



## **FINAL DOCUMENT**

# **Joint marketing strategy for the cross-border region Recommendations**

**July 2012**

## **1. The Context and Rational for a Joint Marketing Strategy**

In the era of the globalization, for a region to be successful and offer good job opportunities and high quality of life to its citizens, it is fundamental to be able to attract investors and visitors from outside. This endeavor is marked by a strong competition with other regions, and therefore it is necessary to devise a plan based upon the region's specific points of strength.

A joint marketing strategy is specifically intended for the SMEs and the Small Business Supporting Organisations (SBSI). It provides these, as well as policymakers, with a skill-enabling development path to increase their competencies and capacity through concrete project work. The resulting, strengthened, SME-supporting framework environment will allow SMEs and SBSI in Slovenia, Friuli Venezia Giulia and Veneto - to fully take advantage of their points of strengths and project themselves on the global marketplace for investors and visitors.

The rationale for the marketing strategy rests on the logic of complementary strengths between the two sides of the border that, if are appropriately built upon, can create a added value and greater critical mass for the region's endowment of resources.

The "iCON Region" encompasses a Cross border area which, for geographical, historical, cultural and economic reasons is a natural extension towards Central and Eastern Europe.

Neither side can accomplish this outcome alone, but they can obtain it together. The enabling factor is the new centrality location afforded to the cross-border region with respect towards the European Union and its enlargement especially towards South and Eastern Europe and the Balkans. **Croatia in fact it will become a member by 2013 and Serbia and other South East European countries are making significant progress towards this goal. Any important geographical player for the cross-border region is also Turkey, a country which rapid growth is already leaving a very positive development impact on the region and the ports of the Trieste and Koper.**

Thus, the marketing strategy recommendations are grounded on a bottom-up process based on intense field-work analysis with SMEs, SBSI and other organisations on both sides of the border which has been carried out during the iCON project, and which has lead not only to the understanding of the behaviours and needs of local SMEs but also to perceive the broader trends in the global markets. In the course of the iCON project a preliminary by analysis of global market trends affecting the growth performance of existing or potential local clusters and industries has been carried out.

## 2. Goals of the Joint Marketing Strategy

The long-term output of the joint marketing strategy is the creation of a multi-facet entrepreneurial corridor that extends across the border, where individual SMEs operate according to the most advanced standards of production and service, where the interconnections across SMEs create quality production clusters, and where the availability of modern transport and communication infrastructure together with institutional support generate economies of scale for the “innovation corridor”.

The end result sought by the joint marketing strategy is, therefore, the transformation of the Slovenian-Italian cross-border region into a driver in high added value entrepreneurial activities that because of it holds a strong competitive edge in the traditional economy as well.

Components of this transformation are the establishment and attraction of:

- highly efficient manufacturing SMEs, including some high-tech, capital intensive innovative companies
- high added value production-oriented and agricultural services
- high added value tourist activities
- the development of modern integrated logistics operators
- high quality traditional products and services with innovative design and technology contents
- co-ordinated development efforts through clusters and networks of SMEs
- the development of stronger links between SMEs and larger companies (subcontracting, outsourcing)

## 3. The strategic joint marketing process

**The first fundamental step** in the joint marketing strategy consists in carrying out the bottom-up process in order to acknowledge that the cross-border region’s specific resources are the building blocks upon which the most appropriate and effective development strategy can be formulated.

**The second development step** is a complex one, entailing the activation of regional resources through a combination of technical and political means that bring about the transformation of the regional resources into regional assets. Resources per se are inert and only express potentials. They need to be mobilised and orientated by activating agents in order to produce development results. Regional assets are resources that have been activated and have produced long term development benefits. This second and strategically important development task is, therefore, about the definition of a **joint political and technical vision for the cross-border region (i.e. the Euroregion project )** that brings about the identification of all its resources, sustains their promotion,

pursues the attraction of germane external resources, and makes possible the expansion of the region's economy from within.

**The third development step** is the most critical of all because it is the one that entails the implementation of the technical means and of the political decisions that render the development vision for the region a concrete accomplishment. Central to this third step is the application of integrated development as the operational approach that has been proven effective in development planning efforts throughout the European Union. Integrated development brings into play as committed partners a variety of private and public actors from all levels, therefore creating synergies in the form of new mutual interactions across participating regional assets. This, in turn, enhances the strengths of the regional assets themselves and induces the production of more assets.

The joint marketing strategy is operationally put into action during the fourth development step. This step includes operational initiatives, such as the missions abroad, participation to fairs and exhibitions, activation of portals and websites which are aimed outside the region. This step therefore includes actions and missions abroad, but the success of it will strongly depend upon the attractiveness of the Regional system which is being proposed to foreign investors and visitors.

#### **4. Recommendations for a Joint Marketing Strategy**

##### **4.1. Improving the SME and Entrepreneurial Framework Conditions**

On the basis of the analysis of the existing Economic, Social and Cultural Conditions in the Slovenian and Italian Border areas, the First Task recommended is to systematically improve the Entrepreneurial Framework Conditions. To this purpose, Fig. 1 indicates a set of Axes (SME specialised institutions, SME infrastructures, business services, financial Supports, Training, Promotion of awareness) and Measures that need improvement in order to align present Entrepreneurial Framework conditions to that of EU standards and good practice.

AXES	Supporting Institutions	SME Infrastructure	SME Services	Financial Supports	Training	Promotion Awareness
MEASURES	Reg. DA Local Bus Centres Reg.Bus.Centres	Industrial Zones	Counselling Information	Guarantee Funds	Counsellors Certification	Regional National
	Chambers Associations	Enterprise Zones Incubators	Bus Plan Finance	Micro Credits	Experts Certification	X-Border Fairs Exhibitions
	Municipalities Regional Agreements	TechnologyPark Innovation Networks	Marketing Export	Innovation R&D	Entrepreneurs and SMEs	EU Networks
	National Agencies	EIC-EU Information EU Networks	Consortia Networking	Risk Capital	Special Target Groups	Target Project Marketing
	Joint X-Border	Export Free Zones	Innovation Quality Productivity	Leasing, etc	Project Target Groups	INTERNET

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## 4.2. Build Business Opportunities the Lead User/open innovation approach

“Business Opportunity Areas” relate to important and growing markets that can be tapped locally by SMEs (local, but also external to the region as well as FDI-Foreign Direct Investors) utilising existing and potential regional resources and strengths. The business rationale is doing build upon the references obtained a whether local lead users and export the products and services thus developed towards international markets. Such Opportunities, currently underdeveloped, have high foreseeable economic relevance when considering the Slovenian and Italian cross-border as a whole and its attractiveness to foreign investments and resources.

The “Lead Users” <sup>1</sup> Approach allows to identify promising market opportunities taking advantage of the presence in the region of advanced users. These advanced users have unfulfilled needs that can be met by companies working together. For example, public procurement of goods and services amounts to a considerable part (estimated to be between 15%-20%) of final consumption. Preference to eco-innovative goods, infrastructures, and services, could give the manufacturing sector a powerful incentive to increase resource productivity.

<sup>1</sup> Lead User Project Handbook - A practical guide for lead user project teams - Joan Churchill, Eric von Hippel, Mary Sonnack - Creative Commons 2009. Downloadable <http://mit.edu/evhippel/www/index.html>

The Lead User methodology offers a structured roadmap at identifying and bringing to broader markets new products or services related in particular to Eco-Innovation. Lead users in the cross-border region include larger firms and organizations, Municipal utility services, hospitals, etc. that are experiencing needs that are ahead of the current market. Open innovation is a paradigm that assumes that SMEs nowadays cannot afford to rely entirely on their own competencies, but should instead collaborate with other companies.

On the basis of the context and territory analysis which has been carried out based on the participative process, **participants to the iCON project team have identified the following sectors / candidates for development through the lead user approach:**

- I. RURAL TOURISM AND BIO - AGRO FOOD
- II. LOGISTICS - PORTS & TRANSPORT
- III. AUTOMOTIVE & AVIONICS
- IV. GREEN HOMES / GREEN ECONOMY
- V. NAUTICS + Yachting (Tech+Services)
- VI. WOOD + FURNITURE
- VII. METAL INDUSTRY & NEW MATERIALS
- VIII. WORLD-CLASS SCIENTIFIC RESEARCH

All projects are aimed to activate both demand and supply of eco-innovative products and services. To implement them, the role of the small business support organisations is to highlight the opportunities for business, especially as related to Lead Users, to contribute at organizing collaborative (“Open Innovation”) local supply through the aggregation of complementary competencies (SMEs, University, contractors, artisans and skilled human resources) and in terms of training, qualification, technological transfer.

It is especially important to underline the opportunity to create a “High Tech Corridor”, taking advantage of the considerable concentration of scientific and technological know-how and linking Trieste to Ljubljana.

#### **4.3. Developing Entrepreneurial Skills for young entrepreneurs**

Young entrepreneurs are fundamental for the future success and growth of the region. It is important to encourage entrepreneurship and help young entrepreneurs undertake and form new ventures that are internationally oriented. These new ventures need not be concentrated solely on the so-called high-tech sectors. Also traditional products such as typical products of agriculture, winds, typical tools, groceries nowadays have a global market when they are of very good quality.

Appropriate coaching of new entrepreneurs has the objective to develop the skills and transform small start-up companies into fast growing gazelle terms. Coaching includes general counseling and information to help entrepreneurs devise and implement new business models, business planning, finance, marketing, innovation. It is important that coaching is provided not by public organisations but by private consultants and experts which must be mobilised through a system of incentives such as the well-known voucher system that had been in use in Slovenia for several years.

Coaching is strongly related to the possibility that young entrepreneurs have to benefit and put to immediate use the newly acquired skills: training must therefore be linked to help in accessing business opportunities and financial incentives and supports.

#### 4.4. Bring the Cross-Border Economy into global Ecosystems

Since a number of years, regional development literature has substituted the old concept of clusters and industrial districts with the new concept of business Ecosystems, which is built upon the metaphor of business as ecology. A business Ecosystem refers to a specific industry, and includes a complex set of different companies that are normally far away geographically and which concur with a myriad of different sub products and services to manufacture and distribute the final offerings. Sectors such as consumer electronics, cars, engineering equipment and tourism have very strong global Ecosystem character. But increasingly this concept is becoming applicable to smaller sectors and market niches including typical foods, metal process saving, light mechanical workings, ICT and so on. New chapter. It may be useful to conceptually refer the IKT Park to the reference “Keystone-Ecosystem” model developed by M. Iansiti and R. Levien<sup>2</sup>

*“Keystone organizations play a crucial role in business ecosystems. Fundamentally, they aim to improve the overall health of their ecosystems by providing a stable and predictable set of common assets that other organizations use to build their own offerings. keystones can increase ecosystem productivity by simplifying the complex task of connecting network participants to one another or by making the creation of new products by third parties more efficient. They can enhance ecosystem robustness by consistently incorporating technological innovations and by providing a reliable point of reference that helps participants respond to new and uncertain conditions. And they can encourage ecosystem niche creation by offering innovative technologies to a variety of third-party organizations.”*

The Ecosystem model is helpful because it encourages Keystone organisations to establish and strengthen the links of local companies in the cross-border region with the

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<sup>2</sup> M. Iansiti and R. Levien Strategy as Ecology - The Keystone Advantage - Harvard Business Review 2004

other Keystone actors in other regions. Typically other keystones can be found in their countries such as China, North America, South America, Brazil, India and so on.

## **5. Key areas to be pursued to promote FDI (Foreign Direct Investment)**

The main components of the regional system which need to be strengthened and proposed to investors and visitors outside the region in FDI initiatives include the following broad elements:

### **5.1. Regional public Infrastructures**

The presence of a well-developed public infrastructure is a requisite for the attractiveness of the region for investors. Public infrastructure includes communications of highways, roads, railways, airports. Access to energy sources and public utilities for waste treatment.

### **5.2. The education and Research System**

The presence of highly qualified education and research institutions, universities and training institutes is key to denote the availability of a highly skilled workforce; The cross-border Region is characterized by the presence of many research institutions, universities and several advanced education institutes. This concentration allowed the activation of synergies, the definition of areas of excellence (such as molecular biomedicine or nanotechnologies), the creation of cooperation networks and partnerships that have soon extended beyond local borders. Furthermore, it attracted scientists and researchers from all over the world. These have found in the international centres of the Region tools for the transfer of scientific culture to their native.

### **5.3. Organize availability of ready to use settlement areas and premises**

The ready availability of the low-cost and the ready to use settlement areas and premises is a key to attract foreign direct investments. Contrary to the past, now several premises are available, but their quality from the point of view of the logistics infrastructure and environmental liabilities is still often questionable.

### **5.4. Transportation and Telecommunication Infrastructures**

The development of communication routes for the transportation of people and goods within the cross-border region is due to the peculiar geographical position of the cross-border territory, at the centre of the new Europe and close to the borders with Austria and Croatia. The Region is crossed by routes whose extensions lead to Venice and Milan to the East and to Ljubljana to the West. A well-developed port infrastructure is available which offers access to the sea is particularly relevant; it has contributed to characterize industrial and commercial activities in the coastal area. Telecommunication infrastructure generally influence the availability of wideband Internet in most of the municipalities of the region.

### **5.5. Business Support Systems and Services**

In the cross-border Region there is that there well-developed offering over private business services, as well as services which are provided by several industrial development consortia, category associations and chambers of commerce, industry, agriculture and craftsmanship, making up the pool of institutions in charge for protecting the interests of enterprises and of people employed in enterprises. They offer information, assistance and advisory services, as well as promotion and strengthening of several sectors.

The cross-border Region offers a system of support for a complete and effective industrial development, especially as regards the most innovative and technologically advanced industries: well-developed industrial structures and infrastructures; established systems of technological transfer and attraction/mobility of talents; research, innovation and advanced training centres; financial support and incentives to investments in technology and innovation; competences in the field of sustainable development; structures supporting partnerships; assistance to internationalisation.

Industrial Concentrations and Production Specialities Friuli Venezia Giulia hosts several industrial agglomerations and four industrial clusters ("distretti industriali"), recognized by Regional Law no. 27 dated 11/11/1999. Economies of scale create a remarkable competitive factor. They derive from network relations among specialized companies that clusters ensure in terms of costs, flexibility and competence diffusion.

### **5.6. Incentives and Taxation Systems**

The cross-border Region territory is particularly attractive and provides several regional, national and EU incentives. It is worth mentioning the availability of considerable European structural funds for SMEs for research and development, competitiveness and innovation

### **5.7. Quality of Life**

The cross-border Region boasts a high-level quality of life. This is shown by their high ranking of most of the cities of this area as those that have the highest quality standards both in Italy and in Slovenia.