

Marketing Strategy of the Territory in the Investment Policy of the City

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Abstract

The administration of the territory of the city involves multi-vector directions of socio-economic forces with the view to creating a competitive investment-attractive environment. The territory of the city becomes a market object, requiring the use of specialized economic instruments to enable increase of competitiveness of the territory. In our opinion, such is the marketing territory.

Marketing of the territory within urban investment policy is directed to improving the territory's investment image in the eyes of potential investors, ensuring the expansion of influence of the territory in the external environment; to creating a favourable and comfortable environment of vital activity of the urban population.

The development of marketing strategies for the territory entails the need to conduct regular monitoring of the socio-economic situation in the territory, on the basis of which should be formed the program to improve the competitiveness of the city. In fact, supporting these activities is based on the current actual practice of strategic territorial management of the city, the search of formation and development of its competitive advantages in the conditions of instability and uncertainty of its own territorial factors and factors of the external environment.

The result of the development and execution of the marketing strategies of the territory can become the marketing passport of the city, which will provide answers to a series of questions:

- What is the socio-economic situation of the city and what is the prospect of its further development?
- What are the specific conditions and factors for the promotion or curbing the development of the territory?
- What should be the structure, content, volume of supply of territorial product(s) taking into account the target consumer groups and opportunities of the city?
- It is possible to generate a unique offer in the conditions of the economy of a particular city?

Keywords

Marketing of territory, marketing strategy, territory development, investment policy, competitive advantage, strategy management, the competitiveness of the territory, investment passport, marketing passport of the city.

1. The city territory as an object of the market

In the large-scale cities, big challenge becomes the mismatch between the rhythm and the speed of current of the different socio-economic processes, which leads to instability of territory development and growth of social tension. For optimum functioning of the urban space in such conditions, the factor that should be ensured is the possibility of implementation of a qualitative approach to the management of the territory with a competent definition of social and economic priorities, allocation and retaining competitive ad-

vantage, proper placement of the institutional forces and organizational incentives. The administration of the territory of the city involves multi-vector directions of the application of socio-economic forces with the purpose of formation of a competitive investment-attractive environment. This corresponds to the demands of market economy requiring compliance with the rules and conditions of functioning of the market by all actors, including city authorities.

The territory of the city itself becomes a market object requiring the application of specialized economic tools to increase the territorial competi-

tiveness. This instrument must necessarily focus on the key quantitative parameters of the city, such as population size, the scale of the urban space, the volume and value of the urban economy, the number of business entities and a number of others, to interpret them in practice in a real mechanism considering the influence of urban quality indicators. Such is the marketing of the territories, which included elements of traditional marketing: the price and the product itself, its promotion and positioning. This direction of activity of local authorities is not common, but due to the need to solve the problems of increasing investment attractiveness of the territory and the understanding of the role of cities in the existing regional and national territorial division of labour.

2. The marketing of the territory

Local authorities and management should determine for itself the marketing of the territories as an instrument of urban economic development, which integrates the management of specific sectors and industries of vital activity of the city. At the same time, the city is the economic entity, which should attract potential investors, offering them the resources, having existing positive recommendations for the support and implementation of past projects and effective advertising itself in the current period. In considering the essence of the marketing of the territory questions are raised: what is the marketing product and how can it be positioned? On the one hand, such a product can be a package of proposals of the industrial and consumer market, aimed at ensuring the urban economy and the satisfaction of needs of the urban community. It is defined as the internal marketing. On the other hand, the city can have a complex of city-forming enterprises and generate the unique offers for external investors. This is the external marketing. Questions of pricing and promotion of urban space and the processes of the strategic marketing development follow this.

At the same time, the marketing of the territory can be determined, as an ideology that promotes changes in all spheres of vital activity of the city and makes them work on its tasks by expanding urban influence and creating a positive reputation, and as a complex of actions of the urban community, which is aimed at identifying and promoting their interests to carry out certain tasks of the socio-economic development (Vizgalov, 2008, pp. 11-12). The local authorities carry out the professionally controlled activation on the life of the city, perceiving in feedback mode the sig-

nals that are come from different spheres of the urban economy and the urban community. These signals are generated on the basis of urgent problems and needs, interests and growth points of the territory. In its turn, the response finds its embodiment in the necessity of taking the management decisions of investment character.

Within the development of the investment policy by local authorities attention is increasingly given to the preliminary marketing research and identifying the pool of potential investors. The marketing of the territory within urban investment policy becomes a tool that is directed to improving the territory's investment image in the eyes of potential investors, ensuring the expansion of influence of the territory in the external environment; to creating a favourable and comfortable environment of vital activity of the urban population. From this point of view, the conditions of investment activity of the city authorities are defined by the elements of attractiveness of the territory, such as its economic and geographical location, favourable natural and climatic features, architectural appearance and rational zoning, transport and leisure infrastructure, products of local enterprises, etc.

A competitive investment environment makes the process of comparison and competition of the territories with each other for creation of the most favourable conditions for of vital activity of own population, the economic conditions of economic agents, the investment climate, for the formation of a favourable image of the territory and the maintenance of a stable interest on the part of the various social communities, the authorities, the international organizations and the governments of foreign states.

In particular, when considering one of the marketing directions – the marketing of tourism, it is possible to highlight the most unified requirements, which affect the development of the tourism industry, namely (Geography recreational areas, 2015):

1. Natural and climatic attractiveness;
2. Cultural and historical resources;
3. Quality standard of hotels and accommodation facilities of the tourists, catering services and all service industry, accordance of the world standards available in the area of tourism infrastructure, the availability of excursion and cultural and entertaining programs;
4. Operational transport and information accessibility;

5. Political stability in the region and a guarantee of the personal safety;
6. International fame and prestige of the place (the image of the territory).

According to experts Strategy Partners Group, leaders among the Russian regions in the competitiveness in the tourism industry are the following regions: 27 Russian regions have favourable conditions for the development of the entertainment tourism, among which Moscow, St. Petersburg, Krasnodar Kray, Stavropol Kray and Moscow, Kaliningrad, Leningrad, Nizhny Novgorod, Samara, Rostov regions; 20 Russian regions have favourable conditions for the development of the business tourism, including Moscow, St. Petersburg and Moscow, Nizhny Novgorod, Novosibirsk, Kemerovo, Omsk and Sverdlovsk Regions, Krasnoyarsk Kray, Krasnodar Kray. The most important factors of the development of tourism were considered in assessing the competitiveness of the regions. In particular, as such for the entertainment tourism were the natural conditions, security, a distance from key customer markets, the level of the development of transport infrastructure and others. For the business tourism were taken into account the business activity in the region, the level of development of the hotel infrastructure, business environment, etc. A sufficiently large number of Russian regions have a high potential for tourism development. According to the forecast in the year 2028, the number of tourist arrivals in the regions of Russia under the worst scenario of raw material development of the Russian economy will grow up by three times, with innovative development – almost five times. (Stimulating tourism development in Russian regions – new opportunities, 2015).

Development gets a direction of the industrial tourism that is new for Russia. For example, excursions to the brewery of the company SUN In-Bev in Russian, tours of the Museum and the factories of OJSC Siberian Chemical Combine, Sever-sk-city, visit the Museum of History and Technology OJSC Kirovsk Zavod, St. Petersburg, the factory tour FOREMA-KITCHENS, Moscow and others. It has a wider practice of the industrial tourism events abroad: excursions to the Royal porcelain factory in Delft, the Netherlands; seen JAGUAR factory in Castle Bromwich, Birmingham, United Kingdom; excursions to the AIRBUS factories in Hamburg and Bremen, Germany, etc. (Industrial tourism, 2016).

3. The marketing strategy of the cities

Integrated marketing strategies that rely on high-quality investment policy, in relation to residence of the urban community are one of the directions of strategic territorial management, as they allow to answer the questions “how to develop and promote the territory?” and “how is more profitable to present its territory regarding others (neighbours, similar) the territories?”. Situations of competition between the cities did not arise in conditions of the planned economy in the Soviet Union: there was the task of an alignment of territories by the level of socio-economic development. Modern competitive practice of cities set new forms of the strategic management of territories, taking into account the factors of success of business entities, the mobility of capital and the working population, improving the quality of vital activity of the territory and its population. Various resources of the development are becoming the objects of urban competition. In the presence, reasonableness, effective and rational using of its resources the city can achieve its strategic goals and objectives of the management.

In the cities, a competitive investment environment also creates a set of conditions that determine the possibility of economic entities to carry out a successful business activity. The competitive investment environment can be characterized by the annual increase of the number of economic entities and number of people employed in various sectors of the economy; heterogeneity of the development of competition in the different markets of goods and services; presence of local monopolists in certain segments, etc.

In fact, the development of marketing strategies of the territory entails the necessity of carrying of regular monitoring of its socio-economic status and monitoring of the territorial resources. Providing these events is based on the current real practice of the strategic territorial management of the city, the marketing research of formation and development of its competitive advantages in conditions of instability and uncertainty of its own territorial factors and environmental factors. Marketing research objects become the capacity and the level of monopolization of the market its conjuncture, variety territorial and resource specific features, economic territorial trends, qualitative and quantitative indicators of the competitive environment, novelty and the competitiveness of products, quality of the products and additional advantages, the duration of life cycle, consumers and their needs, pricing processes, elements of

promotion and marketing communication channels, systems of sales, etc. The result of marketing researches is a forecast of the market development, segmentation and positioning of products.

Marketing strategy of the city is also in the choice of variants to work with target segments. Segmentation process consists of two stages – macrosegmentation and microsegmentation that enable us to prove the choice of the appropriate variant. Macrosegmentation is a three-stage structure, which takes into account the function of needs – the “what“ is satisfied; technology – the “how“ needs are being met; consumer groups – the “who“ gets satisfaction. This is the answer to the question: “Why have consumers implemented their choice of a concrete territory, what needs and desires consumers do they hope thereby to satisfy? “The territory may be of interest as a place of permanent residence, place of temporary residence, permanent place of activity, temporary place of activity. Depending on the specific needs of clients it is specified which areas are most significant characteristics for a particular group of customers. In reply to the second question - the “how” needs are being met – it is important to assess in what image the potential customer will be performing. He will be the user of the territorial product or the buyer, namely a potential customer will be to receive public services, resources, goods of the territory on a free or paid basis. Individuals, commercial organizations and public (non-profit) organization are selected as consumers of the territory product (Sachuk, 2009, p. 105).

Microsegmentation contributes to a clearer representation of segments, homogeneous in terms of the expected merits of the products, and different from other segments, allows to designate the special characteristics and needs of each segment of the market as well as identify common needs, expectations, the needs of all groups of consumers, for example, the safety on the streets or the convenience of transportation. This allows for territorial management in the interests of the entire urban community, and on the other hand, implements the targeted programs to support specific groups of the population and businesses, taking into account the specificity of each microsegment (Sachuk, 2009, p. 107).

Types of marketing strategies according to the method of implementation are presented differently, which allows each city depending on its geographical, extensive, social, managerial characteristics, choose the kind corresponding to its socio-economic status and resource endowments.

Vizgalov (2008, p. 27) identifies the following species pairs:

- the external (the target audiences outside the city limits) and the internal (the target audiences inside the city) marketing,
- the hierarchical (the single management centre) and the network (the several independent management centres) marketing,
- the integrated (focus on changing the entire city environment) and the object (base – the individual objects of the city) marketing,
- the evolutionary (continuity of the urban environment, filling-in of the image) and the revolutionary (forming of new image from scratch on the basis of new ideas) marketing,
- marketing “the good life“ (consolidation of the city's reputation, advertising success) and marketing survival (a method of self-preservation of the urban community),
- marketing stimulation of the growth points (stimulation of the strengths of the city) and marketing solving problems (pulling up the weaknesses),
- marketing attraction (stimulation of investment inflows, tourists attention to the city) and marketing limitation (deliberate restriction, control excessive attention to the city),
- marketing “correction model“ (short-term effects) and marketing “correcting reality“ (long-term effect),
- the differentiated marketing (targeting of the marketing company at once on some segments of the target audience with the development of a separate proposal for each of them) and the undifferentiated marketing (targeting of the marketing company the entire market at once with one and the same sentence),
- focusing on the process of segmentation, Ivanov (2006, p. 123) allocates species such as:
- the undifferentiated marketing which encompasses quite a wide range of consumers of the limited nomenclature of products with a range of prices and a unified marketing program without taking into account the different consumers,
- the differentiated marketing, which is developing the programs to one or two segments,

- the concentrated marketing, which covers one segment using a single product and a single program of the marketing in that case, if this segment is quite large and is characterized by special requirements.

In the United States, a result of application of the revolutionary strategy of the marketing the town Halfway with a population of 350 people, located in the state of Oregon, in January 2000 was renamed the Half.com. The combination of the undifferentiated marketing strategy and the marketing of attraction of a powerful administrative resource allowed Sochi city (Russia) to become the first federal marketing project. The object strategy is implemented, for example, in the cities, where the whole spectrum of the city's attractions is associated with the famous person: Chekhov City and Pyatigorsk City (Russia). Integrated marketing strategy has been implemented in preparation for the celebration of the Millennium of Kazan city (Russia), which affected the interests of all citizens and changed the urban space.

4. Investment and marketing passports of the cities

As a rule the investment passport became widespread in practice, which enables giving a presentation about the competitive advantage of the territory, about products (the investment projects) that the city offers, and their pricing. So, for example, the competitive advantages of Omsk city include a middle position between the European territory of Russia and the Far East, a proximity to the Asian markets, which is the winning factor for the establishing and maintaining of external economic relations with Kazakhstan, China, Uzbekistan, Mongolia, and Republic of Korea. There operates a progressive legislative and regulatory framework of the state and municipal support of investors, including tax incentives and budgetary subsidies. There exists the infrastructure to support small and medium-sized enterprises and the high concentration of network commerce, indicating a well-developed consumer market. The city is a major educational centre of Siberia with extensive experience of training specialists with higher and secondary special education. In the Investment passport of Omsk city are presented investment destinations such as integrated development of the central part of the city, the development and manufacture of equipment of integrated provide natural gas, the serial production of

amphibious hovercraft, superconducting technologies, screening for cancer diseases using saliva, organization of production of the forming articulating spacers (prosthesis) of the joints, a construction of the hotel Marriott (Investment passport of Omsk city, 2016). In Novosibirsk, the investment proposals are presented in the form of the project for the construction of a bridge across the Ob River, a reconstruction of the social facilities, the project for the development of built-up territories, construction parking areas, a transfer to concession of municipal baths, a selection of plots for various construction purposes (Investment passport of Novosibirsk city, 2016).

However, the issues of positioning and promotion, taking into account existing and subsequently changing market circumstances and conditions are not reflected in this document. In the long-term temporal dimension, it requires a more deployed display of the current and projected situation in each market segment. The city should be represented as a unified formed socio-economic complex capable of adapting to external influences, finding adequate circumstances for this, able to survive in unstable economic conditions. The result of the development and execution of the marketing strategies of the territory can become a city marketing passport, which will allow answering a number of questions:

- How is the socio-economic situation of the city?
- What is the prospect of its further development?
- What are the specific conditions and factors for the promotion or containment of development of the territory?
- What should be the structure, content, volume of proposals of territorial product (products) into account the interests of the target groups of consumers and the opportunities for the territory?
- Is it possible to form the unique proposals on the territory of a particular city?

For answers to such questions in a marketing passport should be a number of sections, such as

- Information about the city, which determines the urban community context and the extent of its activity;
- The prevailing culture and its individuality;
- The business and functional theming of the city;

- The investment projects and the possibilities of the formation of unique proposals decorated in an investment passport of the territory;
- The results of the diagnosis and regular monitoring of city-forming territory foundations, infrastructure serving the city;
- Entrepreneurial activity;
- Prevailing communicative practices of the authorities, the business sector and the public sector.

Urban culture that has developed historically and has received the development under the influence of different social, religious, national, organizational and other trends affects the socio-economic condition of the territory and introduces adjustments to the content of the investment policy of the city. Because the so-called economy of cultural events (permanent and occasional) becomes profitable industry especially in cities that are famous for their historical and cultural heritage and traditions (the cinema festivals in Cannes and Moscow; the international air shows in Farnborro, Le Bourget, the carnivals in Rio de Janeiro and the city of Venice, the celebration of the Millennium of the city of Kazan, holding the Summer Olympics in Sochi city).

The contribution to the investment activity make the territorial branch trends caused a mono-functional or multi-functional economy. For example, the young northern cities, orientated only on the oil and gas extraction, contribute little to perception by the general public as the territories for permanent residence (Megion city, Gubkinsky, Muravlenko, Nefteyugansk City). This is followed by the urban community's unwillingness to participate in the investment processes of development of these cities. Multifunctional economy implies support for sectors that match the competitive advantages of the city and contribute to its current and future development. To understand, with which objects of the urban economy will have to deal, needed the procedures of sectoral diagnostic, ensuring systematization and cataloguing of information about companies, organizations, institutions. City-forming enterprises as the basis of a multifunctional urban economy can be distinguished separately, since the authorities and potential investors are oriented on them in the first place, and it is these enterprises form the economic realities in cities with a monofunctional economy. Some examples of city-forming enterprises are presented in the table.

Table Examples of the main city-forming enterprises in Russia

City	City-forming enterprises	Kind of activity
Yekaterinburg	Uraltransmash	Production of vehicles
	Ural Optical and Mechanical plant	Production of optical equipment
Chelyabinsk	OJSC Chelyabinsk Metallurgical plant	Production of steel long products
	OJSC Chelyabinsk Tube Rolling plant	Production of steel pipes
Kurgan	OJSC Kurganmashzavod	Manufacture of machinery and equipment
Tyumen	Tyumen branch of Sverdlovsk Railways	Transport
	OJSC Tyumen Accumulator plant	Manufacture of electrical equipment
Salekhard	OJSC Yamalzoloto	Mining
	OJSC Salekhard Fish Canning plant	Manufacture of food products
Novy Urengoy	LLC Gasprom Mining Urengoy	Mining
Khanty-Mansiysk	OJSC Ugra Territorial Energy Company	Production and distribution of energy
	OJSC Khantymaniyskgeofizika	Geology
Nizhnevartovsk	CJSC Nizhnevartovskburneft	Drilling operations
Perm	OJSC Perm Engine Company	Manufacture of machinery and equipment
	CJSC Perm Pulp and Paper Mill	Pulp and paper industry

Source: Turgel, 2010

Since the 2000s, in European and American cities have seen the spread of theming of cities and their respective marketing strategies, which includes accounting for target audiences, their interests and territorial issues, needs and challenges that the cities put before the authorities. The basis of an urban theme are pawned manufacturing and sectoral specification, individual characteristics of the territory, feature of the historical path of development, which should contribute to the formation of the city's competitive advantages. For example, the city of Omsk is represented by enterprises of oil refining, chemical and petrochemical, food industry, machine-building and innovative enterprises, and enterprises producing radio-electronic products. (Industry of Omsk City, 2016). To become successful in the market, the city also should be able to develop a unique pro-

posal, which defines a standard format of positioning of the city indicating the specific urban investment platforms; the advantages that the investor can obtain in the case of financing; recommended for the investor profitable forms of investment; a suggested timeframe for implementation of the project, etc. When all the investors as the representatives of the target audience get exactly the same standardized information about the city and a necessary representation about it, its desired image is formed faster (Vizgalov, 2008, p. 42). As a rule, the investment platforms are presented in the form of specific plots of land and a view of their permitted use or certain enterprises that provide their vacant spaces and manufacturing capabilities under a lease or sale. At the present time the authorities estimate the investment attractiveness of the city only by the number of investment platforms, without taking into account their cost and quality characteristics, economic and social potential of their use both for the city, so for the potential investors.

A well-developed city marketing strategy implies active involvement of urban community to the strategic management of the territory, the development of public-private partnerships, and achievement of consensus between all the members of the urban community in the search process of the balance of territory interests. This means that the authorities should give particular attention to the formulation of communication with the representatives of the urban community as the main subjects of the formation and implementation of the strategic directions of development of the territories, customers and consumers of marketing territorial developments. It is necessary to pay special attention to such lobbying resources of the city, as the electoral and protests resources that can disrupt the delicate balance of the existing socio-political forces in the territory or can form a powerful support of the interests of particular social groups or enterprise structures.

The degree of activity of the citizens is possible to estimate through their participation in various urban projects, support of the different activities of the authorities etc., so as the direction of the process of involvement of urban community in formulation of the marketing strategy of the territories should highlight the following.


1. Carrying out social monitoring of the territory in order to identify of key territorial issues, setting priorities according to directions of activity of the local administration, obtaining an array of high-quality informa-

tion with the address list of the specific problems. Social monitoring allows studying the public opinion systematically through the organization of sociological research and population surveys to provide feedback to the authorities with the urban community (citizens, heads of the small and medium enterprises). Social monitoring consists of a comprehensive assessment of the quality of life of the population allowing forming the priorities and directions of social and economic development of the territory based on a system of objective and subjective indicators.

2. Public hearings and discussions of key directions of the marketing of the city, programs of socio-economic development of the territory, projects of popularization of the historical, industrial and cultural heritage of the city. In order to expand the possibilities of strategic management, the local authorities should allow participation in the hearings, discussions and decision making those active groups and sections of the population who detect and pose in front of them problems.
3. Support program initiatives of the urban community by the local authorities in matters of development of the territory. Foreign experience demonstrates the practice of the program-target management of the development of urban communities, initially meaning direct participation of the communities themselves in this process. The management capabilities of the local community are still not used in full due to lack of well lined up mutual relations with the local administration.

Assessment of the degree of monopolization of the local market enterprise structures will allow a potential investor to make a conclusion about his possibilities for entering the relevant market and access to municipal orders and specific projects, the availability of administrative barriers. Considerable importance is the willingness of local authorities to go on contact with the already existing in the territory investors and with potential investors. From this point of view, not only attracting, but also retention of an investor, not only retention, but also the expansion of investment contacts and increasing the number of joint investment projects with them on a long term basis become the main challenges for the local authorities.

Therefore, in its complete form the marketing city passport can serve as the basis for the development of a unified program for improving the competitiveness of the territory, where all the investment efforts of local authorities for effective social and economic development of the city are concentrated and improve the quality of life of the urban community.

In this way, the current economic reality, the complexity and precipitancy of social and economic processes require the introduction of new investment instruments that will contribute to a systemic approach to solving the territorial problems. It should also be emphasized that it is not necessary to focus on the development and implementation of one marketing strategy of the city in the same quality of its presentation during several years. It is advisable to carry out a consistent policy of implementation of the complex marketing strategies, taking into account the existing and potential problems, a real and prospective potential of the city attractiveness, financial and other opportunities with respect to the implementation of the strategy. The authorities should be interested in the reality of arrangements to ensure implementation of the marketing strategies of development of the city, because the city growth leads to an increase of resources, and, consequently, a strong and effective socio-economic program of actions for the future. 

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