

CLASSIFICATION OF TARGET MARKETS AND FEATURES OF SEGMENTATION IN MARKETING PLACES

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This paper examines target markets and the strategy of marketing places as an economic instrument directed to the development of countries, regions, cities and towns. The authors give a classification of potential target markets of a territory and their characteristics on an example of Latvia.

Markets' segmentation for realizing the strategy of marketing places is of great value as it allows concentrating activity on the most perspective directions of territory development and on methods of particular group attraction. It gives an opportunity to work with separate categories of consumers, to make marketing policy more direct and more expressive, to promote competitiveness of a territory and its social economic development.

Key words: marketing places, target market, segments, niche, positioning

Introduction: the essence of marketing places

The importance of marketing places in the economy is growing when separate towns and regions start competing with each other for economic advantages, increase of employment, activation of trade and investment.

In spite of the fact that marketing places are widely spread in the practice of developed countries, its conception is rather narrowly reflected in theory, and this hampers the use of this economic instrument. Exploring the theoretical and practical elaborations of some authors (Boone et al., 1998; Kavaratzis, 2004; Kot-

ler, 1993; Papadopoulos, 2004; Панжрухин, 2006; Чёрная 2006), it should be noted that there is no single opinion about the definition and conception of marketing places. Thus, in authors' opinion, **marketing places** are possible to define as a purposeful activity which includes formation and promotion of a territory's advantages aimed at its socio-economic development.

The essence and peculiarities of marketing places may be described using the traditional approach of "4P" (product, price, place, promotion). The variety, amount and quality of territory resources, the point of interest for target markets are considered to be a product.

The concentration and availability of the product (place component) determines its price, which in its turn is related to the demand on target markets. There is a close intercommunication among marketing components in marketing places. Depending on interests and necessities of target markets, these features determine the kinds and forms of product promotion and the complex of integrated marketing communications (Praude, Vozņuka, 2006).

The *aim* of this research was to determine the types of target markets that must be taken into account in the strategy of marketing place, and to describe its features on an example of Latvia. The *hypothesis* of the research is: analysis of statistic data related to a territory's potential target markets allows to define the tendencies that should be taken into account while developing the strategy of a territory's development on the basis of marketing places. The research *methods* are based of the practical and theoretical experience of the authors in the field of marketing places. The methods include scientific literature analysis, statistical data analysis and the logical analytical method.

Determination of target markets and their segmentation takes an important place in the

process of marketing activity; the strategy of marketing places is not an exception in this case. The target markets require a careful analysis of their features, strengths and weaknesses, tendencies of development and problems.

The strategy of marketing places gains actuality in Latvia for a number of reasons and the present-day situation, among them: the processes of globalization and integration, the increasing competition among the territories, the EU conditions promoting the free moving of citizens, products, capitals; and the domestic problems – the uneven development of regions in Latvia, the low level of loyalty among its habitants, the high level of migration, etc.

Essence of target markets in marketing places

There are numerous types of target markets of any territory because various features of a territory and objects of different spheres can draw attention depending on the aim. Target markets are subdivided into external and internal regarding the territory (see Figure 1).

There are all the indicated groups in Latvia; their features and tendencies can be illustrated by analysing statistical data.

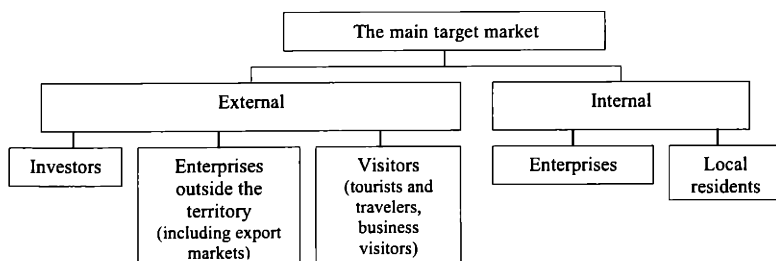


Fig. 1. Target markets of marketing places

External target markets of place marketing strategy

The division of the external market into marketing places appears rather approximate: for example, a visit to a territory may be a fact of finding ways for the further business placing, investment or search for business partners, or it may become a basis for local entrepreneurs to enter the export markets. Despite this given aspect, it is possible to select the basic characteristics of particular segments of the external market in marketing places.

Export is the ability of a city or a region to produce goods and services that other places, people, and business firms are willing to purchase.

Exports are the amount and value of goods and services produced in one place that are sold and shipped to another place.

Exports not only serve to pay for imports but, in many countries, they are also the foundation for the country's power and prosperity. This is certainly the case for Japan, Taiwan, and South Korea (Kotler, 1993).

Export promotion begins with identifying who exports and who can potentially export. One tool, economic base analysis, measures the relative presence of a particular industry in a place compared to the nation as a whole. If the export base ratio in a place is greater than unity, this suggests that the industry exports its goods or services outside the region; a ratio less than unity suggests that the industry's goods or services are partly imported.

The other task is to identify non-exporting companies and industries that have an export potential. These companies can offer products or services that would possess some competitive advantage in another market, such as unique features or styling, high quality, high value for the money, or brand image strength.

Some of these companies start exporting on their own for a variety of reasons: excess capacity, unsolicited orders from abroad, a competitive attack from abroad, or the pursuit of production economies of scale. At the same time, some managements hesitate because of perceived high cost, risk, or lack of export management know-how. Here, place officials can play a positive role. They can help identify foreign opportunities for companies, assist them in finding distributors or importers, provide export training, and provide export insurance and credit (Kotler, 1993). Such efforts can become a springboard both for large and small companies on the way of perfecting their export activity.

The enormous European market allows that even the smallest place can deduce its business into the international market; it allows to diminish the administrative barriers.

The export of Latvian enterprises every year increases; however, the leading positions are unchangingly occupied by the export of wood and timber.

Attracting business, industry, and economic investment constitutes a next category of target markets. Places typically seek to attract new businesses and industries to provide jobs for their citizens and revenues for their treasuries (Kotler, 1993).

Business becomes more professional concerning the search and choice of places. The growth in a number of recently appeared ratings of European territories proves a rapid increase of the amount of such information. Ratings of regions and countries are made on all possible parameters one can imagine. At the present moment, *investments* are the basis of development of many branches in Latvia; this is connected with the development of the state as a whole and with the development of separate regions.

Despite the general increase of investment, its distribution among the regions of Latvia is not uniform; this is one of the factors of the uneven regional development.

Foreign investments are instrumental in the development of separate regions and of the state as a whole. On the other hand, foreign capital forces the local one out of profitable industries (this happened to the Latvian supermarkets). In 2006, most investments were attracted to the spheres of wholesale, financial leasing and bank sector from Sweden (197023 thousand lats), Estonia (261311 thousand lats), Denmark (179605 thousand lats), Norway (128168 thousand lats) and Germany (121056 thousand lats).

The market of *visitors* has grown for the last decade both in Europe and in Latvia.

The visitors' market consists of two groups: business and nonbusiness visitors. Business visitors come to a place to attend a business meeting or convention, to check out a site, to buy or sell something. Nonbusiness visitors include tourists who want to see the place and travelers who are visiting family and friends (Kotler, 1993). There is a number of important niches inside these two groups, which should be carefully studied.

Most European territories and places actively try to increase their market share in the tourism industry. Tourism not only provides with job and brings income, but it also determines and promotes decision-making on business placement or on the choice of a new residence. Such side effects are often underestimated and are seldom accepted while discussing the issues of tourism.

Like any other business, tourist marketers must know the actual and the potential customers, their needs and wants, determine which target markets to serve, and decide on appropriate products, services, and programs to serve these markets.

Not every tourist is interested in a particular destination. A place would waste its money trying to attract everyone who travels.

Two methods for revealing the target segment of visitors can be used in marketing places. One is to collect information about the current tourists: Where do they come from? Why do they come to this place? What are their demographic characteristics? How satisfied are they? How many are repeat tourists? How much do they spend? By examining these and other questions, a place can determine which tourists are easiest to attract and which are worth attracting. The second approach is to audit the place's attractions and conjecture about the types of tourists who would have a natural interest in them. The aim is to identify new sources of tourists. One cannot assume that the current tourists reflect all the potentially interested groups.

Visitors as an external target audience can be classified according to the purpose of the visit, duration, average expenses per day, etc. Table 1 shows the number of visitors to Latvia from different countries. It allows us to consider visitors from Lithuania and Estonia as "real" customers and visitors from other countries as "potential" customers.

The priority purpose for visiting Latvia is transit. This motive of visiting determines the length of stay in Latvia, the average stay being 1.5 days. The average daily expenditure per visitor for the last five years has increased practically twice: from 20 lats in 2002 to 39 lats in 2006.

The number of tourist-visits to Latvia has significantly increased over the last years. Unfortunately, no determination of target priorities in the tourist segment of the target market of Latvia has been done. Tourist brochures are usually distributed to casual addresses and to casual people, and one

Table 1. The number foreign travelers (thousands) to Latvia

	2000	2001	2002	2003	2004	2005	2006
Lithuania	1178	1073.9	845.1	693.7	929.9	966.3	1153.6
Estonia	553.6	778.4	569.5	602.1	634.6	633.5	598.0
Russia	481.6	415.4	435.4	435.5	383.3	462.3	389.9
Germany	44.7	62.9	70.9	121.1	86.9	146.6	204.6
Belarus	214.2	191.8	174.7	171.5	163.5	201.8	198.6
Poland	43.4	56.4	61.7	86.7	89.4	148.1	192.1
Sweden	41.6	22.4	50	78.4	81.6	91.1	112.0
Austria	11.5	10.4	13.9	30.6	29.8	55.4	45.4
France	7.4	8.4	21.4	35.4	17.8	38.3	39.9
Denmark	12	14.9	14.4	13.7	15.1	29.8	37.6
Ukraine	12.2	16.7	25.4	19.3	24.9	39	35.4

Source: www.csb.lv

depersonalized advertising campaign follows another. Instead of applying a professionally developed marketing strategy, people who are engaged in promotion of Latvia and its towns to the market spend much money on publishing new tourist brochures and advertising materials without having studied market needs and demands as well as differences inside the segment.

Every visitor to a place spends money on food and lodging, local products, and other goods and services. This spending has a multiplier effect on local income, employment, and on the tax revenues generated by businesses. Presumably, these visitors spend more in a given place than the cost incurred by that place in providing them with services. The greater the number of visitors attracted and the less the cost imposed by each visitor, the greater the net income to the place they visit. Similarly, the longer the visitors stay, the more they spend. Places would, therefore, prefer to target those visitors who spend the most per day and stay the longest (Kotler, 1993).

Internal target markets of place marketing strategy

The basic segment of the internal target market of any territory is its *residents and workers*.

Places not only try to attract tourists, businesses, and investors – they also undertake to shape a policy toward residents as part of building a viable community. Places seek to attract certain groups, and by the same token, discourage other groups. Understandably, efforts to attract certain people or exclude others remain controversial (Kotler, 1993).

If experts in marketing places want to sell not just property but also a productive lifestyle and the surrounding environment, they have to understand the direction of ideas and the motivation of a target group.

Considering the local residents of a territory as a target market, it is necessary to mention that marketing places aim at the formation of a loyal attitude of residents to the in city or town, region or state.

The data reflected in a diagram (see Fig. 2) illustrate the existence of the internal state

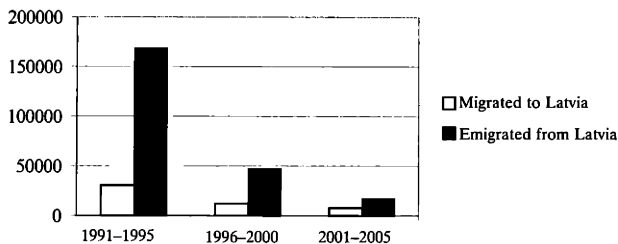


Fig. 2. Long-term international migration of Latvian residents

Source: www.csb.lv

problem – unattractiveness of Latvia as a place of residence.

Free movement of goods and people in an internal market and opening of new markets in the EU countries for Latvian inhabitants have resulted in a more intensive competition among talented people. The most important factor in place development is access to the intellectual capital at a local level. Considering a rigid competition in the development of newest goods and services, the point of struggle is the quality of labour force. We can conclude that attraction of people to a territory is a strategic investment of capital.

A graph (Fig. 3) shows the number of permanent residents in Latvia.

Any place should analyse and consider the size and structure of its population. Loss of the population is a serious economic threat. Reduction in the number of inhabitants not only ruins the base for taxation, but also results in a negative image. Therefore, maintenance and increase of the number of inhabitants should be a priority for a place. Nations and places base the strategic positioning on the ability to attract talented people.

All enterprises located in Latvia make the major target audience of marketing places. The

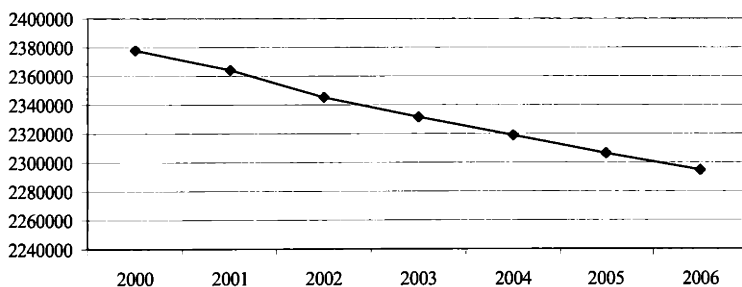


Fig. 3. The number of permanent residents in Latvia, 2000-2006

Source: www.csb.lv

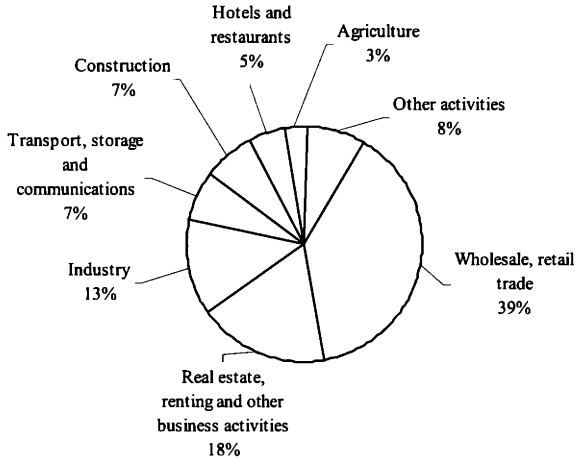


Fig. 4. Enterprises and main activities (2005)

Source: www.csb.lv

activity of this group is interrelated with obtaining profit and the development of a territory.

There is a tendency of increase in the number of economically active enterprises in Latvia, but the difference among the regions of the country is almost 3 times (per 1000 inhabitants).

The size of enterprises (98% of enterprises are micro and small enterprises) and their activity (see Fig. 4) also determine specific features of the Latvian entrepreneurship.

Every place performs particular economic functions. Some local economies are diversified, while others are dominated by a single industry. Some are service centers, while others are agricultural communities. However, a place's economic activities are not necessarily constrained by its economic boundaries.

Therefore, the results of analysis of the Latvian internal target market show: 1) the diminishing number of local inhabitants, 2) a great difference in the number of economically active enterprises in the regions of Latvia.

These aspects must be taken into account while working out a strategy of place marketing and determining the priorities and preferences of a target audience.

The value of segmentation in developing place marketing strategy

The purpose of market segmentation is to reveal rather homogeneous needs for a territory in each group. Each separate group might experience a demand for different goods (Завьялов, 2005).

Marketing segmentation of the market is subordinated to the strategic purposes of a

territory (tourism or industry development, providing comfortable conditions or development of the business environment). On the other hand, results of market segmentation allow to specify and even change the strategic aims and tasks, to correct the marketing policy.

There are generalized criteria for a correct definition of a segment: importance, availability (real possibility to access this segment), measurability (the possibility of a proper study of needs and interests), similarity of requirements (inside the segment there should be a rather steady similarity of demand), stability of existence (otherwise the efforts directed to increase the attraction of a segment will be vain), perceptivity of development, etc.

Research of the target markets of a territory includes: measurement of knowledge of segment representatives, popularity of the territory among certain groups; revealing the basic interests and expectations of a certain audience towards a place or a territory.

Thus, the strategy of marketing places should be based on target marketing – efforts of consolidation of the aim to serve one group or some groups of consumers characterized by common needs and characteristics (Kotler, Keller, 2006). Places should realize that it is impossible to attract all types of markets at once; not all groups are attracted by the same advantages or peculiarities. Purposeful work with a great number of niche markets is a too expensive complex activity and an inefficient strategy (Boon et al., 1998). The so-called strategy of non-differentiated marketing is not applicable to small territories with limited resources and a weak potential, low competitiveness or economic development, etc. In such a case,

engagement with one target market is more expedient.

Knowledge about the real target audience, the real customer is essential for developing a successful marketing strategy. A local authority's customers will be extremely diverse, and it is not sufficient to define the customers merely as mobile companies and tourists. Indigenous business and population are also relevant customers (Kearns, Philo, 1999).

Conclusions

The strategy of marketing places is used as an economic instrument directed to the development of a territory and solving the problem of regions' uneven development, which is the problem of economies in many countries.

The novelty of the conception of marketing place in the strategic planning of a region's development is that a region is examined not only as an administrative-territorial unit, but also as a subject and object of economic activity, which is able to satisfy the needs of external and internal audiences with the aim to promote its own welfare.

For working out the strategy of marketing places, a detailed segmentation of potential target markets and their analysis are needed. This fact confirms our working hypothesis.

Thus, the strategy of marketing places must be purposeful: organization of activity to maintain the interests of one or several groups which differ in general needs and descriptions. The strategy of differentiated marketing provides the greatest degree of need satisfaction for each of target markets and thus the highest efficiency of marketing places.

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Summary

Marketing places are a purposeful, planned activity, the result of which is development of a territory through bringing in the necessary resources and satisfying the interests and demands of the target market.

The strategy of marketing places gains actuality in Latvia for a number of reasons and the present-day situation, among them the processes of globalization and integration; the increasing competition among the territories; the EU conditions promoting the free moving of citizens, products, capitals; domestic problems – the uneven development of regions in Latvia, the low level of loyalty among its habitants, the high level of migration, etc.

The strategy of territory development planning on the basis of marketing places is possible when grounded on the results of research directed to the analysis of a territory, determination of target markets and their analysis, a study of the competition environment. The results of the research provide a possibility to determine the strong and weak points of a territory, which determine its competitive advances. The competitive advances which the process of positioning can be built on are historical, cultural and natural objects of interest, the developed infrastructure, the features of local inhabitants, favourable conditions for business, a stable political, economic and social situation.

The segmentation of target markets in marketing places has been described with a number of features which determine the necessity of differentiated marketing and multisegment concentration, because a territory co-operates with different audiences which can be subdivided into external and internal regarding the territory.

The visitors of a territory, investors and export markets belong to the external target markets. Analysis of these target markets of Latvia allows to give a positive estimation to their quantitative expression, but not to their quality: among export industries, the leading positions are occupied by the export of wood; foreign investments are mainly attracted to unproductive spheres; in spite of the fact that in Latvia there is a potential for development of tourism, only in 2006 the number of such visitors exceeded the number of transit visitors.

Local inhabitants and enterprises belong to the internal target markets. The aim of marketing places in relation to these segments is to provide favourable conditions for their vital functions. Analysis of the Latvian internal market as regards the marketing places shows a diminishing number of local inhabitants, a great difference in the number of economically active enterprises in different regions of Latvia and other aspects of the uneven socio-economic development.

These tendencies must be taken into account while elaborating the regional development strategy from the marketing approach.

The segmentation of markets allows to concentrate activity on the most perspective directions of development of a territory, to co-operate with

separate categories of consumers, to realize more precisely the marketing policy, to promote the competitiveness of a territory and the level of its socio-economic development.

Key words: marketing places, target market, segments, niche, positioning

TIKSLINĖS RINKOS KVALIFIKAVIMAS IR MARKETINGO VIETŲ SEGMENTAVIMO YPATYBĖS

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Sa n t r a u k a

Marketingo vietas stratēģija – tai tikslinē plānuojama veikla, kuras rezultāts – teritorijas plētra, būtīnu išteklju pritrūkimo ir tikslinē rinkos interesu ir po-reikiu patēninimas.

Marketingo vietas stratēģija tampa vis aktuālesnē Latvijojē, tai lemia šiuolaikinē situācija: integrācija ir globalizācija; skirtingu teritoriju konkurēncijas didē-jimas; ES sāljos, kurios skatina laisvā pilieču, pre-kiu, kapitālo, judējimā; šāliu vīdaus problēmos, iš jū – netolygi reģionu plētra, mažas ģventoju lojalumas, neģiama ģventoju skāičiaus dinamika, didelē mig-rācija ir kita.

Teritoriju rāidos plānavimas, remiantis marketin-go vietu koncepcija, turi būti pagrīstas tyrimu rezul-tatais, kurie yra orientuoti į teritoriju analizē, tiksli-nē rinkos analizē ir apibrēžtumā, konkurēncinē ter-pē tyrimais. Šiu tyrimu rezultātai leidžia apibrēžti silpnuosius ir stipriuosius teritoriju bruožus, jū kon-kurēncines galimybės. Konkurēncinēmis galimybēmis, kuriomis remiantis kuriamas pozicionavimo procesas, gali būti svarbūs istoriniai, kultūriniai ir gamtiniai ob-jektai, išplētota infrastruktūra, vietas ģventoju ypa-tybēs, ģeros verslo sāljos, stabili politinē, ekonomi-nē ir socialinē padētis.

Tikslinē rinkos segmentavimas pagal marketingo vietas kopnecpcija turi ypatingu savybiu, kurios apibrēžia diferencijuoto marketingo ir daugelio segmen-tu koncentracijos būtinumą, nes pagal santykius su teritorija įvairius subjektus, galima padalyti į vīdaus ir išorēs.

Prie išorēs tikslinju rinku priskiriami teritoriju lan-kytojai, investuotojai ir eksporto rinkos. Šiu tikslinju rinku Latvijoje analizē teikia galimybē atlikti pozity-vu kiekinį įvertinimā, apie kokybinį įvertinimā sunku kalbėti; tarp eksporto šaku pirmāuja medienos eks-pertas, užsienio investicijos daugiausia pritrūkiam-os į negamybines sritis; nors Latvija turi turizmo plētros potencialā, tik 2006 metais šiuo tikslu apsi-lankiusiu žmoniū skāičius viršijo tranzitiniū keleiviū skāičiu.

Prie vīdaus tikslinju rinku yra priskiriami vietas ģventuojai ir įmonēs. Marketingo vietu tikslas, at-sižvelģiant į šiuos segmentus, užtikrinti palankias sāljos jū veiklai. Vidinē tikslinē Latvijos rinkos statistikos duomenū analizēs rezultātai rodo vietas ģventoju skāičiaus mažėjimo tendencija, didelē skirtumā tarp ekonomiškai aktyviū įmoniū ir reģio-nu ir kitus nelyģios socialinē-ekonominē rāidos aspek-tus.

Šias tendencijas reikia turėti omenyje kuriant re-giono plētros stratēģija, ģrindžiamā marketingo po-žiūriu.

Rinkos segmentavimas leidžia koncentruoti veiklā perspektyviausiomis teritorijos plētros kryptimis, tei-kia galimybē sālveikauti su tam tikromis vartotoju kategorijomis, tiksliau įģvendinti marketingo politi-kā, užtikrinti didesnį teritorijos konkurēncingumā ir spartesnē socialinē-ekonominē rāidā.

Pagrindiniai žodžiai: marketingo vieta, tikslinē rin-ka, segmentas, niša, pozicionavimas

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