

15. Market, capital and government policy as location factors of industries

Marketing

= tries to find out what kind of goods is required by market and to produce them => ambition to coordinate production and market.

Main factors influencing business climate (environment):

- Inner factors = conditions or factors that a firm can change
- Outer factors:
 - *Legislation* – what is legal or illegal
 - *Competition* – possibility to change competition is different
 - *Technologies* – purchase (provision), licences
 - *Raw materials* – specifications of individual countries
 - *Financial climate* – possibilities to obtain a loan
 - *Labour* – qualification

Marketing mix of services: = 7P

- *product* (to find a suitable market segment/sector and to offer specialized product)
- *place* (to find new markets)
- *price* (optimal combination of price and number of sold products → no high price!)
- *promotion* = advertisement (communication with potential customers, various motives to buy a product)
- *personnel* (emphasis to personnel)
- *physical setting* (how can environment influence a customer, e.g. in banks)
- *process* (how long do I have to wait?, how long while will it take?)

Market analysis

= often to find out **distribution of customers and competitors** => list of questions with main aim: to specify possible customers and their preferences in detail.

Public relations (PR)

= create positive environment for a firm, e.g. articles, interviews in newspapers and magazines, advertisement or lobbying. Also creation of visual identity (logo) and image of a company.

Segmentation of a market

= by various characteristics:

- *geographic* – (TNC) different “buying power” and different consumer habits, e.g. Opel Corsa = car for students vs. car for beginner businessmen
- *demographic* – man/women, basic age structure (6-15, 15-18, retired, single/married, education, etc.)
- *psychological* – economical type vs. man with lower incomes
- *social* – economical people and people with lower incomes spend their money more to show that they can buy it...

Tertiary industry (progressive tertiary) has very big influence to a region's economic structure:

1. services generate new incomes and new jobs
2. services contribute to image (attractiveness) of a region
3. services increase competitiveness among firms

There is a big tendency everywhere in the developed world: **concentration of business headquarters of progressive tertiary companies to capitals of countries** (e.g. BA, Prague, Budapest, Vienna, London). Quaternary industry = leasing/broker/invest (capital) companies, real estates agencies, consultant companies, insurances etc.

Foreign Direct Investments (FDI)

= create serious (hard) business/enterprise climate (environment). 2 main motives:

- a) low costs – low input prices, all is imported, assembled and taken away, e.g. German companies using low costs for production (cheap labour and lower taxes), i.e. no big money stay in a region
- b) market penetration – higher importance for regional development, investments to greenfields (Kia) or to brownfields (reconstruction of old industrial zones). In general market penetration is a case of insurances, financial companies etc.

Government support for FDI includes SARIO in Slovakia or CzechInvest in Czech Republic → duty-free import of technologies, tax benefits, industrial estates (zones). But on the other hand, support of FDI distorts competition within a country. There is an extreme global competition to gain high-tech FDI (e.g. aircraft industry, research in electronics). In Slovakia it's not possible in regard to small, thin base of industry.

Small and medium enterprises (SME) and government support

As a symbol of initiative and economic growth of a region is a number of SME ⇔ generate *new jobs, innovation* and increase *competition* inside a country. Also big importance in case of *city image* => geographical consequence: higher amount of SME is located in more developed regions and in agglomerations.

How to support formation of SME?

1. positive “climate” in society, e.g. no useless administration (bureaucracy)
2. ensuring (development of) infrastructure for SME, e.g. education (labour)
3. provision of information, e.g. about taxes or insurance
4. financial support, e.g. bank loans

Keywords:

competitor, inner/outer factors, marketing mix, market analysis, PR, market segmentation, progressive industry, low costs, market penetration, SARIO