TERRITORIAL MARKETING:
AN APPROACH TO THE LOCATION OFFER

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ABSTRACT

A territorial marketing offer involves a number of different factors beyond that of the simple offer of a location that a firm requires to establish itself. The marketing analysis of this offer leads to a consideration of its two aspects: the territorial package and the location product.

In this paper the author describes two distinct viewpoints corresponding to very different situations in territorial marketing: the market for location sites and the market for territories. The distinction between these two viewpoints highlights the considerable marketing implications in terms of strategies and implementation of territorial promotion. They concern the content of the offer, the organising of the players in the offer, terms of competition and the available markets.
CITY MARKETING AND TERRITORIAL MARKETING

The desire for active commitment at local level in favour of accommodating and assisting firms took its roots in the 1970s, owing to regional authorities' observations on the limitations of national and regional development policies that were based on the sharing of wealth during periods of recession. The decentralisation laws of 1982 in France provided local authorities with new administrative powers, thus confirming the legitimacy of placing regional development policies in the hands of the regional authorities themselves. This major change in regional administration in France, which, until then, had placed local authorities under state supervision, accelerated the creation of specialised structures and local authority schemes in favour of local development, particularly economic development.

Changes in the economic environment and, in particular, in the context of the fierce competition for development and employment which local authorities had been waging for over twenty years, gradually brought management methods into the area of territorial administration. Marketing techniques, in particular, quickly established themselves as the new tools that were likely to help in local development schemes. Before the decentralisation laws even existed, certain cities already had an economic development agency to promote the city and to attract firms.

In this context, marketing academia and professionnals have progressively designed a new field in the marketing field, transferring methods and tools to solve the various difficulties involved in city administration.

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1 Notably in the case of Lyon, where ADERLY was created in 1974.
The « marketing of cities » is presented today as “a relevant approach to meeting the needs of a territory’s people and activities, and to improving the general quality and competitiveness of a city in its competitive environment”\textsuperscript{4}. This wide reaching concept goes beyond local development to cover other areas of city administration (local democracy, social action, etc...).

As far as the professionals are concerned, a large number of organisations are taking action in order to attract business to their territory, increase the number of new companies setting up and help with the development of local firms. This particular trend in local development policies stems from market considerations that are very different from those of housing policy or social action. It generally involves the entirely separate function of economic development, managed by specialised departments. This function is, in fact, at the core of the intense competition between territories. For this reason economic development represents, strictly speaking, a specific field of marketing application for local authorities to deal with, which is referred to as « territorial marketing ». Territorial marketing is an action aimed at attracting firms to a territory, facilitating the activities of local firms and promoting a favourable image for local development\textsuperscript{5}.

All the conceptual and operational elements of classical marketing analysis need to be examined with relation to the specifics of this precise field. The analysis of the particular theme of a territorial marketing offer is a step in this process.

\textsuperscript{3} In certain works, the term city is used as a generic term covering local authorities at various levels. Nevertheless it does refer directly to a precise body (town hall, district council, ...) in charge of local public administration.


\textsuperscript{5} L. Texier and J.P. Valla (1992) : \textit{Le marketing territorial et ses enjeux}, Revue Française de Gestion n°87, janvier.
The work of economists, who have, for some time, been studying how firms occupy areas, clearly shows the rapid development of metropolitan areas as the privileged locations for attracting business activity, or as places benefiting from resources that favour innovation and the creation of new business activity. Even for the biggest cities this metropolitanization is, however, insufficient for them to meet the challenge of economic development.

In a period of recession and globalisation of the economy, local authorities are setting up strategies to increase their efficiency in the field of employment and so that their territory might be a development location on a European scale, in competition with many others. In the competition between territories the product offer on the locations market is a key issue, in which the solution cannot consist merely of a list of criteria for choosing a site.

This paper presents an initial research consideration that attempts to define the issue and provide a more in-depth analysis on location products as a tangible aspect of a location offer and a factor in the spatial dynamics of business activities.

First of all we will try to clearly define the notion of a territorial marketing offer on the locations market, and identify the different factors involved in managing a location offer. Secondly we will make a distinction between a location product and a territorial package and analyse the marketing consequences of this distinction.

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7 In territorial marketing the term territory or city is used to refer to the development area extending beyond the responsibility of a specific local authority. We consider the development of this area rather than the administration of a local council involved in the development of this territory.
THE LOCATION OFFER : AN OVERVIEW

In order to measure the whole dimension of the location offer several points of view can be considered. In order to establish all the various aspects we will consider alternatively those that local authorities take into consideration, from their point of view as suppliers (on which they will act and they will communicate), and on the other hand, the criteria that firms use in their evaluation, from their point of view as customers (perception of the offer or actual purchase).

1. Diverging viewpoints

With a view to economic development, major efforts have been made by cities to promote their territories. They focus both on an overall enhancement of the product offer as an economic and social space and on the presentation of available locations in order to attract firms or organisations likely to be looking for a new site. The geographical boundaries determined by administrative divisions and electoral constituencies are an essential element in defining the territorial authorities’ offer. French local organisation needs to be mentioned here for its specificity in terms of competences and local government organization: it counts 36,000 town halls, each of them having authority on an independent economic development strategy.

From an outside firm’s point of view the offer considered as part of a choice of location seems, in fact, to correspond to a territory, representing an economic and social entity defined by geographical boundaries, yet whose limits do not correspond to administrative divisions.

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8 We speak about exogenous development with reference to accommodating business activities from outside the territory in question; endogenous development is the contrary.
These limits are perceived quite differently from one firm to another depending on their location or the size of their activity. For example a industrial company based in Isle d’Abeau\textsuperscript{9} generally considers itself as situated in Lyon, whereas its administrative links are with Isere which is a department including Grenoble in its area but not Lyon. In the same way, a local subcontractor based in Villeurbanne, will identify its territory only with the eastern districts of the Lyon conurbation.

Likewise, a high-tech firm from abroad, considering Lyon as a possible choice of location, will have a different perception of an offer on the scale of the greater Lyon region (home-based industrial partners, international airport,...). District, conurbation, and economic region can thus designate the location area of a firm. The precise designation of a clearly defined geographical area makes no real sense from the firm’s point of view.

The spatial boundaries of the territory alone cannot contain the definition of its location offer in a satisfactory manner. It proves to be rather difficult to clearly understand the components of a location offer on a territorial scale, and to list the dimensions that need to be taken into consideration in defining it.

The presentation of a location offer in terms of characteristics (access to customers, suppliers, labour, training, service providers, infrastructures, etc.) which a company requires to carry out its activity does, on the other hand, correspond to the expectations of the market. Access to these characteristics, constitutes a set of the potential externalities for the firm, and is an increasingly decisive factor in their competitiveness\textsuperscript{10}.

\textsuperscript{9} A new town located 35 km to the east of Lyon city center.

Depending on the case, these facilities will be found within a range of 10 km to 500 km from the location, and the characteristics available within a given area will or will not define the product offer perceived by the firm.

These externalities may involve components that are far from being of direct use to firms in the usual course of their activity, such as recognised research laboratories, an opera house, schools or housing developments. The definition of a location offer has various dimensions. This makes a detailed analysis of all the aspects of the product offer difficult, since it would require an identification of its inherent characteristics.

2. Uniting all the players in the definition of the product offer

The definition is equally complex due to the large number of "sellers" involved when a company locates. Besides the many local organisations and other area representatives (town hall, local council, development agencies, Chamber of Commerce, etc.) different actors are involved in the area, (property developers, builders, or consultants, for example) and they may be involved differently in the development of the offer for a particular location project. Their different roles can be considered as belonging to a process of collective strategic action, to which the selling of a product or of a service is to be subordinated, in as much as the location site which the investing company is offered generally exists before the company has made an application.

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This process of collective action makes it possible to promote all the relevant characteristics of the territory concerned, to identify suitable location sites, and to bring all the complementary aspects of the offer into play, such as local infrastructures, means of financing, or accompanying services that could facilitate the company’s move into the area. It is therefore necessary to widen the definition of the location offer to integrate the elements provided by all the participants involved in economic development.

In this respect, territorial marketing is related to « project marketing » in that the setting up of a firm involves a “complex transaction concerning an offer of products, services and works, specifically designed to provide within a certain period of time, a specific benefit for the buyer”\textsuperscript{12}. All the players involved make up a milieu\textsuperscript{13}, i.e. a body of socio-economic players who determine the setting up of firms in a given area.

As far as the siting is concerned, all of the players in the product offer are generally weakly coordinated. This peculiarity results from the fact that it is apparently difficult for the players to anticipate, either collectively or individually, what kind of final offer a specific location project may give, and the customer, more often than not, has direct control over each the participants.

\begin{footnotesize}
\begin{enumerate}
\item Business Marketing or Project Marketing, see :

\item The term milieu is used in project marketing with reference to a local system of players conditioning the activity of a firm within a specified space. See :
\end{enumerate}
\end{footnotesize}
In the case where players are more strongly coordinated, when there is one player in charge of local coordination of territorial players through a specific body, then the firm itself conducts a number of complementary transactions with each different players, the negotiation of which is centralised through the coordinating body.

There is no one single player in the territory dealing with all the components of the product offer and likely to establish a global approach.

LOCATION OFFER : TWO DISTINCT TYPES OF OFFER

1. The spatial decision, choosing a territory and choosing a location site

When choosing a site the predominance of managerial logic rather pure spatial logic in the selection process\textsuperscript{14} translates into comparison criteria for cities or territories. The firm does not choose a geographical area; it selects a potential contribution to a given project's implementation. The area where the firm is likely to be located cannot, a priori, be listed as being separate from the firm's projects\textsuperscript{15}. In spite of its considerable importance, the spatial decision is often not identified as a strategic decision within firms. It appears more as "a response to a state of tension rather than a management decision concerning a strategic resource"\textsuperscript{16}.

Mostly academia has developed interest into the siting of business activities as a management decision, from the point of view of investment theory\(^\text{17}\), and of the decision-making process\(^\text{18}\) according to the theory of organisations. The difficulty in modeling a decision of this nature is always acute, bringing a high level of uncertainty into the decision.

Attempts to use complicated evaluation procedures are even considered as risky when confronted with the difficulty of assessing the qualitative characteristics of an offer, and the impossibility of equating the fundamental factors of the evaluation: economic climate, workforce attitudes to company matters, etc\(^\text{19}\). The lack of suitable management tools for this type of decision is perhaps one of the explanations for the relative lack of interest that company managers show when it comes to analysing territorial resources. In actual fact, interest in the siting of business activities has mainly been developed by economists and geographers\(^\text{20}\). They progressively introduced different elements affecting optimum location, notably production costs\(^\text{21}\), and this is still the principle\(^\text{22}\) on which modern location consultants base their methods. It becomes perfectly clear these works refer to decision that bring into play the future success of the company.


\(^{20}\) The homogeneity of space, a neo-classical theory, initially led to an analysis of optimising the location through transport costs. This is the keystone of location theory: A. Weber (1909): *Uber den Standort der Industrien*, Stuttgart.


\(^{22}\) Among the approaches linked to heterogeneity of space, the importance of spatial division of work must be emphasised. As the work factor remains heterogeneous and fixed in space, the space can be organised into a hierarchy, for each type of area, relative to the various functions of the firm. P. Aydalot (1986): *Economie régionale et urbaine*, Paris: Ed. Economica.
It is thus essential to optimise the decision-making process in view of the strategic importance of the choice of location. What is at stake in the decision-making is not the site itself but the consequences of the specific characteristics of the location in relation to a given business project. Nevertheless, in view of the way in which spatial decision is generally undertaken in traditional approaches, the nature of the project is rarely specifically analysed in relation to the nature of area under consideration (site, district, conurbation, economic region).

Considering the strategic aims behind the location or relocation project, they in themselves impose determining factors on the assessment of possible choices. The analysis of the location decision of a firm in terms of "contributing to a strategic development project", thus explains that the choice of location is not, a priori, expressed within the firm in terms of space and, a fortiori, in terms of sites\textsuperscript{23} having precise characteristics as defined by a schedule of conditions. The firm can, in particular, consider different development strategies and study a possible location for each strategic option. There are concrete situations where a firm will make use of local contacts to find a site, allowing it essentially to study development conditions. These local contacts may help the firm to identify possible locations, without having to define the actual choice of development strategy. For example, in the case of a strategy for breaking into new markets, involving an expansion of production capacity, a firm may consider the alternative of either setting up a production unit abroad, or of creating a network of sales representatives backed up by a logistic support facility. Neither the countries nor the sites are in competition at this stage in the location study.

\textsuperscript{23} Sites are areas dedicated to the accommodation of economic activities, and in this respect benefit from specific arrangements. They are the core dimension in a location offer.
The lack of consideration concerning the sites in themselves can often be seen in the heterogeneity of the locations actually compared for a project. It is not unusual for a firm to compare locations that correspond differently to a particular aspect of a development project (e.g. the running costs within a tax-free business park in the North of France, or the proximity to European markets of a science park in Strasbourg), and where each one provides a solution corresponding to a different aspect of the choice. In this case the firm's decision will reflect a choice between its main priorities involving factors related to the location product, and factors related to the territorial package.

In most cases, firms first select the territorial package and then the actual location product, but the two processes can also be closely related. The action undertaken by the firm does not necessarily distinguish between the two over a period of time.

The negotiation between the different players in a territory may lead a firm to identify very quickly a particular location in a conurbation under study. From then on, from the local authorities’ viewpoint, the decision is often reduced to one aspect alone.

2. A dual approach to the location offer

Emphasising the distinction between the choice of a site and the choice of a territory, in terms of general territorial marketing, brings to light a dual approach to the location offer, distinguishing between the actual sites and, on the wider scale, the territories. The choice of a territory provides the firm with a solution to a “strategic need” for its development, which translates into a search for an optimum contribution to its strategic project.

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The strategic need is expressed in terms of external factors that increase a firm's competitiveness. The choice of a location site provides a solution to a "functional need", i.e. the day-to-day organisation of a firm in its working area. The functional need is expressed in terms of the characteristics of the activity of the firm that intends to locate (size, work force, inputs-outputs, means of production, etc.). In the location decision, the firm will express, at least, one functional need, e.g. in the case of a local expansion of its activities or a local relocation. The choice of a territory, on the other hand, necessarily also involves the choice of a location site.

This dual approach to the location offer provides a distinction between two viewpoints in the analysis of the location market, corresponding to different marketing situations.

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<thead>
<tr>
<th>Type of company location requirement</th>
<th>Type of offer</th>
<th>Relevant analysis unit</th>
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<tbody>
<tr>
<td>Strategic need</td>
<td>Territorial package</td>
<td>Market for territories</td>
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<tr>
<td>Functional need</td>
<td>Location product</td>
<td>Market for sites</td>
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Fig. 1 : Territorial marketing viewpoints

The market for territories: on this level, the relevant analysis unit is the territory, and the marketing approach corresponds to a general offer of a package. The offer positions the competition between cities or regions or even between countries. The marketing objective is to attract business projects of a strategic nature, relating to investment decisions or development strategies, to conurbations or regions. What appear to be the determining factors are those that influence a decision of this nature. In fact the notion of location site is only of minor importance in a company's approach to this type of project.
The choice of a precise location often appears as a secondary decision compared to a strategic decision involving the medium or long term development of a firm. The choice of a territory is a real strategic decision. By adopting this approach, the presentation of a territorial package involves very general aspects and covers the set of externalities available to the firm. The territorial package is thus defined by a group of attributes contributing to a firm’s strategic project.

**The market for sites:** on this level, the relevant analysis unit is the location site, and the marketing approach corresponds to a local area, within a district or between districts of a conurbation\(^{25}\), and on location products.

Competition sets in between local sites, and the marketing objective is to direct the choice of location within a conurbation. The functional aspects of the location product can appear as dominant, and the specific characteristics of each site become determining. On this level of analysis, the offer is defined as a *location product*.

The analysis in terms of a territorial package, as with observations regarding major location projects (international projects, or involving large industrial or service companies), must not mask the other reality of the location market, involving the relocation or setting-up of local firms. This can, in effect, be considered as a particular market within a general location market. Local firms make up the main volume of the market in terms of numbers of sites and labour movements, and their location projects generally involve short distances.

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\(^{25}\) e.g. between Gerland, a district of Lyon, and Techlid, a business park located in 4 districts to the north of Lyon.
The distinctive characteristic of local firms' behaviour with regard to location is that it is immediately directed towards the search for a site and not for a territory. It is generally restricted to the evaluation of locally available solutions which are compared on an essentially functional basis, i.e. operational features such as surface areas, access, parking, equipment available on site, etc. The contribution made by the territory to the firm's strategic project is not taken into consideration in so far as the firm has no intention of leaving its territorial location.

MARKETING IMPLICATIONS

The separation of viewpoints induces particular consequences concerning the marketing strategy and how it is implemented. It emphasises the separation of functions in the organisation of promotion of a territory on the one hand, and of sites on the other.

The promotion of territory cannot be considered by players representing too small an area (e.g. a district, or locations by themselves) whether they are planners, site managers, traders, or property developers or local authorities. Their capacity to respond to the strategic aspect of the needs of a firm from outside their territory is not guaranteed.

Since they are unable to provide a territorial package, the role of these players is to develop location sites and location-related services, targeting their market towards local firms. Their intervention regarding outside companies cannot be excluded, but in order to be effective it must involve the coordination of representatives in the territorial package. The public players' action gives priority to the logic of local authorities as opposed to that of territory because of the poor coordination between the players and the tax considerations relating to the siting of businesses.
The particular difficulty of getting a single central player to emerge who would be acknowledged by all concerned and on a long term basis as the legitimate co-ordinator of all the players is certainly related to the fact that the network of players functions within a system of co-operation and competition. The logic of the local authorities leads the public players to be in direct competition within a given territory, in order to collect professional rates, and in many cases leads local players to make an offer on the territorial package market that is better suited to the location product market. Involvement in the territorial package market, on the contrary, requires cooperation and coordination between local players.

The separation of viewpoints actually clarifies the terms of competition in the location market. There is, in fact, a common confusion between the viewpoints which leads to direct competition between two locations in different territories for a given location project, e.g. Grenoble’s Europole location against the new business quarter in Lille, Euralille.

However, although the existence of Euralille and Europole can actually lead a company to take an interest in the two cities, the locations themselves do not determine the competition, it is the territorial package in general. This is the case, even if the firm has directed its choice very early on towards a particular site within each of the territories under study. Competition between local players to direct a firm towards a particular location within a conurbation, which is quite justified between town halls and property developers in the local business market, can become dangerous in the case of outside firms when the firm has not finalised its decision regarding its choice of conurbation. It places competition on the level of a location product choice whereas the company’s requirements are still for a territorial package.
Each of these levels of the location market analysis characterises a particular type of supply/demand market. The players involved in the offer, the contents of the offers, the competition factors and the markets are of a different nature. The demand characteristics in terms of needs, expectations, and perceptions depend on the particular element of each level. The consideration of the distinction between the viewpoints, territory market or site market, should formally translate into the organisation and practice of territorial marketing.