INTERNET MARKETING IN THE PUBLIC SECTOR: THE CASE OF INVESTMENT PROMOTION AGENCIES

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Abstract
While Internet marketing is a well known phenomenon in the private business sector, the concept is still new in the public sector. This article explores the application of Internet marketing techniques in the public sector using Investment Promotion Agencies as a case study. Findings indicate that Internet marketing is used by Investment Promotion Agencies for disseminating branding and promotion information. Moreover, perceived benefits of Internet marketing and their implications on FDI inflows are discussed.

Keywords: Internet marketing, Investment Promotion Agency, FDI, Location marketing

JEL Classification: D83 - Information and Knowledge;

1. INTRODUCTION
As the world becomes competitive, public sector agencies are urged to adopt strategic marketing management in order to create public awareness of their location attributes and images to various customers such as citizens, tourism and companies (Kotler & Gertner, 2002; Page & Hardyman, 1996). Although various traditional marketing techniques can be used to accomplish this objective, Internet marketing has become one of the popular promotion techniques (Leong, Xueu, & Stanners, 1998). While application of Internet marketing is a well known phenomenon in the private business sector, the application is still new in the public sector. Due to high competitions for FDI attraction among nations (Mudambi, 1998; Oman, 2000); Investment Promotion Agencies (IPAs) are increasingly using marketing techniques particularly Internet marketing in order to create competitive advantages.

In this regard, IPAs conduct location marketing (destination/place marketing) which implies use of marketing principles to attract foreign investors into a particular country. A country in this case is
regarded as a product or brand with a bundle of attributes characterizing the investment location. Brand name recognition by foreign investors is an essential element of investment promotion (Loewendahl, 2001). Generally, the mission of an IPA is simply to promote the country to foreign investors for the purpose of attracting foreign investment inflows (Lozada & Fishler, 2005). Therefore, infrastructural attributes of a country such as human, physical, communication and innovation system has implication on the attractiveness of the investment location and quality of inward investments (Cheng & Kwan, 2000; Loewendahl, 2001). According to Wells and Wint, an organization such as Investment Promotion Agencies seeking to create competitive strategies for marketing activities can manipulate 3Ps of marketing in their overall marketing programs (Wells & Wint, 2000).

Nevertheless, there is limited research in assessing the effectiveness of Internet marketing relative to other techniques (Leong et al., 1998) particularly as used by Investment Promotion Agencies (IPAs) for investment promotion. Using exploratory case analysis, this study intends to answer two research questions. How does Internet marketing application help IPAs to promote foreign investments? Secondly, in what aspects do IPAs perceive Internet marketing an effective technique relative to other traditional techniques? Although Internet marketing may be a broad concept; this article focuses more on IPAs Websites as an interactive brochure providing information to customers. The next part of the article is organized as follows. Section 2 is a literature review. Section 3 is methods followed by findings and discussion. The paper ends with a concluding remark.

2. LITERATURE REVIEW

The literature review is organized into 3 sections. First, a review on public sector marketing, secondly, place marketing and thirdly, Internet marketing as used by IPAs to promote investments.

2.1 Public sector marketing

The term marketing has been defined differently by several authors. The traditional definition is built into the concept of exchange between buyers and sellers. While ‘exchange’ is the focal objective of the marketing philosophy (Scrivens, 1991); not all exchanges involve transactional activities of buying and selling. That is why it took time for marketing tools to receive most attentions in non-profit organizations at both practical and scholarly levels (Capon & Mauser, 1982; Scrivens, 1991). To clearly understand the concept of marketing as exchange facilitation, Kotler distinguishes between transactional and non-transactional marketing where the former refers to a relationship of two or more parties involving exchanges of goods or services in return for payment; while the later refers to a relationship of two or more parties involving exchanges of goods or services but payment is not a necessary condition in the exchange process (Kotler, 1972). Public sector marketing is an example where exchanges between parties are conducted to satisfy the needs but payment isn’t a crucial factor in the exchange facilitation. There is a growing literature on public sector marketing such as social marketing and public policy marketing in which governments or agencies are regarded as marketers while clients are customers.

Since the public sector have various segments of customers, it is obvious that the marketing objectives are different. According to Walsh, public sector marketing falls under three headings namely growth of consumerism due to growing demand in customization of service delivery; strategic marketing approaches to create competitive advantage and promotion techniques especially in public campaigns on a particular government initiatives (Walsh, 1994). Therefore, just like in profit organizations, public sector marketing fulfills some of the relevant facets such
identifying customer needs, effective service delivery and at higher level of customer satisfaction (Kotler, 1979). In addition, the marketing promotion techniques are frequently applied to promote a place or location such as a city or country (Kotler & Gertner, 2002; Kriekaard, 1994; Rainisto, 2003).

2.2 Place Marketing

As the world becomes competitive, public sector agencies are urged to adopt Strategic Marketing Management in order to raise public awareness of their location attributes and images to various customers such as citizens, tourism and companies (Kotler & Gertner, 2002; Page & Hardyman, 1996). Place marketing is used synonymously with location marketing and in the context of IPAs it implies use of marketing principles to attract investors into a particular country. A country in this case is regarded as a product or brand with a bundle of attributes although place as a product may have some differences from commercial products (Hankinson, 2007). Countries compete to each other and thus adopt strategic marketing techniques to create competitive advantage is essential. It has been argued that the 3Ps of marketing can fit into destination marketing activities conducted by IPAs. These 3Ps include the product (i.e.; intrinsic advantages and disadvantages of the investment site); the price (i.e.; cost to the investor of locating and operating within the investment site) and promotion (i.e.; activities related to dissemination of information in attempt to create an image of the investment site and provide investment services for the prospective investor).

In a public sector marketing context, it logically suffices to argue that Investment Promotion Agencies (IPAs) are marketers using marketing strategies to promote their locations (countries) especially to attract Foreign Investment (Wells & Wint, 2000). Application of Marketing tools are easily justifiable in the public sector when the task is essentially for selling products of a country, e.g.; holiday resorts and investment opportunities (Anholt, 2008). In a world of intense competitive environment, it is imperative for places to adopt strategic marketing tools and brand management concepts in order to compete for investment flows, visitors and industries (Gertner, 2007).

2.3 Internet marketing by IPAs

Although investment agencies have long been communicating available investment opportunities to investors through traditionally communication methods such as conferences, exhibitions, advertising, trade mission and brochures; the advent of Information Communication Technology has allowed the conduct of investment promotion activities via Internet (Lin & Zhang, 1998; Loewendahl, 2001). Almost every Investment Agency has set up its own website although some are more sophisticated than others (Loewendahl, 2001). Investment Agencies use websites to build images of their countries especially to foreign investors.

According to Cho, Investment Agencies can use e-government (Internet application) to improve the Investment Environment (IE) through accessibility of investment Laws and regulation, increasing transparency of the administrative system and investment procedures in the host country which all together simplify the process for foreign investors to predict the costs of establishing particular types of investment projects (Cho, 2003). Provision of accurate and reliable information on the website about the host country business environment reduces information cost. Kotler and Gertner argue that companies’ location selection process follows two stages sequentially; first, a region is selected, for example Africa or Asia; and secondly, information search stage follows for each candidate in the region (Kotler & Gertner, 2002).
Countries which offer reliable and accurate information and respond quickly to the investors’ inquiries are likely to attract FDI. Internet has two major benefits when it comes to provision of information to investors. First, information can reach investors quickly and efficiently regardless of investors’ geographical distance. Secondly, IPAs officials and foreign investors can interact via e-mails especially on additional information enquiries accompanied with detailed answers from IPAs.

“IPAs that provide up-to-date, detailed and accurate data on their websites and IPAs that are willing to spend time preparing detailed answers to investors’ inquiries and customize these answers to the needs of an individual investor, can increase the chances of their countries being included in the short list” (Harding & Smarzynska Javorcik, 2007)

2.3.1 Advantages of Internet marketing over other marketing techniques

There is a plethora of literature summarizing some of the advantages of Internet marketing relative to other techniques. It is argued that marketers use the Internet in order to improve efficiency, improved speed of transactions, lowering transaction costs due to disintermediation between the marketer and customers, greater market access, enhanced ability to overcome time and distance barriers of global markets (Kotler & Gertner, 2002; Quekh & Klein, 1996). Greater market access is achieved because Internet has the power to overcome geographical distance (Lozada & Fishler, 2005; Prasad, Ramamurthy, & Naidu, 2001). Other benefits include efficient communication between marketers and customers, reducing search cost for customers, performance improvement and quick response to customer queries. Table 1 summarizes the main marketing applications of the Internet and Competitive benefits which can be gained by IPAs from an effective WWW presence.

Table 1: Marketing applications of Internet by IPAs

<table>
<thead>
<tr>
<th>Marketing activities through Internet</th>
<th>Expected competitive benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicating opportunities</td>
<td>Reduce search cost to customers (investors)</td>
</tr>
<tr>
<td>Promotion and branding</td>
<td>Reduce promotion and advertising costs</td>
</tr>
<tr>
<td>Responding to customer queries and enquiries</td>
<td>Increase speed in transactions</td>
</tr>
<tr>
<td>Information search tool</td>
<td>Greater market access</td>
</tr>
<tr>
<td>Negotiating deals and contracts</td>
<td>Improve performance</td>
</tr>
</tbody>
</table>

Source: Authors’ construct

3. METHODS

This study examines two cases based in Tanzania in order to seek the fit between theoretical and empirical domains. The cases are Tanzania Investment Centre (TIC) and Zanzibar Investment Promotion Agency (ZIPA). The choice of these cases is based on the fact that both are government agencies with the role of promoting investments. Secondly, both cases fit into the suggestion of (Anholt, 2008) who argue that application of marketing tools can easily be justified in the public sector when the task is of attracting investment opportunities. On the other hand, we adopt
exploratory case approach following a suggestion by Yin (1994) that this research strategy is appropriate when the focus is on contemporary phenomenon; and when there are no amenable and reliable construct measures (Bonoma, 1985).

3.1 Research area

The Government of the United Republic of Tanzania is a unitary republic formed by the union of Tanganyika and Zanzibar in 1964. There are two governments: the Union Government and the Revolutionary Government of Zanzibar. From 1990s, the country has been implementing various political and economic reforms. Among these reforms include embracing free market economy which went concomitantly with privatization of previously state owned companies and multiparty democracy. The establishment of Tanzania Investment Centre (TIC) and Zanzibar Investment Promotion Agency (ZIPA) was the result of these reforms with the purpose of creating competitive business environment to promote Foreign Direct Investment (FDI). Although politically Tanzania implies both Mainland and Zanzibar, it is important to note that each investment agency represents its own geographical territory. That means; TIC works for Tanzania Mainland and ZIPA for Tanzania Zanzibar. The description of each case is present in the following sections.

3.1.1: Tanzania Investment Centre (TIC)

Tanzania Investment Centre (TIC) is the primary agency of Government to coordinate, promote and facilitate investment in Tanzania and advise the Government on investment related matters. It is the first point of call for potential investors. Among the functions of TIC include: obtaining necessary licenses, work permits, visas, approvals, facilities or services; sorting out any administrative barriers confronting both local and foreign investments; securing investment sites and to provide and disseminate up to date information on existing investment opportunities, benefits or incentives available to investors. Based on these activities, TIC performs two major roles namely; investment promotion and facilitation.

3.1.2: Zanzibar Investment Promotion Authority (ZIPA)

Zanzibar Investment Promotion Authority (ZIPA) acts as a focal point for investment promotion and facilitation in Zanzibar. The objective of ZIPA is to have Zanzibar be seen in front of investors as an attractive and competitive investment destination. On the other hand, ZIPA is expected to be an efficient agency for investment promotion and facilitation by providing high quality services to investors. ZIPA has two major roles namely investment promotion and investment facilitation. Promotion activities are conducted in various sectors where Zanzibar has competitive advantages, e.g.; tourism, fishing and agriculture

3.2 Data collection

Multiple sources of evidence were used following a suggestion from (Yin, 1994a) who recommends the need for triangulation in searching converging evidences in order to increase construct validity. The main source of data was interviews conducted in both agencies. The interviewees were from the department of ICT and investment promotion. The managerial titles or positions held by interviewees in each organization were as follows: TIC (Director of Research & Information System, Investment Promotion Manager and Senior System Administrator); ZIPA (Director of Investment Promotion and Services, Investment Promotion Manager and Director of Investment Approval and Implementation).
Other sources of data include documentary source and company’s websites. These two sources were important in order to seek converging or diverging evidences with interview data. In the case of perceived benefits from Internet marketing, interviewees were sometimes asked to provide evidence of Objectively Verifiable Indicators (OVIs) resulting from the application of Internet.

3.3 Data analysis

According to Wellard & McKenna (2001), transcription is part of the data analysis process and should therefore be clearly disclosed in the methodology. Reciprocating to this suggestion, all interviews were audio recorded and then transcribed verbatim. The verbatim record of interviews is an important part of data analysis because it brings researchers closer to their data (Halcomb & Davidson, 2006). The transcription was guided by a hypothetic deductive approach. This approach allows the researcher to identify themes or concepts based on prior theoretical knowledge (Hesse-Biber, 1991). Common themes and categories of concepts representing a particular construct were then combined in order to infer the presence or absence of a hypothesized phenomenon.

4. FINDINGS AND DISCUSSION

This section summarizes the results based on the two research questions. The discussion section provides implications of the results in relation to theory and previous studies.

4.1 Findings

The results from the case analysis indicate some similarities and differences in the application of Internet marketing. In performing the investment promotional role; both ZIPA and TIC use Internet as a communication tool for the purpose of informing about products, promotion and branding and responding to customer queries. Conversely, findings show that TIC has an extra application of Internet which is facilitating exchange transactions. The description of how these organizations utilize Internet to promote investment is presented below.

Information about product opportunities and customer queries

The major Internet application in both organizations is communicating products to customers. Both TIC and ZIPA use their Websites as interactive information brochures with various detailed information about investment opportunities available. Other relevant promotion information includes attributes of an investment site such as availability of infrastructure. Moreover, both Websites contain information on various taxes, rules and guidelines, contact information including e-mail addresses, telephone and fax numbers. On the other hand, Internet is used in responding to customers’ questions and clarifications. These enquiries may be for additional information request through e-mail, seeking clarifications and advice. To provide a full time service of customer support, TIC’s website consists of FAQ section that contains various types of information.

Promotion and branding information

Apart from information on the available products, both TIC and ZIPA provide information through their website informing customers (investors) about competitive advantages of a country relative to rivals within the region. Each country strives for uniqueness in front of customers in order to create positive image. Table 2 provides examples of promotion and branding messages conveyed through Internet.

“We work with local and foreign media and all other communication channels including the website (Internet) to brand the country. The purpose of branding is
to make investors know that Tanzania is a better place to invest”. (TIC, Director of Research & Information System)

Table 2: Promotion and Branding messages

<table>
<thead>
<tr>
<th>Why Invest in Tanzania</th>
<th>Why Invest in Zanzibar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Incentives and Guarantees</strong></td>
<td><strong>Strategic Location</strong></td>
</tr>
<tr>
<td>Tanzania offers a well-balanced and competitive package of fiscal incentives in comparison with other African countries</td>
<td>Zanzibar is placed within the trade routes of the region and offers an effective springboard for entry into the region</td>
</tr>
<tr>
<td><strong>Abundant Natural Resources</strong></td>
<td><strong>Minimum Political Risk</strong></td>
</tr>
<tr>
<td>Tanzania’s untapped natural resources offer a wide range of investment opportunities; arable land, minerals and natural tourist attractions are all awaiting potential investors.</td>
<td>Zanzibar is relatively stable politically, socially and economically. Private investments are welcomed and protected both constitutionally and through international conventions.</td>
</tr>
<tr>
<td><strong>Private Sector Development</strong></td>
<td><strong>Access to Markets</strong></td>
</tr>
<tr>
<td>Tanzania has distinguished itself as one of the few African countries that have radically transformed their economies. Successes of these reforms include strong macroeconomic fundamentals with consistently increasing growth rates, declining inflation and increasing FDI inflows</td>
<td>Utilize the East African and SADC market by using Zanzibar as a hub for regional trade. Also enjoy export quotas to EU market and utilize American Market through AGOA</td>
</tr>
<tr>
<td><strong>Peace and Stability</strong></td>
<td><strong>Free Repatriation of Profit</strong></td>
</tr>
<tr>
<td>Tanzania is free of ideological confrontations, ethnic problems and labour disputes. It is a centre of economic and political stability in Sub Saharan Africa.</td>
<td>Zanzibar allows for 100% ownership and so is free repatriation of profits back to the parent company.</td>
</tr>
</tbody>
</table>

Source: Authors’ Construct

Some of the promotion and branding information provided include incentive packages, resource availability and security of investments. Government information is essential for creating country positive image and affecting investor perceptions. Akin to normal brands with bundle of attributes; government information intends to convey the same message for a country.

**Internet application to facilitate exchange transactions**

In terms of website sophistication or maturity, TIC’s website seems to be more sophisticated than ZIPA’s website. The reason is that TIC’s website consists of online services for transactional purposes beyond informational level. The design of these services is meant for exchange facilitation between the marketer (TIC) and customers (investors). TIC uses Internet application
for internal services. The purpose of internal application is to facilitate investment approvals. Through the workflow system, customers submit their applications and TIC processes these applications. In this process, all approving officers are connected to the Internet so that the approval process continues at any point in time and at any place. So, the ultimate goal of Internet application for internal approvals is to increase speed and efficiency of the process and reduce waiting time.

**Perceived benefits of Internet marketing relative to other techniques**

It should first be understood that Internet marketing does not substitute other traditional marketing techniques. TIC and ZIPA still use other traditional techniques especially meetings, trade missions, exhibitions and advertising through brochures and local and foreign TV. Each technique may have advantages and disadvantages and thus synergy is gained by mixture of techniques. Nevertheless, Internet marketing is the most widely used technique because of unique advantages relative to other techniques. Cost effectiveness and greater market access are among the major benefits of Internet marketing. Interviewees in both cases perceive Internet marketing as cheaper in terms of communication and promotion costs. This has implication in terms of greater market access. The presence of a Website has increased the number of customers with intention to invest. This is based on the argument that Internet marketing information reaches greater customers regardless of geographical distance.

In addition, the findings indicate that Internet marketing is perceived to be more effective when IPAs have a general customer focus. Once IPAs have specific customer targets, e.g.; investment from specific country, investment missions are perceived to be more effective but costly. Therefore, another important perceived benefit of Internet marketing is investment diversification. Since Internet marketing messages are global, there is diversified investment inflow by country of origin. In this regard, cost of communication and promotion, e.g.; transport cost, subsistence costs and other opportunity costs are decrease significantly.

Other benefit as indicated in TIC case is reduced waiting time to process the customer applications. In modern businesses, time has become one of the crucial variables. Customers do not tolerate long waiting time to get the service. Excessive bureaucracies and administrative procedures required to establish and operate a business is among the variables discouraging FDI (Morisset & Lumenga-Neso, 2002). Reciprocating from this, TIC has reduced application processing time as part of branding strategies to create positive image.

**4.2 Discussion**

The discussion section begins by revisiting the two research questions introduced previously. The first research question was *how does Internet marketing application help IPAs to promote foreign investments?* Findings indicate that Internet is mainly used in the two cases studies as a communication channel. The communication is either for product information or branding and promotional information. Although TIC has some transactional services for internal processes, findings show that there are no fully front office transactional services handled between the marketers and customers. Nevertheless, the Internet application for internal investment approvals at TIC has simplified the manageability of approval processes, reduced paperwork and other transaction costs such as customer waiting time. IPAs websites are mainly forms of interactive brochures for information exchange between marketers and customers. The major purpose of detailed customized information on the website is to reduce information search cost to the customer. Since country image affects perception and investment inflows (Azubuike, 2006),
IPAs utilize Internet to communicate information that is likely to create positive image of a country.

The second research question was *in what aspects do IPAs perceive Internet marketing an effective technique relative to other traditional techniques?* There are basically two benefits as perceived by interviewees. The first benefit of Internet marketing is that it cheap in terms of communication and promotion costs. Traditionally, government officials have to travel in various countries conducting seminars and conferences in order to inform foreign investors about country’s competitive advantage and various incentives. This technique, despite being effective it is very costly in terms of time, cost of travel and accommodation. As a result, and due to resource constraints, the coverage is very limited and hence few countries and investors are targeted. Instead, marketing through World Wide Web eliminates cost of distance (e.g.; travel, accommodation, time) and focus on global market coverage. On the other hand, the second perceived benefit is greater market access, investment diversification and FDI inflows. This second benefit is directly connected to the first benefit in the sense that reduce communication and promotion costs have lead to greater market access, investment diversification and hence FDI inflows. This relationship can be summarized in figure 1 below.

**Figure 1: Perceived benefits of Internet Marketing**

It is worth noting that foreign investment projects approved per year are increasing at TIC and ZIPA. Interviewees perceive this positive trend as a result of among other things Internet Marketing. The conceptual framework underpinning interviewees’ perceptions is summarized in the above figure.

**CONCLUSION**

While Internet marketing is a well known phenomenon in the private business sector, the concept is still new in the public sector. Due to intense competition for FDI among countries around the globe, IPAs have been increasingly adopting Internet marketing techniques to promote FDI inflows. IPAs are typical examples of public sector organizations where application of strategic marketing techniques is easily justifiable. Internet marketing helps an IPA to access international markets with a wide coverage of audiences compared to other techniques particularly when there are no specific investment targets. Normatively, the larger the audiences reached, the more likelihood to receive FDI inflows. It should however be noted that, Internet marketing does not perfectly substitute other traditional communication media but a communication mix strategy is preferred by both TIC and ZIPA.

**Reference:**


