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Metaxas, Theodore

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# Marketing European Cities in the New Internationalized Environment: The course of Prague after 1989

**Theodore Metaxas**

Assistant Professor

Department of Economics, University of Thessaly,

Korai Str. 43, 38333, Volos, Greece

Tel: ++30 24210 74917

Fax: ++30 24210 74772

Email: [metaxas@econ.uth.gr](mailto:metaxas@econ.uth.gr)

## **ABSTRACT**

The aim of the article is to show the significance of Place Marketing in the development and competitiveness of European cities. The present study focuses on and points out the strategic process of Place marketing, in one of the most representative examples of its successful implementation, which is the city of Prague. Prague, which in only 16 years, after 1989, managed to increase its competitiveness becoming one of the most attractive investment and culture destinations on international level. More specifically, the article presents the course of Prague after 1989, awarding the profile of the city as a top competitive investment and cultural destination in the European hierarchical urban system.

**Key-words:** place/ city marketing, eastern European cities, Prague

**Jel Codes:** R50, R58, R59

## 1. INTRODUCTION

The last quarter of the 20th century is characterized by crucial and rapid developments on the European map in all aspects of financial, entrepreneurial, social and cultural activities. The global restructuring has generated a new regime of capital accumulation, with significant policy implications for various localities (Xu and Yeh, 2005). The role and the importance of regions and especially of the cities changes dynamically, becoming entities of vital significance in the frames of the new internationalized environment (Oman, 1996; Turok and Bailey, 2004; Scott and Storper, 2003; Puga and Venables, 1999). Competition has become so intense and intrinsic to local development that cities have to take a more entrepreneurial stance in order to remain at the top of a region and enhance their attractiveness to the footloose capital, residents and visitors (e.g. Harvey, 1989; Dicken *et al.*, 1994; Hall and Hubbard, 1998; Williams, 2002)<sup>1</sup>. Mainly the big metropolitan cities constitute agglomeration centers of knowledge and innovation, while at the same way; they constitute attraction poles of specialized human resources with skills and talent (ESRC, 1997; Meijer, 1993; van den Berg *et al.*, 2004; Van Winden and van den Berg, 2004). The attainment of a high position in the urban hierarchy system constitutes a primary goal of cities. In the urban, European environment the global metropolitan centers of London and Paris as well as the large cities of Central Europe (Frankfurt, Amsterdam, Brussels) predominate (Heenan, 1977; Meyer, 1986; Friedmann and Wolff, 1982; Rubalcaba-Bermejo and Cuadrado-Roura, 1995; Beaverstock *et al.*, 1999; Derudder *et al.*, 2003; Smith and Timberlake, 1995, 2001). These areas are estimated as the most appropriate for the development of financial activities, mainly. At the same time, the dynamic of other cities is brought out, such as cities of the European south (Barcelona and Madrid), or cities of central-eastern Europe (Warsaw, Prague, Budapest) e.t.c. [European Cities Monitor, 2001-2006]. In addition, a great number of urban centers which are attraction poles both to work and live in, is gathered in the Alpine zone in central Europe. Areas such as North Bavaria, North Baden-Württemberg, Savoy, Austria and the North Italian basin, according to an older view by Klaassen (1987), are characterized by stable working conditions, low unemployment and criminality degrees, high level of urban aesthetic, natural environment and cleanliness.

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<sup>1</sup> For many scholars, cities competition is characterized: by the growth and the efforts of multinational enterprises to establish new plants and offices in selected locations, by city governments taking on an increased role in marketing procedure in order to promote the image of cities as an 'ultimate productive good' (Metaxas, 2003), by the competition for European institutions to locate within cities, by the competition to attract business executives (Rohr Zanker, 2001), by the competition for public funds and by competition for 'hall mark' events such as sports and cultural festivals or trade fairs which have economic multiplier effects for cities economic development (Lever, 1993; 1999). Cities also compete in order to increase the quality of life and the environmental standards (Rogerson, 1999; Wong, 1998, 2001).

The aim of the article is to focus on the especially interesting area of central-eastern Europe and more specifically on the case of the city of Prague, which after the fall of the communist regime in 1989, redefined its targets and its development priorities through the implementation of new innovative procedures, unknown up to then in the eastern development standards, such as strategic planning and city marketing. The result was that 16 years later, the city to become one of the most competitive cultural and investment destinations, on international level. The present article follows Prague's course after 1989, focusing on the formation of a vision and a new image for the city, while stresses the importance of marketing procedure for the competitiveness and the international promotion of the city image as a European cultural metropolis and an attractive investment destination. Finally the article reaches conclusions concerning Prague's future steps.

## **2. MARKETING EUROPEAN CITIES IN THE NEW INTERNATIONALIZED ENVIRONMENT: A REVIEW**

Referring to European regions, Bachtler *et al.*, (1999:190), mentioned that in the frame of EU enlargement process, a decisive factor for the future economic development of the individual regions will be their ability to compete with other similar locations. Similar are views expressed by other studies, both on European and American level (Dicken and Tickell, 1992; Cheshire and Gordon, 1995; Rondinelli *et al.*, 1998). In this framework, the role of city marketing has been increasingly important in Europe<sup>2</sup>, since it has become a necessity with regards to the processes of global competition of cities, tourist attraction, urban management, city branding and urban governance (Ashworth and Voogd, 1990; Kotler *et al.*, 1993, 1999; Paddison, 1993; Ward, 1998; Avraham 2000, 2004; Ulaga *et.al.*, 2002; Bradley *et al.*, 2002; Doel and Hubbard, 2002; Warnaby *et al.*, 2005).

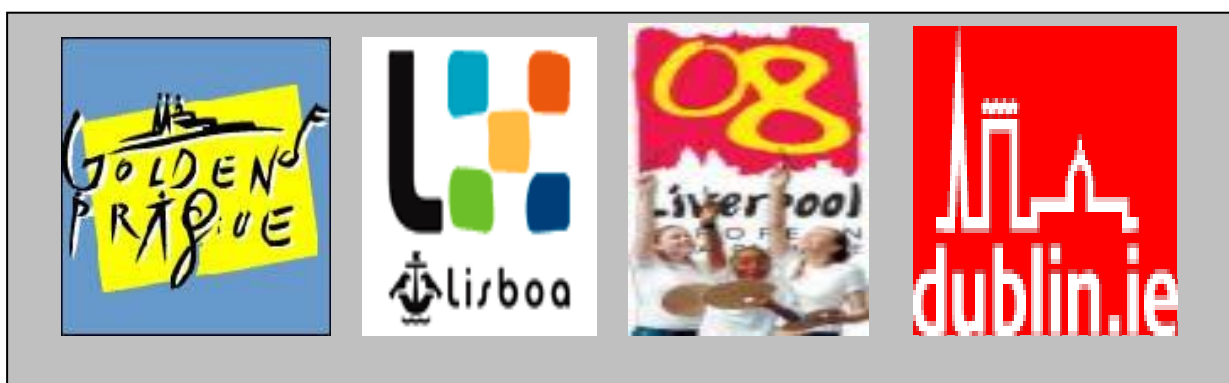
Places (towns, cities, regions) have been, characterized by a plurality of efforts, to shape or to reconstruct their images, based on the analysis and evaluation of their distinctive characteristics (Johnson, 1995; McCarthy and Pollock, 1997; McCarthy, 1998). New city marketing schemes also orient both to image building and repackaging the 'place product' by emphasizing the uniqueness of local identity (Ashworth and Voogd, 1990). The final good is the image of the place that is applied to the selected place target markets. The production of this 'good' is not something random. It is a continual process with particular development stages. It's based on the identification of the place vision, the place identity and finally the beliefs, ideas and impressions

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<sup>2</sup> City Marketing can be defined as...a process whereby local activities are related as closely as possible to the demands of targeted customers. The intention is to maximize the efficient social and economic functioning of the area concerned, in accordance with whatever wider goals have been established. This definition significantly shifts the secondary definitions of product, customers and goals compared to conventional marketing (Ashworth and Voogd, 1990:27).

that people have of the place/ city (Kotler *et al.*, 1999:19). In this framework, building an attractive investment place image (Head *et al.*, 1999; Christiaans, 2002; Stubbs *et al.*, 2002), or a cultural and tourism destination image (Booth and Boyle, 1993; Dahles, 1998; McCann, 2002; Seo, 2002) constitutes an extremely important part of places' economic regeneration (Hall, 1998:115). In the frame set by the international, competitive market the cities are oriented towards the formation of specific logos, slogans, advertisement messages, public relations programs e.t.c. Figure 1 presents some logos of cities. The 'Golden Prague' logo for the city of Prague, the official logos of the cities of Lisbon and Dublin and the official logo of Manchester as a Cultural Capital for 2008.

*Figure 1: European Cities' logos*



Moreover, the cities are interested in the development of huge projects concerning their reorganization and rejuvenation as well as the undertaking of celebrations and events with international appeal (international fairs, festivals, sports and cultural events, the Olympic Games, the institution of Europe's Cultural Capital e.t.c.) aiming to the creation of an international competitive profile (Masterman, 2004:17; Balsas, 2004; Carriere and Demaziere, 2002; Hafenors, 2000). There are a number of cases of cities in Europe and the rest of the world that have implemented Place Marketing policies effectively. For instance, Wooley (2000) and Page and Hardyman (1996) used the combination between place marketing and town centre management as a main tool of development and competitiveness in UK cities, while Hubbard (1995) referring to the city of Birmingham, examines the relation between urban design and local economic development in order to create an attractive city image as a key strategy for encouraging investment and business activities. In addition, Chervant-Breton (1997), analyse and compare the promotional activities of the metropolitan cities London and Paris in a global and competitive context, while Cochrane and Jonas (1999), referring to Berlin case, support that the emphasis of place/city marketing is aiming to the ways that the cities become dominated in order to achieve the greatest perceptions of urban success.

Furthermore, Prague (as a cultural centre in Eastern Europe) [Hammersley and Westlake, 1996; Metaxas, 2006], Amsterdam (as an international centre of business and culture) [Kavaratzis and Ashworth, 2007], Leipzig (as an international centre of fairs and exhibitions) [Kotler *et al.*, 1999:56], Bilbao and Porto (as cultural centres) [Gonzalez, 1993; Balsas, 2004], Lisbon (as an Atlantic metropolitan centre) [Alden and Da Rosa Pires, 1996; Vansconselos and Reis, 1997], and Thessaloniki (as the metropolis of Balkans) [Deffner and Labrianidis, 2005] are seeking to develop business, culture, tourist and leisure policies in order to attract potential target markets, to fortify their economic development and finally to increase their market share in a global economy<sup>3</sup>.

### **3. CENTRAL-EASTERN EUROPEAN CITIES: THE PERIOD AFTER 1989**

Since the fall of the Berlin Wall in late 1989 great changes have taken place in the former socialist countries of Europe and the Soviet Union, the so-called '*transformation*' (Illner, 1996)<sup>4</sup>. In the case of countries and cities in central-eastern Europe the scenarios for the organization of New Europe, were interpreted as transition and adaptation policies on the part of central-eastern European countries towards the western European development prototypes, as the weakness to maintain the economic and political structures existing before 1989 and the ineffective implementation of policies in the former economies of central planning, led to them (Petraikos, 2001; Wallace, 1998). The transition from a centrally-planned industrialized system of mass production to a system of flexible accumulation has been accompanied by restructuring of the welfare state and a transition to pluralist, democratic governance (Tsenkova and Nedovic-Budic, 2006:350). According to Petrovic (2005), Post-socialist societies are simultaneously facing at least three types of transformation, causing complex structural changes: a) from totalitarian to democratic society, from the planned to market based economy and/or from supply to demand driven economy, b) developmental: from an industrial to post-industrial (service) economy and society and c) transformation from an isolated to an integrated position in the world economy, which is itself transformed from an international to global type.

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<sup>3</sup> Although place marketing importance is supported by the existence of scores of successful references to cities, it is being questioned as a procedure since it comes short of analyzing the internal and external environment of cities, specifically determining the potential target markets, developing concrete strategies aiming at the satisfaction of the potential target markets which they desire to attract and, finally, presenting a specific methodology to measure the effectiveness of promotion policies adopted in city competitiveness. This very point is especially important since economic geographers mainly, (Cheshire and Gordon, 1998; Cheshire and Magrini 1999, 2001) talk about the 'Waste Strategies', phenomenon, that is the strategies for the attraction of potential target markets, which developed without any kind of evaluation and consequently they do not generate any profit on local as well as on regional level.

<sup>4</sup> Illner (1996), referring to the transformation of the Post-Communist countries, supported that transformation is a multi-dimensional process and its political, economic, social and cultural components are so tightly intertwined that they have to be considered jointly, both in practical policy and research.

In this frame, Eastern European countries as destinations have positioned themselves as inexpensive, affordable, modern, sunny and welcoming countries. Some slogans have changed throughout the years and become more specific. Croatia has 'evolved' from a 'Small Country for a Great Vacation' into 'The Mediterranean as It Once Was', while Hungary from the 'The Heart of Europe' into 'Talent for Entertaining'. Latvia's slogan ('The Land that Sings') and Estonia's ('Welcome to Estonia') remained unchanged (Szondi, 2006). Besides, however, the implementation of promotion policies on national level, the European experience also brings out policies on cities' level in Eastern Europe, which strengthened their competitive position towards other metropolitan and urban centres of Europe. The case of Prague that follows is one of the most characteristic examples.

#### **4. THE CASE OF PRAGUE**

##### ***The city after 1989***

The Czech Republic has widely recognized as the most striking transitional success from a command to a market economy (Valencia, 2000) by undergoing a decade of dramatic change since the overthrow of Communism. The so-called *Velvet Revolution* in November 1989 transformed its political system almost immediately, returning democracy for the first time since March 1939 (Pucher, 1999; Sykora, 1994). The collapse of communist regimes, including that in Czechoslovakia in late 1989, led to greater political democracy and economic liberalization (Johnson, 1995). It's characteristic that nearly 2500 shops, restaurants and other smaller enterprises found new owners or tenants in the small privatisation actions during 1991-1992 (Sykora, 1994; Valencia, 2000).

There is a plethora of scientific studies concerning Prague and its development course in the last 15 years (i.e. Sykora and Stepanek, 1992; Sykora, 1994, 1996, 1999; Simpson and Chapman, 1999). Within this framework of political, social and economical transformation, the city of Prague, as the capital of Czech Republic, has faced the reality of new political, economical and social transactions according to the Western European standards of development (Metaxas, 2006; Hammersley and Westlake, 1996; Sykora and Stepanek, 1992)<sup>5</sup>. The transformation of the centrally planned economy into a market economy and of the authoritarian political system into a pluralistic multiparty system, the opening of borders and other changes especially the globalization processes led to functional and structural diversification in the economy, urban governance, life style, value orientation, and step by step again to changes of the built

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<sup>5</sup> According to Sykora (1999), the establishments of market principles of resource allocation and growing exposure to the international economy have been the major forces which have shaped the transformation of this former socialist city.

environment and of the socio-spatial structure of Prague (Musil, 2006; Sykora, 1999). At the same time, according to Sykora and Stepanek (1992), the large increase in the number of visitors is influencing the development of tourist facilities (new hotels, private accommodation), while the interest of foreign companies is seen not only by foreign banks' local offices but by concrete investments in building. Prague became a well known tourist destination, attracting each day 300.000 tourists (Turba, 1996; Cooper and Morpeth, 1998) and observed a renewal of intellectual contacts with universities, research institutes, laboratories in the world (Musil, 2006). The key influences on development pressures in the decade of '90s were translated as a major necessity for Prague to become a capital city and a service centre. In addition, the City Council decided to improve the citizens' assets in the city's facilities, to create new jobs and new services sectors.

### ***Economic and demographic profile in brief***

Prague, the capital of today's Czech Republic and the former Czech Crown Land lies in the Bohemian lowlands. The City of Prague is an attractive region for life steeped in history and tradition. It is one of the most economically developed regions of the EU, and it is economically the strongest region in Central and Eastern Europe, with a potential for further economic growth. In relation to the surrounding states, it is well positioned; it is 120 km away from the borders on Germany and Poland, 150 km away from the border on Austria, and approximately 250 km away from the border on Slovakia. Prague is a natural economic, scientific, educational, cultural, and political centre of the Czech Republic. It is also a municipality, administrative region, and NUTS 2 cohesion region. Prague has 1.2 million inhabitants, i.e. 12% of the Czech Republic's total population. It generates approximately 25% of the Czech Republic's GDP; the most significant item of the city's economic base is the service sector, which accounts for 80% of GDP and 75% of employment in Prague. The unemployment rate here is roughly half the national average. The region is also highly attractive for foreign investors. From the national point of view Prague is the most prospering region of the whole country with an above-average GDP contribution - more than 20% of the whole GDP is created here. The city records a low unemployment rate and incomes reach the level of 30% above the national average. Prague attracts high interest from entrepreneurs and it concentrates approximately one fifth of foreign investments in the Czech Republic. All central institutions, apart from several judicial bodies, are seated in Prague, as the capital of the Czech Republic (BRIS, 2004). Table 1 presents some main selected statistics of Prague for the year of 2004, in comparison with the whole Czech Republic, while table 2 presents the major top foreign investors in Prague region. It is obvious from Table 2, that because of its contiguity with Germany, Prague is an important investment destination for



German firms belonging mainly to the sector of services and industry. At the same time, however, there is a sound presence of firms from other European countries (Great Britain, Spain, France, and Holland) but also firms from the USA, marking this way the competitive position of Prague as an investment destination on European level.

**Table 1: Statistics about Prague and Czech Republic**

Selected statistics	Prague	Czech Republic
Area	496 km <sup>2</sup>	78 868 km <sup>2</sup>
Population (30 June 2004)	1 166 491	10 213 480
Population density per km <sup>2</sup>	2352	130
Rate of registered unemployment (1st half of 2004)	4.23 %	9.87 %
Industrial enterprises – 100 or more employees (1st half of 2004)	226	2373
Average gross monthly wage (1st half of 2004)	CZK 21 497	CZK 17 267
Regional GDP (CZK millions) (2002)	537 708	2 157 828
Regional GDP (%) (Czech Republic = 100) (2002)	24,9	100,0
Per-capita GDP (Czech Republic = 100) (2002)	218,8	100,0

Source: Czech Statistical Office, rating agencies – (BRIS, 2004)

**Table 2: Major foreign investors based in Prague with the help of Czech Invest**

Investor	Sector	Type of activity	Country of origin
Accenture	Financial and accounting operations	Business Support Services	Netherlands
Acesame	Automotive	Manufacturing	France
Computer Associates International	IT	Business Support Services	USA
DHL	IT	Business Support Services	GB
ESSA Czech	Automotive	Manufacturing	Spain
Exxon Mobil	Financial and accounting operations	Business Support Services	USA
FP SEA S.A	Call Centre	Business Support Services	France
Honeywell	Electronical	Technology Centre	Germany/USA
Incline Global Technology Services	Electronical	Business Support Services	GB
Isoflock	Plastic	Manufacturing	Germany
LATECOERE	Aerospace	Technology Centre	France
Logica	Software	Business Support Services	Netherlands/GB
Mafra	Printing	Manufacturing	Germany
Ricardo	Automotive	Technology Centre	GB
Siemens	Financial and accounting operations	Business Support Services	Germany

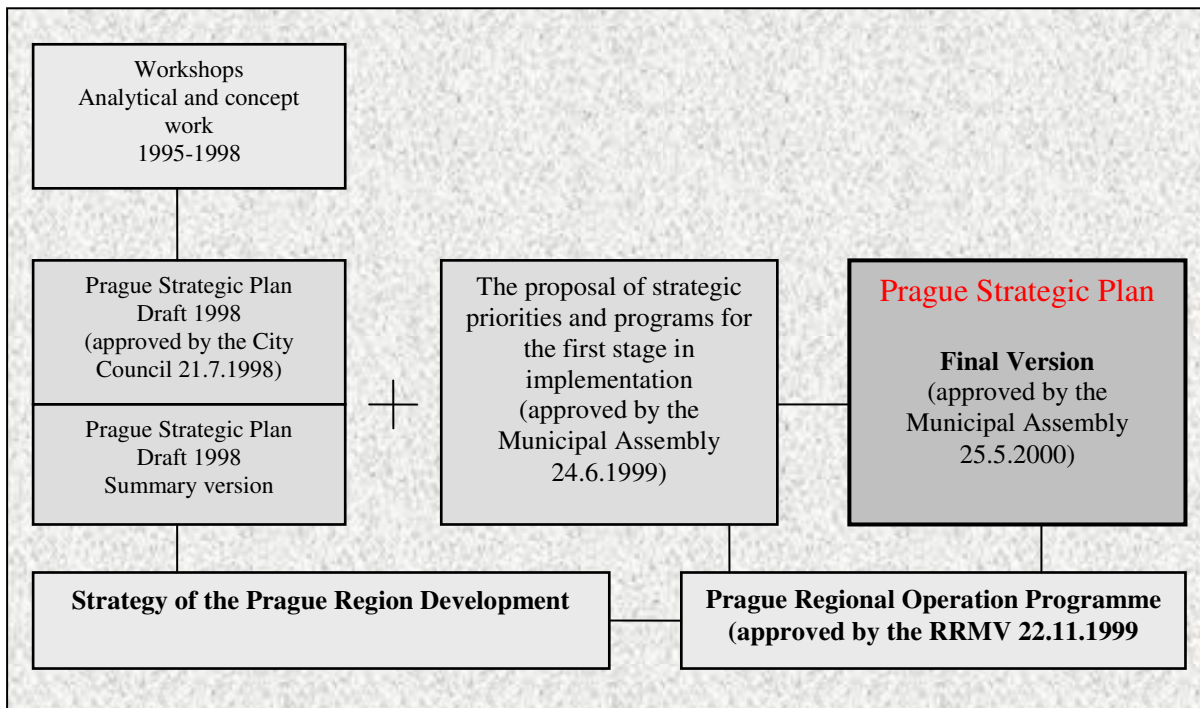
Siemens AG	Engineering	Manufacturing	Germany
Valeo	Automotive	Technology Centre	France

Source: Czech Invest

### *Strategic Plan and the vision of the city*

The strategic plan for Prague is a complex program based on negotiation and agreement. It lays out strategic development plans for the whole community, all spheres of its implementation and how far it extends while stressing the importance of the correlation between the proposals, policies and programs. It is a document that sets out the long-term aims of the city covering a period of 15–20 years. The overall concept for the new strategic plan was discussed by the Prague City Council on 21st July 1998 and approved as the basis for further work concerning city development. In November 1998 the elected City Council used various parts of this plan as the basis of their program declaration for the electoral term 1998–2002. In 1999 the Prague strategic plan was completed by a procedural proposal of priorities on how to achieve these aims extending over a period from 1999 to 2006. On 24<sup>th</sup> June 1999 the Prague Municipal Assembly approved and filed this program and the steps necessary for its completion (Municipal Assembly Resolution No. 09/03). The final version of the Strategic Plan was approved by the 25 May of 2000 (Figure 2) [Strategic Plan of Prague, 2000:10].

**Figure 2:** *The process of Prague's Strategic Plan approval*



Source: Strategic Plan for Prague (2000:10)

According to the Strategic Plan of Prague (2000:21), the creation of a vision was a procedure in which participated both special bodies and decision makers and the city dwellers and firms. Taking into account the historical past of the city as well as the analysis of its internal and external environment (Strategic Plan of Prague, 2000: 1-5) Prague was evaluated for a number of interest sectors in order to define, according to the estimations of the participants, the city image for the future (Strategic Plan of Prague, 2000: 1-5). Sectors such as international relations, education, culture and research, synthesized the vision for the specialists as they receive high values by them in comparison to the values given by the general public. As a result of the estimations above, Prague can become one of the top and very important culture and tourist European destinations, among cities such as Amsterdam, Vienna, Berlin, Copenhagen etc. (Czech Tourism Authority: Promotion Strategy 2004-2010). In order for this goal to be achieved, market researches were adopted and implemented on European and international level, information on the world tourist market tendencies was collected and journalistic data and psychological aspects concerning the visitors of the city were compiled. In addition, in order to realize this strategic vision the city administration (elected bodies, authorities and city organizations) in co-operation with the public and private sectors and the people of Prague are pledged to do the following (Strategic Plan of Prague, 2000).

- Develop Prague as an important central European city and capital of the Czech Republic, a city that is ambitious, progressive and respected as a political, commercial, tourist, cultural and social centre.
- Utilize and further develop the potential Prague has in order to create a competitive economy which in turn will bring benefits to the people and the country as a whole.
- Promote Prague as a place where the tourist industry is a linchpin to development and where services are continually being improved.
- Do its best to achieve a sensitive economic development program, particularly where preserving and upholding the uniqueness of Prague is concerned, and provide a selection of activities spread throughout the whole of the city that will respect the needs and potential of the individual boroughs.
- Secure the base necessary for an open market for Czech or foreign investors and workers alike, and present Prague as a place with a good address for reliable businesses and international institutions.

### ***A competitive and attractive investment destination and business environment***

There has been a substantial volume of foreign direct investment (FDI) in Central and Eastern Europe (CEE) since the commencement of the wide scale transition to a free market economy; especially after 1994 when the European Union (EU) committed itself to enlarging (Fahy *et al.*, 1998; Bandeji, 2000; Bevan *et al.*, 2001)<sup>6</sup>. Foreign investors valued political stability, general economic development and some other specific conditions (such as the size of the internal market, solvent demand of the population and geographical location) when deciding where to put their investments (Tosics, 2004). In most transition countries, a package of measures liberalising the business environment has been introduced, allowing individuals to form enterprises with greater ease. As a result, there has been a rapid increase in the number of new firms, especially in economic activities which were underdeveloped in the command economy, such as commercial and business services, construction, and hotel and catering (Bachtler *et al.* 1999:100-101). It has provided a major boost to the reform, especially in Czech Republic, Estonia and Hungary, where a more liberal and stable environment has attracted strategic investors to enterprise restructuring and technology transfer (Tsenkova, 2004). Young's (2005) study is one of the few ones, which overviews the role and nature of place marketing in attracting foreign direct investment (FDI) into CEE. He concludes that simple promotional campaigns that aim at raising investor awareness of localities in the region have quite limited impact and in order to be successful place marketing must become a sophisticated and complex set of strategies and address investor specific needs. He provides a case study about Czech Invest, which has been one of the most successful investment promotion organisations in the region. In the first half of 2006 alone, 84 foreign and Czech investors from the fields of manufacturing, business support services and R&D decided for the Czech Republic. These firms plan to invest over three billion dollars here in coming years and to employ nearly 18,000 people (City Invest Czech, 2006/2007:4)<sup>7</sup>.

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<sup>6</sup> Bevan and Estrin (2000) examines the impact of the public commitment made by EU member-states to enlarging eastwards at the Essen European Council in 1994. Having controlled for all the factors that encourage or discourage FDI, the results suggest that the 1994 Essen Council announcement was associated with a significant increase in the level of FDI received by the front-runner countries for EU accession — namely the Czech Republic, Hungary and Poland.

<sup>7</sup> CzechInvest, the Investment and Business Development Agency, is an agency of the Ministry of Industry and Trade of the Czech Republic whose services and development programmes contribute to attracting foreign investment and promoting the development of Czech companies and the country's business environment. The main objective of CzechInvest is to advise and support existing and new entrepreneurs and foreign investors in the Czech Republic. The agency also promotes the country abroad and acts as an intermediary between the EU and small and medium-sized enterprises in utilizing EU Structural Funds in the Czech Republic (City Invest Czech, 2006/2007:4).

More particularly in the case of Prague, a strong orientation to become the city a competitive and attractive business destination has already set up over the last ten years (Strategic Plan of Prague, 2002). Internationalization and globalization of Prague's economy and life styles changed radically the city. According to recent studies (Young, 2005; Spilkova, 2007) the most important was internationalisation through capital investments by foreign companies, which expanded their operations into Prague and its wider surroundings. They were particularly demanded office, retail and warehousing premises for their operation and became very influential actors in the commercial property development processes (Sykora, 1999, 2007; Musil, 2006).

**Table 3: The best 30 cities to locate a business**

Cities	1990*	2001	2002	2003	2004	2005	2006	Change 1990-2005
London	1	1	1	1	1	1	1	-
Paris	2	2	2	2	2	2	2	-
Frankfurt	3	3	3	3	3	3	3	-
Brussels	4	4	4	4	4	4	5	-
Barcelona	11	6	6	6	6	5	4	+7
Amsterdam	5	5	5	5	5	6	6	-1
Madrid	17	8	7	7	7	7	7	+10
Berlin	15	9	8	9	9	8	8	+7
Munich	12	10	11	10	8	9	9	+3
Zurich	7	7	10	11	10	10	10	-3
Milan	9	11	8	9	11	11	12	-2
Dublin	-	13	12	12	12	12	11	-
<b>Prague</b>	<b>23</b>	<b>21</b>	<b>16</b>	<b>17</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>+10</b>
Lisbon	16	16	17	15	16	14	15	+1
Manchester	13	14	19	13	14	15	21	-8
Düsseldorf	6	17	13	16	18	16	14	-12
Stockholm	19	15	14	18	15	17	17	+2
Geneva	8	12	15	14	17	18	20	-12
Hamburg	14	18	18	20	19	19	16	-2
Warsaw	25	27	26	22	20	20	18	+5
Birmingham	-	-	-	-	-	-	19	-
Budapest	21	22	25	23	23	21	22	-
Glasgow	10	19	21	21	24	22	25	-15
Vienna	20	23	23	24	22	23	23	-3
Lyon	18	20	20	19	21	24	24	-6
Copenhagen	-	24	24	25	26	25	27	-
Leeds	-	-	-	-	-	-	28	-
Bucharest	-	-	-	-	-	-	29	-
Rome	-	25	22	26	25	26	26	-
Helsinki	-	26	27	29	28	27	30	-
Moscow	24	30	30	28	27	28	31	-7
Oslo	-	28	29	27	30	29	33	-
Athens	22	22	28	30	29	30	32	-10

Source: European Cities Monitor (2000, 2001, 2002, 2003, 2004, 2005, 2006) – Author elaboration

\*In 1990, only 25 cities were included in the study.

**Table 4: Existing representation of businesses in European cities**

Cities	2002 (%)	2003 (%)	2004 (%)	2005 (%)	2006 (%)
Paris	45	45	40	40	40
London	42	42	34	34	36
Barcelona	31	31	30	30	30
Madrid	34	34	29	29	29
Milan	31	31	25	25	28
Brussels	27	27	23	23	19
Frankfurt	21	21	18	18	19
<b>Prague</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>18</b>
Moscow	17	17	17	17	18
Amsterdam	21	21	20	20	16
Rome	18	18	15	15	16

Lisbon	19	19	18	18	16
Warsaw	22	22	20	20	16
Berlin	19	19	19	19	15
Zurich	10	10	13	13	15
Budapest	15	15	14	14	15
Munich	19	19	19	19	14
Vienna	15	15	16	16	13
Hamburg	14	14	13	13	12
Lyon	12	12	14	14	11
Copenhagen	14	14	11	11	11
Dublin	12	12	13	13	11
Düsseldorf	17	17	13	13	11
Stockholm	12	12	14	14	10
Bucharest	-	-	-	-	9
Athens	12	12	11	11	8
Helsinki	8	8	10	10	8
Oslo	12	12	10	10	8
Birmingham	-	-	-	-	8
Manchester	12	12	12	12	8
Geneva	8	8	11	11	-
Glasgow	7	7	8	8	-

Source: European Cities Monitor (2001,2002,2003,2004,2005,2006) – Author elaboration

**Table 5: The best 30 European cities in terms of government climate of business creation**

Cities	2002	2003	2004	2005	2006
Dublin	1	1	1	1	1
Budapest	4	6	4	3	2
<b>Prague</b>	<b>9</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
Warsaw	9	5	3	4	4
London	2	3	6	6	5
Madrid	4	6	5	5	6
Bucharest	-	-	-	-	7
Barcelona	6	8	8	8	8
Zurich	7	10	7	6	9
Brussels	8	12	10	9	10
Amsterdam	3	4	8	10	11
Glasgow	14	9	11	13	12
Leeds	-	-	-	-	13
Berlin	12	14	17	14	14
Lisbon	9	13	12	10	14
Geneva	13	10	13	12	16
Paris	14	15	14	17	17
Moscow	19	15	19	18	18
Birmingham	-	-	-	-	19
Munich	20	24	24	26	20
Manchester	18	15	14	15	20
Vienna	24	21	16	16	22
Stockholm	25	23	19	26	23
Düsseldorf	25	28	28	23	24
Helsinki	22	24	21	19	24
Frankfurt	17	18	27	23	26
Milan	20	16	21	23	27
Copenhagen	22	28	18	22	27
Athens	17	18	25	19	29
Lyon	27	24	21	19	30
Oslo	21	21	30	29	-
Hamburg	30	30	29	29	-
Rome	29	27	25	30	-

Source: European Cities Monitor (2000, 2001,2002,2003,2004,2005,2006) – Author elaboration

\*In 1990, only 25 cities were included in the study.

Tables 3, 4 and 5 present some very important rankings about Prague as an attractive and competitive investment destination (European Cities Monitor, 2000-2006)<sup>8</sup>. More specifically

<sup>8</sup> This research concerns the evaluation of the top 30 European Cities by senior executives from 506 research companies. The senior executives evaluate cities with a number of criteria (i.e. qualified staff, easy access to markets, external transport links, promotion and improvement of cities, etc.) that companies take into consideration in their

table 3 presents the best 30 cities to locate a business over the last six years (2001-2006) related with the period of 1990. Prague has increased its position 10 places over the last sixteen years, among other traditional destinations such as Düsseldorf, Manchester and Geneva which they faced a rapid decrease the same period. Prague with Berlin and the two Spanish metropolises Madrid and Barcelona are the most rapidly developed cities in terms of business expansion the last two decades. Relevant to this view is the picture of table 4 that provides the existing representation of businesses in European Cities for the period 2002- 2006. Prague holds the 7th position during this period, competed all the traditional metropolises of 'Blue Banana' corridor and also the new dynamic destinations of Spain. For this period

Prague holds a stable percentage of 18-19% of foreign businesses representation in its area, being very close to Frankfurt, Lisbon, Warsaw and Berlin. The quite high percentage of enterprises is also closely related with the existence of a good government climate of businesses creation as it's been presented in table 5. As we mentioned before the existence of a favorable business environment plays a significant role on local firms' development but as soon attracting new one. *Improving Prague's profile as a good business partner, and securing a favourable business environment*, is one of the main development axes of the city that based on: a) engage in business openly and professionally with all potential investors and businessmen (Prague Development Agency, "Single Door" project), b) by maintaining or improving Prague's rating, strengthen Prague's pulling power to businesses. Make use of this rating in ensuring the quality of city marketing and advertising (e.g. "Prague – An Attractive Address for Business" program), c) aid the creation of suitable conditions for the development of small and medium-sized business operations (business incubators, advice and consultancy centres, etc.), d) formulate a reliable and comprehensive citywide integrated trade fair and exhibition policy ("Prague – Congress City" and "Prague Trade Fair" programs) [Strategic Plan of Prague, 2000]. As we can see from table 5, Prague is one of the leading cities in terms of government business climate together with Budapest and Warsaw but also Bucharest and Barcelona, with best city Dublin. The whole view of the first eight cities represents a general option of the awareness of some particular cities that belong to the 'Red Octopus' area, as it had already been mentioned by van den Meer (1998). These cities, which belong to the less developed regions of Target 1 of the EU but also to countries of the former Eastern Europe, have brought out a new order, on economic level mainly, in the last 15 years.

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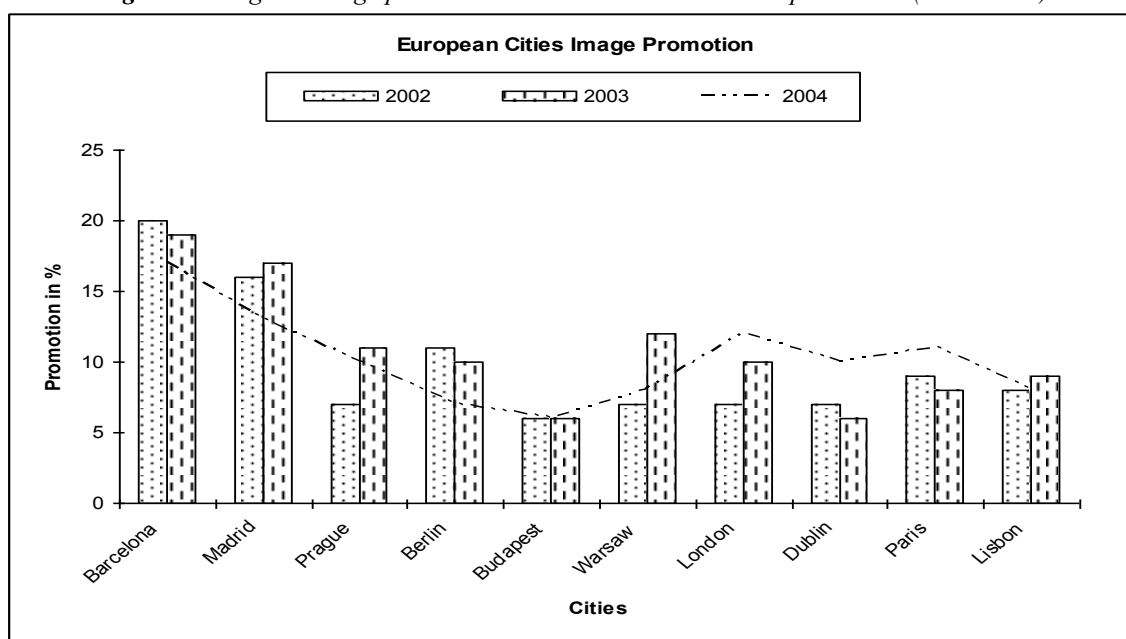
decision to locate new business. The scores shown for each city are based on the responses and weighted according to nominations for the 'best', 'second best' and 'third best'. Each score provides a comparison with the scores of other cities and, over time, for the same city

### **Marketing policies implementation and improvement of city image**

*Preserving and making use of Prague's uniqueness*, is one of the main marketing tasks of Prague's Strategic Plan (Strategic Plan of Prague, 2000:30) and based on: a) Support Prague marketing strategy by offering Prague as a beautiful, unique and attractive city, but one that is dynamic and content to fulfil its obligations. Create and put new opportunities on offer and enhance Prague's good name via the "Prague – a city of open doors" program, b) Use Prague's prestige and excellent location in Europe underpinned by the appropriate investment in service industries and infrastructure. Push Prague as a suitable headquarters for international institutions and host city of important international events, c) Face up to the reality of the illusion that Prague will always have long-term and automatic attraction to visitors and investors alike.

In order to satisfy this task Prague in recent years manage to create an attractive and competitive European city profile by investing in promotion but also in improvement of its image. Figures 3 and 4 present the European Cities Image in terms of Promotion and Improvement (%). More particularly figure 5 present the European Cities Image Promotion for the years 2002-2004 in %. As we can see, Prague's position is very high, following the two Spanish metropolises, Barcelona and Madrid. For the years 2003-2004 Prague has the same percentage with the two metropolitan centres, London and Paris, which they increase their promotion percentage for 2004. Figure 6 shows the effectiveness of Prague promotional efforts, where presented the percentage of improvement of European Cities image. Related to all presented cities, Prague manages to increase better its image improvement, both for 2005 and 2006 in relation with the period 2003-2004.

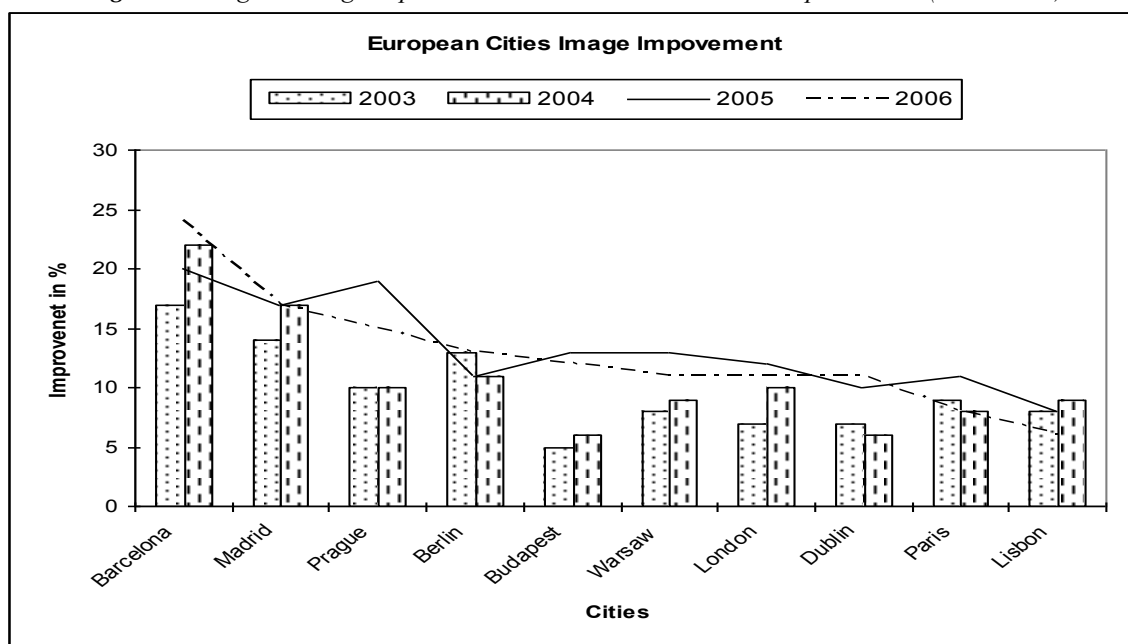
**Figure 3: Prague's image promotion in relation with other European cities (2003-2006)**



Source: European Cities Monitor (2003-2006) – Author elaboration



**Figure 4:** Prague's image improvement in relation with other European cities (2003-2006)



Source: European Cities Monitor (2003-2006) – Author elaboration

This view leads to the conclusion that marketing policies, in which the city of Prague has invested, have had spectacular results in the establishment of the city as a competitive destination both on investment and cultural level, satisfying the initial goals and the vision of the city. Also, we come to the conclusion that marketing policies can be effective and contribute to the economic development and competitiveness of cities only under the prism of strategic planning, which the case of Prague renders so obvious.

## CONCLUSION

The aim of the article is to promote the importance of the procedures of strategic planning and the implementation of promotion policies aiming at the development and the competitiveness of European cities, with special reference to the city of Prague. The decades of the 70s and 80s are characterized by the agglomeration of economic activities and populations in cities and regions with specific local characteristics (central geographical location, proximity to national road networks, infrastructure in port and air transportation e.t.c.), while by the end of the 80s, turn of the 90s, the nature of the agglomerations changes as in the procedure of attraction of investments and populations other, more qualitative factors are also being taken into consideration; such as quality of life, environment, culture, the aesthetic image of a city, etc. This phenomenon is quite clear in the countries and cities of Central-eastern Europe, which, after

1989, are characterized by rapid development rates improving their competitive position in the European system of urban hierarchy.

The article concludes that Prague sets one of the most characteristic examples of cities which improved and reinforced their development profile after 1989, by using policies such as place marketing, despite the fact that such policies, for various reasons, are open to severe scientific criticism with regards their effectiveness and significance in the urban development process.

In the case of **Prague**, there is a strong orientation towards the planning and the implementation of promotion policies with clear determination of city vision, the development objectives and also the audition of the city's distinctive characteristics, while strategic planning, constitutes the base for the implementation of policies and the effective contribution of place marketing on the economic development of the city.

Finally, the development process of the city is explained as part of a total effort that Prague, and almost all the cities of Central-Eastern Europe, has made in the last decade in the frame of a transformation period towards a new economic and social reality. So these cities have to adapt to the new parameters, policies and mechanisms in order to develop financially, to create their images and to become competitive.

An important issue in the social dimension of urban attractiveness that is attracting special attention of urban policy planners is social cohesion. This reflects a widespread recognition that the image of a 'divided city' has detrimental effects on city attractiveness and that social cohesion is the foundation on which attractive social environment should be created. It is often argued that urban renovation policies in the past have not always been successful in solving the problem of social divisions in a city and achieving social cohesion (OECD, 2005:9). If we wished to adopt a stance towards the question to what extent Prague's course is a successful one, we will support that the studies and reports up to now converge in a common stance that Prague has managed to become the top Destination in the world tourism and investment market. The question, though, is 'At what cost?' A great number of approaches supports that Prague's course was marked by a variety of problems, especially with issues concerning urban planning, policies on land usage and residential control (Sýkora, 1996, 1999; Temelova, 2007). For instance, following the privatization of flats by their users the new individual owners or co-owners, face difficulties in accessing the information and financial resources needed to maintain and/ or improve the value of their property (Maier, 2005:45). Furthermore, in the issue of investments, the management and co-ordination of projects passed on large, foreign firms as there was complete lack of know-how by the total of public bodies in Prague, a phenomenon characteristic of the whole of post-socialistic cities in comparison with Western Europe cities (Keivani *et al.*, 2001; Tomic, 2004; Badyina &

Golubchikov, 2005). The segment of the property market with a high specification office and retail space is dominated by foreign owners, investors, developers, consultants, brokers and users (Sykora, 1999), while the continued growth in service sector industries has increased the pressure on areas with good exposure and transportation accessibility, so some of that industrial land may have a chance to be recycled and allocated for other more profitable land uses (Tsenkova, 2004). On social level there were also problems concerning public safety, health, the quality of social services offered, poverty (Illner, 1998) and homelessness (Hladikova and Hradecky, 2007), rendering the planning and implementation of the proper economic-political strategies a must (Tsenkova, 2004).

The article supports that Prague's future actions should be oriented towards retaining of this attractive climate both on cultural and investing level as competition in the European urban system of hierarchy is intense and continuous. However, since the successful development course of the city is related with the existence of multiple social problems, the elimination and containment of these problems is the major priority of the total development planning of the city, so that economic development can be related with social development and cohesion. It is true that this is not easy since in the cities' environment there are various groups (public authorities, firms, investments, residents, development organizations) which act and make decisions and which represent and support different interests. The accomplishment of the vision and the objectives of a city, and in this case Prague's, is based on the active participation and effective co-operation of all these groups.

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