

**Assessing the possibility of creating a regional brand for the region
North, Moldova**

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Introductory information:

Purpose of analysis processing:

Assessing the possibility of creating, developing and sustaining the creation of a regional brand for the North Region in Moldova and creating regional brands for each of the selected regional specialties with a min. 5 years.

Analysis processed: 28.2.2018

Submitter: Czech Development Agency

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1. Analysis methodology

A critical assessment of the effectiveness of the funds spent on the creation and sustainability of the regional brand in the Czech Republic's development assistance was done in the following steps.

1. 1 Creation of the Region Uniform Regional Region Model

In the first step, a simple model (annex no. 1) was graphically elaborated, which clearly illustrates the possible future functioning of the single regional brand management system and economical system. The model also has to reveal the critical points of their existence more or less influencing the success of the regional brand. The first critical point for the success of the project is institutional cover. The regional label, without clear institutional cover, the determination of clear responsibilities and competencies will never work. In this case, all the funds spent on promotion will have an impact, the impact on the acceleration of the regional economy would be negligible.

The model served as the basis for subsequent negotiations with key stakeholders, with the Regional Development Agency (RDA). RDA should be an institution that will ensure the creation, implementation, development and day-to-day functioning of the regional brand. RDA, because in the past years, its employees have gone through detailed branding training and should now implement their knowledge in everyday practice. The training was implemented as part of a regional development strategy. Nevertheless, it was necessary to verify through a controlled interview whether the RDA representatives are aware of what the single brand is, what the expectations of such a project are, whether they are aware of the extent and complexity of the project.

The model shows three or, respectively, four levels. The first level is local, there are specific businesses, specific small producers in a specialty, municipalities, institutions funded in part or entirely from public budgets. A critical point of success at the local level is the existence and willingness of specific (sufficiently developed) actors to engage in the regional branding project. Without their subjects, the foundations are lacking and the whole project lacks meaningfulness. The second level represents the institutional cover described earlier. The third level is represented by the national level, especially by the governmental institutions. The national level may have a fatal impact on the success of the regional brand.

If the policy of "soft regulation"¹ of the market does not agree or has its own different strategies, the emergence of a new brand will not be supported (financially, politically, etc.), the whole regional brand project is significantly weakened. Government support, at least sectoral support, is another critical point of success. The fourth level represents the national market in relation to foreign trade (export and import of goods and services). The regional brand affects trade between Moldova respective between the region North and other countries. Especially in the formulation of regional marketing strategies, specific communication topics and ways of communication. An inappropriately chosen strategy may not help the regional economy but, on the contrary, harm it. Marketing strategy is another of the critical points of success

1.2 Primary market data collection

Reflections on the creation and introduction of a new regional brand must be confronted with market reality. Find answers to fundamental questions: Is there a demand for a regional brand? If so, how big is the market? Why should consumers buy a new regional brand? Do they prefer domestic production or foreign and why? A number of questions must be answered before the first Czech Crown, Euro or Lei is issued to support the emergence of the new brand. For this reason, primary field research was conducted and stakeholder survey.

1.2.1 Demand survey

Data collection took place on the basis of personal interviewing and recording of responses to the prepared questionnaire in the Balti (see Annex 3). The questionnaire contained a total of twenty-two questions and other sub-questions specifying the respondents' replies. The questionnaire also contained control questions to help detect response errors. The first questions are aimed at Moldovan brands and they are to find out whether the respondents have noticed their existence. Other questions relate to consumer decision-making, whether Moldovan brands influence buying when buying, what attributes are important to them when buying. Following were the questions of domestic product preference vs. foreign production to find out why they buy domestic products and why they buy foreign products. The questionnaire was further subdivided into a section for residents and a section for tourists. For residents, the questions concerned the reason for living in the

¹ Soft market regulation is implemented mainly through education, marketing campaigns, etc. By the way, the "hard regulation" of the market is implemented by government resolutions, decrees, laws, regulations, etc.
Note: Author

Balti, satisfaction with sports and cultural offer, family income. The tourists answered the questions about the length of stay, the frequency of visits, the category of accommodation, the reason for the visit, the information sources and their average spend per person per day.

Methodology

Questioning method: Personal interviews

Locations: Balti and its surroundings

Target groups: Consumers (Moldovan consumers), domestic visitors to Balti (Moldovan one-day excursionists and overnight tourists) and residents (Persons living and working in Balti)

Number of respondents: 89 respondents

Selection method: Random selection

Term research: 22- 26 January 2018

1.2.2 Survey of the supply, resp. stakeholders

The survey of the offer was conducted through managed interviews with a total of 15 selected entities at the local level. The mix of subjects covered possible field specializations (Museum of Balti, Handy Craft Workshop Balti, Textile Company in Balti, University of Balti, Chamber of Commerce for the North Region, Mayor of Edine, Industrial park in Edine, Fruit producer, Cow farmers, Milk producer , Hotel managers). The goal of the managed interviews was to find out if a regional brand could help grow their sales, on what terms they would be willing to join the regional brand. At the same time, critical points were identified during the interviews, which may have an impact on the success of the project.

Methodology

Questioning method: Personal interviews

Locations: Balti, Edinet region,

Target groups: private businesses, cultural facilities, accommodation facilities, local authorities, dairy farmers, farmers, Chamber of Commerce

Number of respondents: 15 respondents

Selection method: targeted selection, mix of specialized specializations

Term research: 22- 26 January 2018

2. Analysis of the market data obtained

The basic macroeconomic indicators are calculated below the prediction of the effects of the implementation of the regional branding project.

Purchasing power in comparison of the Czech Republic and Moldova. For this purpose, a consumer basket containing items typical of the northern region in Moldova was created in financial terms. The consumer basket, thus assembled and financially expressed, was compared with an identical consumer basket in the Czech Republic. The price of the selected consumer basket in the Czech Republic is 566, - CZK, the price of the identical Moldovan consumer basket of the region north is 414, - CZK. By dividing consumer basket prices, we get 1.34. This value means that in Moldova one 34% more Czech goods can be bought for one Czech crown than in the Czech Republic.

$$C = P_{CZ}/P_{MD}$$

$$\text{after setting: } C = 566/414$$

$$C = 1,34$$

The correctness of the result was verified via the Numbeo.com² living cost database, which states that living costs in Moldova are 32.6% lower than in the Czech Republic. Deviation of 1.34% (calculated 34% vs. 32.6% of the Numbeo.com database) is due to the number of factors observed and is negligible for subsequent calculations.

The second check of the consumer basket price was made on the basis of purchasing power parity.

$$P_D = E_{D/F} \cdot P_F$$

$$\text{after setting: } P_D = E_{1,259} \cdot P_{414}$$

$$P_D = 328,83 \cdot 414 = 0,79 \text{ (1 Czech Crown is 0,79 Moldovan Leu)}$$

² Source: https://www.numbeo.com/cost-of-living/country_result.jsp?country=Moldova

The result, respectively. the exchange rate was verified according to the exchange rate list (as of 2.3.2018) and confirms that the unknown price (price of the Moldovan consumer basket) was set correctly.

The value of 1.34 is used to specify the costs necessary to implement the project.

2.1 Demand data analysis

Below are the main findings from terrain research carried out among consumers (N = 89), respectively. residents (40%) and tourists (60%) in Balti.

2.1.1 Summary results for all respondents

The knowledge of Moldovan brands to support the national economy in various sectors (wine, tourism, fruit, textile industry) is declared by 63% of respondents. More than half (54%) confirms that brands help them make decisions during their purchases. However, quality (79%) has the most important influence on buying decisions than image (24%) and advertising (9%) and second place with 53% price. Ratio in the preference of national and foreign products is almost 1:1. National products prefer 53% of consumers, and foreign products prefer 47%. The reasons for the preference are almost identical, first of all in both cases quality (Moldovan products 35%, foreign 30%). Other reasons for preference for Moldovan products are trust (31%), healthier (30%), cheaper (24%), national pride plays a 22% role, tradition and the awareness that they support 21% of the local economy. Foreign products, in addition to the above mentioned 30%, prefer another 28% due to good previous experience, 21% buy foreign products on the recommendation of their friends, 20% believe them. Only 13% say they buy foreign products because they are not a Moldovan alternative.

2.1.2 Resident results

Balti is a university city, so 53% of respondents are living in the city for education. Exactly a third lives in Balti because it has a family, 19% because of employment. Only 6% live in the city because the region is their favorite place. 42% of the cultural events are slightly satisfied and 31% are somewhat satisfied. Most respondents do not (58%). Those who are sporting evaluate the number of sports playgrounds as slightly satisfied (53%). The monthly income of the family living in Balti is the most (38%) in the range of 3 501-5 000 Lei, 24% of the families living in Balti have a monthly family income in the range of 5 001-10 000 Lei, 18% of the families have income of 2 001 - 3 500 Lei, 15% income up to 2 000 Lei and only 6% have a family income of more than 10 000 Lei.

2.1.3 Results for tourists

One-day visitors without overnight stay are almost half (45%). Week and more spend 30% of tourists in Balti, 15% of tourists 1-2 nights and 3-7 overnight stays declared by 11% of tourists. They most often stay with their friends (44%), 11% in their suite, 4% stay in the hotel and 41% stay in another type of accommodation. 98% of respondents return to the region most often with their family (47%) or with friends 33%. The reason for the visit is mostly shopping (37%), visiting relatives and acquaintances is second with 25%, studying returns to the region 12% of tourists and their vacation will be spent here by 8% of the interviewed tourists. The main information channel where tourists are looking for inspiration are friends' recommendations (58%), followed by the internet 21%, namely facebook, TV is the source of inspiration for 8% as well as periodicals. Average spending per person per day in the region is 501 - 1 000 Lei (33%), equal to 1 001 - 2 000 Lei (33%), 100 - 50 Lei spends 24% of tourists in the region.

3.1 Analysis of stakeholder data

Below is a list of the most important findings for all stakeholders.

- The reason for introducing a regional brand is visibility, promotion of the region, identification of its own regional identity.
- Promote only quality products and services because one bad case can negatively affect the brand.
- Establish clear rules for the entry of producers under the regional label, through standards, declaring the minimum quality level and continually checking.
- More or less all stakeholders are encouraging the emergence of a regional brand. But some prefer the brand in their sector (especially agriculture) to look different and more reflects their sector.
- Sustainability provided by the financial contributions to the regional budget's common budget is acceptable to all respondents, provided it is clear in advance what specific activities are funded. Payment of membership fees must be reflected in growth in sales of their production at some point in time.

- For raw milk producers, the implementation of the brand in the agricultural sector is too early. They are now confronted with increasing the efficiency of their own production and promotion in the near future is unnecessary for them.
- The success of the regional brand is closely linked to the important North region personalities who become brand advocates. On the other hand, equally strong personalities can damage the brand.

4. Interpretation of research results and recommendations

On the basis of the data, market knowledge and analyzes carried out, there is a recommendation / assessment of the possibility of creating, developing and sustaining the creation of a regional brand for the North region in Moldova. The recommendation is created in two modes, a pessimistic and optimistic estimate.

The size of the Moldavian population is 3,550,900 inhabitants. Of those working, there are 2 291 389, in a city where more than 1 012 716 inhabitants live³. Moldovan families have a total of 21,992, of which 11,223 live in cities. The average monthly wage is 5 084 Lei, the minimum wage is 2 100 Lei⁴.

4.1 A pessimistic estimate of the potential market for North brand products

Potential Market for Marked Products "Region North"

A total of 53% of surveyed respondents⁵ prefer Moldovan products. At the same time, the price is not the most important factor affecting the purchase, but it is higher quality, more trust and healthier. Since price is not the main factor, they are mainly bought by economically stronger consumers with higher income. Families with higher income (more than 10 000 Lei) is 6% according to demand analysis. Families with an income of 5 001 - 10 000 Lei is 24%. The size of the market for branded products the North Region is up to 30% of Moldovan families, 6,598 families⁶. Taking into account the average disposable income per capita in the capital of Chisinau is 1 000 Lei higher than in the regions, it can be assumed that 80% of the market will be mainly in the cities. There are a total of 11 223 families in the cities, and 30%

³ Source: National Bureau of Statistic of the Republic Moldova

⁴ Source: National Bureau of Statistic of the Republic Moldova

⁵ Source: Primary survey, 22-26 January 2018, Balti, Moldova

⁶ Source: National Bureau of Statistic of the Republic Moldova, own calculations

of them can buy Moldovan products according to the above scenario and the price will not be the main reason for the purchase. After conversion only 3 367 families have a total family budget of about 25.23 million Lei / month. After deducting the necessary living costs, the total available budget for the market is about 8-10 million Lei / month.

Result: The market is too small, investing in regional branding would be inefficient.

4.2 Optimistic estimate of the potential market for North brand products

The potential market is 53% of the working population⁷ living in the cities (preference of buying Moldovan products), in absolute terms 536 739 inhabitants. According to the city's monthly expenditure, 30.7% of the city's population spends on markets and 8.2% of sports and leisure⁸, or items that are relevant to the regional brand. The consumer basket will not only be regional products, there will be a mix of home and foreign products. Assuming that the consumer saw an ad affected him in the purchase of 9%. It is realistic that 10% of regional products will be stuck in its consumer basket every month. According to the Moldovan Statistical Office, the average disposable income for all regions is 2 075 Lei/ month. Expenditures on markets and sports and Leisure are 38.9%, in absolute terms 807 Lei, and it is realistic that 80.7 Lei (10%) will be issued for regional products and services. The economic strength of this defined market is 43.31 million Lei / month.

Result: The market is large enough, the introduction of regional brands north of the region is real and even including statistical deviations economically advantageous.

Na základě komparace dvou spotřebních košů regionálně značených a neznačených produktů v ČR. Koš obsahuje 24 posuzovaných položek zboží a služeb, pozn. zpracovatele.

4.3 Recommendation

Regional branded products and services are about 11% more expensive⁹ than non-branded products. Simply because their price is reflected in greater added value, at least in marketing. Both in a pessimistic and optimistic estimation of the potential market, the result

⁷ Source: Primary survey, 22-26 January 2018, Balti, Moldova

⁸ Source: Distribution of expenses using Mumbeco statistical model

⁹ Based on the comparison of two consumer baskets of regionally labelled and unmarked products in the Czech Republic. The basket contains 24 items of goods and services under consideration, note Author.

of introducing a regional brand will only take effect after some time. The first results can be known within three years of introducing a new brand in the form of raising brand awareness. Economic effects can be expected within five years. However, assuming continuous work, continuous market analysis and patience. The analyzes made indicate a potential for saturation of the market for regional products and services. Region North is not the only region, it has competition, so it is necessary to count on their activities. If the new regional brand of the region is introduced, then it is definitely not less than the following:

4.3.1 Institutional reinsurance

Establishment of one institution or brand manager within an existing organization that will permanently deal with the establishment, development and monitoring of the regional brand. Members will be kept informed of upcoming support projects, will oversee the observance of standards and deal with complaints. Institutions should have the support from the national level, particularly political. In the case of the North region may assume this role, regional development agencies, which already has software for spatial analysis equipment, the staff have been trained in issues of regional brand. For the sustainability of the project it is essential that members donate a pre-defined membership fee, which will primarily cover the cost of marketing communications.

4.3.2 Clear definition of standards and rules for entry into the regional brand

Based on the requirements of stakeholders, for their own protection against low quality productions that can negatively affect all members. Standards should be developed for different field specializations separately. It is also necessary to oversee their observance.

4.3.3 Marketing strategy

Before starting any marketing communications, create a Marketing Strategy. Clearly define current and target status from a marketing point of view. Continually evaluate and optimize strategy to match reality. Without a marketing strategy, campaigns can not be implemented effectively, their implementation is random, uncontrolled and inefficient. The marketing strategy should include the action plan produced annually to the member board for information for approval.

4.3.4 Continuous evaluation

Region north of lack of information about consumer behavior of visitors, potential consumers. It is of course necessary to carry out continuous monitoring, for example in cooperation with the University of Balti. Sufficient sources of information are necessary to implement any decision, including marketing.

4.3.5 Sufficient membership base

Communication of the new regional brand must be started when there is already a sufficiently large membership base. Defined market, in the case of targeted communication must be able to timely respond to induced demand. At the same time, partial funding of some ongoing micro-business promotion campaigns is ensured.

4.3.6 One brand without derivation of field specializations

In the case of the implementation of the regional branding project, focus on creating one brand, without creating a regional specialty brand. One regional brand is an efficient and very demanding process. In addition, some new milk producers are not ready to implement.

Conclusion

Market conditions for branded regional products and services exist. The defined market is not large, the economic performance of the market is directly proportional to the growth of living standards. It is certainly positive that Moldovans trust their production that they do not buy it because of a lower price. The idea to establish a regional brand is not against the trends that we see in Europe, on the contrary, it follows, which is positive. The benefits of regional marketing cannot be expected in the short term, just the opposite. However, a new brand needs to be constantly developed, communicated and funded. The only initial investment will not guarantee the success of the whole project. Without ongoing funding of the project will certainly cease to exist. The regional brand must be institutionally secured and managed.

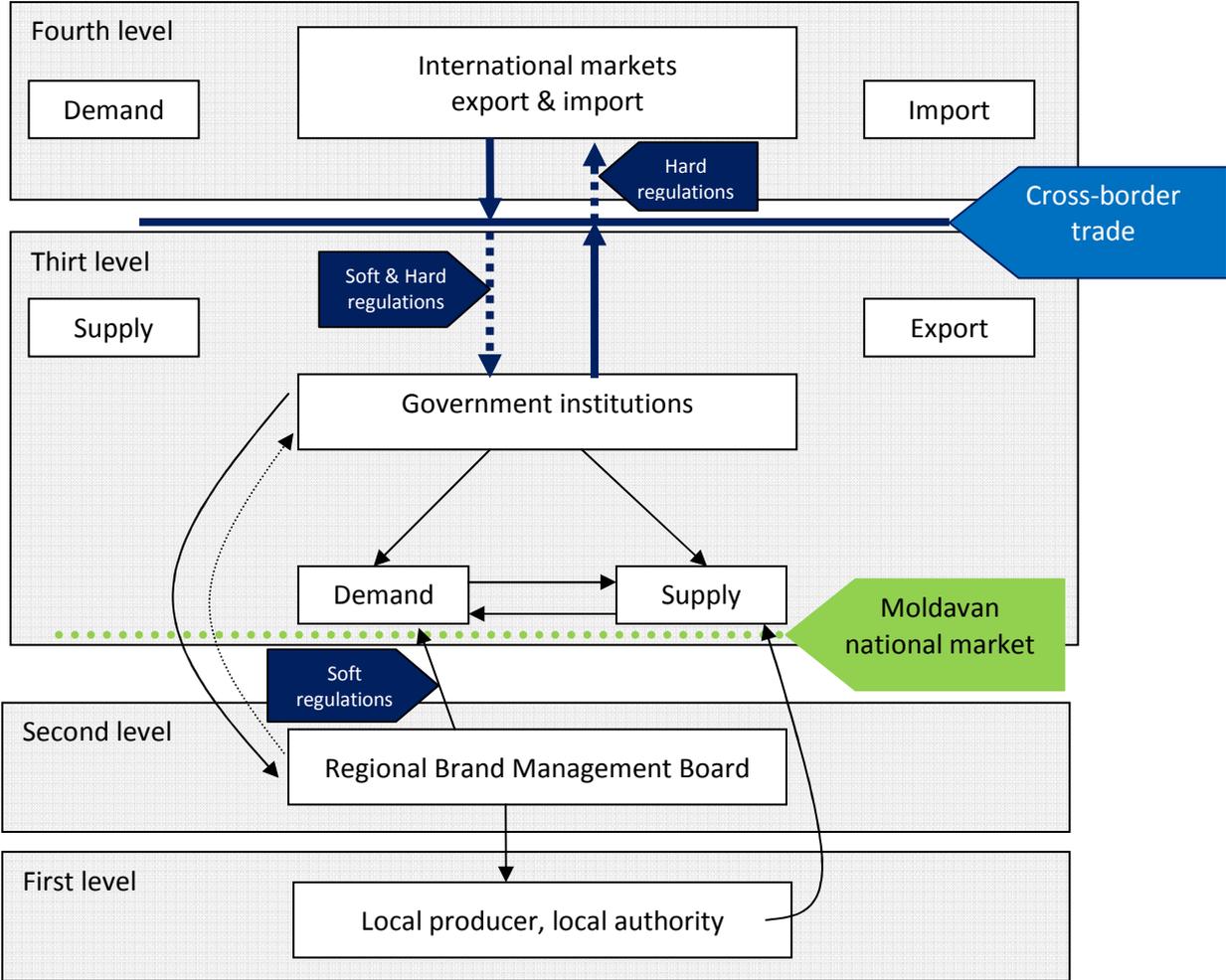
Annexes

Annex 1 Model of the regional brand and basic economic relations

Annex 2 Detailed findings

Annex 3 Questionnaire

Annex 1 Model of the regional brand and basic economic relations

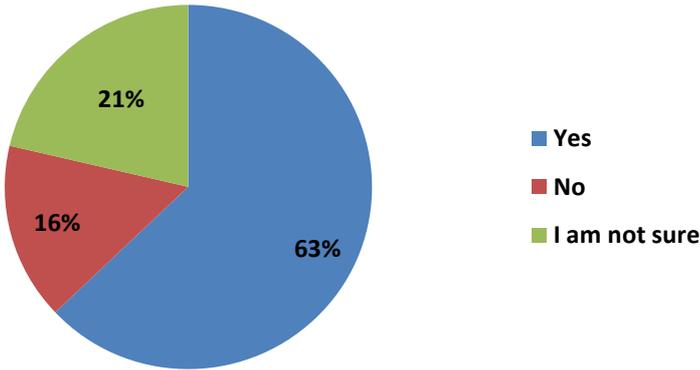


Legend

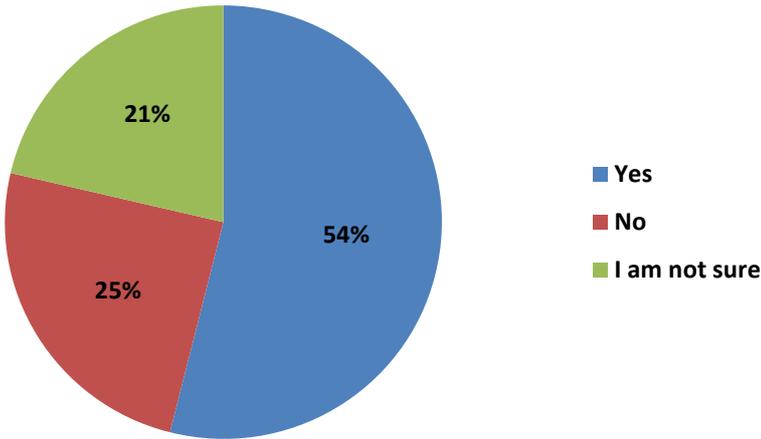
- Direct influence
- Indirect influence



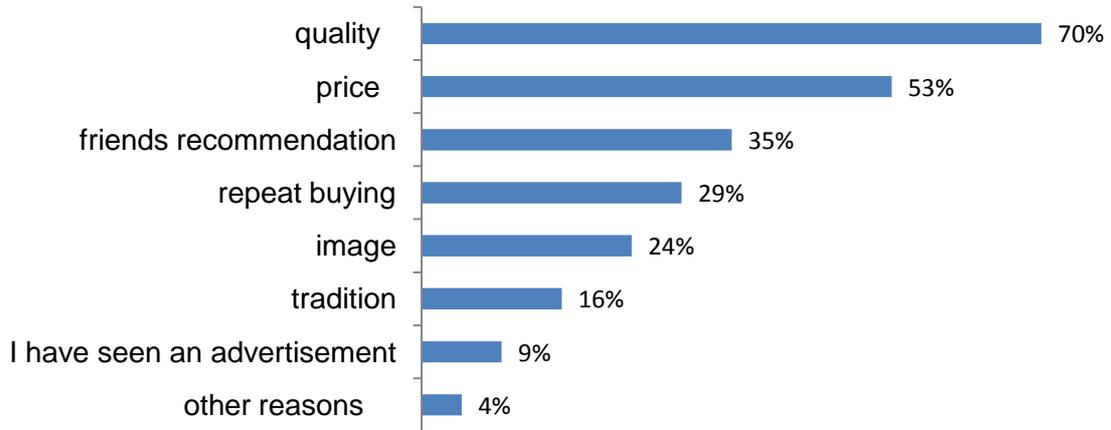
Q1. Can you remember, if you have ever seen some Moldovan brands?



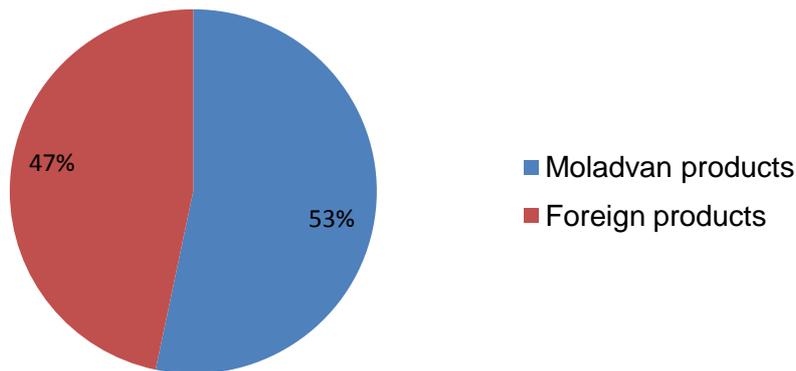
Q 2. Would it help you the brands of product (foodstuffs) and services (cultural events, hotels, etc.) during your shopping? For example "Made in Moldova", "Made in region North"



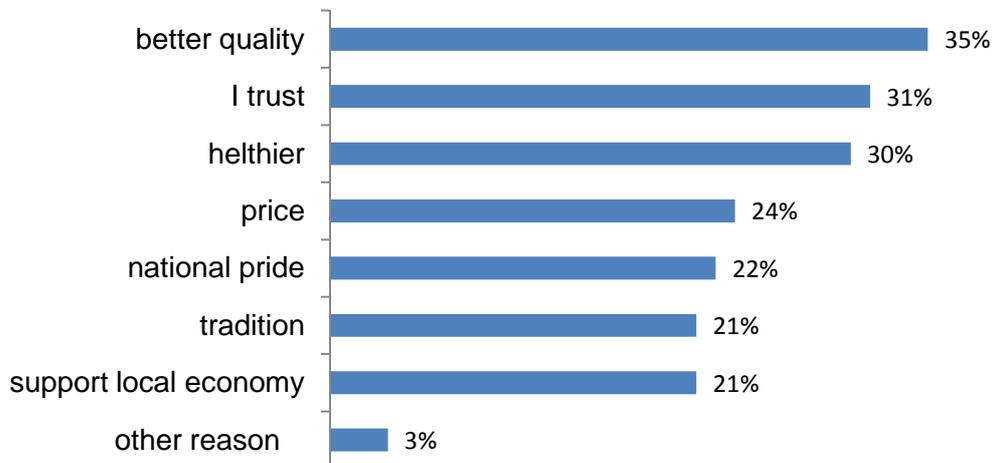
Q 3. Which of following attributes are important during your shopping?



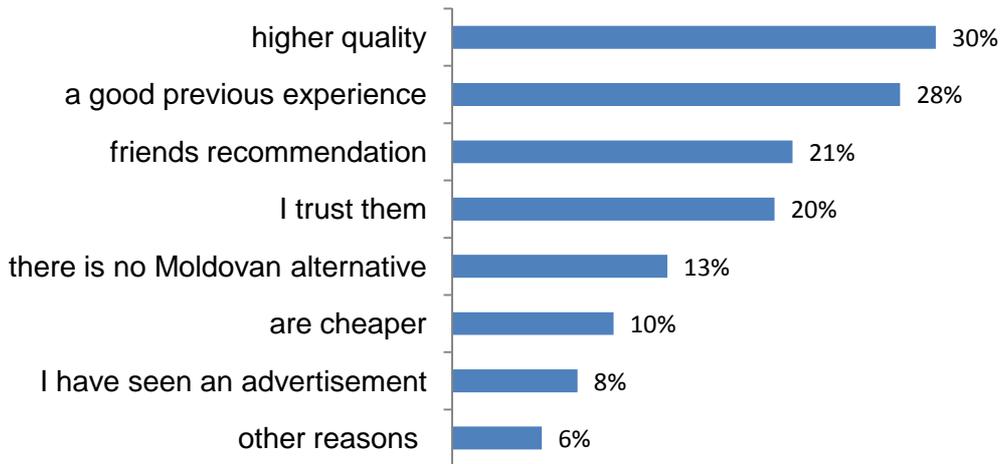
Q 4./5*. Do you prefer Moladvan or Foreign products?



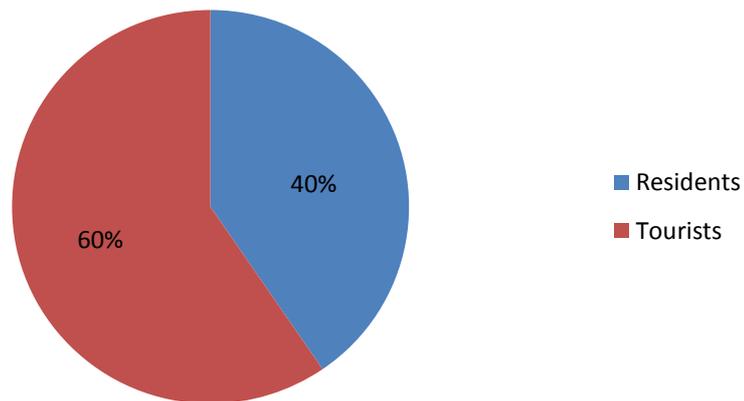
Q 4.1 Why Moldavan products?



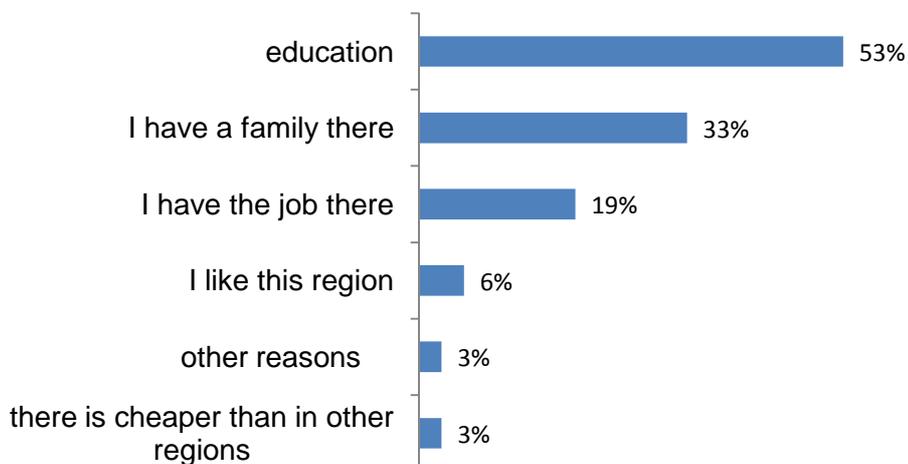
Q5.1 Why foreign products?



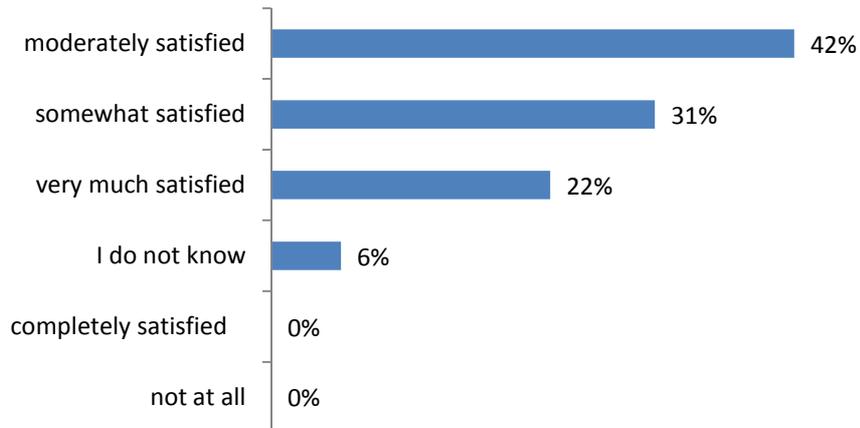
Q 6*. Do you live or work in Balti? Are you tourist?



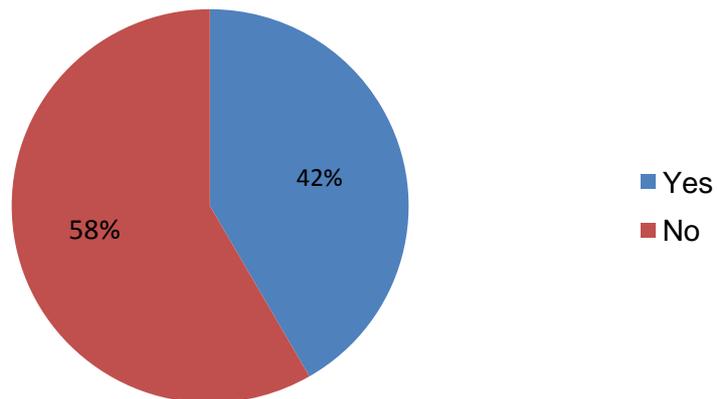
Q 7. Why do you live in Balti?



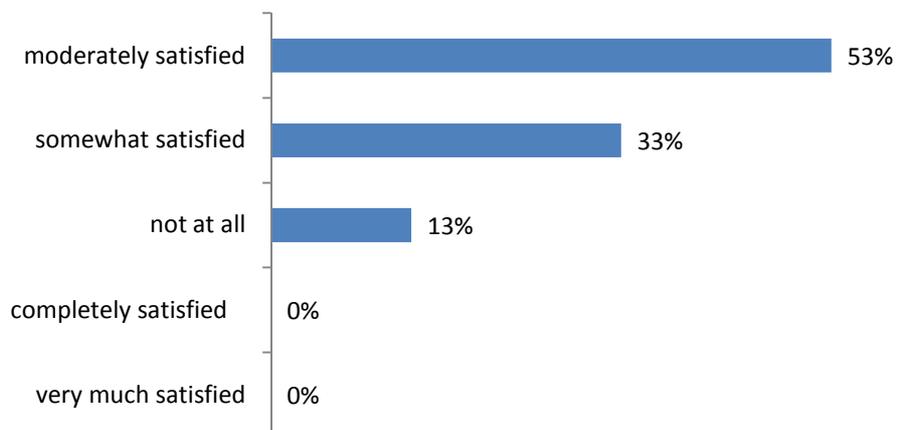
Q 9. Are you satisfy with cultures events in the city of Balti?



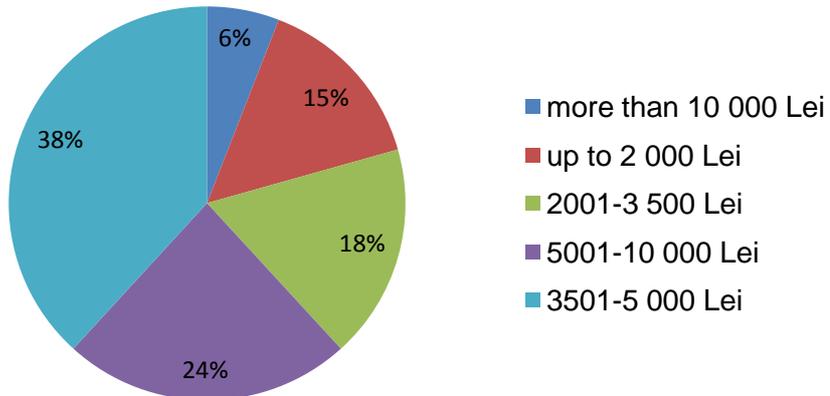
Q 10. Do you sporting?



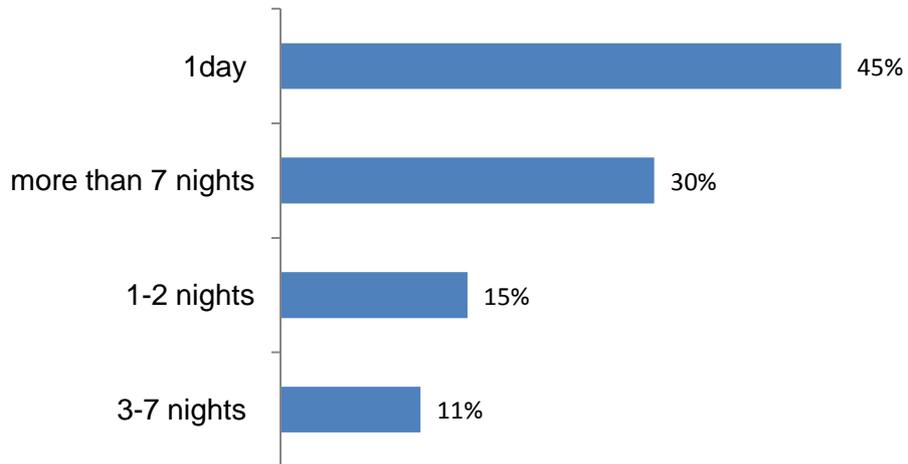
Q 10.1 If "Yes" → Are you satisfied with a number of playgrounds, with sports offer in Balti?



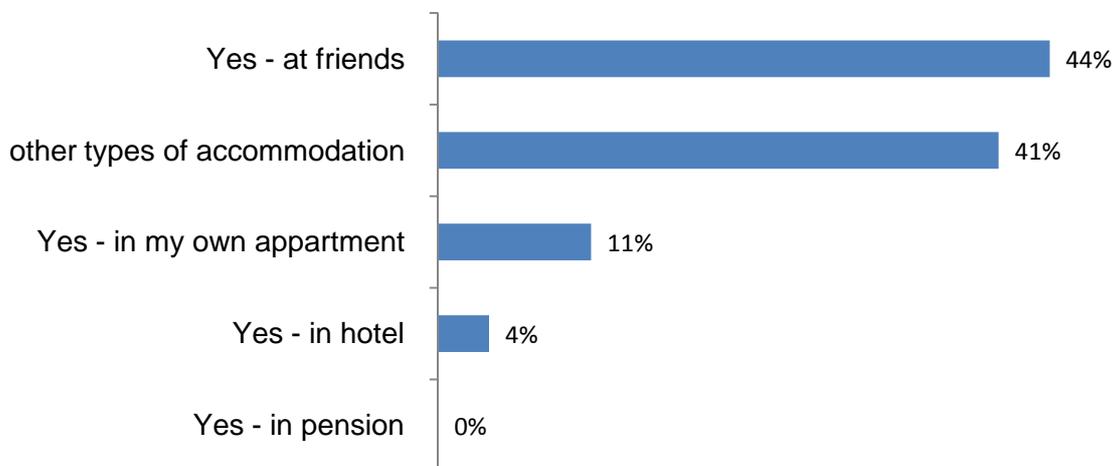
Q 11. Family income per month is:



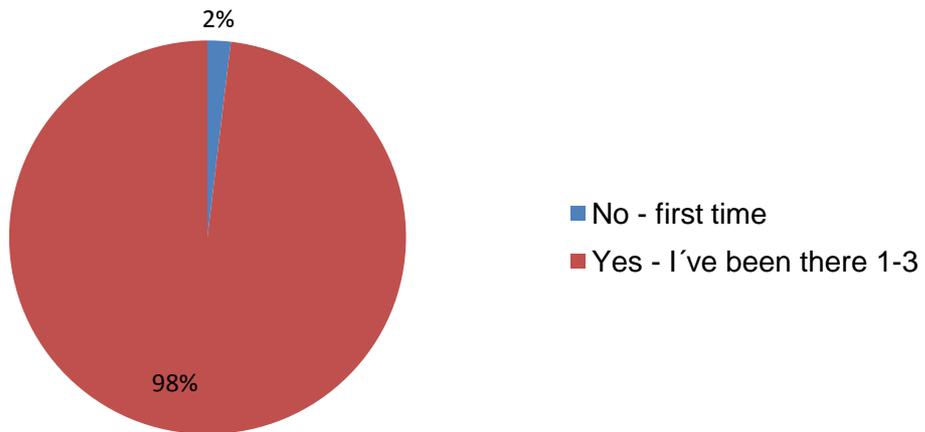
Q 15. How long are you stay there? (Tourist)



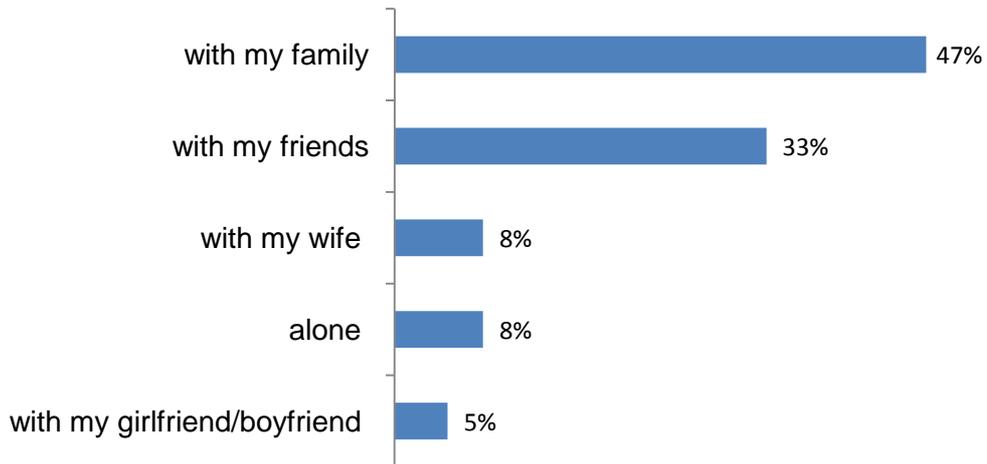
Q 16. Are you stay there overnight?



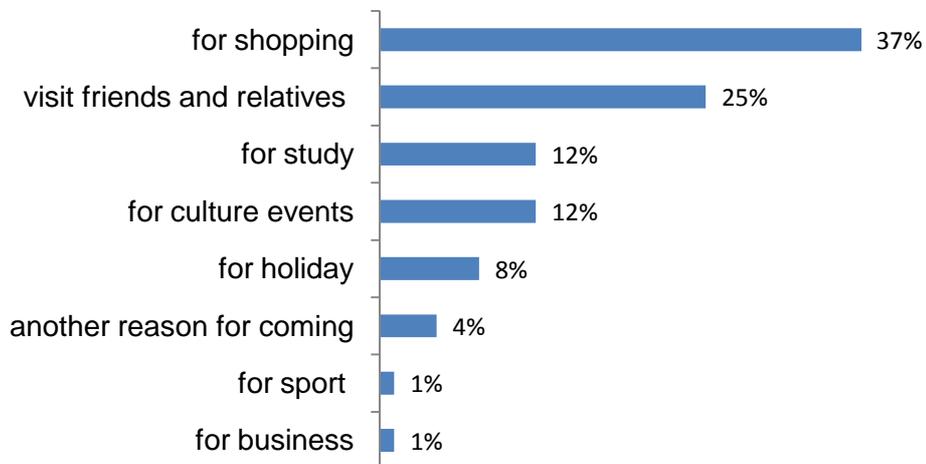
Q 17. Have you ever been in this region?



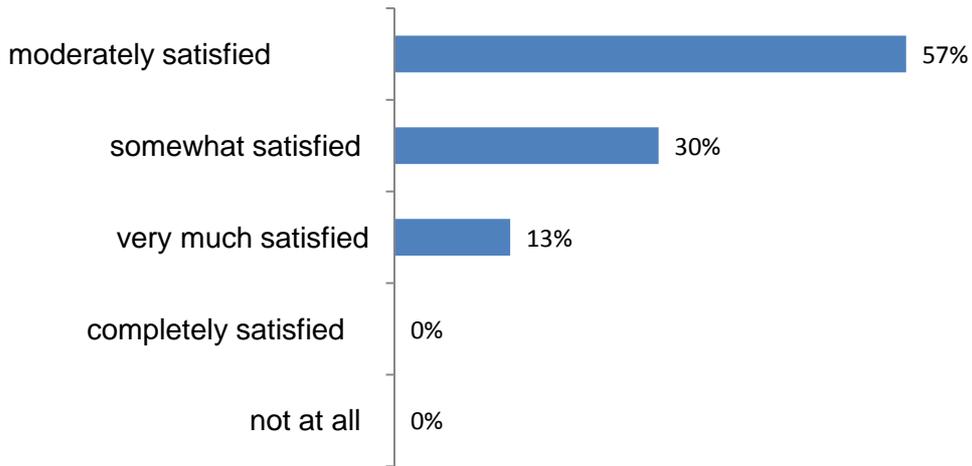
Q 18. Whith whom are you coming?



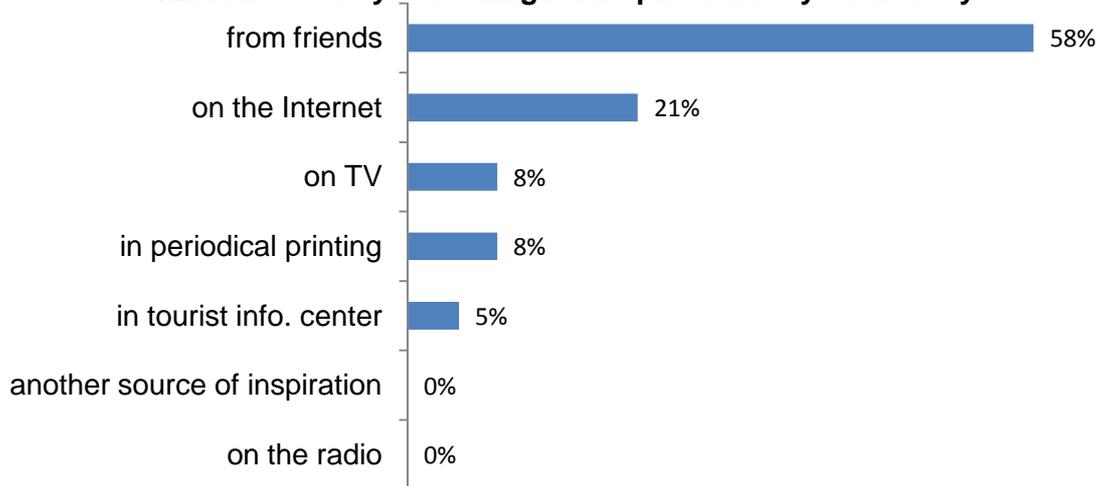
Q 19. Why are you coming to this region?



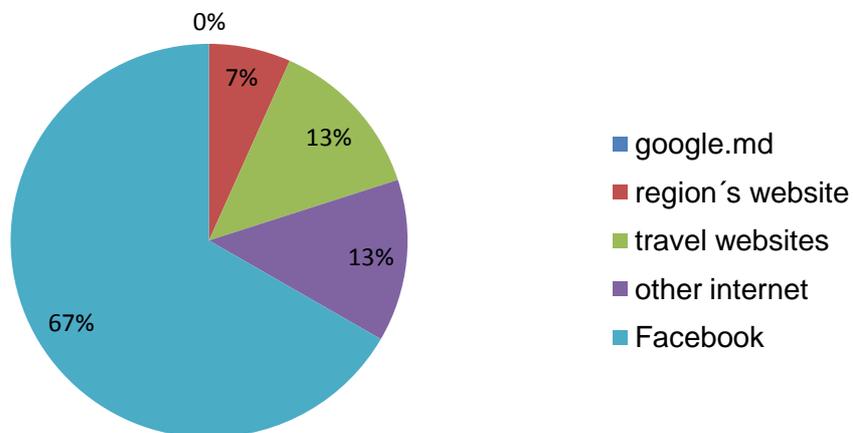
Q 20. How satisfied are you with this region?



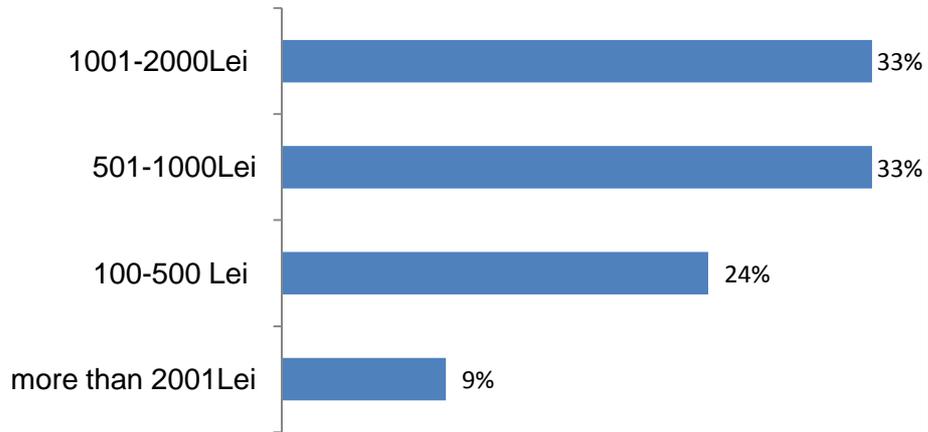
Q 21. Where are you looking for inspiration for your holiday?



Internet detail:



Q 22. How much money do you spend on average in this region during your visit (per person)?



Annex 3 Questionnaire

Dear Madam, Sir,

Agenția de Dezvoltare Regională Nord in cooperation with the Czech Development Agency, Haskoning DHV and the Alecu Russo State University of Balti, realizing with tourists and citizens of Balti this research.

We would like to ask you for answer this following questions? Information from this research will be used for region's North brand development.

Thank you!

Q1. Can you remember, if you have ever seen some Moldovan brands? For example these:



Yes No I am not sure

Q 2. Would it help you the brands of product (foodstuffs) and services (cultural events, hotels, etc.) during your shopping? For example "Made in Moldova", "Made in region North"

Yes No I am not sure

Q 3. Which of following attributes are important during your shopping?

- price
- quality
- image
- I have seen an advertisement
- friends recommendation
- repeat buying
- tradition
- other reasons

Q 4. Do you prefer Moldovan products?

- Yes No

Q 4.1 If "Yes" → Why? Due to:

- national pride
 support local economy
 better quality
 price
 healthier
 I trust
 tradition
 other reason

Q 5. Do You prefer foreign products?

- Yes No

Q5.1 If "Yes" → Why? Due to:

- there is no Moldovan alternative
 higher quality
 are cheaper
 I trust them
 a good previous experience
 I have seen an advertisement
 friends recommendation
 other reasons

Q 6. Do you live or work in Balti? Do you work in Balti every day?

- Yes No, I am on trip, on holiday - I am just the tourist

If "NO" → Continue with questions number 14

If "Yes" → Continue with the following questions:

Q 7. Why do you live in Balti?

- I have the job there
 I have a family there
 I like this region
 there is cheaper than in other regions
 education
 other reasons

Q 8. Please specify what is unique in Balti or in region North for you?:



Q 9. Are you satisfy with cultures events in the city of Balti?

- not at all
- somewhat satisfied
- moderately satisfied
- very much satisfied
- completely satisfied
- I do not know

Q 9.1 Which one is the best? 

Q 10. Do you sporting?

- Yes
- No

Q 10.1 If "Yes" → Are you satisfied with a number of playgrounds, with sports offer in Balti?

- not at all
- somewhat satisfied
- moderately satisfied
- very much satisfied
- completely satisfied

Q 11. Family income per month is:

- up to 2 000 Lei
- 2001-3 500 Lei
- 3501-5 000 Lei
- 5001-10 000 Lei
- more than 10 000 Lei

Q 12. Gender

- Male
- Female

Q 13. Age

Questions for tourists only

Q 14. Where are you come from? Village and district



Q 15. How long are you stay there?

- 1day 1-2 nights 3-7 nights more than 7 nights

Q 16. Are you stay there overnight?

- Yes - in hotel Yes - in pension Yes - at friends
 Yes - in my own apartment other types of accommodation

Q 17. Have you ever been in this region?

- No - first time Yes - I've been there 1-3

Q 18. Whit whom are you coming?

- alone with my wife with my girlfriend/boyfriend with my family
 with friends

Q 19. Why are you coming to this region?

- for holiday for business for sport for culture events for study
 visit friends and relatives another reason for coming for shopping

Q 20. How satisfied are you with this region?

- not at all somewhat satisfied moderately satisfied very much satisfied
 completely satisfied

Q 21. Where are you looking for inspiration for your holiday?

- from friends
 in periodical printing
 on the radio
 on TV
 in tourist info. center
 on the Internet
 Facebook google.md travel websites region's website other internet
 Another source of inspiration

Q 22. How much money do you spend on average in this region during your visit (per person)?

100-500 Lei

501-1000Lei

1001-2000Lei

more than 2001Lei