

**Zoran Franjić, The University of Juraj Dobrila in Pula, Croatia, Department of
Economics and Tourism**
**Marko Paliaga, The University of Juraj Dobrila in Pula, Croatia, Department of
Economics and Tourism**

Influence of urban marketing and city branding on the development of local economy in units of local self-government in the Republic of Croatia

In the times of economic slowdown, there is a large quantity of data and proofs suggesting that it is not a good idea to reduce marketing efforts during recession with the objective of realizing some not very significant short-term goals such as limitation of expenditure and other expenses without considering long-term consequences. Inexistence of city marketing, lack of understanding of city brand will leave “ordinary” cities and classical local authorities in an uncompetitive position once the market recovers. We define a brand as a name, as an expression, a sign, a symbol or design or a combination of these with the intention of differentiating a particular product from the same or similar competitors’ products or services. By offering a brand, producers also offer the promise that they will actually and at all times supply their customers with specific products of specific characteristics, benefits, and additional services, which in its totality represents the producer’s quality warranty. According to Kotler (Kotler, Gertner 2002), a brand or a trademark have two primary functions – to differentiate the product and to offer the promised value of the product. Branding as a process of creation of tangible and intangible features of products or services has become one of basic elements of business, for both small companies to multinational companies, for cities and countries. This is the reason why the strength of a given brand is the stimulus that guarantees good reception of products or services on any type of market. If we consider the process of branding and creating brands from the aspect of countries or cities, we have to go back to the introductory premise-namely that both cities and countries have to recognize desires and needs of all their customers-stakeholders. Only then may city or country branding, a complex process of coordinating numerous interests of various interest groups and potential clients, become real and realizable. Considering the fact that today's world is considerably moulded in globalisation processes, there are new economic and political subjects who want to and can be branded in order to become more competitive.

Tough market competition to gain limited resources, economic investments, tourists and attractive personnel forces countries and cities to consider the process of branding and turning themselves into a brand to secure recognizability and loyalty of potential users of services. City brand will make the overall city identity measurable, palpable and communicating. (Aronczyk, 2009, Sun 2009). Branding and urban marketing undoubtedly have to serve cities as generators of competitive advantages, as creators of values and generators of transformation of values of the brand into certain financial benefits (Banczyk, 2006.). As the terms of local economic development are changing faster and faster, modern municipal authorities and city fathers have to embrace pro-market thinking and understanding of business environment. Development of local economy from the standpoint of towns is defined as the process of developing the local economy from the standpoint of community that includes local self-government- cities and municipalities, local entrepreneurs, local craftsmen and citizens in the construction of joint urban economic potential and manners used in its achievement. It should mobilize public and private resources of the city in the realization of development vision necessary for the creation of a favourable entrepreneurial climate that will encourage local entrepreneurs to expand the existing and open new companies, to expand capacities and strengthen their own town competitiveness.

After the establishment of proactive urban marketing thinking and implementation of the concept of urban marketing, there is the need to initiate processes of creating the own city brand. Their objective will be the realization of indispensable elements through political ambitions and programmes - elementary preconditions for the development of local companies and industry, stimulation of local production at the city level with progressive stimulation of city export programme and positive effect on city environment by making connections with other local governments aimed at securing sufficient finances that will eventually secure pleasant life for all inhabitants of a local community. The worst possible approach to urban marketing and branding from the aspect of a city is announcing the beginning of creation of a brand of a city when the overall work is actually only based on promotional and "designer's" activities, creation of the sign, the slogan and the promotional campaign. A city with a developed brand and recognizability actually possesses firm rational and emotional advantages. It may happen that at times of recession the city loses part of its customers (tourists, potential investors, potential inhabitants) forced to postpone their investments, arrival or something else for these reasons, but it is almost certain that a large share of tourist turnover and direct investments will actually be retained. Besides, there is a firm basis and great chance, even assertion, that even the lost customers-users of city services will actually be back once the crisis is over because they have a too clear image of the city-brand and they know what they want. The methodology for the valorisation of trademarks and city brands is based on the premise that brands are long-term assets and that they will create future revenues for their owners-companies-cities over a particular economic life. The stronger the connection between customers of the city brand, the more probable is longer period of creating future revenues. There are many methods used in evaluating value and influence of brands on the value of company assets, method of difference in gross revenue, royalty relief and similar (Laboy, 2009 Sinclair, 2004). However, in using all these methods, one should never forget about related risks and the role of methods in the estimate of future revenues and market trends. Unlike companies with clearly definable incomes, where the market is clear, the influence of brand and marketing urban concepts on cities is much more complex. In the first place, city brand encompasses a much wider range of services and incomes, some of which-like culture and social care-are very expense driven and cannot be considered through the prism of previously mentioned methods. For this reason, we have proposed the combination and the premise that the growth of development of local economy through a combination of three premises, namely export, foreign investments, and tourism contributes to recognizability and increase of the value of city assets through its brand and vice versa. The more visited and more renowned the city, the more expensive it becomes, the value of real estate grows for the simple reason that large numbers of visitors generate larger demand for scarce assets-apartments, houses and land for sale. Foreign investors may and want to invest and stimulate investments in growth and development of a successful city because of their employees, the financial possibilities of the city, its openness for collaboration and its marketing concept. Everyone wants to become part of success. When we create a city brand, we create a success story and strengthen local economy. Success and recognizability produce newly created value and new value of local development for all inhabitants of a particular city brand. As a matter of fact, in order to provide a financial estimate of incomes a city creates as a consequence of implementing concepts of urban marketing and city branding, we have to know the share of income the city realizes thanks to this implementation. This particular income is considered a part of new city value expressed in money with positive influence on the development of local economy. Incomes realized by the city that are most related to its image and perception, or its brand communication, most probably include revenue from city exports, size of foreign investments and revenue from

tourism. These potentials are actually part of local economy and their incomes and work stimulate growth and have great development effects.

The following model could serve as a starting point and frame for the beginning of the research of the hypotheses made herein:

Table number 1

Model of calculating revenue and spending of the process of city branding

CITY REVENUE OVER PAST PERIOD	year n-3	year n-2	year n-1	year n	average for n year
1. TOURISM REVENUE					
number of tourists x average out of board spending					
number of tourists x average board spending and accommodation					
= total tourist turnover					
2. FOREIGN INVESTMENTS REVENUE					
TOTAL DIRECT INVESTMENTS IN THE CITY					
direct cash inflow from foreign investments in the city					
3. TOTAL EXPORT					
total city export expressed in money					
A = TOTAL REVENUE FROM CITY BRAND (1+2+3)					

CITY BUDGET SPENDING OVER PAST PERIOD					
communal spending directly related to tourism and arrangement of the city					
total import of merchandise and services in the city					
total investments of domestic companies outside administrative city borders					
B = TOTAL SPENDING RELATED TO CITY BRANDING					

NET REVENUES FROM BRAND = A – B					
--	--	--	--	--	--

Source: Authors

The above table and calculations of revenue/spending based on past and known data should serve as a basis for the estimate of future revenues and spending following the same system, which should then be linearly increased and discounted, brought to the current value using the net current value method with the choice of a particular discount factor. Discount factor might be at the level of interest given on city bonds in Croatia or at the level of average interest on received city loans for the construction of infrastructure facilities and institutions (for example, city hall, theatre or similar). We continue by introducing net revenues from the brand into the following formula:

NCV = $\sum(\text{Expected annual revenues from city brand } n - \text{Expected annual spending for city brand } n)/(1+p/100)^n - (\text{Initially invested amount in the development of city brand, if known})$

Received value or net current value expressed as current money value will show finances that the city as the overall entity acquires based on chosen criteria we have identified as basic elements of city brand. These revenues are among primary positive engines of overall local city economy and its development. In the future, the above listed indicators will be used as bases for testing the model on several Croatian cities, which will be then be used for drawing conclusions about its operativeness and usability.

The preliminary model presented in this paper actually indicates a certain connection and interaction between the implementation of urban marketing concept and the development of city brand with the development of local economy. Future research should demonstrate the operativeness of proposed measurements and calculations, their applicability and their positive influence on local development.

Literature:

1. Aronczyk Melissa, (2009.) How to do things with brands: uses of national identity, *Canadian Journal of Communication*, vol. 34, 291-296.
2. Banczyk, Marek, (2006.) The effect of culture and design on the value of a nation brand“, University of Economics, Poznan, Poland, *ACEI 14. Conference Vienna*
3. Kotler, Gertner (2002.) Country as a brand, product and beyond: A Place marketing and brand management perspective, *The Journal of Brand Management*, vol. 9, 4-5.
4. Muller, W.H (1992.): Territoriales (regionales und komunale) Marketing, *WIBERA-Sonderdurch*, No 223, Dusseldorf, p. 4.
5. CEOs for Cities, Branding your City, www.ceosforcities.org/rethink/research/files/CEOsforCitiesBrandingYourCity2006.pdf, 25.02.2008.
6. Laboy, Pedro (2009.) Importance of measuring brand value and brand equity, COO, Tocquigny, 2009.
7. Sinclair, Roger (2004.) A brand valuation methodology for nations, *Place branding*, vol. 1, 74-79
8. Sun, Lei (2009) The establishment of city brand, *Revo Branding Communications Group*