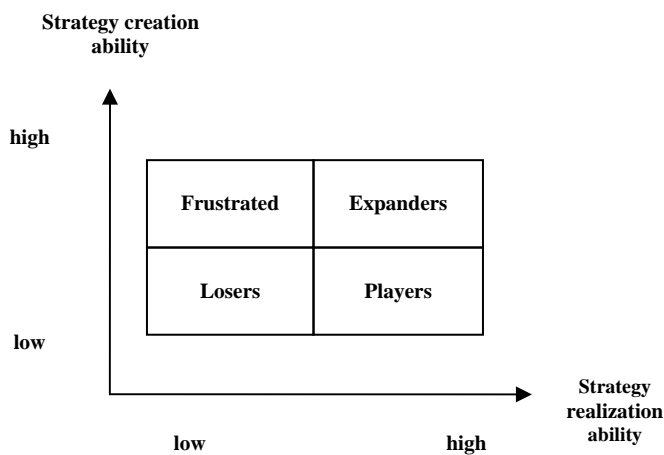


Figure 2 *The grouping of local authorities on the basis of the ability strategy creation and realization*

Source: Rainisto, Seppo K.: Success factors of place marketing: A study of place marketing practices in Northern Europe and The United States, University of Technology, Helsinki, 2003.

Mission and strategy analysis

Before composing the strategy it is indispensable to examine the areas external and internal environment that explores the areas strengths, weaknesses, opportunities and threats.

The determination of these aspects the SWOT analysis is proved to be the best procedure.

- Settlement aspect and image
- Cooperation of government and private sector
- Political stability
- Global marketing and local development
- Reactive ability
- Leader ability

The regional development concept

The regional development concept includes two phases. These are shown on the following figure 3.

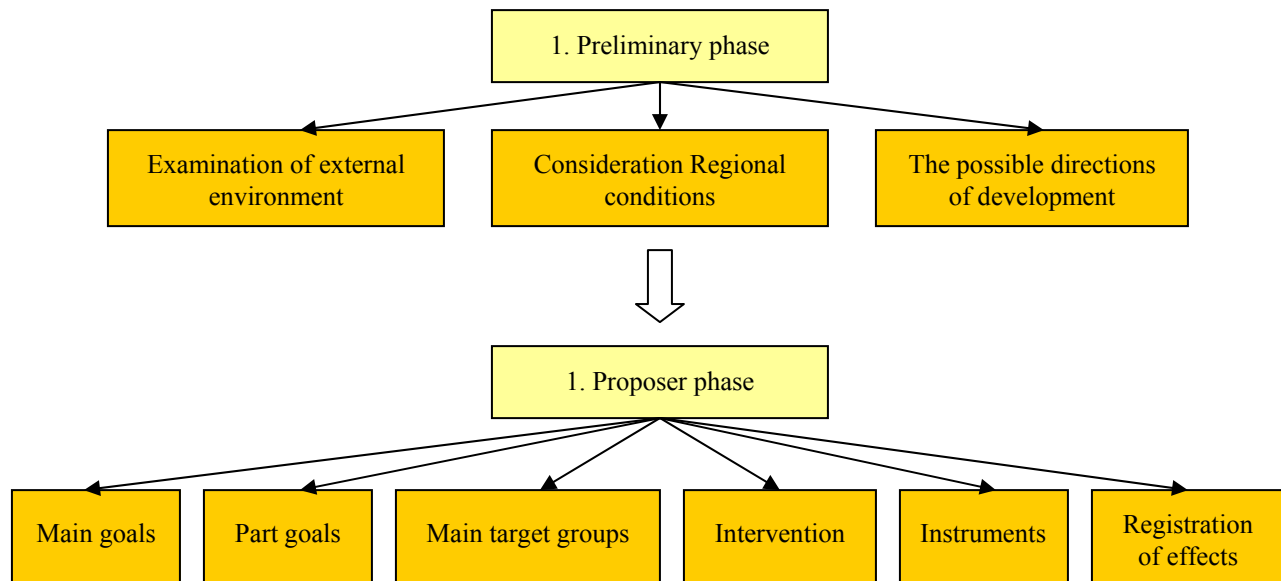


Figure 3 *The contence requirements of the regional development conception*

Forrás: Pátkai Zsuzsanna – Perger Éva (2001): A terület és településfejlesztés kézikönyve. Településfejlesztési koncepciók napjainkban. Váckisújfalu: Ceba Kiadó, 92-95.p.

The first step is the **preliminary phase**. The preliminary phase contains *the local unit's external environment's examination*. The preliminary phase also contains the consideration of *regional conditions*. The *possible directions of the development* has to be defined in the preliminary phase. This means the use of the SWOT analysis.

The second step is the Proposer phase. This means the preparation of the regional development concept, and in this phase the optimum direction of development is composed also. (Pátkai - Perger, 2001)

Introducing the regional analysis cases

The **aim of the study** is to show the role of Hungary's regions, analyse their programs and capabilities. Reveal further growth and development opportunities and define the factors they can build their strategies on. The study is based on **SWOT analysis** and data acquired from the regional development plans and professional sources. In the paper we are analysing two major regions of Hungary, Middle Hungary and the Southern Lowlands. They were selected as the most different ones as two poles among the Hungarian regions.

Middle Hungary region

Table 3 shows the opportunity matrix of Middle Hungary and on Table 4 we can see the threat matrix, meanwhile Table 5 points out the strong and weak factors of the given region.

| | | SUCCESS PROBABILITY | |
|-----------------------|-------------|---|--|
| | | high | low |
| ATTRACTIVENESS | high | <ul style="list-style-type: none"> • Nr. 1. target for tourism in Hungary the capital Budapest • Great purchasing power (consumers, organisations) • Innovation transmitting role towards Eastern Europe • M0 the motorway around Budapest • The ratio of employment and qualifications is high • Education institutions in Budapest • Favourable industrial areas for enterprises • Traffic centre for railways, motorways, airports, domestically and internationally | <ul style="list-style-type: none"> • Slow reconstruction of not modern areas around the capital • High requirements towards the local government institutions by the ones moved out of the capital • The wealthy middle class people moved to the suburbs requires possibility for mobility but the road system cannot meet the appropriate level • Quick spread of environment friendly thinking and acting |
| | low | <ul style="list-style-type: none"> • New Danube bridge to decrease heavy transit traffic | <ul style="list-style-type: none"> • Implementing high performance waste storage • Creating further international and domestic airports • Transformation of the countrywide characteristic centralised road system • Concentration of the homeless people is in the capital the highest • Weak cooperation between researchers and enterprises |

Table 3 *Opportunity matrix*

Source: own research, 2008

| | | THREAT PROBABILITY | |
|--------------------|-------------|---|--|
| | | high | low |
| SERIOUSNESS | high | <ul style="list-style-type: none"> • Strengthening regional competitors (Vienna, Bratislava, Prague) • Increasing difference among areas in the region • Continuous distance between the multinational and the domestic enterprises • The average age of the inhabitants of the capital is continuously getting older • The ratio of the labour ready to work is getting smaller • Increasing social segregation • The unsolved gipsy problem • The migration of the qualified labour to West Europe • Increasing needs of the ones travelling every day to work • Increasing number of private travellers • The region gives 1/3 of the country's waste | <ul style="list-style-type: none"> • Setting polluting industries • Weak cooperation between public and private sectors |
| | low | <ul style="list-style-type: none"> • High air, noise and other pollution near the heavy traffic zones | <ul style="list-style-type: none"> • Increasing economical role of the Balkan area • The economic pole of the country tends towards west |

Table 4 *Threat matrix*

Source: own research, 2008

Strengths and Weaknesses

| Strength | Performance | | Importance | | | Weaknesses | Performance | | Importance | | |
|---|-------------|---------|------------|--------|-------|---|-------------|---------|------------|--------|-------|
| | main | smaller | great | medium | small | | main | smaller | great | medium | small |
| | strength | | | | | | weakness | | | | |
| <p>Economic environment</p> <ul style="list-style-type: none"> Capital Budapest with its region is a leading economic power and player in the Carpathian-Basin and a governing centre Outstanding ratio of multinational and foreign enterprises and capital <p>Organisation</p> <ul style="list-style-type: none"> Straight, target oriented and challenge taking local Investment friendly local taxes and policy Active and developed private sector Foreign, brother town relationships <p>Professional skills</p> <ul style="list-style-type: none"> Realisation capability Quick response capability Outstanding application skills The R&D potential of the country is concentrated in this region High level of employment and qualifications Near situated educational institutions of Budapest | X | | X | | | <p>Economic environment</p> <ul style="list-style-type: none"> Large differences among the areas of the region in level of development Dual economic system Weak cooperation of multinational and local enterprises Low business knowledge, innovation ability of small and medium enterprises Low level of cooperation between public enterprises and researching institutions Not sufficient quality tourism facilities <p>Social environment</p> <ul style="list-style-type: none"> Not proper ways for handicapped people in the social and local governmental institutions The homeless problem is concentrated in the capital <p>Infrastructure and built environment</p> <ul style="list-style-type: none"> The roads of the capital are overloaded Parking capacity is far not convenient and enough The problems of the centralised traffic system is the highest in the | X | | | X | |
| | X | | X | | | | X | | | X | |
| | X | | X | | | | | X | | X | |
| | | X | | X | | | | | X | | X |
| | | X | X | | | | | | X | | X |
| | X | | X | | | | X | | X | | |
| | | X | | | X | | | | | | X |
| | | X | X | | | | X | | X | | |
| | | X | X | | | | X | | X | | |

| | | | | | | | | | | | | |
|---|---|---|---|--|---|--|---|---|---|--|--|---|
| Natural environment | | | | | | | | | | | | |
| <ul style="list-style-type: none"> • Attractive natural environment • Cultural diversity | X | | X | | | | | | | | | |
| Infrastructure and built environment | | X | | | X | | | | | | | |
| <ul style="list-style-type: none"> • Favourable possibilities for company headquarters • Favourable international and national target and easy to reach • It is in the centre of national and international roads, railway other transportation • Developed phone, internet and cable television network | X | | X | | | | X | | X | | | |
| Services | | | | | | | | | | | | |
| <ul style="list-style-type: none"> • Concentrated health capacity in the capital | | X | X | | | | | | | | | |
| <ul style="list-style-type: none"> • The public transport means are not modern and too old, not well planned • The connection between railways and suburban transportation is not well coordinated • The quality of the roads in the agglomeration is low • The bicycle road network is not enough developed in the region • Many of the living areas are in bad conditions in the capital | | | | | | | X | | | | | |
| Natural environment | | | | | | | | | | | | |
| <ul style="list-style-type: none"> • High pollution around the high traffic areas • The natural environment, water base, green areas are highly loaded through the suburbanisation • The illegal waste placement is very common in the region • Not renovated flats and common areas in the capital | | | | | | | | X | X | | | |
| | | | | | | | | | | | | X |
| | | | | | | | | | | | | X |

Table 5 *Strengths and Weaknesses matrix*

Source: own research, 2008

Southern Lowlands

On Table 6 we can see the opportunities of the region Southern Lowlands. Table 7 shows the threats affecting the region and Table 8 indicates the strong and weak points of the specific region.

| | | SUCCESS PROBABILITY | |
|-----------------------|-------------|---|--|
| | | high | low |
| ATTRACTIVENESS | high | <ul style="list-style-type: none"> • Over border connections • Setting up innovative economic environment • Capitalise present R&D capacity • Exploit TEN (Transeuropean Networks) • Being Schengen border until 2013 • Increasing role of health and conference tourism • Increasing the inhabitants' wealth, employment, living circumstances through changing the economic system • PPP (Public Private Partnership) programs • Exploit grant/fund programs • Setting such sectors that are related to the in-region-cumulated agricultural professional knowledge like food industry, agro-technology • Flexible education, re-education • Forming quality tourist program packages • Developing bicycle, horse, village and agro-tourism built on region related gastronomy, and traditions • Lengthening the tourist season by program and conference tourism | <ul style="list-style-type: none"> • Increasing the number of modern farms • Increasing number of inhabitants • Re-newing the farm-stead life form by functional change • Attracting non-agricultural enterprises to industry parks • Increasing the ratio of highly profitable sectors inside servicing • Appearing with the tourist supply of the region in the international competition/market • Increasing the employment of handicapped people • Increasing number of potentially immigrating people to the region • Setting company/financial headquarters |
| | low | <ul style="list-style-type: none"> • Exploiting possibilities of rivers (Danube and Tisza) | <ul style="list-style-type: none"> • Increasing tourism related to the wine industry • Decreasing activities as small regions • Further employing the pensioner-aged ones |

Table 6 *Opportunity matrix*

Source: own research, 2008

Threat matrix

| | | THREAT PROBABILITY | |
|--------------------|-------------|---|---|
| | | high | low |
| SERIOUSNESS | high | <ul style="list-style-type: none"> • Conservation or worsening circumstances of the region compared to the other ones • Further worsening in disadvantageous towns small regions • Decreasing quality of processing inputs • Problems of processing industry-global competition • Emigration of qualified labour • EU border risks • Eliminating secondary railway traffic • Increasing environment pollution • Unfavourable ecological changes • Floods, inland inundation • Pollution from abroad • Change in the social insurance, holiday cheque system • Strengthening lower priced foreign tourist competitors • Increasing number of financially insecure farms • Water from wells that are easier to infect due to their low depth • Emigration of young generation • Socially disadvantageous people moving to farm-stead • Changing consumer behaviour • Eldering inhabitants • Increasing unemployment | <ul style="list-style-type: none"> • Weak cooperation between public and private sector • One-sided economic structure • Non-supportive financial environment for researches • Exploiting grants/funds • Unrealised investments • Political instability • Setting industry getting more favourable in the neighbouring countries • Quality decrease in spa waters • No development for acquiring possibilities in tourism • Setting in polluting industries |
| | low | <ul style="list-style-type: none"> • Changing health tourism trends • New entrants in health tourism | <ul style="list-style-type: none"> • Weakening role of Italy, France and Island in spa waters |

Table 7 *Threat matrix*

Source: own research, 2008

Strengths and Weaknesses

| Strength | Performance | | Importance | | | Weaknesses | | | | |
|---|--------------------|---------|-------------------|--------|-------|-----------------------------|---------|-------|--------|-------|
| | main | smaller | great | medium | small | main | smaller | great | medium | small |
| | strength | | | | | weakness | | | | |
| Organisation <ul style="list-style-type: none"> • Szeged as innovation centre • Development role of town regions and town networks | | X | | X | | Economic environment | | | | |
| Professional skills <ul style="list-style-type: none"> • Good social/human network • Educated, highly qualified professionals | X | X | X | | | X | | X | X | |
| Natural environment <ul style="list-style-type: none"> • Outstanding fossil and renewable energy • The protected area is 25% of the total in Hungary | | X | X | | | X | | X | | |
| Infrastructure, built environment <ul style="list-style-type: none"> • Bettering reachability (M5-motorway, airports) • Several transeuropean | X | X | X | X | | X | X | X | X | |
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|--|---|--|---|--|--|--|---|--|---|--|--|
| roads | x | | x | | | compared to the country average | | | | | |
| Services | | | | | | <ul style="list-style-type: none"> • The educational, health and social built infrastructure is too old and of low quality • Limited transport possibilities in several areas • Low quality roads and railway • Limited infrastructure for sport and culture | X | | X | | |
| <ul style="list-style-type: none"> • Strong R&D on biotechnology, software • Strong processing industry • Important international logistic role • Outstanding spa water • Outstanding possibilities in certain tourist sectors • „Hungaricum”-s (szege di paprika, Pick salami, Kalocsa embroidery, Halas lace...) | | | | | | <ul style="list-style-type: none"> • Limited usage of R&D in industry • Limited ways to co-operate in tourism | X | | X | | |
| | | | | | | | | | | | |

Table 8 *Strength and Weaknesses matrix*

Source: own research, 2008

Summary and Conclusion

From the study we can conclude that the two regions are quite different based on their circumstances but there are several factors pointing out similar problems and sometimes even possibilities.

The major conclusion of our study is that the Southern Lowland (SL) focuses rather to the internal competitors or competing regions; meanwhile the Middle Hungarian (MH) region has to face with strong foreign competitors and put this competition to an international level. The weak points are generated mainly from economic circumstances. Both regions should concentrate on the industrialisation and the elimination of environment harming technologies, sectors. The weak points of SL are generated from the social factors mainly in the case of MH we can observe negatives between public and private players.

To sum it up we can state that both regions have different ways to find the key success factors. In SL we find it in the natural environment, TEN and education. In case of MH we can suggest first the image strengthening against the foreign competitors and the well designed system where qualified labour is kept in the region and requirements of different tourism segments are met, while the industry and traffic moved to an environment friendly path.

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