



NATIONAL RESEARCH UNIVERSITY
HIGHER SCHOOL OF ECONOMICS

Kirill Rozhkov

RESIDENTIAL SATISFACTION IN PLACE MARKET SEGMENTS

BASIC RESEARCH PROGRAM

WORKING PAPERS

SERIES: MANAGEMENT
WP BRP 06/MAN/2012

This Working Paper is an output of a research project implemented at the National Research University Higher School of Economics (HSE). Any opinions or claims contained in this Working Paper do not necessarily reflect the views of HSE.

Kirill L. Rozhkov¹

RESIDENTIAL SATISFACTION IN PLACE MARKET SEGMENTS²

The paper shows relationships between level of residential satisfaction and form of differentiation of marketing policy in place market segments. A combination of three criteria of place attractiveness (retention and attraction, conditions for natural growth, and settling) was chosen to classify place market segments, and distribution of residents by the level of satisfaction as a result of specific place marketing policy for all the segments were hypothesized.

The results of the empirical study partially confirm developed theoretical typologies. The paper also demonstrates, that driver forces of the place marketing differentiation are related to both current activities of place marketers and external factors. Using the results of the study, it becomes possible to choose a relevant form of differentiation of place marketing policy and interpret its results adequately.

Keywords: residential satisfaction, place marketing, differentiation, place market segment.

JEL Classification: J19, M31, O18, R00, R10, R23.

¹ Higher School of Economics (Russia), Faculty of Management, Department of Company Marketing, professor, E-mail: natio@bk.ru

² This work was supported by Russian Foundation for Humanities, grant no. 08-02-18008e

Introduction

The residential satisfaction (or community satisfaction, or citizen satisfaction) has remained a subject of interest to researchers over the past several decades.

Since the 1940s a lot of studies on community satisfaction have been conducted. Davies (1945) and his followers define community satisfaction as the habitants' sense of well-being associated principally with goods and services that community supplied. Later a large number of investigations measuring the quality of life developed this approach, mostly concentrating on so-called «hard» indicators of a living environment (Helburn, 1982).

In the 1970s this concept was partially revised because the level of the community satisfaction did not demonstrate an obvious link with objective indicators of local living conditions. Marans and Rogers (1975) emphasized that the objective condition of populated places did not reflect their real quality which is primarily a subjective phenomenon.

Marans (2003) accounts for this by assuming that people's evaluation of their community reflects personal characteristics, needs and past experience rather than any objective conditions and what researchers think about people's needs.

Earlier Deseran (1978) argues that community satisfaction can be never measured by using universal tools because this is the result of the unique habitant's interactions in a certain place and time. Since the 1970s the issue of subjective well-being has been raised in the frame of quality of life studies (Abrams, 1973; Andrews, 1974; Campbell, 1981), and surveys, as measuring tools based on the experience and judgment of residents only (excluding policymakers, academicians, and experts), have become common.

Both objective and subjective approaches and methods in residential satisfaction and quality of life studies have some weaknesses. Diener and Suh (1997) identify the disadvantages of «hard» indicators as the significant probability of statistical distortion, the impossibility to define optimal value, the contradictory interpretation of a considerable part of the indicators, and some others. These weaknesses become particularly perceptible if institutional differences are marked. Diener and Suh (1997) point to the different importance of various indicators for different people. It seems to us that this is the most serious disadvantage and this underlies the other disadvantages.

Subjective approaches and indicators allow researchers to avoid this problem by definition; however, there is another extreme in their application. Brown (2003) commenting on the main trends in subjective well-being concepts and methodology, predicts the transformation of

community satisfaction study instruments from the usual surveys of habitants into a narrative analysis of the individual subjective life of each resident.

To resolve the problem, i.e. to combine the obvious advantages of all the approaches and minimize their disadvantages it is necessary to develop another methodology based on the following ideas.

The first one was put forward by Deseran (1978) who considers community satisfaction is a multidimensional phenomenon which can not be measured across all communities, places and times.

The second issue was pointed to by Diener and Suh (1997):

...measurement of culture specific values can assist in the creation of refined social indicator composite indices that reflect the indigenous concerns of each society... (1997:71)

Thirdly, we can accept the view of Amerigo and Aragonés (1997) that multi-term scales may help to overcome the problem.

It is possible to assume that various particular cases of places, communities and habitants can be classified and factors and conditions of residential satisfaction in each type can be identified and described. Such a classification could be, if not a universal, then at least a standardized (i.e. applied in different cases) method of analysis of residential satisfaction.

This line of discussion leads us to the topic which is common for at least two fields of research. In terms of marketing theory a possible classification of residents is in essence the similar market segmentation, i.e. a division of customers into groups with the same or similar preferences and causes of satisfaction – both objective and subjective.

Meanwhile, market segmentation is one of the most contradictory themes of place marketing theory. On the one hand, the marketing strategy of a place has to be segmented as a marketing strategy of a firm to compete successfully (i.e. to attract valuable residents – Kotler, 1993). On the other hand, the concept of a plurality of target groups in place marketing (Ashworth and Voogd 1988) and the concept of undifferentiated marketing (Ward 2004) are in obvious contradiction with this idea. Local authorities and other place sellers will inevitably experience difficulties with the development of a place marketing strategy that has to be segmented and coordinated with the interests of a broad range of place consumers at the same time.

The theory of place market segmentation (theoretical classifications and typologies, as well as answers to this question on a theoretical level) is one of the less investigated issues in place marketing. However, empirical findings on the relationships of place product attributes and place consumers mentioned above can be applied only in particular cases. In particular, the diversity

of existing and probable target groups which can be observed in real cities and places have not yet been reflected in place marketing theory and methodology.

In this way, an issue of residential satisfaction in place market segments can be raised, and determining its level will be of particular importance for place marketers in the near future.

Research concept

The answers to the practical questions ‘How much the marketing policy of a specific place should be differentiated?’ and ‘What level of residential satisfaction is normal for a specific place?’ requires stating two theoretical questions: ‘Which place market segment (or segments) does specific place belong to?’ and “What level of residential satisfaction is relevant for each place market segment?”. In other words, it can be assumed that the basic contradiction of place marketing mentioned above is resolved in each place market segment in its own way, and so the problem is reduced to an exact description of all the segments in connection with residential satisfaction.

In our previous study (Rozhkov, 2012; Rozhkov, 2012a) hypothetical typologies of place market segments, distinctive characteristics and beneficiaries of the Russian place market segments were tested by comparing of profiles (combinations) of expected demographic indicators of five Russian towns (expected demographic profiles) with profiles of their attributes (towns’ profiles). This paper suggests another way to examine the hypothesis of place market segmentation and is aimed to compare demographic profiles of five towns to distributions of their residents by the level of satisfaction.

The conceptual base of this research is the heuristic monothetic 3-dimensional typology of place market segments (Table 1) (РоЖКОВ, 2011; Rozhkov, 2012; Rozhkov, 2012a).

Tab.1. The heuristic monothetic 3-dimensional typology of places market segments

Segment	A combination of criteria for attractiveness of place to residents		
	retention and attraction	natural growth	settling
1	-	-	-
2	-	-	+
3	-	+	-
4	+	-	-
5	+	+	-
6	+	-	+
7	+	+	+
8	-	+	+

This paper will discuss whether it is possible to determine the degree of differentiation of place marketing policy and a relevant level of residential satisfaction in the segments on a

theoretical level. If so, then the developed typology could be used as a tool for the segmented marketing of specific places.

It is necessary to emphasize that the use of the term “place marketing” is usually based on the assumption of declared policy in the frame of a marketing approach which aims to meet the preferences of a special group of the population. But indeed place marketing may not be a particularly common tool of public policy especially in Russia. That is, a place can be managed in the interests of a certain de facto group, but this policy may be not announced. Therefore by «place marketing» it is meant any local public policy for any de facto target group regardless of size of the group and whether the policy is open or not.

Table 2 details the hypothesis of this study.

Tab.2 Basic features of marketing policy in place market segments

Place market segment	Form of place market differentiation
1(---)	<i>Strict place de-marketing</i> (place marketing for target groups which does not represents any residents, i.e. place marketing for external target groups)
2(---)	
3(-+-)	<i>Strictly differentiated place marketing</i> (place marketing for only one target group without taking into account the needs of the rest of population)
4(+--)	
5(++-)	<i>Strictly undifferentiated place marketing</i> (place marketing for all the population without obvious target groups)
6(+++)	<i>Slightly differentiated place marketing</i> (place marketing for certain target groups taking into account the needs of the rest of population)
7(+++)	<i>Slightly undifferentiated place marketing</i> (place marketing for various target groups with coordinated interests)
8(-++)	<i>Slight place de-marketing</i> (place marketing for those target groups which represent all the population, i.e. place marketing for internal target groups)

The level of satisfaction of residents depends on the market segment (or segments) which the place belongs to. In other words, the larger the place marketing target group (or the less differentiated the marketing policy is) the more general the level of satisfaction with a place. Therefore, there are typical levels of residential satisfaction for each place market segment and each level reflects a different form of marketing policy.

Moreover, the distribution of residents by the level of satisfaction is also determined by place market segment. That is, it can be assumed that by only identifying the place market segment which a specific place occupies allows place marketers to reveal the proportions between groups with the same level of residential satisfaction and vice versa.

The following segments are typified by distribution of residents by the level of satisfaction (Table 3) or, in other words, these segments require appropriate marketing policy (see Table 2 above).

Tab.3 Theoretical distribution of residents by the level of satisfaction in place market segments

Place market segment	Theoretical distribution of residents by the level of satisfaction
1(---)	The proportion of the most satisfied residents is within the margin of error (+-3%). The majority of residents are critically unsatisfied.
2(--+)	The proportion of the most satisfied residents is statistically significant.
3(-+-)	The level of satisfaction of the rest of local population is low.
4(++-)	
5(+++)	The proportion of the most satisfied residents is within the margin of error (+-3%). The majority of residents are satisfied on the middle level.
6(+++)	The proportion of the most satisfied residents is statistically significant. The satisfaction of the rest of local population is on the middle level.
7(+++)	The proportion of the most satisfied residents is statistically significant. The level of satisfaction of the rest of local population is the high.
8(+++)	The proportion of the most satisfied residents is closed to 100%. The majority of residents are satisfied on the high level.

Data and methods

Each specific town was classified by three demographic indicators below (Table 4).

Tab.4. Indicators for attractiveness of place to residents

<i>Criteria for attractiveness of place to residents</i>	<i>Indicator</i>
1. retention	expected departure
2. natural growth	expected birth rate
3. settling	difference of expected general birth rate and expected departure of natives

Data on reproduction and departure expectations of respondents were collected to evaluate these indicators. Two questions included in the questionnaire were: «*Would you move to another place, if it were possible?* » and «*Are you planning to have a child (or another child) in the near future?*».

To compute the indicators of expected departure the frequency of the answers to these questions relatively to the number of all respondents in each town was calculated and then an average value of this relative frequency for all surveyed towns was subtracted from the its value

of each town. With regard to expected birth rate, the same calculations were done, however, only the answers of women of childbearing age were counted, and the results were first related to the total number of these women in each surveyed town.

To compute the indicators of settling difference of expected general birth rates and the expected emigration of natives for each town was calculated and then an average value of this difference for all surveyed towns was subtracted from the its value of each town.

Each indicator of attractiveness is a binary variable “+” (yes) or “-“(no) whether the relative frequency of the answers to the questions mentioned above for each town was more or less its average value. The combinations of the values of these three indicators showed the empirical place market segments which the surveyed towns occupy.

To build empirical distribution of residents by the level of satisfaction data on the level of residential satisfaction with each surveyed town as a whole were collected and summarized. A question included was “How would you rate your town (on 5-point scale)?”. Then proportions of those respondents who gave each of five marks were calculated for each surveyed town and curves of distribution were drawn.

The results were compared to the theoretical distribution of residents by the level of satisfaction (Table 3) and the closest theoretical place market segment was revealed for each surveyed town.

Finally, the empirical place market segment and the one that was identified as the closest to empirical distribution of residents by the level of satisfaction were compared for each surveyed town to check the hypothesis.

Results

The combination of values of three expected demographic indicators for each town pointed to its empirical place market segment (Table 5). The positive values of the first indicator were interpreted as the absence of the criteria of retention and vice versa.

Tab. 5 Empirical place market segments

Surveyed town	Indicators for attractiveness of place to residents			Empirical place market segment
	relative expected departure	relative expected birth rate	difference of relative expected general birth rate and relative expected departure of natives	
Pudozh	22%	0%	-18%	3(--)
Segezha	65%	-5%	-19%	1 (---)
Kondopoga	-17%	7%	18%	7(+++)
Sortavala	-6%	-5%	5%	6(+++)
Olonets	-8%	4%	15%	7(+++)

Table 6 and Figure 1 indicate empirical distribution of residents by the level of satisfaction for each surveyed town. Table 6 also includes the closest theoretical place market segments which can be matched to the distributions.

Tab. 6 Empirical distribution of residents by the level of satisfaction

(Percentage to the total number of respondents)

Surveyed town	1	2	3	4	5	The theoretical place market segment
Pudozh	0%	11%	77%	12%	0%	5(+++)
Segezha	14%	31%	44%	11%	0%	1(---)
Kondopoga	1%	7%	48%	40%	4%	7(+++)/8(-++)
Sortavala	3%	11%	66%	18%	2%	5(+++)
Olonets	10%	14%	39%	30%	8%	7(+++)

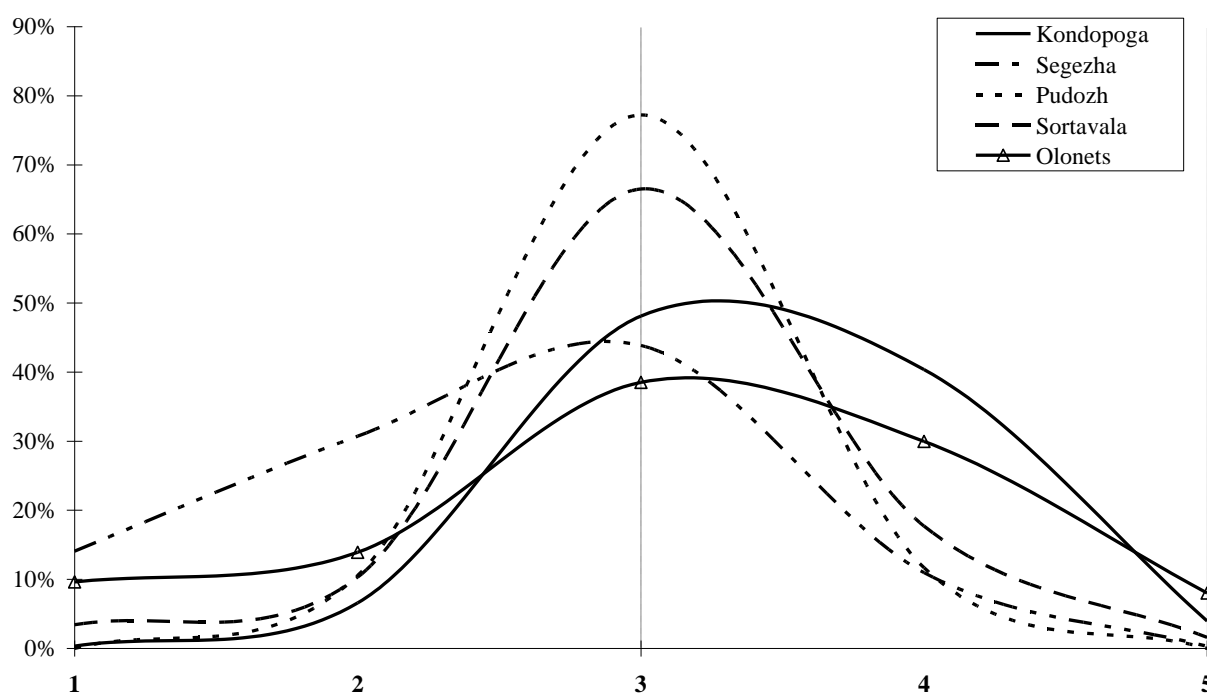


Fig.1 Empirical distribution of residents by the level of satisfaction

The figures show obvious coincidences of the empirical and theoretical place market segments in three out of five cases. Olonets and Kondopoga only demonstrate the statistically significant proportions of the most satisfied residents and the highest levels of satisfaction of the rest of population which accurately typify the 7th place market segment. On the contrary, there are not any absolutely satisfied residents in Segezha. This fact and also low level of satisfaction of the rest of population exactly point to the 1st place market segment.

Empirical distributions of residents of Pudozh and Sortavala belong to 5th segment. However, empirical place market segments of these towns are both differ from this type. It seems that the comparative demographic optimism of the residents of Sortavala is not related definitely to the middle level of the satisfaction with the town that they demonstrate. The results of the survey also do not give an explanation for the contrasting situation in Pudozh, where the similar distribution of the residents by the level of satisfaction can be observed concurrently with the relatively pessimistic expected behavior of the population.

The focus group results clarify the reasons which reject the hypothesis of empirical study. Sortavala is an open town with a well-developed cross-border trade and with cultural and other links to Finland. It may be stated that the expected behavior of the residents is determined both by the town and nearby towns and countries. In contrast, Pudozh is remote from large markets and even railways; consequently, its own position could be exaggerated by those residents who compared it to much less developed neighborhoods.

At the same time, the focus group results support the results of the survey in Kondopoga, Olonets and Segezha which confirm the hypothesis. Marketing of the first two towns really meets the interests of different population groups; however, it is noticeable that its driver forces are different. The high level of the satisfaction of the residents of Kondopoga is considerably influenced by the large enterprise (Pulp and Paper Mill) which spend a lot of money on a physical infrastructure of the town. Tangible attributes of Olonets are significantly worse, and the residential satisfaction is mostly based on ethnic traditions which attract natives regardless to their material life.

Segezha has the similar place attributes to Kondopoga, including the same Pulp and Paper Mill. However, the enterprise plays a destructive role for the town due to the permanent conflicts between shareholders. It is noticeable, that only these conflicts critically influence dramatic decrease of the satisfaction of all the population groups and become comprehensive de-marketing factor.

Conclusion and discussion

An issue of residential satisfaction in place market segments is of particular importance for place marketing which, on one hand, should meet the various needs of inhabitants and, on another hand, should deal with a possibly limited number of targets to be effective. If a specific place market segment is associated with certain proportions of more or less satisfied residents to their total number, it becomes possible to choose a relevant form of differentiation of place marketing policy and interpret its results adequately.

A theoretical classification of place marketing policy by form of differentiation was built and then checked in the framework of the research. The quantitative study has revealed relationships between level of residential satisfaction and demographic behavior of the population, which typifies place market segment, in three out of five cases. It became possible to conclude, that a specific combination of functions of place marketing is in itself important factor differentiating residents.

Meanwhile, driver forces of the differentiation are related to both current activities of place marketers and external factors, such as ethnic traditions of community or neighborhoods. The last conclusion partially reflects earlier investigations (Brown, 2003) which stated that the 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. In this way, the level of residential satisfaction with places which considerably differ from their neighborhoods can be exaggerated or understated.

The focus group showed, that external factors contribute to the level of residential satisfaction and distribution of respondents by this level. Thus, it is necessary to estimate this contribution in further research and take in account in place marketing process.

In addition, the tools of quantitative study could be improved in order to reflect some external factors of resident satisfaction. In particular, a question about neighborhoods and access to their goods and services should be asked within the survey.

References

- Abrams, M. (1973).* Subjective social indicators, *Social Trends*, 4, 35-50
- Amerigo, M., Aragonés, J. I. (1997).* A theoretical and methodological approach to the study of residential satisfaction. *Journal of Environmental Psychology*, 17(1), 47-57.
- Andrews, F. (1974)* Developing measures of perceived life quality: results from several national surveys, *Social Indicators Research*, 1, 1-26.
- Ashworth, G. J., & Voogd, H. (1988).* Marketing the city: Concepts, processes and dutch applications. *Town Planning Review*, 59(1), 65-79.
- Brown R.* Community satisfaction. (2003). Christensen, K., Levinson, D. (Eds.), *Encyclopedia of Community: From the Village to the Virtual World*. Sage, Thousand Oaks, CA.
- Campbell, A., Converse, P. and Rodgers, W.(1976)* *The Quality of American Life*. NewYork: Russell Sage Foundation
- Davies, V. (1945).* Development of a Scale to Rate Attitude of Community Satisfaction. *Rural Sociology*, 10 (3), 246-255
- Deseran, F.* Community satisfaction as definition of situation - some conceptual issues.

Rural Sociology, 43(2), 235-249

Diener, E., Suh, E. (1997) Measuring quality of life: economic, social, and subjective indicators, *Social Indicators Research*, 40, pp. 189-216.

Helburn, N. (1982). Geography and the quality of life. *Annals of the Association of American Geographers*, 72 (4), 445-456

Kotler Ph., Haider D H., Rein I. Marketing Places: Attracting Investment, Industry and Tourism to Cities, States and Nations. New-York: The Free Press, 1993

Marans, R.W. (2003) Understanding environmental quality through quality of life studies: the 2001 DAS and its use of subjective and objective indicators *Landscape And Urban Planning*, vol. 65, no.1-2, pp. 75-85

Marans, R.W., Rodgers W. (1975) Toward an understanding of community satisfaction. In *A.H.Havley & V.P.Rocks (Eds.) Metropolitan America in contemporary perspective* (pp. 299-352). Halstead Press, New York

Rozhkov, K.L. (2012). Segmentation of Inhabitants in Place Marketing: The Case of Karelian Towns. Higher School of Economics Research Paper No. WP BRP 02/MAN/2012.
<http://ssrn.com/abstract=2071977>

Rozhkov, K.L. (2012a). Beneficiaries of a Place: Whose Life is Better? <http://ssrn.com/abstract=2193616>

Ward S.V. Selling Places: The marketing and Promotion of Towns and Cities 1850-2000. London. Spon Press, 2004.

Рожков К.Л. Целевые группы, функции и измерители результативности внутреннего маркетинга мест (статья)// Проблемы современной экономики, 2011. № 4, сс. 232-235

Kirill L. Rozhkov
Higher School of Economics (Russia), Faculty of Management, Department of Company
Marketing, professor
E-mail: natio@bk.ru

**Any opinions or claims contained in this Working Paper do not necessarily
reflect the views of HSE.**