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SEGMENTATION OF INHABITANTS IN PLACE MARKETING: THE CASE OF KARELIAN TOWNS

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Inhabitants become the important target group of place marketing along with other place consumers. The problem of defining criteria for the attractiveness of places for different inhabitants and classification of factors is one of the most important for the marketing policies aimed at development of local communities.

The paper shows that a combination of three criteria of place attractiveness (retention and attraction, conditions for external growth, and settling) may be considered as the main characteristic of a place market segment that determines its distinctive attributes. Based on these criteria, the heuristic monothetic 3-dimensional typology of market segments and the hypothetic classification of distinctive characteristics of the Russian place market segments were developed.The combination of three demographic indicators (emigration, birth rate, difference of general birth rates, and emigration of natives - in accordance with the criteria of place attractiveness) were selected to estimate the place consumers' behavior in the segments.

The results of the empirical study partially confirm developed theoretical typologies. In addition, they allow concluding that both tangible and "intangible" attributes of places can have an impact on the behavior of inhabitants as place consumers. This paper also shows that all of the studied attributes depend on market segments, which towns occupy. Study results are important for marketing analysis and marketing policy of Russian towns.

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Introduction

Place marketing has quite a lot of distinctive characteristics compared to product marketing. Below we would like to discuss one of them – market segmentation - which is quite interesting from both the theoretical and practical points of view. Product of place consists primarily of public goods and so requires an undifferentiated marketing that is oriented toward local community as a whole *(Ward ,2004).*

However, no single local society is homogenous. Moreover, interests of the inhabitants – both residents and non-residents – are often contradictory. So as a rule, local authorities and other place sellers have to sell the same place to different groups of buyers for different purposes at the same time. Therefore, it is necessary to balance these multidirectional interests using marketing tools *(Ashwort, Voogd, 1988).* The marketing strategy of a place has to be segmented, on one hand, but also coordinated with the interests of broad range of place customers, on another. Consequently, it is very important for the place marketing analysis to use the multi-criteria approach, which allows the determining of the main consumers' groups and components of place product.

As many authors suggest, globalization has resulted in an increase of people's mobility, so local authorities are faced with the need to attract non-residents that are most valuable for development of a place. Furthermore, the ageing of the European population transforms residents into the priority of place marketing (*Klingholz, 2009; Pearce, 2010; Hospers, 2010).*

In this way, two kinds of place marketing are the focus of attention of researchers. External place marketing (*Ward, 2004),* or "cold" place marketing *(Hospers, 2010,)* is the main attraction of immigrants. And internal place marketing (*Ward, 2004), or "warm"* place marketing *(Hospers, 2010,)* is intended for the retention of existing habitants.

Ashwort et al. (1988) emphasize that existing urban activities are more important agents of city development than external investment. *Eisenschitz (2010)* considers inhabitants as the main target group of place marketing after the global economic crisis. Also the lack of an explicit empirical link between the policy of attracting non-residents and the actual migration inflows *(Hospers, 2010)* increases the importance of «retention marketing» in comparison to «attraction marketing.» The concept of place competition as a game with zero and even a negative sum *(Ashwort, Voogd, 1988)* confirms this tendency. Habitants' segmentation should take into account both types of place marketing and can be realized as theoretical classification not only as grouped empirical data

Research concept

Previously (*Рожков, 2011)* we have created a list of functions of habitants' marketing: attraction to nonresidents, retention of residents and formation of conditions for natural growth, and settling of natives. We believe that this list provides the basis for a theoretical model of habitants' segmentation, because it reflects the criteria of place attractiveness to different social and demographic groups.

Obviously, the majority of real cities and towns do not meet every, but only some, criteria of place attractiveness. We have reason to state that the combination of criteria may be considered as the main characteristic of a place market segment. We suggest that theoretical segments have to be completely different, homogenous, and should allow the interpreting of data without computer. The number of possible combinations of three criteria we mentioned above is eight. In terms of the typologies concept *(Bailey 2005)* we have achieved the heuristic monothetic 3-dimensional typology of places market segments (table 1).

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	external growth	settling
1	-	-	-
2	-	-	+
3	-	+	-
4	+	-	-
5	+	+	-
6	+	-	+
7	+	+	+
8	-	+	+

Below is the conceptual basis that we used to develop other components of theoretical segmentation. The product of a place (and value for its consumers) is a complex combination of place attributes (place characteristics, facilities, etc.). This approach was reflected by *Ashwort at al.*(1988), *Ulaga   at al.*(2002), and *Walters* (2000). In other words, inhabitants as place consumers deal with place as a whole.

Thereby it is necessary to match the combination of place attributes to the life style of target groups of habitants to sell place product. This combination can become a unique distinctive advantage of a place *(Kotler at al. 1993)* that provides its competitiveness.

It cannot be denied that it is impossible to classify a great number of varied cases of local attributes and specific market segments in the frame of a theoretical model. But it is natural to assume that basic place attribute combinations determine place attractiveness for typical social and demographic groups and patterns of demographic behavior of population. We thus arrive at

the following hypothetic classification of distinctive characteristics of the market segments (table 2).

Tab. 2. Distinctive segments' characteristics

Segment	Distinctive place characteristics	Segment code name in Russia
1	Threats to the lives of the population of natural or anthropogenic origin	«Dangerous Place»
2	Conditions for subsistence farming	«Dying Village»
3	Conditions for the natural population growth, maternity, and childhood (favorable climate and basic infrastructure), but not for cash earnings and the accumulation of property	«Unpromising Village»
4	Conditions for cash earnings (labor market, formed by large industries remote from the majority of settlements, often in an unfavorable climate), but not for natural population growth and the accumulation of property	«Camp»
5	The proximity of residence, work, shopping, recreation (a large labor market and full family lives facilities nearby), conditions for accumulation of property	«Industrial City»
6	Diversified labor market and conditions for personal development (education, career, conspicuous consumption, the accumulation of wealth)	«Business city»
7	"Ideal" segment fit for all the customers. Local space and people are friendly for full families, social minorities of all types; sources of income, accumulation, and urban growth are limited by social norms	«Promised Land»
8	The second type of the "ideal place." Segment fit for certain customers and / or has restricted access to the facilities for non-residents	«Their own place»

Methods of data analyzing and collection

The hypothesis of empirical study: residents' behavior as the place consumers can be explained by the availability and quality of place characteristics. Moreover, in Russia, each market segment (Table 1) makes a demand for a specific combination of place characteristics (Table 2). Three demographic indicators (number of criteria for place attractiveness to residents) were selected to estimate the place consumers' behavior (Table 3).

Tab. 3. Indicators for attractiveness of place to residents

Criteria for attractiveness of place to residents	Indicator
retention	emigration
external growth	birth rate
settling	difference of general birth rates and emigration of natives

Using these indicators allows solving the problem of building standardized assessments of the attitude of the inhabitants towards the place of their residence. Considering demographic indicators listed above as dependent variables we can regard variables that measure the place characteristics as independent ones.

In the frame of research, the main characteristics of 5 towns should be estimated: climate, crime rate, safety of life, possibilities for earnings, quality of basic engineering, and social infrastructure and others. The estimation of these characteristics is both quantitative and qualitative. The survey of inhabitants was chosen as the general *data collection method* (2,000 people aged 17 and older were surveyed).

Based on the results of the survey, a focus group was formed. We have also used local statistical data.

Data about reproduction and emigration plans of respondents were collected to estimate the attractiveness of five towns using the above indicators (Table 3). Two important questions included in the questionnaire were: *«Will you move to another place, if it were possible?»* and *«Are you planning to have a child (or another child) in the near future?»*. Then we calculated the relative frequencies of the answers to these questions. The indicator of settling was calculated as the relative difference of expected general birth rates and the expected emigration of natives.

Data on the attitude of respondents towards characteristics of towns were collected to estimate the availability and quality of towns' facilities. Another important question included in the questionnaire was: *«What is the most attractive thing about living in your town?»*.We offered the respondents to choose few answers from the list of town's characteristics. Then the relative frequencies of the answers to this question were calculated.

Results

The survey results

The summarized data on the respondents' expected behavior were represented by predicted demographic profiles. The summarized data on towns' attractions were represented by towns' characteristics profiles (*Fig. 1*).

We made a visual comparison of profiles within the towns and found that the towns' characteristics profile does not obviously contradict the behavior of residents in three of the five towns: Kondopoga, Sortavala and Pudozh.

Kondopoga's absolute leadership in the positive demographic expectations can be explained by its facilities, which are better developed in comparison to the other towns' facilities.The relatively high ratings of town human-made facilities (non-geographic

characteristics) have "stretched" the profile of the town's characteristics, increasing its area.

Pudozh is a reverse example. Its habitants do not find anything attractive in it except for climate and environment, and consequently, their predicted demographic behavior is negative.

Fig.1. Predicted demographic profiles and towns' characteristics profiles
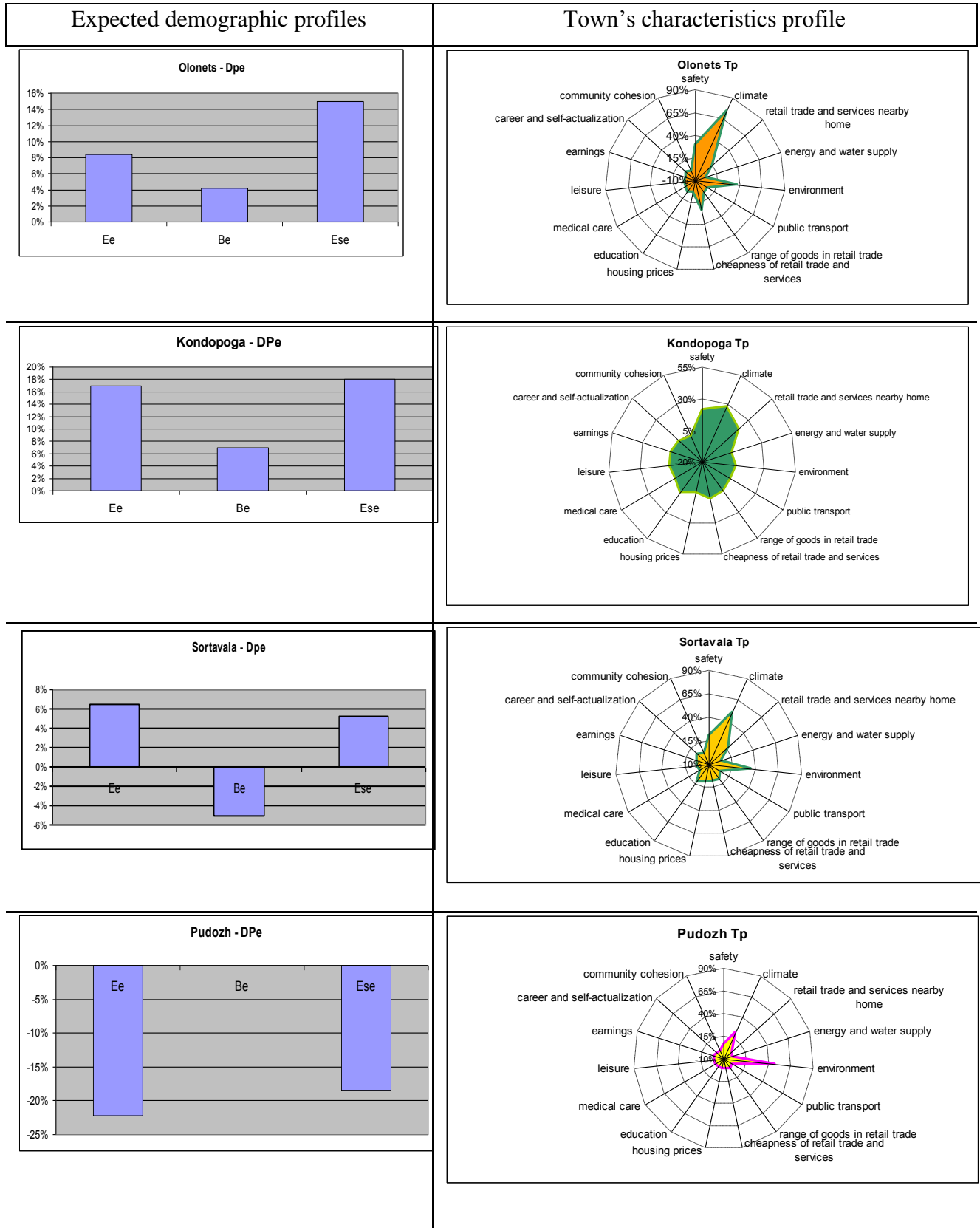
Expected demographic profiles	Town's characteristics profile

Fig.1. Predicted demographic profiles and towns' characteristics profiles

Expected demographic profiles	Town's characteristics profile
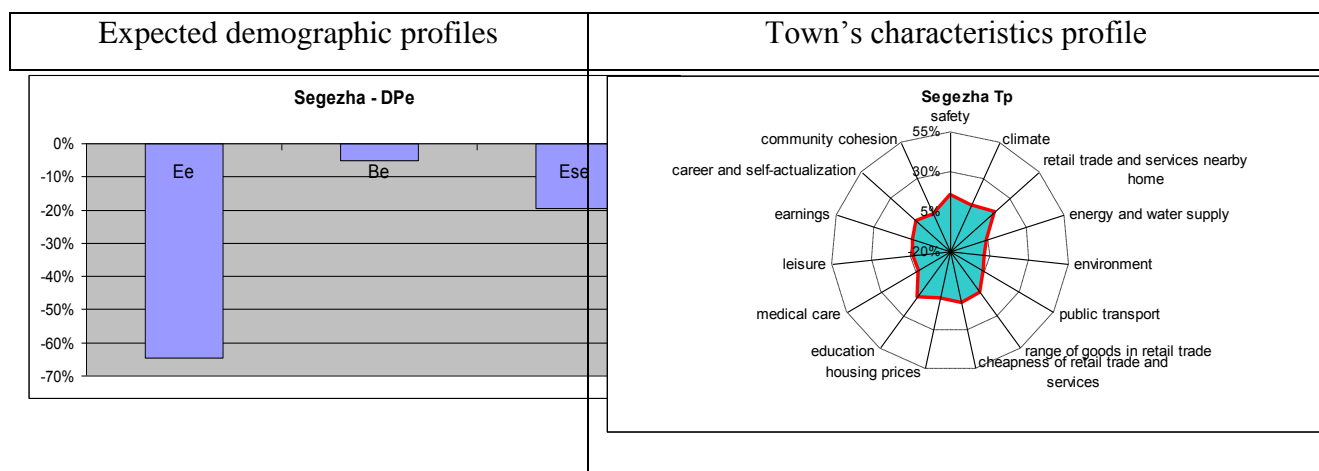
Notes: Ee – predicted emigration, Be – predicted birth rate, Ese – predicted settling, Tp – town profile

A kind of intermediate case in terms of both: people's behavior and the town's characteristics can be observed in Sortavala. Two other towns – Segezha and Olonets – did not show any connection between the behavior of the residential population and place characteristics.

Although Segezha is one of the leading towns in terms of the development of different non-geographic facilities, the majority of its habitants do not find anything attractive about it. But more essential thing is the fact that 51% of respondents in Segezha gave a positive response to the question about their possible move to another place. Only in Pudozh were respondents more pessimistic: the number of potential emigrants exceeded 57%. But, as we explained above, non-geographic facilities in Pudozh are not as well developed in comparison to the facilities of the other towns surveyed. Therefore, survey results cannot explain pessimism of Segezha's inhabitants.

We also have not found an explanation for the contrasting situation in Olonets. The inhabitants of Olonets show positive demographic expectations in spite of the rather modest development of the town. In particular, regardless of its lowest earning rate, Olonets' inhabitants demonstrate the highest indicator of the predicted birth rate. The two other indicators of demographic behavior in Olonets are also high. The expected demographic profile of Olonets is almost the same as the predicted demographic profile of Kondopoga, although there is a sharp distinction in their town characteristics profiles.

Focus group results

We have carried out a focus group with the inhabitants of the surveyed towns, and invited experts to resolve the contradictions we have found in the analysis of the survey results. The facts we established are the following:

1. Segezha's largest enterprise of (Pulp and Paper Mill) was in the process of redistribution of property. Although the job opportunities were not reduced, a change of owner provoked negative emotions amongst employees and their families. These emotions impacted the predicted demographic behavior much more seriously than the town's facilities did.

2. The differences in the expected demographic behavior of Olonets and Sortavala were also explained by the existence of «intangible» place characteristics. Sortavala is an open town with a well-developed cross-border trade and with cultural and other links to Finland. Young people seem to behave in line with European stereotypes of childbearing, having one or two children in the family. And Olonets, which is a place with many Karelian natives, who have kept their strong ethnic traditions for years, childbearing is preferred over wealth.

3. Pudozh's economy was crushed in the 1990s after a sharp decline in local forestry, which had the largest manufacturer in the town. As a result, fishing and some other types of handicrafts have become inhabitants' only activities. Business is low-income because of the markets' remoteness, and the absence of marketing in the town. Thus the focus group has confirmed our main conclusions on the analysis of Pudozh's survey data.

4. Well-developed facilities of Kondopoga revealed in the survey were confirmed by the focus group. In addition to the survey results, we found that the positive demographic expectations were constantly supported by active social policy of the largest enterprise's management of in the town.

As a result, the hypothesis of the empirical study was partially confirmed and partially refuted (Table 4).

Tab 4. Empirical study results

Surveyed town	Empirical predicted demographic profile	Empirical town's characteristic profile	Profile accordance (confirmation of the hypothesis)
Kondopoga	7 (+++)	«Iindustrial City» *(survey data)* «Promised Land» *(focus group data)*	partial supported
Segezha	1 (---)	«Iindustrial City»	*not supported*

Tab 4. Empirical study results

Surveyed town	Empirical predicted demographic profile	Empirical town's characteristic profile	Profile accordance (confirmation of the hypothesis)
Sortavala	6 (+-+)	«Business city»	supported
Olonets	7 (+++)	«Business city»	*not supported*
Pudozh	3 (-+-)	«Unpromising Village»	supported

Conclusions and discussion

In this paper the possibility of constructing the theoretical model of inhabitants' segmentation in order to classify the most common types of place consumers' behavior and kinds of distinctive place characteristics are discussed. It is reasonably to state that the combination of criteria of place attractiveness (attraction to nonresidents, retention of residents and formation of conditions for natural growth, and settling of natives) may be considered as the main characteristic of a place market segment.

Three demographic indicators (emigration, birth rate and difference of general birth rates and emigration of natives) were selected to estimate the inhabitants' behavior. These indicators can be considered as the basis of standardized assessments of the attitude of inhabitants towards the place where they are living. Demographic expectations of inhabitants reflect current level of place attractiveness and even more importantly, combinations of these expectations show place consumers' behavior in certain place market segments. In turn, product of place as a whole can be described by the combination of place attributes which supports certain kind of demographic behavior.

The purpose of the quantitative study was the discovery relationships between consumers' behavior and place characteristics within each of the theoretical segment of place market. In other words the analytical and descriptive value of the theoretical model of the segmentation of inhabitants should be verified through this study. Three of the five surveyed towns show the connection between the behavior of the residential population and place characteristics, however the other two towns do not.

The focus group which was formed in order to find explanations demonstrated that both the tangible and intangible facilities of the places can have an impact on the behavior of the inhabitants as consumers.

Thereby one of the basic laws of marketing theory on the difference between value and perceived value can be applied to the place (town). This conclusion is not absolutely new because earlier much has been said and written about role of intangible place attributes. A lot of studies investigate role of subjective factors and indicators of quality of life (*Abrams (1973),, Andrews (1974), McCall (1975), Campbell et al. (1976), Andrews and Withey (1976), Diener & Suh (1997).* The most close to the place marketing area of research is community satisfaction and its authors also emphasizes that objective conditions of places do not reflect their real quality for inhabitants (*Marans & Rogers (1975), Marans(2003).*

The novelty of our conclusions is that the perceived value of a place is largely determined by the collective consciousness of the population, the form of which in turn, depends on the segment of market that the place occupies. The results of the qualitative study that was conducted in the framework of this research show that place market segment can influence the place attractiveness through such factors as a corporate culture of local industry, ethnic (national) culture, and the cosmopolitan culture of certain towns.

The theoretical model of the segmentation of the place market represented in this paper adequately reflects the influence of the tangible characteristics of a place (its facilities) on the behavior of its inhabitants as consumers, and can be used for marketing analysis, if the value of a place is the same as its perceived value, i.e.intangible place characteristics do not impact on inhabitants' behavior. However the value of the model decreases with the increase in the meaning of intangible factors. In addition the hypothesis of distinctive place characteristics in market segments is appropriate for Russian towns but not necessarily for others.

Therefore the main directions of the further research are the following.

1. Identification and classification of these place characteristics which have an impact on the perceived value of a place.

2. Development of the classification of place marketing functions to improve of communications amongst local communities in order to influence local collective consciousness.

3. Development and approbation of the theoretical model of segmentation of the place market on broader empirical data.

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