ATTRACTING FOREIGN DIRECT INVESTMENT THROUGH STRATEGIC MARKETING TOOLS: THE CASE OF KAZAKHSTAN

Raushan Yesbergen, Academy of Public Administration under the President of RK
Gulden Baibussinova, Kazakh University of Economics, Finance and International Trade
Yuliya Tyurina, Financial University under the Government of the Russian Federation
Anvar Tulaganov, Gumilyov Eurasian National University
Marija Troyanskaya, Orenburg State University
Vyacheslav Bubnov, Baikal State University
Gaini Abenova, Kazakh University of Economics, Finance and International Trade

ABSTRACT

This manuscript engage in the examination and analysis of the use of marketing communication tools (MCTs) and techniques by government and public sector organisations (POs) in Kazakhstan in the contemporary digital environment. It furthermore considers the possibility of adoption of the effective MCTs for attraction of Foreign Direct Investment (FDI) by Kazakhstan to entrepreneurial sector, with specific regard to possible improvements that could be made by using the MCTs utilised in developed countries (e.g., United States of America). The manuscript is written by using literature review and secondary information from various sources. The research revealed that Kazakhstan should place greater emphasis on the content of its MCTs and provide greater information about the advantages and benefits of FDI. Theoretically, it is our hope that this manuscript contributes somewhat to the clearer understanding of the role of MCTs in the context of investment promotion while adding to the growing body of knowledge in the field of nation branding. It is also our hope that the generic model for adoption of marketing communication tools that this manuscript has recommended for Kazakhstan also positively contributes to the Kazakhstan’s brand strategy and to the growing body of theory in nation branding.

Keywords: Marketing Communications, Interaction, Internet, Social Media.

JEL Classification: M30, M31, M38
INTRODUCTION & LITERATURE REVIEW

Theoretical Framework

The area of MCs has evolved significantly in recent decades (Winer, 2009). Communication has always been a necessary aspect of organisational activity and modern organisations, including government and public sector organisations make use of various types of communication tools and techniques to communicate effectively with their stakeholders and convey their messages in order to achieve desired results (Kronrod et al., 2012). Profit Organisations (POs) pioneered the use of diverse types of marketing tools and techniques to communicate effectively with various organisational stakeholders in order to influence and shape their attitudes, behaviours, thoughts and actions in order to enhance organisational benefit and improve competitive advantage. The government and public sector organisations realised the value of communicating effectively with their audiences and their efforts in this area resulted in the progressive up-gradation and sophistication of marketing tools and techniques (Jha, 2009).

It is important to mention that the area of MC has been influenced significantly by the development of the digital era. Digital empowerment has affected the communication practices of modern organisations immensely. Modern digital avenues and technologies include websites, mobiles, social media platforms, business analytics, big data, gaming and cloud computing, amongst others (Petersen et al., 2015). Digital technology is now creating opportunities for organisations to connect with people in ways that were considered to be impossible through conventional marketing standards. MC is also used by public sector governmental organisations for communicating with their stakeholders (Tafesse & Korneliussen, 2013). Modern governments, especially in the public sector are making increasing use of marketing tools and techniques for conveying with the public at large and other stakeholders about various governmental activities and programmes in order to influence and shape thoughts, processes, actions and behaviours (Eagle et al., 2007).

Governmental organisations can learn from the use of MCTs by developed countries and improve their MCs extensively in order to achieve various types of governmental objectives (Proctor & Kitchen, 2002). MCTs could also be applied for the enhancement of FDI, which is a critical objective and a necessity of countries, both in the developing and developed regions (Proctor & Kitchen, 2002). Developing countries, for example Kazakhstan needs to encourage FDI and should be able to make good use of MCTs to aid their activities in this respect (Grönroos, 2005). The paper intends to suggest the ways through which Kazakhstan can increase its potential while marketing the positive policies that have for the investors like preferential taxes, special economic zones and etc.

In addition, organisations can use the Marketing Communication Mix, which is briefly explained below (Petersen et al., 2015).

Advertising

Organisations very frequently use of mass-media advertising through television, hoardings, newspapers and radio to provide substantial information about products and services to large audiences. Advertising expenditure has traditionally constituted a substantial element of total MC costs, but is reducing in recent years on account of increasing stress by organisations on digital and social-media (Fill, 2006).
Sales Promotion Efforts

Business organisations use diverse types of sales-promotion efforts, including discounts, rebates, coupons and special-time bound offers to kick-start and push sales, especially during lean-periods. Such methods of incentivisation of customers to purchase products are targeted both at existing and new customers and have been found to be substantially effective in the enhancement of sales in short-time periods (Gilligan, 2005).

Sponsoring of Events

Many contemporary organisations engage in sponsorship of specific events, like sports events and entertainment programmes in order to develop of long-term connections, strengthen and reinforce their brands and reputations in the customers’ minds. Sponsored events are witnessed by large populations, who are in turn exposed to organisational messages through appropriately placed hoardings, banners and other advertisements at the event-venues. This all can help significantly in the shaping of customer perceptions and behaviours (Percy, 2018).

Public Relations Management

Modern organisations use various types of tools and techniques to create favourable organisational impressions and perceptions in the customers’ minds. Such public relations efforts could include the placement of favourable reviews and articles in the public-media, the publicising of organisational efforts in areas of social work and charity and the holding press-conferences to provide information about organisational processes and activities. The continuous conducting of public relations programmes helps substantially in the creation of favourable public perceptions, the enhancement of organisational reputation and image and the strengthening of corporate and product brands (Clow & Baack, 2009).

Direct Marketing

Organisations often use direct marketing tools and techniques and communicate directly with customers through mail, as well as telephone calls in order to promote products, services and organisational reputations. Kronrod et al. (2012) stated that the persuasiveness of assertive language was essentially connected with the perceived significance of the subject matter and recipients reacted better to assertive requests in areas they considered to be important. Such marketing is focused and direct in nature and ensures that organisational messages are definitely conveyed to targeted audiences (Blakeman, 2018).

Word-of-Mouth (WoM) Marketing

WoM marketing takes place when individuals, including customers, communicate about organisations, their products and services to other people, thereby developing organisational reputation. WoM marketing is essentially indirect in nature and is powerful because it emanates from customers, rather than the organisation that is marketing goods (Kotler & Chernev, 2012). The advent of digital technology has had a profound effect on MCs, as well as on MCTs and techniques. Digital technology has firstly resulted in organisational use of websites and email for providing substantial information to customers in comprehensive and attractive ways (Chaffey et
Practically all organisations now have informative and attractive websites that provide various types of organisational details and convey messages to large populations at comparatively low costs (Smith & Taylor, 2004). The digital revolution has also resulted in the emergence and growth of diverse types of social-media platforms like Facebook, Twitter, Instagram, Pinterest and YouTube, which have millions of users and can be used effectively by the business organisations to interact with customers and target audiences (Smith & Taylor, 2004). In addition, by studying the reactions of the customers on the customer and consumer blogs like Twitter, a company can tell how effective brand engagement triggers positive impressions in the customer to buy (Quinton, 2013).

**Methodological Framework for Analysis**

This manuscript requires the examination of diverse information sources, which are comprised publicly available information, which is found in research studies, books, journal articles and other media publications (Marshall & Rossman, 2014). Such information may however, not always be accurate and has to be examined and analysed for its accuracy, reliability and pertinence to the research study (Marshall & Rossman, 2014). This review of literature focuses on the examination and study of various secondary information sources on the selected research issue; the review aims to generate a broad understanding of the subject and find information gaps that can be studied further. The review of the literature was carried out according to the systematic review process defined by Thorpe et al. (2005) and Centobelli et al. (2019) that are well-known in the field of literature reviews concerning strategic management topics. Data for this review has been acquired from a variety of information sources in the online space (Bell et al., 2018). These information sources, which include books, articles and research studies, have first been identified with the help of online search and thereafter studied and examined with regard to their dependability, their relevance for the research project and their impartiality. Selected information sources have thereafter been studied at greater length for the purpose of this manuscript.

We reviewed the existing literature to gain background information for the study and to know the processes related to attracting foreign direct investment through strategic marketing tools in Kazakhstan. We reviewed governmental strategies, programmes, annual reports, communications and presentations of national agencies and international organisations. In addition to the national and international reports, this literary review included an analysis of the outputs of the scientific studies. For this study, sources for review were selected on base of qualitative analysis, focus on strategic marketing tools for the purpose of attraction of foreign direct investments, geographic coverage of Kazakhstan, former Soviet Union Republics and United States. Period of time considered for the review is between 1995 and 2018.

As stated before, modern organisations thus constantly try to assess what is being discussed about their products and services in the social-media and take appropriate action to moderate them in accordance with organisational priorities (Fill, 2006). As, the digital-marketing comes with diverse platforms for comparison and selection (Hanssens & Pauwels, 2016). Many organisations also use viral marketing, which is a business process that makes use of social networks for product promotions (Fill, 2006; Sooknanan & Crichlow, 2014). It refers to a technique in the marketing of a product or service, where users assist in the distribution of advertising messages to the websites in order to create scenarios that can result in very substantial and multi-fold growth (Sooknanan & Crichlow, 2014). MCTs used by organizations...
allow for the customization of content to target specific market segments. Customers like personalized messages as they assure them of their importance to the respective companies. Also, targeting a particular group of people with marketing content requires intensive preliminary analysis of culture of people to appropriately select the right words and signs in the content of the message (Walsh et al., 2014). The planning of the communication tools must hence be thoroughly done.

RESULTS

A Case of Public Sector Organisations

Developed countries: United States of America

Modern MC incorporates the use of various MCTs in order to influence customer behaviour by selecting right channel, creating right content and crafting right voice (Petersen et al., 2015). Developed countries have made specific use of MC techniques for investment promotion (Smith & Zook, 2011). The most successful of these have been advertisements in general and mass media, websites, participation in exhibitions and fairs, advertisements in industry specific media, the holding of seminars and the provisioning of counselling services for potential investors (Smith & Zook, 2011). Also, MCTs can be used for dissemination of information to the public, the satisfaction of information gaps and the shaping of public opinion on different important issues, but they should be used with transparency and provide truthful and accurate information. The growth of the technology allows for citizen-government collaboration rather than a top-down model of governance that only permits government-led opportunities for engagement (Zavattaro et al., 2015). Governments now consider interacting with the members of the public to create suggestions to the solution of the problems that affect those (Zavattaro et al., 2015). However, this mainly takes place in the developed countries where transparency, accountability and collaboration have high regard.

The United States’ White House, for example, has a Twitter account that it uses to share the pieces of information about the scheduled programs under the link called activities (Zavattaro et al., 2015). Also, citizens of developed countries can utilize the connections online to show dissatisfaction with certain policies passed by governments. For instance, in the United States and France, Twitter hashtags have been used in the recent past to organize for protests or show solidarity (#BlackLivesMatter, #JeSuisCharlie) then taking the types of online protests offline (Zavattaro et al., 2015). Moreover, developed countries embrace social media use like the crowdsourcing techniques to gain collaboration and citizen engagement (Zavattaro & Sementelli, 2014). In the US, federal governments have Twitter accounts for the interaction with the residents. Social media, ranging from video-sharing sites to microblogging sites to online discussion boards, can allow citizens to feel as if they were participating in knowledge co-creation and co-governance, letting governments move beyond transaction-based exchanges to e-government platforms (Zavattaro & Sementelli, 2014).

The goal of the governments in attracting the FDI is to tailor the messages that are persuasive and easy to understand. The messages that are meant to attract the foreign investors should also address the needs of the entrepreneurs hence easily attracting the attentions of the targeted people. The US government has developed the National Business Incubation Association (NBIA) Soft-Landing eligibility. The initiative is meant to make the process of conducting business in the US less complicated. The firms that are labelled incubators are meant
to attract the foreign investors by providing services such as translation services, market research, counselling on import/export regulations, and legal services (Newman, 2013). The United States also has marketing bureaus that help in place marketing in foreign countries (Metaxas, 2010). The existence of the marketing bureaus in Japan helped the country to offer its marketing insights. This is important for the investors who have not made their decisions to invest in the country as well as, those that have decided but lack enough information about the places to do business. The place branding expresses the assets that exist in a place and perceived liabilities hence setting it apart from others (Metaxas, 2010). Moreover, the US used its agency websites, social-media tools, embassies and consulates, and high-profile officials to communicate the tourism opportunities in America to domestic and international audiences. They used these MCTs to enhance and tailor information for visitors and also promote the Brand USA at an international level.

**Developing countries: Kazakhstan**

Kazakhstan a state located in Central Asia has very substantial natural resources and is the largest economy amongst Central Asian states (Rivotti et al., 2019). The country with a population of 19 million is the largest of the former Soviet Republic states, reforming its water-energy-food sectors (Valeyev et al., 2019). It has a large agricultural sector and very substantial hydrocarbon and mineral reserves (Koshim et al., 2018). Kazakhstan intends to achieve a more diversified, low-carbon and knowledge-based economy (Karatayev et al., 2016).

Since independence of Kazakhstan in 1991, it has significantly progressed in creating a market economy and has been improving the business climate. However, there are still some concerns in the minds of investors about legal reforms, corruption, bureaucracy, law enforcement, and infrastructure and so on. For these reasons, during the last 10 years the country has improved its ranking of “Ease of Doing Business” from 64th to 36th place and became member of World Trade Organisation (WTO) (WTO, 2018). Kazakhstan has amended its legislation in order to provide investors with favourable conditions especially in the Special Economic Zones (SEZ).

As a result, Kazakhstan has improved attractiveness as an FDI destination in recent years (World Bank, 2018); however, there has been a clear downward trend in inflow of FDI with the main concentration in mining, oil and gas sectors. The FDI in these sectors has been carried mainly by the Netherlands (43 billion USD or 25.3% of the total), the US (24.2 billion USD, or 14.1%), the UK (11.7 billion USD, or 6.8%), France (10 billion USD, or 5.9%) and China (7.9 billion USD, or 5%) (Asiedu, 2006). This could be explained that foreign companies searched for new resources, new markets, and cheap labour and so on, therefore, they explored these new opportunities abroad by them. That is why there has been the implementation of two state programs with the emphasis on the importance of the development of non-oil economy sectors.

In order to improve and diversify the inflow of FDI JSC “Kazakh Invest” was founded in 2017 and by now has attracted 11 international investors (Kazakh Invest, 2018). The only organisation that attracts and supports international investors on behalf of the government (Kazakh Invest, 2018). In fact, JSC “Kazakh Invest” has opened 10 foreign offices in Paris, Frankfurt, New York, Shanghai, London and Dubai. Also, in order to represent Kazakhstan’s’ touristic potential to the world in 2017 there was founded JSC “Kazakh Tourism” (Kazakh Tourism, 2018). These both companies have created the websites, which provide country specific information. Moreover, there are number of videos were posted to social media
platforms (Facebook, YouTube and etc.) to promote Kazakhstan by both of these companies. However, the views of videos of both these companies on YouTube, for example, are very low (Kazakh Tourism, 2018) (Kazakh Invest, 2018).

Therefore, MCs for Kazakhstan should primarily focus on building of image and reputation as the jurisdiction is yet to develop FDI reputations at par with developed countries (Blakeman, 2018). As, unlike it is in Singapore, the brand “Made in Kazakhstan” is not well-known even within the country and local people prefer to consume imported products. Harding & Javorcik (2013) stated that the development of reputation, particularly for FDI could be helped significantly through the use of mass-media advertising in various specifically chosen target locations that hold the promise and potential for FDI (Harding & Javorcik, 2013).

The mass-media advertising should be supported by extremely attractive and well organised websites providing information on FDI opportunities in the country, appropriate regions for investment, FDI supportive national and governmental policies and the various benefits that are available to incoming investors (Guimón & Filippov, 2012). As an example, the government of Kazakhstan has launched Astana International Financial Centre (AIFC) and English Law and language have been adopted by AIFC as the necessity for the attraction of international investors (Saparaliyev et al., 2019a). An example of direct marketing could be the official visits of President of Kazakhstan to the republic of Finland in October 2018, where Finish investors were invited to the Astana International Exchange. Also, there was signed 23 commercial and non-commercial documents worth of $545 million (Sayimova et al., 2017). Between the government of Kazakhstan and Nordic investment bank was also signed agreement of financing the various projects based on the Principle of Public Private Partnership (PPP) in Kazakhstan (Saparaliyev et al., 2019b). PPP allows developing countries to decrease the budgetary expenditure especially on infrastructure. An example of public presentation of PPP project in Kazakhstan, which was held in London with the attendance of 100 representatives of international companies, is the Big Almaty Ring Road Project (BARRP) with the total cost of EUR 600 million (Saiymova et al., 2018).

It is also important to identify specific organisations with potential for FDI and target them with specifically tailored communication messages on the benefits of investing in Kazakhstan. The impact of such MC can be assisted substantially through the arrangement and holding of specific exhibitions and fairs on diverse aspects of Kazakhstan economy and its attractiveness as modern FDI destination (Duncan & Ouwersloot, 2008). For example, during the Finance Day event AIFC in order to attract international investors, announced that the IPO of the state owned companies like Kazakhtelecom, Kazatomprom and Airastana would go through the platform of AIFC. It is worth keeping in mind that whilst Kazakhstan makes use of websites and social media, its use of other MCTs and techniques may be underdeveloped.

CONCLUSIONS

This review of literature aimed to examine various aspects of contemporary MCTs and techniques, with specific regard to those used by developed countries, POs and NPOs. The review also aimed to examine the way in which Kazakhstan could learn from these MCTs. It was revealed that MC has evolved very significantly over the years and has become an extremely complex and sophisticated process to communicate effectively with their various stakeholders and shape and influence their thoughts, behaviour and actions. Whilst MC in the past used to be ad hoc and fragmented with regard to organisational usage, it is now integrated in nature and
makes use of diverse digital MCTs. Modern organisations use digital-technology to convey their messages effectively to large populations, spread over substantial geographies, actually across the world, with clarity, detail and effectiveness. The review furthermore revealed that whilst the growth of MCTs and techniques has been driven by the efforts of POs to convey their messages to customers, investors and various other target audiences, they are now used extensively by NPOs to communicate with donors, volunteers, well-wishers and other target groups. Developed countries also have adopted the same MCTs for achieving their various goals. Kazakhstan government needs to communicate strongly with various audiences for different purposes, including the attraction of FDI. It can certainly imbibe important lessons from the successful use of MCTs to improve the quality and the reach of its communication efforts.

We offer the following recommendations particularly to the government of Kazakhstan based on the data analysis, findings and conclusions of this study. We recommend that the government of Kazakhstan strongly consider the initiation and development of a nation branding strategy aimed at revamping the image of the country as a whole, accentuating the positive image of Kazakhstan while simultaneously trying to change the realities that give rise to its negative image. Once the government of Kazakhstan has established a nation branding program we recommend that the government through its Ministry of Economic Development and its stakeholders work out a long-term strategy for a more positive investment destination profile via concrete developments and improvements on the problematic fields and the allocation of budgets to investment brand image development activities. This implies creating an enabling environment for investment and effectively marketing it thereof. Given Kazakhstan’s financial constraints we recommend that Kazakhstan need not re-invent the wheel in nation branding strategy as such, and instead adopt the existing best practices and strategies implemented by other nations such as Estonia, France, Japan, Korea and United States. We also recommend that Kazakhstan’s nation branding be implemented as a multi-stakeholder (government, business, individuals and NGO’s) program managed by the right people with the requisite skills. It is paramount that the initiative be inclusive and apolitical. Kazakhstan must identify acceptable brand ambassadors in the form of products and individuals to effectively communicate with Kazakhstan’s target audience in an integrated marketing communication approach. The overall success of Kazakhstan’s investment promotion lies in the country’s ability to effectively brand itself as an investment destination and provide the right investment packages to the right investors.

REFERENCES


