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EFFECTIVE BRANDING OF THE TERRITORY AS ONE OF THE MOST EFFECTIVE TOOLS IN THE COMPETITION OF THE REGIONS

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The study reveals the importance of the territory's branding within the competition of the regions. The purpose of the article is to determine the brand's impact of the territory on the attractiveness of the region. To achieve this goal, the description of global approaches is given in defining the categories «attractiveness of the territory», «brand of the territory», «competitiveness of the territory». The main approaches to evaluate the effectiveness of branding are identified and described. Detected that there is no single universal method for assessing the effectiveness of branding, but there are lots of approaches and each method can be effective for a certain purpose. To calculate if the brand value of the territory is strongly related to the country's success in the target markets, the article determines the correlation coefficient of the brand value and such indicators as a volume of investment in the territory, number of tourists, tourism income and export income. The calculation is based on such countries example as the United States, China, Germany, Italy, France, and the United Kingdom. Indicators such as export income and the number of investments do strongly correlate with the brand value of the area, and tourism revenues are also closely related to the brand value. In addition, countries such as Norway or Finland are the leaders by the quality of life rank, but the brand's value of these countries are lower than China's one, where living standards are worse. It has been determined that the value of a brand reflects well the indicators of the development of the territory related to the economy, but not with social indicators. It has been proved that a positive result of branding is an increase in the indicators of the attractiveness of the territory and, as a result, the socio-economic growth of the region. Thus, the indicators of the socio-economic development of the region can also serve to assess the effectiveness of the branding of the territory. The understanding is revealed that the main purpose of branding is to induce the desire of target groups of people to choose a certain territory for travel, residence, investment or purchase of goods and services produced in this territory.

Keywords: territory, branding, competitiveness, attractiveness, economy.

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Introduction

Despite the world globalization, nowadays the territories compete with each other for human and financial resources, which are the basis of their livelihoods. Taking into account the disparities in socio-economic development in the world and within each country or region, the competition is intensifying every year.

Last researches are focused on identifying tools to build an image or brand, while assessing the outcome of their usage remains too abstract in most

cases and does not allow fully determine, compare and predict the attractiveness of the territory.

Nowadays the concept of competitiveness of places is more researched, that allows to have a fairly broad look at the position of the region among competitors. However, competitiveness should be considered only in comparison with other regions, which makes it impossible to track the dynamics of changes in attitudes to the territory without taking into account the positions of other regions.

Thus, the competitiveness of places has been



studied in the works of Jovan Zubovych and Oleksandr Bradich-Martynovych [1], as well as Chang Kao and co-authors [2].

Jan Fagerberg Martin and Schreletz Mark Knell have identified aspects that should be considered to assess the competitiveness of countries, namely: technology, potential, demand and price [3].

C. Costa, D. Carneiro and R. Goldsmith have studied the relationship between the image of the country and the evaluation of products produced in its territory [4]. The influence of the producing country on the attractiveness of the product was studied by Alexander Josiassen [5]. M.B. Sutter and co-authors considered the image of the country of origin as a specific advantage for firms [6]. These studies should be used to consider the attractiveness of the territory, because the demand for products is an important factor in the economic development of regions.

Speaking about attractiveness of places, the territory is often considered in terms of tourism. Among the works on this topic we can highlight the works by D. Tan, N. Rochanonon [7]. The image of the country as a factor of choosing a place to travel was studied by Suja Chaulagain Jessica Wiitala Xiaoxiao Fu [8].

Bernd Frederik Reitsamer, Alexandra Brunner-Sperdin, Nicola E. Stokburger-Sauer considered not only the attractiveness but also the attachment to certain places and their relationship from the tourists' point of view [9].

Investment attractiveness is one of the most important indicators of the territory's functioning and is well studied, but still does not have a single approach to its assessment. Among the scholars who have studied this issue, we can highlight V. Snyska and I. Zikiene [10]. In addition, government and commercial organizations working on the assessment of the investment attractiveness of places by developing methods that meet their needs. In our opinion, one of the most successful approaches to assessing the investment attractiveness of the territory was proposed by the rating agency «Expert» [11].

Considering that the driving force of territorial development is its residents, the attractiveness of the place for life is a very important factor. Sandra Ezmale is one of the scholars who have studied the attractiveness of places for long-term residence [12]. Scientists such as Nil Pasaoglu Sahin, Mukaddes Fasli, Beser Oktay Vehbi also worked on this issue [13].

Among the Ukrainian scientists who worked on the issue of assessing the marketing attractiveness of the territory are Bilovodska O.A., Melnyk Yu.M. [14], Sigida L.O. [15].

Pokras O.S., Sakalosh T.V. have developed an integrated indicator of the country's attractiveness

in terms of territorial branding [16].

The issue of tourist attractiveness was considered by Melnyk O.V. [17], Kuzik S.P. [18] and other scientists.

In Ukraine a number of scientists assess the investment attractiveness such as S.O. Ishchuk, T.V. Kulinich [19], Ivanova N.Yu., Danyliv A.I. [20], Petrovska S.A. [21].

In our opinion, a brand is the most complex phenomenon, which is directly related to attractiveness and includes image, identifiers and other elements related to the territory, including symbolism.

The purpose of the article

The purpose of the article is to determine the impact of the territory's brand on the attractiveness of the region.

The main material

Territory branding is one of the most effective modern tools for the competition of different regions for financial and human resources. The brand of the territory influences the behavior of target audiences and determines their choice regarding investment, travel or living in a particular area, as well as the purchase of goods produced there. So the brand of the territory plays an important role in increasing of the particular area's attractiveness in major markets.

The brand of the territory is a multi-component system that is closely connected with the socio-economic development of the territory. We consider branding, first of all, as management of competitive identity of regions, and only then, as companies' branding.

Before proceeding to assess the effectiveness of brand management, it should be clear that the creation of a brand territory is not an end in itself. Branding should become a tool in achieving some socio-economic goals. Thus, it is important to understand what results branding can give to attract the needed resources for the region.

There is no single universal method for assessing the effectiveness of branding. However, scientists have developed a number of approaches that could help. Each method can be effective for various purposes.

Consider the main approaches to assessing the effectiveness of branding in Fig. 1.

Based on the Faivishenko's D.S. works [23] regarding the analysis of the brand's effectiveness in the food market, we can identify the main functions of the territory brand:

1. Identification - brand recognition. It can be calculated as the ratio of the target audience that can remember the brand to the total number of the target audience.

2. Informational - educating the target audience about the benefits of the brand. Its effectiveness can be calculated through the ratio of the audience, that

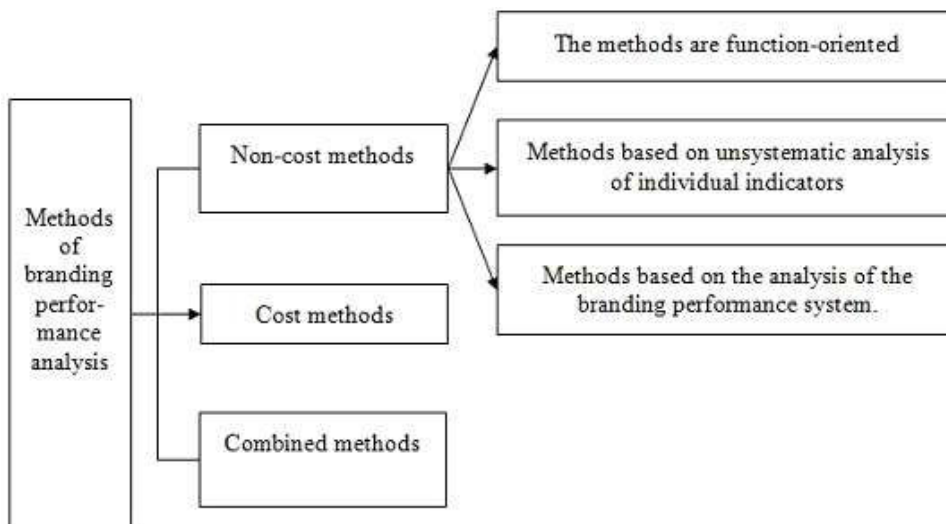


Fig. 1. Basic approaches to evaluating the effectiveness of branding [22]

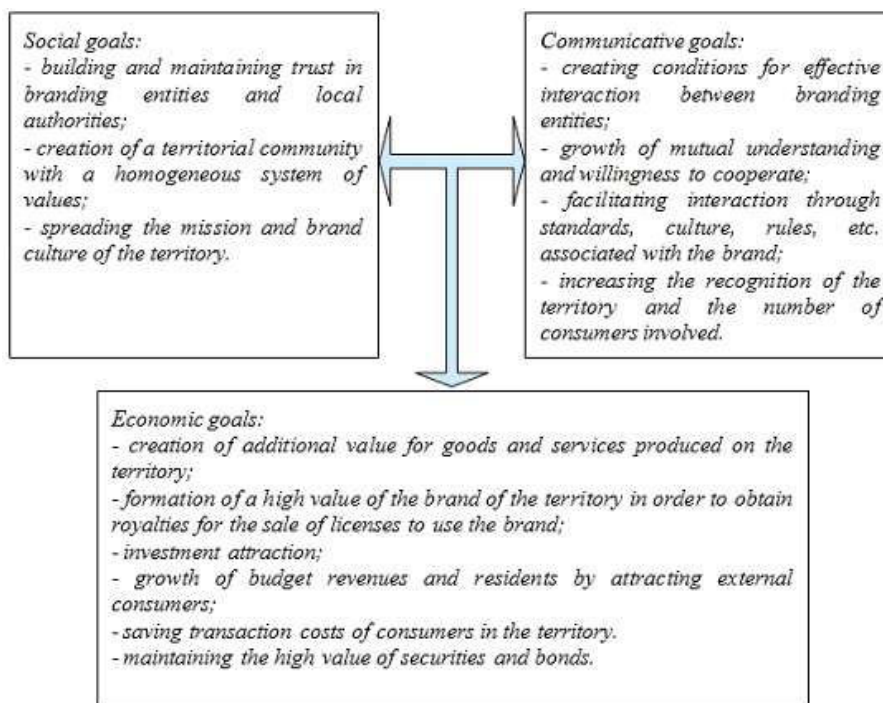


Fig. 2. The main goals of the territory branding [24]

is confident in the existence of the brand’s advantages over other brands, to the total number of target audience.

3. Emotional - the positive emotions that a brand evokes. Its calculation is based on the ratio of people that feel that the brand evokes their positive emotions to the total number of target audience.

4. Economic - the ratio of the region’s profit for the previous period to the current rate of return, after the implementation of actions aimed within building a brand.

Actions to build the brand of the territory may differ depending on the goals of the region. Achievement of these goals will determine the

effectiveness of branding.

The main strategic goal of the brand is the socio-economic development of the territory. Below there are the main goals that can be pursued by the branding of the territory (Fig. 2).

S.A. Starov and O.N. Alkanov mention the following metrics for evaluating the effectiveness of the brand [25]:

- perception metrics: brand awareness, familiarity with the brand and willingness to be included in the selection set;
- behavioral metrics: purchase decisions, behavior after purchase;
- market metrics: part of the brand market,

brand development index;

– financial metrics: efficiency of investment in the brand, assessment of the current value of the brand.

Thus, the effectiveness of the brand and its impact on the socio-economic development of the region should be considered in terms of economic indicators and its impact on the behavior of target audience, which may bring additional income in the long run.

A brand is an intangible asset but can affect the added cost and popularity of certain products, which brings additional income.

In case of territory brands, there are no specific owners, so the financial value of the territory brand may not be fully valuable to certain people, but it may help to determine the effectiveness of branding.

Brand Value is the financial value determined for a brand separately from other assets [26].

The most common methods of brands' assessment can be represented as follows:

– cost method. This method of brand's value estimating is based on the cost of creating it;

– comparative (market method). Based on comparing the certain brand with other brands in the market;

– based on royalties method;

– economic method. Evaluates the brand's contribution to the business over a period of time [26].

Each of the methods has its strengths and weaknesses. Not all assessment methods are suitable for estimating the value of territory brands. Considering that territories are very large and complex associations, it is difficult to calculate how much branding costs they involve, so the Cost method of brand assessment, in our opinion, is not suitable for territories.

One of the most reputable companies specializing in assessment the brands of the territories is Brandfinance.

The main method of calculating the value of national brands is the royalty exemption mechanism.

The calculation process has several steps:

– calculation of the strength of the national brand. This step is calculated based on three components: investment, society, goods and services;

– calculation of the royalty rate. The hypothetical royalty rate is determined by reference to the average rates observed in different sectors. To determine the appropriate royalty rate for the country, a Brand Strength Index is compiled;

– profits. The calculated royalty rate is applied to a country's GDP to determine brand-related GDP flows;

– calculation of the weighted average cost of capital. The discount rate is calculated. It reflects

the average cost of funding for the brand and the minimum return on the brand asset. This is needed to calculate the present value of the brand's future profits;

– brand evaluation. Brand-related post-tax GDP flows identified in Stage 3 are discounted to net present value using a discount rate to determine the value of the national brand [27].

To understand how the territory brand value is related to the success of the country in the target markets, we will calculate the correlation coefficient of the brand value and such indicators as: volume of investment in the territory, number of tourists, tourism income and export income. The calculation is based on the countries examples such as the United States, China, Germany, Italy, France and the United Kingdom. We will check the relationship with the Chaddock scale (Tables 1-2).

Table 1

The behavior of the correlation relationship by the Chaddock scale

Correlation coefficient value	The nature of the relationship
0,01–0,15	No connection
0,16–0,20	Very weak relationship
0,21–0,30	Weak relationship
0,31–0,40	Moderate relationship
0,41–0,60	Average relationship
0,61–0,80	High relationship
0,81–0,90	Very high relationship
0,91–1,00	Full relationship

For calculations we will use data for 2019 and the following formula

$$r_{xy} = \frac{\sum (X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum (X - \bar{X})^2 \sum (Y - \bar{Y})^2}}$$

where Y – brand value (billion); X – indicator of the country's success in the target markets (number of tourists, investments, export revenue, revenue from tourism); \bar{X} – average values of the indicator of the country's success in the target markets (number of tourists, investments, export revenue, revenue from tourism); \bar{Y} – average values of the Brand value (billion).

As it is shown in the calculations, that indicators such as export earnings and the amount of investment are closely related to the value of the territory's brand.

It is interesting that tourism revenues are highly related to the value of the brand, and the number of tourists associated with the value of the brand is quite moderate. Such differences can be explained by the fact that income from tourism is high mostly

Table 2

Correlation between the value of the territory's brand and the country's success in the target markets*

Country	Brand value (billion)	Number of tourists (million)	Investments (billion)	Export revenue (billion)	Revenue from tourism (million)
USA	27800	77	258 390	2499	214100
China	19500	61	203 492	1646	39500
Germany	4900	37	105 277	1489	41600
Great Britain	3900	38	58 650	469	50400
France	3100	87	59 849	570	63800
Italy	2100	58	30 903	533	49600
Result (link)		0,3621860008	0,9816611603	0,9070371327	0,7474147612

*author's calculations

due to the high added cost of goods and services in the area, rather than the number of tourists.

In addition, countries such as Norway or Finland are the leaders in the ranking of quality of life. But these countries have lower value of the brand than China, where living standards are lower. Thus, we can say that the value of the brand really reflects the indicators of development of the territory related to the economy, but not social.

The brand of the territory gives a clear idea of the system of values of the territory, and also can ensure the attractiveness of the territory. If a particular product or territory is recognizable among a wide range of people, it lets us to assume its qualitative characteristics and level of satisfaction of needs [26].

Thus, the impact of the brand of the territory on the attractiveness of the region can be considered as follows: the brand evokes a positive attitude to the territory because of the emotions associated with the brand, after which a person begins to look for a rational explanation of his choice in favor of the territory.

The effect of the brand is constructed from the emotional support to the territory. However, it must be confirmed by rational factors.

Conclusions

In this paper, branding is considered as a tool to increase the attractiveness of the region. In this case, the main purpose of branding is to encourage the desire of target groups of people to choose a certain area for traveling, accommodation, investment or purchase of goods and services produced in this area.

Thus, the effect of the brand development of the territory is achieved as follows. A person transforms his trust in the brand of the territory (expressed in the capital of the brand) in relation to the territory itself and finds it more attractive. After that, a person makes a choice in favor of a certain area and performs a targeted action (invests, travels, lives in a certain area or buys its goods), which becomes the basis of socio-economic development

of the territory. This way the development of the territory does strengthen its brand.

This study proves that the positive result of branding is an increase in the attractiveness of the territory and, as a consequence, the socio-economic growth of the region. Thus, indicators of socio-economic development of the region can also be used to assess the effectiveness of the territory branding.

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ЕФЕКТИВНИЙ БРЕНДИНГ ТЕРИТОРІЇ ЯК ОДИН ІЗ НАЙДІЄВІШИХ ІНСТРУМЕНТІВ У КОНКУРЕНТНІЙ БОРОТЬБІ РЕГІОНІВ

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Дослідження розкриває значимість брендингу території в конкурентній боротьбі регіонів. Метою статті є визначення впливу бренду території на привабливість регіону. Для вирішення поставленого завдання дано характеристику світових підходів у визначенні категорій «привабливість території», «бренд території», «конкурентоспроможність території». Визначено та описано основні підходи до оцінки результативності брендингу. Актуалізовано, що не існує єдиного універсального методу оцінки ефективності брендингу, однак є цілий ряд підходів і кожен метод може бути ефективним для різних цілей. Для визначення наскільки сильно вартість бренду території пов'язана з успіхом країни на цільових ринках в статті проведено розрахунки коефіцієнту кореляції вартості бренду та таких показників як: об'єм інвестицій у територію, кількість туристів, дохід від туризму та дохід від експорту. Розрахунок проведено на прикладі таких країн як: США, Китай, Німеччина, Італія, Франція та Велика Британія. Визначено, що такі показники як дохід від експорту та кількість інвестицій тісно пов'язані з вартістю бренду території, а доходи від туризму мають високий зв'язок з вартістю бренду. Крім того, такі країни як Норвегія чи Фінляндія є лідерами рейтингу якості життя, однак за вартістю бренду ці країни поступаються Китаю, рівень життя у якому нижчий. Визначено, що вартість бренду гарно відображає показники розвитку території пов'язані з економікою, але не соціальні. В даному дослідженні доведено, що позитивним результатом брендингу є підвищення показників привабливості території і, як наслідок, соціально-економічний ріст регіону. Таким чином, показники соціально-економічного розвитку регіону також можуть служити для оцінки ефективності брендингу території. Розкрито розуміння, що головною ціллю брендингу є спонукати бажання цільових груп людей до вибору певної території для подорожей, проживання, інвестицій чи придбання товарів та послуг вироблених на цій території.

Ключові слова: територія, брендинг, конкурентоспроможність, привабливість, економіка.

ЭФФЕКТИВНИЙ БРЕНДИНГ ТЕРРИТОРИИ КАК ОДИН ИЗ САМЫХ ДЕЙСТВЕННЫХ ИНСТРУМЕНТОВ В КОНКУРЕНТНОЙ БОРЬБЕ РЕГИОНОВ

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Исследование раскрывает значимость брендинга территории в конкурентной борьбе регионов. Целью статьи является определение влияния бренда территории на привлекательность региона. Для решения поставленной задачи дана характеристика мировых подходов в определении категорий «привлекательность территории», «бренд территории», «конкурентоспособность территории». Определены и описаны основные подходы к оценке результативности брендинга. Актуализировано, что не существует единого универсального метода оценки эффективности брендинга, однако есть целый ряд подходов и каждый метод может быть эффективным для различных целей. Для определения насколько сильно стоимость бренда территории связана с успехом страны на целевых рынках в статье проведены расчеты коэффициента корреляции стоимости бренда и таких показателей как: объем инвестиций в территорию, количество туристов, доход от туризма и доход от экспорта. Расчет проведен на примере таких стран как США, Китай, Германия, Италия, Франция и Великобритания. Определено, что такие показатели как доход от экспорта и количество инвестиций тесно связаны со стоимостью бренда территории, а доходы от туризма имеют высокую связь со сто-

имостью бренда. Кроме того, такие страны как Норвегия или Финляндия являются лидерами рейтинга качества жизни, однако по стоимости бренда эти страны уступают Китаю, уровень жизни в котором ниже. Определено, что стоимость бренда хорошо отражает показатели развития территории связанные с экономикой, но не социальные. В данном исследовании доказано, что положительным результатом брендинга является повышение показателей привлекательности территории и, как следствие, социально-экономический рост региона. Таким образом, показатели социально-экономического развития региона также могут служить для оценки эффективности брендинга территории. Раскрыто понимание, что главной целью брендинга является побудить желание целевых групп людей к выбору определенной территории для путешествий, проживания, инвестиций или приобретения товаров и услуг произведенных на этой территории.

Ключевые слова: территория, брендинг, конкурентоспособность, привлекательность, экономика.

EFFECTIVE BRANDING OF THE TERRITORY AS ONE OF THE MOST EFFECTIVE TOOLS IN THE COMPETITION OF THE REGIONS

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The study reveals the importance of the territory's branding within the competition of the regions. The purpose of the article is to determine the brand's impact of the territory on the attractiveness of the region. To achieve this goal, the description of global approaches is given in defining the categories «attractiveness of the territory», «brand of the territory», «competitiveness of the territory». The main approaches to evaluate the effectiveness of branding are identified and described. Detected that there is no single universal method for assessing the effectiveness of branding, but there are lots of approaches and each method can be effective for a certain purpose. To calculate if the brand value of the territory is strongly related to the country's success in the target markets, the article determines the correlation coefficient of the brand value and such indicators as a volume of investment in the territory, number of tourists, tourism income and export income. The calculation is based on such countries example as the United States, China, Germany, Italy, France, and the United Kingdom. Indicators such as export income and the number of investments do strongly correlate with the brand value of the area, and tourism revenues are also closely related to the brand value. In addition, countries such as Norway or Finland are the leaders by the quality of life rank, but the brand's value of these countries are lower than China's one, where living standards are worse. It has been determined that the value of a brand reflects well the indicators of the development of the territory related to the economy, but not with social indicators. It has been proved that a positive result of branding is an increase in the indicators of the attractiveness of the territory and, as a result, the socio-economic growth of the region. Thus, the indicators of the socio-economic development of the region can also serve to assess the effectiveness of the branding of the territory. The understanding is revealed that the main purpose of branding is to induce the desire of target groups of people to choose a certain territory for travel, residence, investment or purchase of goods and services produced in this territory.

Key words: territory, branding, competitiveness, attractiveness, economy.

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