

Regional Branding: A Relationship of Public and Private Sectors

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ABSTRACT

The idea that a geographic area can be branded, much like a product, has started to receive both academic and practical attention. The economic benefits of such activities are becoming clearer as more regional branding efforts are established. This paper discusses the nature of such activities, and develops a model of the interactions between public and private organizations and individuals necessary to accomplish regional branding goals.

INTRODUCTION

There are a variety of situations in which the public and private sector work together. Most of these situations deal with the government outsourcing a public or civil service to a private sector company. Such outsourcing is done at all levels of the government and in many varying areas. For example, on a local level garbage collection and on federal level the development of fighter planes is often done by the private sector. Governments outsource these activities because in most cases the private sector is more specialized, more efficient and can provide the service at a lower cost. The above examples, as well as almost all other outsourced government activities are essential to a functioning society. This study focuses on a much different type of relationship between the public and private sector; a relationship based on mutual gain rather than necessity. The goals of economic development and regional branding are very similar. "Place branding is the greatest common denominator between pillars (e.g. economy, infrastructure, education and culture) and arenas (citizens, entrepreneurs, authorities) making up an area [9]." Place branding/regional branding brings together the public and private sectors in an attempt to achieve similar goals. The result is public/private partnerships or PPP's. This study will discuss the benefits of regional branding through PPP's, how to create an effective regional brand using PPP's, and how specifically to organize a PPP.

PUBLIC/PRIVATE PARTNERSHIPS (PPP)

There are many potential benefits of the public and private sector working together towards a regional brand. Some of these benefits are mutual and others are enjoyed by one sector or the other. Both sectors stand to gain much more working together than they ever would separately. Regional branding can be defined as, "all those promotional activities of an area to increase the attractiveness of the region as a place for working, living, and spending free time [9]." Economic development is defined as, "the process in which local governments or community-based organizations engage to stimulate or maintain business activity and/or employment [23]." Breaking down these definitions on the basis of the three criteria in the first definition gives us a better idea of the benefits of a solid regional brand.

- Working: As businesses are increasingly attracted to an area, industrial clusters are created in the private sector. Industrial clusters are, "... geographically proximate groups of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities." In short, channel members congregate to the same geographical area where ease of communication, logistics, and personal interaction are possible [23]. These clusters help to stimulate business activity and employment as well as increase the corporate tax base for local governments. It also gives the region an industrial identity (i.e. Silicon Valley).

- Living: Although not explicitly laid out in the definition of economic development, most municipalities tend to encourage population growth. It is interpreted as the result of a well run government that adequately serves the needs of its constituency. It also increases the tax base. As population increases the private sector sees the size of its market increase and therefore the potential for sales increase.

- **Spending Free Time:** When a region becomes well known and provides incentives for people to spend their free and leisure time in the area, both sectors benefit. Increased traffic means increased sales for the private sector and economic boom for the public sector.

PARTNERSHIP DEVELOPMENT

So how does a local community create a regional brand with all the benefits listed above? There are two types of situations one may encounter when beginning to develop a regional brand. There are those in which the area already has a known identity and those where one must be developed. The former, “. . . has sought to rebuild and reconstruct the image of the city (region), allied to which has been a strategy of targeting specific types of activity which both reflect and bolster the image [21].” In these situations regional brands are created reactively rather than proactively. Such regions need only continue on the present course and increase promotion of the region. The latter, however, must actively create its identity. It’s in regions like this where many companies look only to promotion when trying to create a regional brand, thinking they can entice people to come with good advertisement. They focus on promotion because it’s arguably the only element of the marketing mix they can control [21]. For the purposes of this study the marketing mix is defined as product, place, price and promotion. When attempting to create a regional brand, the product being marketed is a geographical area making product and place one and the same. Price is ambiguous when applied to a geographical region. It’s the whole of all possible costs one might incur when visiting, working, or moving into the area. Controlling something so large is next to impossible. Thus companies turn to promotion.

In turning directly to promotion they overlook a crucial difference between place marketing and product marketing. Products can rely heavily on perceived value to draw in consumers and induce sales where regions cannot. In the instance of tourism some regions, for awhile, may get by on a perceived value, but when it comes to attracting businesses and citizens the consumer won’t be quite as gullible. Depending on their reasoning, they will be looking into education, taxes, infrastructure, safety, location, cost of living, job market, and many other things. In marketing terms, you’re dealing with a very knowledgeable consumer. It’s here where the companies comprised of the private sector must rely on those in the public sector to provide the infrastructure and public programs necessary to give actual value to the brand. In other words, regional brands are built from the inside out. They must be built internally before they can be promoted externally.

The first step in creating the brand internally is public/private partnerships. As described earlier, a solid regional brand can provide many benefits for both sectors, but with the benefits comes risk. The private sector relies on the public sector to provide the necessary infrastructure needed to carry out their business. This includes water, electricity, roads, telecommunications, facilities, worker transportation, and many others. In many cases it also relies on the public sector to offer subsidies and tax breaks to draw in corporations. Without these provisions the private sector wouldn’t be able to conduct its business. The public sector relies on the promises of the private sector to maintain their social capital. Social capital refers to the people and the bureaucracy’s support for and cooperation with political officials. Without social capital they can’t run an effective government and or get reelected. When public officials use regional branding as a tool in economic development they depend on the private sector to maintain their social capital. They also rely on the private sector to serve the public’s interest. In order to maintain a PPP in such a risky environment, trust between the sectors is necessary. This takes time and commitment on the part of both sectors. Brian Brewer and Mark Hayllar describe such a relationship:

This capacity to engage effectively beyond ties of kinship or common locality is an essential precondition for large-scale economic activities to develop within market economies and for successful capacity-building within public-private partnerships. This trust is systemic and involves trust in institutions as distinct from the interpersonal trust that develops between individuals [5].

Developing trust is the first step in creating a PPP and the eventual development of a solid regional brand.

As I mentioned in the opening paragraph, it is not uncommon for the public sector to outsource many of its common duties such as garbage collection and snow removal. These are a good start to developing a trusting relationship. Over time it provides the private sector an opportunity to prove its effectiveness in serving the needs of the public. It also develops a track record of public/private cooperation. As public officials come and go with elections this track record avoids having to start from scratch each time a new official takes office. In addition to outsourced public services, cooperation on a large scale project can serve as a good starting point to develop trust. The result of these projects should be facilities or structures

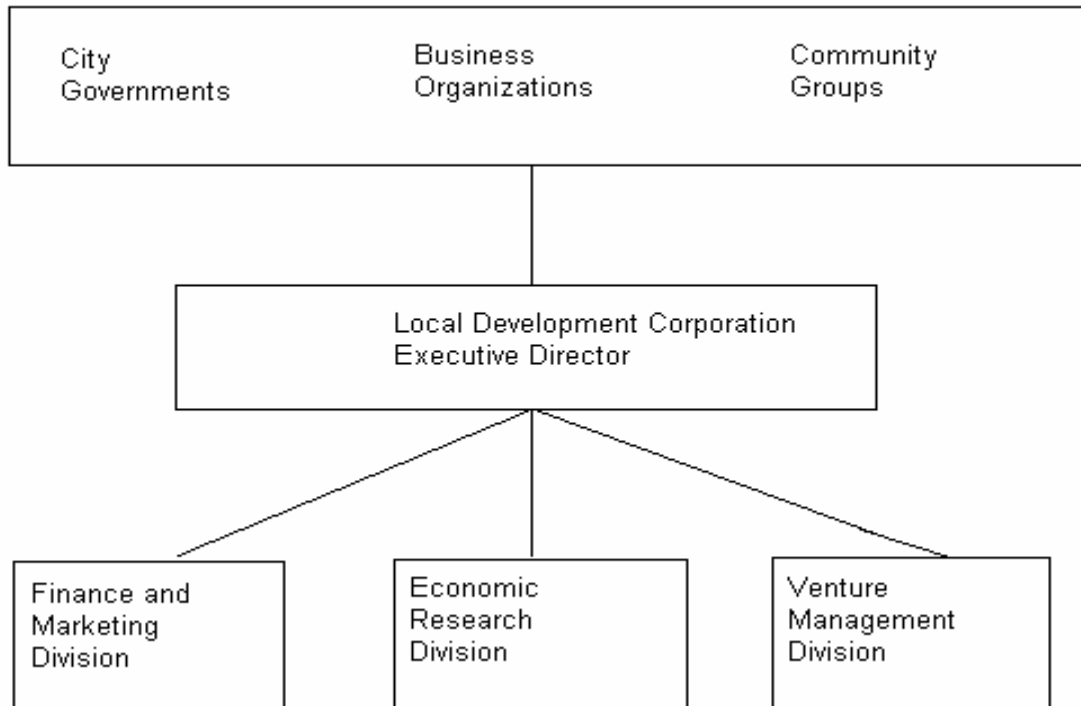
that add to the region's identity as well as serve the public's interest. They should be developed on a 'Build, Operate, and Transfer,' model making the private sector partners with not only the public sector but the community as well [5]. A new highway for example, would speed up travel times for citizens as well as increase the efficiency and feasibility of business-to-business operations.

Another method used in developing public/private partnerships is the use of non-governmental organizations (NGO) and non-profit organizations as third parties to the process. These organizations often possess a mix of the goals and motivations found in the public and private sector. In addition, they frequently have the public's trust. In most cases, they too will benefit from the development of a regional brand and are compelled to get involved to avoid being left behind.

Once a general trust has been formed the region can and should begin to form official organizations comprising of public, private and community groups. At this point the relationships go far beyond the previously discussed outsourcing and single project relationships.

"Although these activities are important, and perhaps integral to good business/government relations, they do not constitute true partnerships among the sectors. Partnerships are shared commitments to pursue common economic objectives jointly determined by public, private, and community sectors and instituted as joint actions [3]."

The purpose of these organizations is to expand the PPP, including current cooperative projects, facilitate and organize future projects, and move one step closer to the final regional brand. The reasoning behind a formal organization is the obtainment of a higher level of commitment. At this point in the process of forming a regional brand, the risks greatly increase due to the necessity of large capital investments over extended periods of time. Therefore it is only prudent that each participating group be held accountable to the whole. There are many different ways in which these organizations can be structured. Each region has to look at itself objectively and decide on the best way to organize. Here's an example of what a PPP organization might look like [3]:



The formation and implementation of these organizations is complex. There are many ideological issues that each sector must address. There is concern that the distorting of boundaries between political jurisdiction and market forces "blurs political accountability and allows for market-based actors to penetrate the domain of the political [2]." This suggests that the public loses its check on governments who

enter into agreements giving the private sector some decision making power. The private sector must address its responsibilities to its stakeholders. When they enter into negotiations with the public sector they will no doubt make some concessions to reach compromises. Some of these concessions may not be directly associated to the bottom line or their responsibility to increase the value of their shares. Each situation and organization will be unique so in both cases, public and private, no generalized conclusions can be drawn. The following is a set of guidelines to avoid conflicts of interest as well as promote a successful partnership:

1. Citizen participation in the development of goals reduces the public's doubts about the purpose of the organization and promotes trust.
2. Representatives from both sectors must be the principals from their given organizations capable of acting on their own and making decisions. This gives the organization validity and speeds up negotiations by limiting the number of times outsiders must be consulted.
3. A commonly accepted vision should be established with the limits of each participating member widely understood. This defines what the organizations capabilities are and avoids content towards a member who may be perceived as not doing as much as expected.
4. A realistic assessment of the regions strengths and weaknesses will aid in determining a vision as well as priorities for the organization. In addition, each member is made aware of the types of projects the organization will take on.

[2] [3] [4] [5] [18]

Although the above does provide guidelines to a successful public/private organization, the eventual success of the organization and ultimately the regional brand lies on the shoulders of the participating members. Their motivations must be honest and their actions trustworthy or the organization will lack integrity and validity; without which the organization cannot effectively operate and becomes nothing but a waste of time and resources.

DISCUSSION

As has been implied throughout this paper, local governments are best equipped to work with the private sector in regional branding and economic development. The Economic Development Administration (EDA), a part of the U.S. Department of Commerce, is the most widely used federal program for regional and local economic development. The usefulness of the EDA has been a subject of hot debate in recent years, and although it has survived since it's creation in 1965 its budget has decreased from 3.4 billion in 1978 to 1.8 billion over five years in 1998 [14]. That's a decrease of almost 90% per year. This decrease is partially attributed to the change in political philosophy, moving away from large government control to small government control. The current Bush administration has tried to further reduce the role of the EDA by attempting to consolidate the program with 17 other grant and loan programs. However, against a democratic congress in his first term, their attempts failed. When it was reauthorized in 1998, congress limited grant eligibility to cities and counties that had a per capita income that was 80% of the national average or an unemployment rate 1% above the national average. The bill also made exceptions for areas of "special need" because of increased unemployment or areas representing a "pocket of poverty or high unemployment [16]." Under these limits, the EDA's role is limited to areas under economic distress, and therefore its role in regional branding is also limited to these areas. Although these regions can use the grant money, in most circles the EDA is seen as a "cookie jar for politicians [16]." Due to the high levels of customization and hands on treatment required to create a regional brand, local governments should be in control.

CONCLUSION

In the course of using PPP's to develop a regional brand it's important to understand that there won't be a red ribbon ceremony to mark the brand. It's developed over time in part through the steps outlined in this paper. One must also understand that the label "regional brand" is somewhat ambiguous. Some regions will go farther than others in their attempt to develop their area's brand image. In addition, many regions will never reach the end result of a fully developed regional brand, but will settle somewhere along the way on the proper level of public/private partnership. Normally these decisions are not specifically made, but manifest themselves out of the many relationships formed in the process. As the identity of the region develops through these relationships and the infrastructure grows to meet the needs of outside

businesses and people the region begins to draw attention to itself. The success of these efforts will determine the strength and extent of the brand, not the principal players making decisions in a board room. The region's success will also be its strongest marketing tool. It goes back to the point made about building a brand internally before marketing it externally. A region with a strong brand has the ability to market itself without the help of traditional promotional activities.

It's also important to understand that external factors can affect the brand image, many of which are uncontrollable. For example, weather, location, social class stigmas, religion, history of high crime, ethnic make-up, and many others affect how someone views a particular region and therefore will be part of the eventual brand image. In most cases, the efforts of PPP's and regional branding cannot control or change these perceptions. This shouldn't discourage the marketer, but how they will affect PPP's and the overall image of the brand should be considered before any attempts at regional branding are pursued. It is possible that some regions are not meant to be branded.

The success of a regional brand ultimately depends on the quality of the relationships formed within the public/private partnerships. This includes intergovernmental, public/private, and private/private relationships. The best designed organization will fail without the cooperation of its key players. The fruits of these successful relationships create the incentives that draw people to work, live, and spend free time in the area. These incentives generate the economic growth that results in all the benefits associated with a strong regional brand, and it's the benefits that motivate companies and municipalities to invest time and resources in the regional branding process.

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