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Uneven development and the geography of realisation of value

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Uneven development and the geography of realisation of value – DRAFT

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Abstract

The organisation of the production process across space has been a key theme for economic geographers over the last two decades. It has been demonstrated conclusively that spatial differentiation plays a significant role in the organisation of production while at the same time it is also an outcome of this process. In this way the geography of production has made an invaluable contribution to the conceptualisation of uneven development. Nevertheless, all this is but only part of the story. Firms, in order to remain profitable, not only have to organise and control the production process, they also must devise appropriate marketing strategies to enable them to more than recover their committed costs. In other words, firms have to realise the value of their output through a sufficient volume of sales at a price that allows for profits. It is suggested here that spatial differentiation, apart from being an integral part of marketing strategies, is also an outcome of them. If this is true, then the implications of the process of realising value for uneven development are, at least, of equal importance to those of production. The present paper is an attempt to demonstrate some of these implications.

Uneven development and the geography of realisation of value

1. Introduction

The spatial organisation of production activity has been the object of extensive study in economic geography during the past two decades. Through the detailed examination of production structures, methods and requirements researchers have attempted to unpack the motive forces behind the spatial distribution of economic activity and thus the emergence of regional inequalities. It has been argued that the requirements of production (not only in physical but also in socio-economic terms) play a significant role in the whole process. Different stages of production are carried out in different locations in order to take advantage of spatial heterogeneity. At the same time, regional variation does not remain static but can be transformed over time. This happens not only as a result of the unequal distribution of the various production stages among different areas, but also as a consequence of the uneven relations that connect each stage with the others. In this way, regional disparities tend to be understood as little more than an outcome of the organisation of the production process across space.

Although, there is little doubt that geography of production has offered some unique and most useful insights into the ways that regional disparities emerge, nevertheless it may be argued that this provides only a part of the story. By focusing exclusively on changes within production structures, other contributing forces to regional inequality remain relatively unexplored. Production is not carried out for its own sake but in order that profits be generated. Although cost minimisation is important for sure, sales are also necessary for the achievement of this objective. Thus, firms, apart from organising and controlling production efficiently, have also to formulate appropriate marketing strategies that will enable them to persuade customers of the utility of their products/services. In this way, a sufficient volume of sales at a price that allows for the recovery of the committed costs and the generation of profits might be achieved. Marketing strategies are an integral part of the realisation of value process since they

facilitate capital circulation from commodity to money form. Moreover, it can be also argued that these marketing strategies are spatially constructed. It would be peculiar in the least, if firms attempted to take advantage of spatial variation only when it comes to organising their production, and not their sales activities.

The significance of industrial marketing strategies becomes even clearer once it is understood that production costs are highly dependent on them. Firms and plants, even in the case of products involving high vertical integration, have to purchase some material inputs from elsewhere. (It is often highly arbitrary what constitutes vertically integrated production.) Surprising as it sounds, these intermediate inputs (raw materials, semi-finished goods, components, sub-assemblies, etc.) often account, on average, for the greater part of the final output value. Thus, procurement and outsourcing strategies are just as important for the achievement of low production costs as attempts to increase productivity within firm or plant boundaries. Although the geography of production acknowledges material flows amongst firms, usually no indication is provided about their actual impact on production costs. In addition, there is a tendency to treat procurement as solely a production issue related to the social division of labour. However, transactions of this kind are heavily characterised by market relations and this is something that should not be overlooked. Access to low cost material inputs is, amongst other things, a matter of inter-firm relationships, market position and control. Furthermore, the incorporation into the final product or service of inputs bought from elsewhere, in itself, makes up part of the realisation process of the suppliers' output.

In this context, the main aim of this paper is the theoretical exploration of the interaction between firm strategies of realising output value and spatial differentiation. It will be demonstrated that while marketing and supply strategies are spatially structured they do at the same time contribute to the evolution of regional variation. In the following section the geography of production and its limitations are discussed briefly. Next comes a consideration of the geography of the realisation of value (the spatial dimension of marketing and supply strategies). Section four focuses on the exploration of some of the

regional impacts of the realisation of value process and the analytical paths that can be adopted for their study. The last section summarises and concludes the paper.

2. The geography of production and its limitations

The literature devoted to the study of geography of production is not homogeneous. Many theoretical approaches have been developed over time, each of them focusing on different aspects and adopting a different methodology. Nevertheless, it can be argued that the common thread that connects the various studies is their tendency to explain spatial outcomes by considering mainly (or frequently exclusively) changes within the production process. The new international division of labour thesis, for example, emphasises the role of new technologies in the geographical liberation of capital and the attraction that cheap labour pools exercise upon transnational corporations. In this way, the de-industrialisation of the core is attributed to the relocation of productive capacity in the newly industrialising countries (Fagan and Le Heron, 1994). Similarly, the flexible specialisation literature focuses on the new spatial forms that emerge as a result of changes in the organisation of production. The abandonment of the Fordist systems of mass production in favour of more flexible methods that allow for the vertical disintegration of the production process and product differentiation is not without spatial implications. The emergence of new industrial districts is viewed as the outcome of the clustering of small firms organised around flexible production methods (Sadler, 1992).

The aim here is not to present in detail the different theoretical paths within the geography of production. Instead, the analysis will be limited to the examination of the spatial divisions of labour thesis. There are several reasons behind this decision. This particular thesis is largely responsible for the introduction of the current production dimension into economic geography. By examining its theoretical underpinnings it will be easier to point to some of its limitations. Moreover, a consideration of the underlying logic behind this framework will be useful in the assessment of the analytical value of the geography of realisation. It is quite possible that the same sort of arguments that support the study of production-related issues may also apply to firm marketing strategies.

Finally, this particular theoretical framework has been supremely influential in contemporary geographic thought. It is recognised as seminal even by studies that raise reservations about its general applicability (Sadler, 1992; Fagan and Le Heron, 1994; Schoenberger, 1997).

The introduction of the current production focus in economic geography took place in relation to the industrial location issue and can be viewed as part of a general process attempting to incorporate social analysis into the discipline. More specifically, it was an attempt to shift the analytical focus from the examination of changes in the spatial economic surface to the study of the social forces that generate them (Massey, 1984). Until the early eighties regional inequality in the distribution of economic activity was mainly approached as an issue of geographical difference. The conception was that economic activities were located in those areas that offered the most advantages. Although such an explanation was not unreasonable, there were still some counter-arguments. The criticism was based upon three points. First, spatial changes do not necessarily have spatial causes. Second, no explanation was provided about the increased significance of certain location factors during specific periods. And finally, there was no consideration of how these locational advantages were created or how they evolved over time (Massey, 1984).

In such a context, production as a social relation was introduced into the debate in order to provide some answers to the above points. It was demonstrated that spatial characteristics alone are not enough to determine the location of an economic activity. These characteristics also have to be compatible with the requirements of production. The latter, far from being static, are transformed over time leading to changes in the way that industries take advantage of the spatial variation. Similarly, many of the location factors are socially constructed and thus subject to change (either as a result of the uneven distribution of the economic activity or as a regional policy outcome) (Massey, 1979; 1984). Observations such as these provided the impetus for the construction of a geography of production. Running the risk of oversimplification, the main advances of the theory may be epitomised in the concept of spatial divisions of labour, the notion of

the spatial reproduction of the social relations of production, and finally the recognition of the dynamic interrelationship between regional heterogeneity and production structure.

The incorporation into the analysis of the concept of the spatial divisions of labour offered an alternative view on regional inequality. Production is not a homogeneous process but it can be separated into different stages that are characterised by different requirements. Thus, it is not unusual for the various stages of the same production process to be carried out at different locations. In this sense, uneven development is not so much a problem of an unequal spatial distribution of the economic activity but more a question of which stage of production is carried out where.

At the same time, the social relations of production are hierarchically constructed. This entails that the various stages of production are not connected with each other through equal relations. Some of them (managerial, R&D etc.) exercise significant control over some others (assembly manufacturing etc.). These uneven relations tend to be reproduced spatially through the location of the different stages of production in different areas. The regions that receive the lower-end production stages find themselves operating under unequal relations with the regions that attract higher-end stages. The external control of their economic base is exacerbated and, often, so does the regional problem that they face.

Finally, the recognition of the interaction between regional heterogeneity and the spatial structure of production is another major contribution of the geography of production. Geography matters in the sense that the adoption of any production method is not taken up in a vacuum, but in a world of spatial differentiation. Existing inequalities play an important role in the promotion and establishment of specific forms of production organisation. Similarly the spatial distribution of production activities transforms old regional inequalities and contributes to the emergence of new ones. The location of a certain production stage in an area has a significant impact on the socio-economic fabric. In this sense, a two-way relationship is established between the requirements of

production and spatial variation. As both evolve in relation to each other, the nature of regional problem is transformed too (Massey, 1979; 1984).

The above mentioned analytical axes describe, in an abstract way, the channels through which the geography of production affects uneven development. Undoubtedly, the theory is much richer than this modest account, and subsequent methodological attempts (flexible specialisation, evolution theory etc.) have provided additional useful insights into particular aspects. Nevertheless, the domination of production considerations within the literature during the past two decades has not remained unchallenged. On several occasions, researchers have come across issues where geography of production alone was not able to provide convincing answers.

Debates over globalisation offer a first example. The geography of production seems to be in difficulty in addressing the highly diverse links between the global and the local. The problem appears to rest on the overlooking of non-production aspects. Sadler (1992: 3) argues that "…despite the insights which it brings, the focus on systems of production organisation also crucially *downplays* the continuing significance of the national state dimension… and *oversimplifies* the regional aspect to global uneven development" (emphasis in the original). Similarly, Fagan and Le Heron (1994: 266) state that "the notion of 'the geography of production' must be replaced with a conception of the geography of capital accumulation at a global scale." The geography that they envisage is based upon the consideration not only of production but also markets, international trade and global financial flow.

In the same vein, Schoenberger (1997) in her work about the decline of large US based firms argues that the single focus on production cannot shed light on every aspect of a production system. Despite the useful insights that the geography of production offers, at the same time, it tends to undermine the role of competition as an explanatory variable. In addition, it is stated that time and space should not be viewed as purely production-related issues but also as firm strategic problems. In this respect, an alternative methodology based on the examination of the relationship between corporate strategy

and culture is proposed. According to this view, corporate culture determines the kind of changes that will be implemented in response to changes in the competitive environment.

From the above brief review is evident that there are many important contributing factors (state policies, markets, international trade, competition, corporate strategy etc.) to spatially uneven development, which remain unexplored in the production geography context. However, it is always difficult to criticise a theory for focusing on specific aspects while ignoring others. In the final analysis, theories are not panaceas that can explain or account for everything. Moreover, following Sayer (1997), it is hard not to agree with the view that although cultural elements are important, when it comes to the bottom line firms operate on the basis of costs and revenues. In other words, they operate in environments where certain factors are beyond managerial control. The geography of production is founded exactly on this assumption (production for profit) and aims to explore its spatial implications. Thus, any arguments should be levelled only to the extent that the theory fails to serve its aim. In the remainder of this section it will be demonstrated that this may well be the case.

According to this theoretical approach, the response of economic activity to geographical inequality is determined by the attempt to maximise profits (Massey and Meegan, 1985). Undoubtedly, there is considerable diversity in the way in which the various economic activities can take advantage of regional heterogeneity and this is something that is addressed through the introduction of the concept of spatial divisions of labour. However, while the theory accepts profit maximisation as the main firm objective, at the same time, analysis is limited solely to the interaction between spatial variation and production structure. In this sense, it can be argued that the geography of production does not provide the full story that it aspires to. Sales are also necessary for profit generation and, logically, this too is an issue that needs to be addressed. Although low production costs are important in ensuring sales volumes, they are only but one factor. Marketing strategies, that aim to persuade potential customers about the utility of the products and services of the firm, are perhaps more relevant from this viewpoint (especially under conditions of fierce competition where firms have also to offset rivals'

strategies). Thus, to the extent that marketing strategies affect profitability, they must be included in the research agenda.

At the same time, it may be also argued that geography of production does not address adequately even the issue of production cost. Possibly as a result of its industrial location origins, much attention is paid to the organisation of the production process within firm or plant boundaries. The theory focuses on how firms structure and control spatially their production activity in their attempt to maximise profits. The underlying assumption is that through rationalisation, labour cost savings or productivity increases profitability will be improved. While this assumption is certainly correct, at the same time it is also the case that improvements within individual firm or plant boundaries are not usually the most important factor in the determination of production costs. The production process has to be supplied with material inputs (raw materials, sub-assemblies, parts etc.) purchased from elsewhere. As a result, the value that is added during the production process within firm or plant boundaries accounts for less than one half of the value of the final output (Oulton and O' Mahony, 1994). Of course, there is great variation among firms and sectors, but for total manufacturing, it is still generally the case that material inputs account for the greater part of gross production value[1].

This point usually goes unrecognised by geography of production, which is more focused on the changes in the production process that firms promote in order to increase productivity, rather on their attempts to improve their accessibility to cheap material inputs of a satisfactory quality. This is a limitation of the theory, since the promotion of technical change is inexorably related with material inputs considerations. The advantages of mass production, for example, are not restricted to scale economies, but include also reductions in the cost of the necessary material inputs. Increases in the total volume of the material inputs used or consumed lead to discounts in their unit price,

[1] Perhaps, the provision of some international data (UNIDO, 1998) might be useful in the further illustration of this point. Although accurate international comparisons about the share of value added in gross production value cannot be made due to differences in industrial classification, the calculation of value added, or the size of firms that are included in the surveys, nevertheless the evidence is overwhelming. During 1994, in OECD countries, value added accounted for only 30.8% of the gross production value in Spain, 36.2% in Greece, 36.7% in Canada, 42% in the UK, 42.3% in Ireland and

which arise out of buyers' enhanced negotiation power, the exploitation of suppliers' scale economies, or the minimisation of administration and transportation costs. Although, industrial relations of this kind fall under the concept of the social division of labour (Saxenian, 1994; Scott, 1995), geographic analysis usually focuses on their production rather than marketing dimension. However, the determination of who manufactures which part of the final product is not a simple issue of production process separation. It is, above all, a complicated matter of inter-firm relations, realisation of value strategies, firm position in the market and market control.

The above observations indicate that the exclusive study of production structure cannot provide answers for every aspect of uneven development. If profit maximisation is the key for understanding the response of economic activity to spatial inequality then analysis should not be limited to costs but has also to include revenues. The latter are inexorably related to firm sale activities and marketing strategies. Thus, the way in which firms organise spatially their sales or take advantage of spatial differentiation in the formulation of their marketing strategies is important for the understanding of regional inequality. In addition, equally significant is the study of the marketing dimension of inter-firm production input purchases. Not only does the price of these inputs determine to a large extent production costs, but also firm interaction creates market dependencies, which can be (and usually are) as intense as those of production. The examination of market relations cannot be carried out properly through the utilisation of production concepts. Marketing literature provides more appropriate tools for this purpose. The consideration of their spatial dimension may offer the opportunity for the construction of what might be termed a geography of realisation of value.

3. The geography of realisation of value

The production of commodities and services entails the commitment of various costs (capital, labour, materials and services etc.) which subsequently are incorporated in the final output. In a capitalistic economy this process takes place in the expectation that the

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47.9% in the USA. Similar figures were reported for the rest of the world.

final output will be sold at a price that enables the recovery of the committed costs and the generation of profits. However, despite the fact that commodities and services embody a wide range of production costs, they are of no value unless buyers are found. It is through the exchange process that the value of the output is realised and producers are able to recover their committed costs. From this viewpoint, the realisation process (the circulation of capital from commodity to monetary form) is as important as the control over production. Without sales, firms are condemned to closure, and consequently sophisticated marketing strategies are elaborated in order to ensure them.

In general, there are two ways to view the operation of these strategies. In a somewhat crude manner, marketing may be considered as the vehicle for persuading potential customers about the utility of the firm's products/services. The aim is not only to entice them to absorb the available quantities but also to induce them to pay a price that will make production viable. In this way, marketing strategies are conceptualised as focusing on the realisation of an already existing value (output produced) through the demonstration of its utility. Nevertheless, from another viewpoint, marketing may also be approached as a value-adding activity itself (Norgan, 1994). According to this view, the firm does not produce abstract values but products and services that cover specific customer requirements. Marketing strategies aim to identify these needs and to formulate solutions that will help generate final output in the form that is most useful to the customer. This may involve the incorporation of additional services, transportation arrangements, product differentiation etc. In this approach, customer requirements are ‘given’ while the product is a ‘variable’ that has to be transformed accordingly (Webster, 1984). Thus, marketing becomes an activity that adds value to the existing product through the incorporation of additional attributes that enhance its attractiveness.

Irrespective of which of the two views is adopted, it is apparent that marketing strategies are important in the realisation of value process. Apart from being the vehicle through which potential buyers will be found and thus sales will be achieved, they are also valuable in the identification (or in some cases even manipulation) of the customers' needs. The latter is an issue of great importance, since it may be argued that buyers'

requirements through their influence on the nature of the product provided, exercise also control over the production process[2]. The incorporation of additional services or attributes to the final product/service, the reduction of delivery times, the customisation or standardisation of output, etc., are all aspects that are considered during the selection of production methods, technology and forms of spatial organisation. However, customers' needs should not be viewed as a purely production issue. In the case of industrial markets[3], the nature of the inputs required is determined according to the activities, interests or market position of the major customers. Attempts to increase, for instance, the value-added of the inputs provided (finished instead of semi-finished products etc.) may lead to the reduction of the customers' manufacturing or retailing activity. As such they may generate conflicts with the customers or might be viewed as an invasion into their markets. Thus, in either way the requirements of production are inexorably related to those of customers.

Similarly, marketing strategies are equally important in dealing with competition or preventing the emergence of new rivals. In the absence of competitors a firm is able to combine sales volumes and prices in a way that maximises profits. In the presence of rivals this freedom is limited and the adopted strategies have also to take into account their actions. There is clearly a wide range of strategies aimed to tackle competition and certainly the present article is not the place to present them all. The implementation of sunk investments, the erection of entry barriers, or aggressive pricing policies are just a few of the ways in which firms try to prevent potential rivals from entering their markets. In the same vein, marketing tools such as market segmentation, product differentiation, customer targeting, or product positioning are frequently used in attempts to increase sales and expand market shares. The significance of these strategies in profit maximisation becomes even clearer when it is considered that in a capitalistic economy,

[2] For a similar discussion based on the different views provided by Marxist and liberal theories see Sayer (1995). While the notion that the customer is the real boss of the firm is rightly rejected, at the same time, the additional perspective on uneven development that is offered by liberal theories is acknowledged. In the final analysis, any firm, irrespective of ownership status, is subject to the risks of declining demand.

[3] Surprisingly, industrial markets account for the largest part of total transactions. Webster (1984) mentions that on average two dollars of industrial transactions are recorded for every dollar spent on a final consumer product. An easy way to perceive this is by considering the intense firm network that is

the market is the only place where a direct contact between rivals is permitted. It is certainly the case that there is little scope to prevent competitors from efficiently organising their production process, innovating new products, or improving their productivity (save for drastic solutions such as plant sabotage!). The only real options available are those of matching their competitors' production organisation or offsetting some of their production advantages through suitable marketing strategies. Viewed this way, market competition is a significant element of the realisation of value process.

Alternatively, the existing market structures may offer opportunities for inter-firm co-operation. Such possibilities are not limited to the formation of trusts and oligopolies but may include strategic alliances, distribution networks, subcontracting agreements etc. The selection of partners has a crucial impact on the attributes and the value-added of the product provided.

Finally, it has to be stated that any attempt to ensure sales is not without associated costs. The designing and implementation of marketing strategies implies the commitment of resources (sales offices, representatives, etc.) and costs (promotion campaigns, advertising, etc.). Clearly such overheads effectively influence the cost of the final product. Thus, it is not only production that determines the cost of the output but also marketing strategies that aim to increase its attractiveness and consequently the demand for it. This observation offers another reason for arguing about the importance of the realisation of value process.

At the same time, the procurement strategies, which are necessary to minimise production costs, are heavily characterised by market relations. This is not surprising given that suppliers develop their own marketing strategies in their attempt to ensure sales. After all, the incorporation of inputs bought from elsewhere into the final product/service is part of the realisation process of the suppliers' output. Although it can be argued that, at a macroeconomic level, production and labour costs are in essence the

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involved in bringing products to the final consumer.

main determinants of input prices (Sayer, 1997), there are additional elements that have to be taken into account.

Industrial markets are frequently characterised by monopolistic or duopolistic structure (on many occasions as a result of the limited number of potential customers). Under such conditions suppliers are more prone to set prices based on what the market will bear rather on production costs. Moreover, the plethora of inputs that are utilised in the production process reduces further the likelihood of free competition. Suppliers that control the availability of a single input may use this power in promoting the sales of other products. Similarly, large industrial customers usually take advantage of their buying power in order to secure higher concessions from suppliers. In this case, narrower profit margins are the price for the security that large orders (reduced marketing expenses, guaranteed sales etc.) offer. Furthermore, given the constant nature of the production process, the uninterrupted supply of inputs is a critical issue. Expected or unexpected events (periodic demand increases, closure of major suppliers, etc.) that reduce temporarily the input availability require the existence of more than one supplier. Additional small quantities from high cost producers may be purchased in the hope of reciprocity during periods of scarcity. Finally, the high content of customer specification is an important aspect of many production inputs. The need to incorporate them in the production process or the final output entails that they should satisfy certain criteria and the only way to achieve this is through the close collaboration of buyers and suppliers during product development. All this means that the relationship that is developed between industrial buyers and suppliers is not solely determined by the imperatives of demand and supply. The knowledge of each other's problems and capabilities is a vital element for their fruitful co-operation and a significant premium is placed on it.

From the discussion above it is not difficult to perceive the spatial dimension of the realisation of value process. An obvious relationship between regional heterogeneity and marketing strategies can be identified through the consideration of the market pull as a location factor. Traditionally, geographical proximity to the market has been viewed in terms of transportation cost minimisation. More recent theories have emphasised the role

of transaction costs (Scott, 1996). However, it may be argued that the necessity to control efficiently the market, to acquire knowledge about customers' requirements, to collaborate closely with them in providing solutions, to reduce delivery times, or to identify and respond quickly to shifts in demand are also important parameters. Moreover, in the case of dedicated products, social and spatial linkages with customers provide the basis for making product qualities known and establishing producers' identities (Salais and Storper, 1992). In a similar vein, many other location factors that are often considered as production related have a significant marketing dimension once it is recognised that firms, apart from producers, are also themselves consumers. Thus, the benefits of spatial proximity to key suppliers are not exhausted in terms of production cost reduction, but may include increased bargaining power, or collaboration opportunities for the development of new products. Finally, the clustering of similar producers may be advantageous in terms of facilitating the flow of market information, consolidating common pricing policies, or constructing distribution networks.

While location considerations offer a straightforward route to approach the relationship between spatial variation and marketing strategies, at the same time it is necessary to note that spatial proximity is not everything. As Gertler (1995) clearly demonstrates in the case of the adoption of advanced manufacturing technologies, other factors such as cultural proximity may be equally important. In any case, the inherent spatial character of marketing strategies offers the opportunity to look upon the relationship from another angle. These strategies, like production structure, are not designed in a vacuum but in a world of regional disparities and thus are shaped according to them. It is not only that spatial variation in customer attributes, and thus their requirements, differentiates the type of products provided and the pricing policies that relate to them, it is also that variation in market parameters (competitors, size of the market, availability of partners, tariffs, etc.) often entails the adoption of different marketing policies. The increased bargaining power of partners (retailers, etc.) in certain places may be translated into sales of lower value through the transfer of the additional services (after sales, parts etc.) to them. Similarly, in the presence of strong first mover advantages, newcomers may decide to avoid the regular servicing of even completely specific markets. Spatial heterogeneity

means that often place-specific marketing strategies are necessary in order to tackle effectively competition from rivals. From another viewpoint, regional variation may even result in the emergence of time lags in demand fluctuation amongst different places. In this event, the spatial hysterisis in the decline of demand is not an aspect that remains unexploited.

In addition, the implementation of firm marketing strategies has significant impacts on the process of uneven development. The discussion of some of the regional implications is a task for the following section but some consideration of the mechanisms through which regional outcomes emerge may be presented here. What is really interesting is that these mechanisms do not seem, at a first glance, to be different from those mentioned in the case of production. Although brief, the preceding discussion is indicative of the hierarchical structure of market relations. Suppliers, producers, resellers, or industrial customers collaborate on unequal terms. Their relationships are determined according to their market position and bargaining power. Those that are able to control the transaction process inevitably occupy the higher-end places in the relevant pyramid. It is not difficult to point out that such uneven relations are reproduced spatially through the implementation of firm marketing strategies. The spatial focus of the strategies and the distribution of the above groups result in the development of unequal relations among regions. However, the sharp difference between market and production hierarchies is that in the case of the former it is difficult to specify *a priori* the agent or group that exercises the highest control upon the transaction process. The bargaining power of each group or firm varies spatially as an outcome of historical (first mover advantages, etc.), social (absence of large scale firms, etc.) or political (tariffs and trade barriers, etc.) circumstances. Thus, unlike production stages, it cannot be said *ex-ante* which group (suppliers, producers, intermediaries, etc.) occupies the top of the pyramid. Similarly, it is not easy to specify without further research the regions that are subject to external control.

In the same vein, the establishment of spatial divisions of labour regimes is not something unrelated to firm marketing strategies. The distribution of different production stages in

different areas is not a simple question of regional characteristics meeting production requirements. It is also the result of the interaction of the agents' marketing strategies. Given what has been suggested about the importance of material inputs purchased from elsewhere, this is far from an overstatement. The establishment of production facilities in a region is subject to the market availability of inputs and has to be compatible with suppliers' strategies. Moreover, production cannot be carried out if firms are not able to realise the value of the output. In this way producers own marketing strategies and customers' requirements determine the nature of the product/service offered. Finally, marketing strategies create their own spatial divisions (the spatial divisions of markets). An easy way of illustrating this point is by considering that market segmentation is often carried out through the utilisation of geographic criteria. Such divisions interact, as it will become apparent in the penultimate section, with the production structures of both 'exporting' and 'receiving' regions.

The above points indicate that the examination of uneven development cannot be carried out without considering the implications of firm marketing strategies. The geography of realisation of value can be established upon the examination of their spatial implications. The sources behind differential regional profitability or cost recovery, the market orientation of regional economic bases, the spatial structure of markets and hierarchical market relations are just a few of the questions that this kind of geography has to address.

4. Spatial outcomes and analytical paths for their empirical study

So far an explicit discussion of the impact of marketing strategies on regional economic growth has been avoided. The analysis has focused, instead, on the spatial aspects of firm marketing strategies and the mechanisms through which they interact with regional variation. The next step is to consider, in detail, some of the regional outcomes that may emerge as a result.

It has to be admitted that this is a rather peculiar task, since marketing strategies tend not to leave any tracks on the spatial surface. In the case of production, both spatial organisation and regional outcomes are visible through the location of the different stages and activities in different areas. In the case of marketing strategies, it is true that their spatial dimension is not easily detectable. Leaving aside the fact that it is difficult to account for their location effects (production is again the subject of location decisions), the lack of data is important too. At the regional level, there is limited availability of information from official sources about the actual flows of products and services, let alone any indication about pricing policies or market shares. At the international level, the records are certainly more detailed but there are clearly several areas where knowledge is unsatisfactory (flows of services, for instance). However, it can be also argued, that the problem does not rest on the fact that marketing strategies are invisible but more on that they remain largely 'unseen', in the sense that analysis usually does not address them. If the main line of argument of production geography - that production is organised spatially under the imperative of profit maximisation - is true then marketing strategies are an important element of the distribution of economic activity across space. In other words, visible outcomes such as industrial concentration, regional growth or decline that normally are attributed to attempts by firms to organise their production may not be unrelated to successful or failed efforts by firms to control their markets and satisfy customers. From this viewpoint, it may be better to follow Schoenberger (1997) in retelling familiar stories through the incorporation of the 'unseen' marketing element in them.

The first issue to be considered is that regional decline, for instance, does not have to be solely the outcome of technological backwardness, outdated production structures, absence of favourable social institutions, lack of innovation, or high production costs. Similarly, the presence of the opposite conditions is not enough to secure regional industrial growth. The market orientation of local firms and their ability to respond effectively to competition from rivals are also important sources of regional growth. Profit maximisation entails that customers have to be found for the output produced and that optimal prices have to be charged. The customers might be located at different

areas, might not obtain the same utility from the output, might prefer different versions of the same product or service, or perhaps have alternative suppliers. In addition, their bargaining power or the quantities that they absorb might vary considerably. It is evident that under such conditions, the selection of customers and markets to be served are critical issues for ensuring profitable sales. Moreover, they exercise significant influence on firm structure and the nature of output provided. In this sense, regional growth is closely related to the ability of local firms to take advantage of geographic variation through their formulation of spatially differentiated marketing strategies. Their marketing decisions are equally important to their production structure. Finally, it becomes apparent that economic growth or decline is not determined solely within the boundaries of the region, but also in the places where local firms attempt to sell their output.

The domination of the regional industrial base by declining sectors and activities is one way of illustrating this point. Numerous examples of such cases have been examined by geography of production. Although, frequently regional decline is attributed to the low-tech nature of such sectors, it is decreasing demand or prices that pose the real problems. In other words, it is the inability of the local firms to ensure the realisation of the value of their output. This inability does not have to be associated with sectors that face falling demand or overproduction. Leaving aside the fact that even in such sectors might be firms expanding their market shares or preserving their profits through downscaling or rationalisation, it is also the fact that within sectors that are characterised by growth prospects there are firms which fail to follow trends. Decisions such as customer selection, market segmentation or product positioning have important implications in the long run. First, resources and costs have to be committed for the servicing of selected customers. The output of the firm has to be developed according to their requirements. In addition, production structure (scale, method, etc.) and internal organisation also evolve in relation to customer needs. If such customer bargaining power is greater than that of local firms, then prices and profitability might be reduced. Of course, such relationships are not one way. Firms may also influence customers' standards through their products and in this way prevent competition. Second, the selection of customers entails that other market segments or niches will not be covered and thus give

competitors opportunities to enter and shape them according to their own interests. Where demand or prices are raised in these segments then local firms, as a result of their commitment to existing clients, their structure, the created image of their product/service or the presence of competitors, may be unable to take advantage of the benefits. From a regional perspective such marketing ‘lock in’ or ‘lock out’ effects may be regarded as important as the production ‘lock in’ in certain industries (see for example Scott, 1995). Regional industrial structure does not determine outcomes automatically. Marketing strategies and interaction with customers are significant too.

The second issue to be considered is that firm marketing strategies, by transforming the socio-economic fabric and spatial inequality, inevitably influence the prospects for regional growth. Firm entrance into a regional market may entail the closure of local producers due to market share reduction or as an outcome of an active strategy (price war, etc.) towards to this end. Additionally, first movers usually have greater prospects in enjoying marketing ‘lock in’ benefits. They have the opportunity to develop close relationships with their partners, resellers and customers, to gain their trust, to acquire specific market knowledge, and perhaps to influence, up to a point, customers' standards in a competition-free environment. In doing so, they ‘lock out’ potential rivals from this particular market. The late comers, apart from having to prove their trustworthiness and the superiority of their product, also have to face the competition from the first movers. In this sense, regional new firm formation is not solely a matter of local potential but also of market opportunities.

Although the marketing strategies of local firms may be an important aspect of growth, it has to be emphasised that they may have negative impacts on the hosting region as well. Firms’ own interests do not have to be compatible with those of the other local agents. Rivals may be intra-regional, while it is possible that some marketing strategies may reduce regional new firm formation in the long run.

Saxenian (1994) offers an excellent illustration of the above points in a comparative study of the Silicon Valley and Route 128 electronics industries. Although, the main

argument is about the benefits that regional networks of specialised producers provide, it is evident that failed marketing strategies are not unrelated to the decline of the Massachusetts electronic industry. The tendency of the local firms to bet on products rather than to be market-led, their attempts to control market through vertical production integration in era of great technological volatility, and their inclination to confine learning and innovation within firm boundaries are all named as causes of the regional crisis. The long-term effects of these marketing strategies are even more interesting. The negative impacts are not limited to the reduced adaptability or decline of the existing producers. Internal supply strategies created a barren regional environment for new start-ups. The survival prospects for new firms were fewer in an environment where not only they could not benefit from the experience and expertise of the established producers, but also suppliers, partners and potential customers were difficult to be found.

The question that arises from this discussion concerns the analytical paths along which the regional impact of firm marketing strategies may be examined. An initial answer might be through the exploration of the spatial dimension of these strategies. However, such an approach, although useful in the theoretical conceptualisation of their operation, is too general for the consideration of specific regional outcomes. By following a similar logic to that of retelling familiar stories through the incorporation of the marketing element in them, it can be argued that the adoption of analytical tools already in use in economic geography may offer some potential.

The examination, at an aggregated regional level of sunk costs/cost recovery indicators (Williams et al, 1995, Melachroinos and Spence, 1999) may provide the first step in understanding regional outcomes from a marketing perspective. Regions where firms fail to recover their committed costs or experience sunk costs, as well as, areas, which are characterised by the presence of firms and production units that generate high cash surpluses may be identified in this way. This information may provide the basis for an assessment of local firm marketing strategies. Moreover, given what has been said about the relationship between profit maximisation and uneven growth, it might also be helpful in the exploration of the ways in which firms take advantage of spatial inequality.

Although an aggregated indicator certainly cannot reveal much about firm strategies or practices, nevertheless it can provide the stimulus for more detailed studies focusing on the factors that lead firms in some areas to accept lower levels of cost recovery, or on the spatial origin of cash surpluses. An additional advantage of this particular approach is the avoidance of the problems posed by the spatial configuration of the firms and the inability to attribute profits in a single region. The indicator covers not only individual firms but also branch plants operating in a locality and thus escapes such problems.

The relationship between marketing strategies and regional outcomes can be examined in greater detail through the utilisation of "mapping firms onto regions" techniques pioneered by Markusen (1994). Although these techniques were developed for the identification of industrial district typologies (Markusen, 1996), nevertheless they can be applied more broadly. The key features of the method are the placement of the firm examined in the middle of a diagram and the division of the space into which it operates in regional and extra-regional components. As production is supposed to be carried out horizontally, suppliers in a wider sense (including not only material inputs and services but also labour or state and local governments) are placed according to their location (inside or outside the region) on the left hand side of the diagram. In a similar fashion, customers are depicted on the right hand side, while competitors are placed above the firm production axis. The strength of inter-firm relationships is indicated by arranging the form (bold, trace, etc.) of the line that connects them. The method allows for the study of regional dynamics through historical comparisons between current and ten or twenty year old maps, while at the same time individual firm maps can be aggregated into a single map depicting a specific sector in the examined region (Markusen, 1994).

The usefulness of firm mapping techniques is not limited to the exploration of firm local or global embeddedness. The value of the method rests primarily on its contribution towards a more balanced approach to uneven industrial growth. The depiction in a single graph of suppliers, producers, customers and competitors is helpful in the consideration of the market relations' impact on regional growth. In addition the identification of key markets and competitors offers an initial insight in the spatial configuration of firm

marketing strategies. Last but not least, the method illustrates beautifully the conceptualisation of place as an intersection of social relations, "meeting and weaving together at a particular locus" (Massey, 1991: 28). In other words, as a 'meeting place'. Such a conceptualisation is particularly useful given the earlier observation about the determination of regional growth or decline outside regional boundaries.

Finally, detailed case studies, where firm marketing strategies are explicitly considered, offer another way of approaching the geography of realisation of value. As examples of this approach may be mentioned the studies of Oakey et al (1998) and O' Farrel et al (1998). These both offer valuable insights into the ways that firms restructure their production activity in response to market changes, the spatial differentiation of their market strategies and the impact of the hosting locality in their determination. An additional theme that may be explored in this way is the impact of marketing strategies on regional economic development. Although conclusions from case studies cannot be generalised automatically, nevertheless they provide significant evidence about the importance of marketing strategies, while at the same time they describe in detail the mechanisms through which regional outcomes emerge.

5. Conclusions

This paper has been about the geography of the realisation of value. It is intriguing that so much attention has been paid to the organisation of the production process across space, while at the same time there has been so little interest in firm marketing or procurement strategies from a spatial viewpoint. The sole focus on the geography of production cannot be justified, either on methodological or empirical grounds. The value that is added during the production process within the plant boundaries is rarely higher than half the total gross production value. Inevitably this must mean that material inputs bought from elsewhere account for the lion's share of the production cost. In addition, profit maximisation entails not only strict control of the production and labour processes in an attempt to reduce production costs, but also the efficient distribution of the final output. Although low production costs have a positive impact, profitability cannot be

achieved in the absence a sufficient volume of sales at a price that allows for the recovery of the committed costs and the generation of such a surplus.

In this context, firms are obliged to embark upon carefully designed marketing strategies that will enable them to achieve higher sales or prices for their output and thus realise the value of it. Additionally, the fierce competition with rivals for the acquisition of increased market shares or control is frequently unavoidable. Furthermore, firms actually have to decide how much value to add to their products/services and which part of it is to be supplied by other firms. Decisions such as these are not only based on the assumed utility that the final customer will receive from the output in all of its various forms or indeed the productive capabilities of the firm. The market structure of material inputs, the relations with suppliers and the availability of potential business partners to provide additional services to the customers are just a few of the considerations that have to be taken into account. Procurement and outsourcing practices, apart from possessing the production dimension that is usually stressed in economic geography, contain also significant marketing elements that often remain unexamined. Finally, the market is not only the place where firms realise the value of their output but it is also the place where they engage in direct competition (or co-operation) with other firms. It is the only place in a capitalistic economy where contact between the rivals is permitted. In this sense, the examination of firm marketing strategies is probably just as much important as the study of the production structures.

It is not difficult to argue that firm marketing strategies, apart from being spatially structured, also contribute to regional heterogeneity. Selling decisions, just as the decision to produce, are taken within a world of geographical difference. Market opportunities are not the same everywhere but are dependent upon both the physical and the socio-economic characteristics of every place. Similarly, it is the socio-economic structure of areas that ‘benefits’ from the impact of firm marketing strategies (closure of local competitors, entry barriers erection, etc.). Thus, spatially uneven industrial development should not be approached solely as an outcome of production organisation decisions but also as a result of marketing strategies. The economic backwardness of

certain regions, for example, may be attributed to the inclination of their industries to serve declining markets or just a basic lack of market control. In a similar vein, the lack of innovative start-ups in some areas may be related to the presence of barriers to entry erected through firm marketing policies.

It is opportune that these diverse spatial outcomes can be approached empirically through analytical tools already in use in economic geography. The examination of the cost recovery process can be a first step in the identification of regions and sectors where firms systematically fail to realise the value of their output. Then, analysis may delve deeper, through the utilisation of firm mapping techniques in the examination of the market orientation of the regional industrial bases. The conducting of detailed case studies that focus explicitly on marketing issues is another way of examining the interaction of the geography of production with that of the realisation of value. Although, the conclusions of such studies cannot be generalised easily, nevertheless they are useful in highlighting the ways in which space is divided for marketing purposes and new regional inequalities are emerging as a consequence.

To sum up, a greater concern for the geography of realisation of value will be useful in better understanding uneven spatial development. This remark does not have to take the form of the negation of the insights offered by geography of production. There is no doubt about the significance of that dimension in the conceptualisation of uneven growth. Moreover, marketing or supplying strategies are closely related to production and geography of production itself by no means precludes the development of geography of value realisation. The simple argument here is that a much closer look at the spatial dimensions and regional implications of such strategies will enhance further the understanding of regional inequalities.

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