

## LOCAL TERRITORIAL MARKETING IN THE FORMATION OF A STABLE IMAGE OF THE COUNTRY: UKRAINIAN EXPERIENCE

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**Abstract.** The paper grounds the essence and meaning of territorial marketing. It specifies the main points and the basic elements of country marketing and describes its role and functions. The need to improve country marketing for welfare, investment and tourists is presented. The paper presents the conditions of the Ukrainian branding. During the past 10 years, Ukrainian design, development and promotion of national image is still in its early stages. Despite all the achievements, globally Ukraine is still associated with political instability and uncertainty of foreign policy.

**JEL Classification:** M31, M38, R58.

**Keywords:** territorial marketing, marketing country, country's image.

**Raktiniai žodžiai:** teritorinis marketingas, marketingo šalis, šalies įvaizdis.

### Introduction

Marketing approach is very important for attracting human, material, financial innovations and other resources on the competitive market. The use of marketing management theory in territorial development can be considered as a key indicator of success, maximising the needs of its residents in public services and benefits, creating more attractive living conditions in comparison with other areas, and developing commercial and non-commercial structures.

In the current context, when territory becomes a product attracting attention and providing benefits to businesses and organisations operating in it, marketing of the state in general and in particular regions depends on the absence of disparities in state development, which may contribute to a positive image of its territory.

Ukrainian scientific community is only beginning to discuss the problems faced in this area, for this reason, there is not much development. Among the most thorough scientific works, Kotova N. [5], Starostin A. [11], Romat E., [9] Kahovych O.[4.] can be noted. American, Russian and European scientists have analysed this area in more detail, among them the most famous is the work of Kotler P. [7,8], Sachuk T. [10], Pankruhin A., [6] Avdeeva T. [1] *et al.*

The analysis of scientific publications of the above-mentioned scientists has showed that the primary goal of territorial marketing is to increase its competitiveness, primarily by improving the competitiveness of enterprises and industries that operate in the area.

There is no doubt that creating a stable image of the country can influence the decision-making in the field of economic and cultural challenges. All this determines the need to develop effective regional image and territorial marketing, defined as a necessary element of competition in the conditions of increasing globalisation.

The purpose of this study is to identify the basic theoretical principles of the scientific category “territorial marketing” and to determine its features at certain levels. Among the main objectives of this goal is the investigation of the expression of territorial marketing in its general sense at the state level and in relation to its application to individual units (regions). The object of research is to show the state of Ukraine’s territorial marketing in regulatory processes that create the basis for comparing areas in terms of attractiveness for people to live, conduct of business and investments, tourism and others.

## 1. Key Aspects of Territorial Marketing

Territorial marketing is the most effective tool for positioning the country, processing construction, development and management aimed at creating a strong and competitive country. Nowadays, marketing has become an integral part of the strategies of many commercial and non-profit organisations and is widely used in all countries. A classic and universal definition of marketing by P. Kotler explains this concept as follows: “Marketing is satisfying needs and wants through an exchange process. The aim of marketing is to attract new clients by promising higher customer value retaining old customers constantly meeting their changing needs “[7].

Political and socio-economic transformation determines the need to revise the model of territorial administration, correction methods and tools that are involved in this process. The impetus for these changes is increasing mobility of people, financial, tangible and intangible resources that are fundamental processes and provide a basis for comparing areas in terms of attractiveness for people to live, conduct business and investments, tourism and others. On the other hand, local communities are obviously interested in their own popularity, since this determines their own financial independence.

Therefore, there is no doubt as to the exclusive role of territorial marketing in the regulation of these processes. In comparing individual classification, we should mark the following levels of territorial marketing:

1. mega scale (when the object of marketing activity is the territory of several states);
2. macro scale (the territory of a particular country);
3. meso scale (a region or set of regions);
4. local scale (single locality);
5. micro scale (a small part of the territory, a specific place).

It should be noted that marketing activities at these scales may not be considered in isolation, without taking its interaction into account. Therefore, for example, it is difficult to establish successful marketing activities within a city, if the region in which it is located is depressed. This marketing situation throughout the country in general can be represented as a set of marketing situations in its regions.

Considering the macro level of marketing areas, it should be noted that country marketing aims to increase its support or image, attractiveness to other countries, economic entities, social institutions, population and prestige in international organisations.

Marketing of the country is not associated with the change of its borders and is non-commercial, although such marketing can provide the most important indirect economic results. These effects are geophysical, financial, technical, technological and human resources (use outside the territory of internal resources and external incoming), growth and intensification of foreign trade activities, results of participation in international projects [6].

In our opinion, the following arguments testifying in favour of country marketing should be noted:

- improving quality of life and well-being of its citizens and companies;
- political stability;
- creation of domestic demand;
- civility market;
- long-term goals and strategies;
- spread of modern management methods and marketing management;
- investment growth of domestic residents in local production;
- active government policy to support these changes, while maintaining the openness of the economy, including international competition.

In addition, a key aspect of country marketing is the deliberate creation, development and promotion of a positive image of the country.

In the opinion of Chernyshov, Y. the country's image is an emotionally charged image that is deliberately formed in the minds of the society through advertising, promotion and other marketing instruments. National images, symbols associated with geographical, historical, cultural and religion features form the basis of the country's image. As opposed to the country's reputation or ethnic stereotypes, the country's image has a greater degree of "virtual character"; it is more easily to be targeted "formation" through media and other channels of mass communication [2].

The global image of the country can contribute to or prevent from selling the goods produced on its territory. The country's brand largely affects the conditions of the brands of products manufactured on its territory. It even gave rise to the emergence of such concepts as "objective country of manufacture" the country where the goods are actually produced.

Other concepts relate to the fact of “traditional” or “trendy” national products, whereby consumers consciously consider their quality. Thus, French spirits and brandy, Japanese appliances, Swiss watches and cheese, Russian vodka, German cars etc. have significant competitive advantage, regardless of the particular brand manufacturer. If Chinese manufacturers exported sportswear under “Nike” brand, producing it under license, the “subjective manufacturing country” would not be China but the U.S., which was closely associated in the minds of consumers worldwide with the “Nike” brand.

A similar effect is also achieved by using the brand name that, through successful stylisation, is associated in the minds of consumers with specific countries. Examples are cognacs with French names “Jean-Jacques” and “Marseilles”, manufactured in Ukraine, or vodka “Pushkin” produced in one of the European countries. For example, one of the most successful soap brands “Camay” is produced by the global company “Procter & Gamble”, positioning itself as the subject of “Parisian luxury”.

The practice initiated by the authorities of many countries to form the image of a country as a tourist object is worth mentioning. Some countries have wealthy recreational resources and a developed infrastructure, inviting tourists during the summer holidays. Here are some examples: “Feel the rhythm of life in Turkey”, “Travelling in a country of long history. Delightful Dubai”, “Israel the Wonderland” or “Egypt. Our main treasure” General advertising budgets of these countries exporters of tourist services – amount to tens of millions of dollars in Russia and Ukraine alone. Of course, it is funded from the state budget [9].

## 2. Country’s Image Trends and Strategies

Any area, including a country, is considered as a specific product that has properties useful for consumers: residents, investors, businessmen, tourists, therefore, particular attention should be paid to the formation of an attractive image of the country.

The literature provides many definitions of image and territorial image, but in substance they are all similar. Thus, the Encyclopedia of businessman, economist and manager defines it as the image “formed and continuously supported the stable image, based on inherent quality indicators of territory advantages [3]”. According to the definition of the World Tourism Organization, the country’s image is a combination of emotional and rational concepts arising from the comparison of all features of the country, experience and hearsay forming a certain image. All of these factors allow by the mention names immediately build a chain of associations in relation to this country. A similar effect was observed in the study of the concept of “place image”. According to Kotler, P. “place image” is a simplistic generalisation of a large number of associations and information related to this place. It is the product of reason, trying to process and select relevant information ... “[8].

While the image of the country (region and other areas) is present at multiple levels: domestic, socio-economic, business, financial and others.

The image is also extremely important from the point of view of those who live in the country. Formation of public confidence in the future, social optimism, and trust in government affect the formation of the country’s favourable image in the minds of its

inhabitants. Means of advertising and PR are used for the purposes such as education of love, caring for the environment, law enforcement organisation in the country, etc.

It is also important to note that factors affecting the country's image can be divided arbitrarily into internal and external ones. External factors include: foreign policy, national interests and priorities, membership in international organisations, investment climate and more. Internal factors include: welfare, constitutional rights of every citizen, corruption, crime, shadow economy, etc. Psychological aspects of the perception of a positive image of the country, such as pride for the country, the desire to live in it, comfort and projection of the country's future, outside interest of the country, wishing to visit, do business, comfort and safety are equally important.

There are a number of strategies of the country's image, each of which is appropriate in a specific area at a particular state of its image and depending on the purpose of its changes. To consider it in detail:

- positive image: requires no changes, but strengthening, confirming and extending to the largest possible number of target consumer groups;
- mild image: the area may be relatively unknown to the desired target groups of consumers, customers, because of the small size, undervaluation of competitive advantages, lack of advertising, reluctance to engage the attention of visitors. In this case, it is necessary to shape information flows;
- unnecessary traditional image: for example, with the advent of Labor Britain began to actively promote the idea of updating the image. Image-based associations with the history of the country that go back centuries cannot describe the country as dynamic, modern, and it repels many important for its target group;
- contradictory image: many metropolitan cities have considerable advantages, but they are often associated with smog, dirty water, very heavy traffic, concentration of crime. Recognised entertainment venues are also famous as drug centres. The objective of the territory in such a situation should be the termination of such relationships by thus correcting the image;
- mixed image: there are often no interrelated advantages and disadvantages of a territorial image. For example, visitors consider Italy (and many other countries) as very attractive, but only as long as no tourist will face an aircraft, train or hotel employee strike. The most common technique in the construction of the image in such cases – by underlining the positive features and concealing the negative ones.
- negative image: Detroit, for example, is recognised as the capital of a brutal crime of America, Lebanon is the centre of civil and military countermeasures and Bangladesh is the apotheosis of poverty. It is extremely important not only to create a new image, but also to actively disavow the old one.
- overly attractive image: number of territories (Finland, etc.) are already faced with the necessity of regulating the flow of visitors and new residents to decrease their number. Just as California has consciously refused modernisation, empowerment of water and reservoirs to avoid new construction projects; it hampers development and raises taxes, tariffs and duties. [6]

### 3. Experience of Formation the National Image in Ukraine

A State is a brand with its identification symbols: flag, anthem, coat of arms, the president or the first person of the state, power structure, a portrait of a typical representative of the population, news reporting, that is everything with consumer of information faces.

Typically, consciously national brands are formed by famous international companies and related professionals who primarily develop a set of visual and verbal images and sounds. Its facing will emerge in the minds the name of the country: a national logo, symbol and tagline.

Unfortunately, Ukrainian design, development and promotion of national image in the past 10 years is still in its early stages. The first and most significant step in this direction was the development by the Ministry of Foreign Affairs of the concept of the state programme "Ukrainian Brand" aimed to create a positive international image of Ukraine. As part of this programme, many studies were carried out, including the perception of Ukraine and its people by foreigners, which showed that for foreign nationals Ukraine is primarily an agricultural (66% of respondents) and religious country (55%). Only half of the surveyed foreigners believe that Ukraine is a European country. The most characteristic Ukrainian features that were recognised were: hospitality (54%), industry (53%), dignity (50%) and discipline (47%). It should also be noted also that Ukraine is the least associated with personal security: only 25% believe that Ukraine is safe or mostly safe. It was also observed that the following factors mostly impact the perception of Ukraine and Ukrainians: cultural/historical heritage (44%), nature/environment (35%), the level of democracy and freedom (31%), visibility of Ukraine in sports (31%).

Certainly, the latter demonstrates that the successful taking of the European Football Championship in 2012 was one of the factors that stimulated the restoration and promotion of the most important symbols of Ukraine and promoted them for the world as the brand of the country. Also, positive changes can be considered that despite the mistrust of foreigners to the overall level of security, no conflicts between tourists (foreigners and locals) were recorded in the country during the championship. This situation allowed the country to consolidate its friendly status.

Despite all the achievements, globally Ukraine is still associated with political instability and uncertainty of foreign policy. Such a situation is adversely reflected in the investment climate and attracting foreign investment, establishing image-dependent (both economically and politically) countries. Therefore, the purpose of national branding is to create an image that would consolidate power and play positive trends in international politics. Hence, in our opinion, the primary tasks facing today's national branding of Ukraine are:

- increasing economic and political image of the country, primarily through the development of legal culture;
- formation of a stable country's reputation on the international scene and protection of its national interests;
- ability to manage and convert image in international preferences through quality management;
- dissemination of information on foreign policy and implementation of an active dialogue with international agency news;
- active positioning of the country as safe (for residents and tourists) and investment-attractive (to investors).

In addition, according to the data collected for the Ministry of Foreign Affairs, foreigners want to see Ukraine as a cosmopolitan country, independent of the influence of other countries, such as extensively using alternative energy sources, focusing on environmental issues, creating new jobs, etc. (Figure 1).

**Figure 1.** How foreigners want to see Ukraine



Source: [10]

In addition, the experience of developed countries shows that the government should take about 10-20% of the total cost for brand promotion of the country. The main sponsor should be business, primarily because it wins in the first place. About EUR 500.000 in 2012 and about EUR 400.000 in 2013 were allocated from the budget of Ukraine for financial support of the international image of Ukraine and positive measures to maintain ties with the Ukrainians living outside the country. Usually this amount is insufficient. In comparison, according to the WTO, Australia has invested EUR 91.1 million, Spain – EUR 96.2 million, Greece – EUR 121.7 million, UK – EUR 71.7 million, Russia – EUR 3 million into their brands (Table 1).

**Table 1.** Investments in country branding

№	Country	Investments, million euros
1	Mexico	119,9
2	Greece	121,7
3	Spain	96,2
4	Australia	91,1
5	Great Britain	71,7
6	Germany	31,1
7	Czech Republic	6,8
8	Romania	5,7
9	Russian Federation	3

Source: [10]

Thus, the formation of the country's image is based on the following principles: efficiency, credibility, simplicity, charm and originality; and territorial marketing is the main instrument for implementing integrated programmes for its promotion.

## Conclusions

Generally, promotion of the country's image is fairly a low-cost strategy, as it does not require radical changes in infrastructure, formation of other real factors of attractiveness, and concentrates mainly on improving communicative aspects of information and promotion, existing and previously established benefits of the country.

It should be noted that the leading tool shaping the image is communication actions that demonstrate openness of the territory for contacts and allow external agents to get to know it and to ensure the materiality of its existing advantages.

Projects focused on shaping a country image are becoming more common. However, this process is often chaotic, as programmes aimed at building a stable image often lack a systematic approach, which dooms them to failure.

Therefore, today in managing the territorial-administrative units the fact must be noted that the area is gradually drawn into the process of the struggle for population, resources and investment. Under such conditions, territorial marketing has become the basis in the area of management, which allows increasing awareness of the unique features of the country, create attractiveness concentrated in resources, living conditions and business activity.

Consequently, the image, along with material assets and human capital, becomes an instrument of economic development. The economic performance of the country is directly dependent on its image, which affects investment in the economy, enables the development of culture and science, education sector, and is the result of improved quality of life.

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## **VIETINIS TERITORINIS MARKETINGAS FORMUOJANT STABILŲ ŠALIES ĮVAIZDĮ: UKRAINOS PATIRTIS**

**Santrauka.** Straipsnyje atskleista teritorinio marketingo esmė ir prasmė. Straipsnyje apibrėžti svarbiausi taškai ir pagrindiniai šalies marketingo elementai bei nustatytas jo vaidmuo bei pagrindinės funkcijos. Straipsnyje apibrėžta būtinybė pagerinti šalies marketingą, siekiant šalies gerovės, investicijų ir turistų. Straipsnyje apibrėžtos Ukrainos įvaizdžio formavimo sąlygos. Ukrainos įvaizdžio formavimas, plėtra ir reklamavimas per paskutinį dešimtmetį vis dar yra pirminėje stadijoje. Šiuo metu Ukrainos įvaizdis pasaulyje asocijuojasi su politiniu nestabilumu ir užsienio politikos neapibrėžtumu.

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