The Influence of Territorial Brands on the Behavior of Local Consumers

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Abstract

The relevance of the study is due to the need for practical implementation of the domestic strategy for the formation and promotion of successful territorial brands in the Russian Federation and abroad. In this regard, the goal and objectives of this study are to implement the specification of the constituent components of territorial brands, to compare the Soviet and Russian models of the influence of territorial brands on the behavior of local consumers, to identify and compare the positive and negative aspects of the formation and promotion of territorial brands in the country, to develop practical recommendations on optimization of the territorial branding management system. When conducting the study, the authors relied on the application of the comparative approach and the retrospection method, as well as the conceptual model of competitive identity management. The indicated tools made it possible to profile the levels of alternative consumer response to territorial brands, to determine the components of the system for creating and implementing brand strategies of territories. The materials of the article are of academic and practical value and will be in demand by specialists in the field of state and municipal administration, marketing and branding of territories, entrepreneurs, experts in the field of institutional and behavioral economics.

Keywords: Influence, Territorial brands, Behavior, Local consumers

1 Introduction

In the Address of the President of the Russian Federation to the Federal Assembly dated February 20, 2019, the strategic goal was defined and confirmed to build a model of the country's social and economic development that would ensure the best conditions for human self-realization, provide worthy answers to the challenges of a rapidly changing world, and preserve Russia as a civilization based on own identity, on centuries-old traditions, on the culture of our peoples, values and traditions [1]. The document emphasizes that four priority areas must be implemented to ensure high growth rates:

1. The outstripping growth rate of labor productivity, primarily on basis of new technologies and digitalization, the formation of competitive industries and, as a result, an increase in non-resource exports by more than one and a half times in six years.
2. Improving the business climate and quality of national jurisdiction.
3. Removing infrastructural restrictions for the development of the domestic economy, for unlocking the potential of Russian regions.
4. Training of modern personnel, the creation of a powerful scientific and technological base Message from the President of the Russian Federation to the Federal Assembly of the Russian Federation [1]. In this regard, it is important to emphasize that one of the important managerial levers for solving the assigned tasks is the development and strengthening of the identity, image and reputation of Russian territories at the local and global levels.

In 2008, the government approved the Concept for Promoting National and Regional Brands of Domestic Goods and Services, which provides for the formation and promotion of brands in regions and cities, product groups, individual trademarks and Russia as a whole. In this concept, the “Russia” brand in a metaphorical form acts as a flag on a ship, regional and city brands - as the material from which the ship is built, and product and service brands become passengers who must conquer international markets on this ship [2]. Implementation of the measures provided for in the Concept will ensure the growth of non-price competitiveness of domestic goods and services in the domestic and foreign markets; to ensure acceleration of the growth rate of non-resource and high-tech exports of goods and services, the growth of domestic and inbound tourism increase the level of diversification of the domestic economy; provide additional growth in domestic and foreign investment; ensure the growth of capitalization of domestic enterprises. According to this Concept, the obstacles to the implementation of measures include:

1. Preservation of negative stereotypes of perception, both in relation to the country, and in relation to goods and services of Russian origin. At the same time, along with the problems of a distorted perception of the country abroad, there is a shortage of trust in domestic business and in the socio-economic transformations conducted by the state within the country.
2. Lack of effective mechanisms for coordinating activities in the field of brand promotion, mechanisms for purposefully forming a positive image of Russia, monitoring its condition, warning and preventing the risks of its deterioration.

3. Deficit of advantages in staffing and scientific support for branding.

4. Loss in the competition of domestic products with comparable quality.

5. Lack of experience in promoting collective and regional brands in the activities of executive authorities of the constituent entities of the Russian Federation, municipalities and business associations.

Taking into account the relevance and importance of implementing this legal document for the growth of the economy, social sphere, territories and citizens of the Russian Federation, the authors of this article came to the conclusion that it is necessary to study the influence of territorial brands on the behavior of local consumers.

Thus, the goal and objectives of this study are to implement the specification of the constituent components of territorial brands, to compare the Soviet and Russian models of the influence of territorial brands on the behavior of local consumers, to identify and compare the positive and negative aspects of the formation and promotion of territorial brands in the country, to develop practical recommendations for optimization territorial branding management systems.

2 Methodological Framework

When conducting the study, the authors relied on the use of the comparative approach and the retrospection method, the conceptual model of competitive identity management, put forward by S. Anholt [3], socio-economic analysis, the study of documentary and statistical sources, the results of opinion polls, content analysis of electronic media, scientific works of domestic and foreign researchers in the field of state and municipal administration, marketing and branding territories, business administration, institutional and behavioral economics.

3 Literature Review

From our point of view, a modern research study of the fundamental problem of the influence of territorial brands on the behavior of local consumers can conditionally be divided into several scientific areas.

The first direction is aimed at in-depth diagnosis and specification of the phenomenon of social influence [4], which is the core of relevant social processes associated with management, propaganda, GR, PR, image-making, advertising, marketing and branding [5, 6].

The second direction connected with the search for the initial methodological principles and concepts of positioning nations, countries, regions, cities and rural areas [3, 7, 8].

The third direction is caused by a discussion about the essential characteristics of a strong territorial brand, the specification of its connections, similarities and differences from a strong business brand [9].

The fourth direction is focused on the analysis and development of technological algorithms for creating, promoting and managing the brand of the territory [10, 11].

The fifth direction is focused on identifying optimal models/methods for assessing potential and measuring brand value [8].

The sixth direction is devoted to studies of the behavior of local consumers, the core of which is the identification of factors, tools and mechanisms that affect consumer decision-making processes [12].

Thus, the problem under consideration is not only fundamental, but also interdisciplinary, multi-aspect and multi-vector in nature, in the study of the object and subject field of which creative contributions are made by representatives of various sciences – economics, sociology, psychology, cultural studies, political science, marketing, management, branding, etc.

4 Results and Discussion

S. Anholt and D. Hildret [9], a well-known British researcher, developer and popularizer of rating indices for “national brands” (Anholt-GfK Roper Nation Brands Index), “state brands” (Anholt-State Brands Index) and “city brands” (Anholt-GfK Roper City Brands Index), who put forward a conceptual model of competitive identity [3], drew the attention of experts and the public to one important circumstance, namely, that the partitions between marketing, entertainment, politics and military affairs, which were already very conditional in the culture of the previous time, were completely destroyed even at the height of the Second World War. In 1952, in a letter to the Prime Minister of the State Administrative Council and the Minister of Foreign Affairs of the People's Republic of China, Zhōu Ėnlái, Secretary of the Central Committee of the CPSU (b) - CPSU Chairman of the Council of Ministers of the USSR, Generalissimo I.V. Stalin said: “America’s main weapon ... is stockings, cigarettes, and other goods” [9].

In other words, marketing products in the form of goods, services and technologies that have become global megabrands have a direct and indirect effect on the behavior of local consumers in different countries and regions of the world. Local consumers are citizens who come to national and local elections, vote and determine the vectors of economic, social, political and cultural development of society. If they are deprived of the possibility of democratic choice and expression of will, then they take to the streets, build barricades and fight for a better and dignified life.

Today, few people in the world recall the tragic events of thirty years ago on Tiananmen Square (from Chinese 天安门广场– Gate of Heavenly Calm) in the city of Beijing. After the first decade of the Chinese economic and social reforms, “bloody clashes occurred on the outskirts of Tiananmen on June 3, 1989. Tanks paved the way for soldiers, crashing into crowds of people, servicemen fired to kill. In response, angry men hurled Molotov cocktails at the war machines and lynched individual soldiers and officers if they lagged behind the columns. The streets and avenues leading to the square were stained with blood, the bodies of the dead lay everywhere, the wounded moaned, the burning trucks and armored personnel carriers smoked. But the defenders of the square had to retreat ... According to various estimates, on June 3-6, 1989, between 220 and 2600 people died in Beijing” [13].

The party and state bureaucracy of China was frightened of the installation in Tiananmen Square of a plaster statue of the Goddess of Democracy, which caused association with the American Statue of Liberty. Thus, for the possibility of opening the outside world, the choice and consumption of foreign megabrands, Chinese citizens paid with the life and blood of their compatriots.

Market might, exchange and competition between urban and rural areas are based on the creation and promotion of the identity, image and reputation of geographical places, which
depend on the stereotypes and cliches of mass consumer consciousness, inherited from the past and emerging in the present tense. In other words, any territorial brand is a vital metaphor that represents a unique synthesis of the magic of a geographical place, its history, modernity and future, combined with the reproduction of local distinctive and unique marketing products: goods, services and technologies. Due to the synthesis of favorable causes and conditions, some territorial brands become megabrands, cross regional, country and continental borders, turn into global brands, high-value brands that are recognized and consumed everywhere.

A lot of factual evidence can be given illustrating these conclusions. For example, at the beginning of the Cold War in the 1950s, the US Information Agency (USIA) funded pavilion expositions in the USSR and Eastern Europe, which attracted huge crowds of people seeking to look at life hidden outside the "Iron Curtain". In 1959, on the day the USIA exposition opened in Moscow, visitors stole dozens of books from display cases representing the products of US publishers. The organizers of the exhibition rejected the requirement of the Kremlin authorities to nail the second copies laid out as a replacement to the display cases with nails [9].

The conditions of the "closed and besieged fortress" in which the Soviet Union existed during the Cold War era were supplemented by mechanisms of directive planning and command and administrative management of the economy, the main function of which was to ensure the accelerated development of the production of means of production in comparison with the production of goods, services and technologies to meet mass consumer demand. While this function was historically and politically justified during the period of industrialization and strengthening the defense capability of the country, then driven by the necessity during the time of nuclear missile parity with the United States, the development of the scientific and technological revolution, the growth of industrial and agricultural production, it was transformed into a dysfunction, turned into an obstacle and a brake on social and cultural development of society.

The shortage of goods in the USSR not only increased in the 70s and 80s of the XX century, it led to deformations of the country's territorial structure. The systems of economic and geographical planning and distribution were not just flawed, they were destructive and targeted. All regions of the country were strictly differentiated according to industrial and defense criteria. In other words, Moscow and Leningrad, the capitals of the Union republics, millionaire cities and closed cities, profi led for the development and production of nuclear, chemical and bacteriological weapons, was given priority to a centralized supply of consumer goods, services and technologies.

In everyday life, this was manifested in the fact that residents of small non-industrial cities and rural settlements were forced to travel to the capital, republican and regional centers for goods, services and technologies. Many large regions of the country, in terms of customer satisfaction in the informal rating of mass consciousness became backward, uncompetitive, not comfortable and not suitable for permanent residence [14]. In a metaphorical form, the prevailing territorial disparities in the status distribution and consumption were voiced in 1985, when the feature film “The Most Charming and Attractive” was released on the screens of Soviet cinemas. In this film, the Ural region was represented as a wild and uncivilized geographical place. For a joke sounded in the movie – “Is she from the Urals?” – directed and the leadership of the Goskino of the USSR were forced to apologize to the head of the Sverdlovsk regional committee of the CPSU B.N. Yeltsin, who later became the first popularly elected President of the Russian Federation. In the next film, which film director released, the territory of the Urals began to be flattering and respectfully called the “magical country of malachite,” but the prevailing public opinion did not change this.

After the collapse of the USSR, in January 1992, thanks to the signing of the presidential decree “On Freedom of Trade”, entrepreneurial activity was officially legalized in the country. According to experts, the food shortage in Russia as a result of the earned mechanism of market demand and supply was overcome in 1993, the saturation of the consumer market with import marketing products was recorded in 1995. The results of sociological surveys of the population over a quarter of a century record that majority of Russians surveyed recognize a qualitative and quantitative improvement in the supply and provision of goods, services and technologies compared to the Soviet period [15].

At the same time, the new socio-economic realities in Russia associated with the transition to a multistructure economy indicate that despite the improvement in supplying and providing local consumers with marketing products, the influence of territorial brands continues to have an unfavorable effect on them. If during the years of Soviet power food delicacies, fashionable, stylish and high-quality clothes, shoes, hats, cosmetics, perfumes, underwear, furniture, motor vehicles, books and records were in short supply, in modern Russia, thanks to liberal market reforms, the main scarce resource became a “commodity of goods,” the universal equivalent of value – money.

At the end of 2018, Russia ranked only 67th in the global salary rating, which was compiled by the International Labor Organization (ILO). For comparison: Switzerland takes the 1st place in the indicated ranking, Luxembourg – 2nd, Qatar – 3rd, Australia – 4th, United Arab Emirates – 5, USA – 9th, Canada – 22nd.

In this regard, it is no coincidence that more than a third – 39% of Russian workers are not satisfied with the level of their wages and, accordingly, their current consumption structure. According to a representative sociological survey of 1,500 respondents across Russia conducted by the Public Opinion Foundation (FOM) in August 2019, median wage values amounted to 21 thousand rubles. According to most Russians, although they have adapted to live “within their means”, their earnings do not correspond to the volume and level of difficulty of the work they face. Fair, from their point of view, would be wages one and a half – two times higher – in the range of 25 – 45 thousand rubles.

According to official statistics from Rosstat, the number of citizens with incomes below the subsistence level in the second quarter of 2019 amounted to 18.6 million people – 12.7% of the total population of the Russian Federation: in fact, compared with the second quarter of 2018, this indicator increased by 0.2%. In this regard, the Ministry of Economic Development of the Russian Federation was forced to revise its forecast for the growth rate of real disposable expenditures of the population to 0.1% compared to 1.0% previously projected.

In July 2019, Sberbank Life Insurance company carried out a telephone survey in 37 large Russian cities with a population of more than 500 thousand people, as well as in the cities of Grozny and Sevastopol [16]. A total of 13,650 respondents were interviewed. In their opinion, fair wages averaged 66 thousand rubles, per month – this money is enough to not only satisfy current needs, but also save up for large purchases, as well as save money for the future [17]. In the number of territories, for example, in the cities of Lipetsk, Penza, Barnaul and Ryazan, residents agree to earn in the
amount of 58 thousand rubles. The highest demands were expressed by the survey participants from two capitals – Moscow – 100 thousand rubles, and St. Petersburg – 77 thousand rubles [18]. Meanwhile, the indicated wages significantly exceeded the average actual wages in most regions, with exception of Moscow [19]. The most serious gap between real and “fair” wages was diagnosed in Makhachkala, Ulyanovsk, Grozny and Sevastopol. In the cities under consideration, workers receive a salary two times less than desired.

These data are correlated with the intentions of young people under the age of 30 to leave the “small homeland” and in search of a better quality of local consumption to move to Moscow, St. Petersburg and other cities where they can find high-paying jobs, due to knowledge and skills for which young people have acquired in the territories where they were born and grew up. This is evidenced by the data obtained at the Institute of social and economic research of the Financial University under the government of Russia in the course of the study of migration flows of residents of large and medium-sized cities of the country aged 18 to 30 years. In particular, the experts found out that the majority of young men and women are trying to leave the large and developed cities, where there are opportunities to get an education, however, not everyone succeeds in finding a job in the specialty with a decent level of remuneration that provides high consumer status. It is revealed that most of the young people who want to leave their hometown in search of better working conditions, recreation and consumption, live in Togliatti, Omsk, Barnaul, Chelyabinsk and Volgograd. Least of all such people were in Moscow, Krasnodar and Simferopol.

A comparison of official statistical data and representative sociological information obtained by empirical methods allows us to come to an important conclusion: in the new economic, social, political and cultural conditions, the influence of territorial brands on the behavior of local consumers in a modified and transformed form reproduces the stable model of this influence that developed in the Soviet period domestic history. The vectors of in-country migration of intellectual, creative and educated youth have not changed: most of the boys and girls from these status groups tend to geographic and social movements in the east-west and north-south directions. This is facilitated by the abolition of the institution of registration and the lifting of the legal prohibition of rural residents moving to cities. The liberalization of the passport system of travel to near and far abroad also opens up additional opportunities for this sociodemographic cohort of youth.

5 Conclusion

Thanks to persistent efforts and the strategic course of the country’s political leadership, in recent years, much has been done to create and promote domestic territorial brands in the domestic and foreign markets [20, 21]. The triumphal holding of the 2014 Winter Olympics and the 2018 FIFA World Cup contributed to strengthening the authority of our country on the world stage, positively influencing the cultural and social image of Russia, helped the development of scientific and educational international exchanges, the influx of foreign tourists and investments into the country, the modernization of the hotel, sports and wellness infrastructure, strengthening the role of physical education and sports around the world.

Successful projects for promoting territorial brands included events to celebrate significant historical anniversaries in the Russian regions: the 1000th anniversary of Kazan (2005), the 450th anniversary of Astrakhan (2008), the 1000th anniversary of Yaroslavl (2010), the 450th anniversary of Astrakhan (2010), the 300th anniversary of Omsk (2016), 180-the anniversary of Sochi (2018), the 550th anniversary of Cheboksary (2019). Nine Russian cities are officially part of the Golden Ring, a unique “umbrella” brand for Russia, known in many countries of the world. In 2018 Uglic was added to Sergiev Posad, Pereslav-Zalessky, Rostov the Great, Yaroslavl, Kostroma, Ivanovo, Suzdal and Vladimir. According to the decision of the Ministry of Culture of the Russian Federation, one competitive city-applicant will replenish the Golden Ring annually.

Since 2002, in Russia, under the auspices of the Association of Brand trademarks Manufacturers of Rusbrand, a professional business conference “Brand Day” has been held, devoted to relevant and innovative topics in the field of branding, marketing and advertising, organized to ensure a constant constructive dialogue between domestic manufacturers of consumer brands of wide demand, advertisers, media, representatives of state power and municipal self-government [22].

At the same time, the analysis of the problem of the influence of territorial brands on the behavior of local consumers in our country highlights unresolved problems. Neither nature nor history alone is a 100% guarantee of successful territorial brands, since the regions become a kind of “magnet” attracting domestic and foreign investments due to a long-term system for creating and implementing brand strategies of territories. We include the following constituent elements to it: production of the idea and concept of regional leadership; leadership segment selection; formation of a leadership brand; promotion, development and updating of a leadership brand; his relations and cooperation with brands of other regions.

The heuristic idea that has become the core and soul of the brand should reflect the key properties of the marketing product. Getting benefits from regional brands should be obvious and universal. This is an idea that gives rise to trust and mutual interest of different local consumers, a constructive model that organically connects and unites representatives of higher, middle and lower social groups that form the real structure of the local community. The brand of a geographical place should be shared by everyone, cause pride, self-esteem, make up fame, bring dividends. The brand is the result of consensus, discussion and compromise. For this, the brand needs to be single, but at the same time multiple, many-sided: each local consumer, interacting with the territorial brand, seeing the general, must catch something of his own – individually colored meaning, context, association.

This can happen if the territorial brand is the point of intersection, the center of vital issues of the person, which include education, self-education, work, professional development, career growth, purchase of housing, marriage, parenting, etc. At the same time, territorial brands should prompt local consumers the horizons and prospects for solving these problems. Along with the support of local authorities and the population, the most important competitive advantage of the territorial brand is the vital metaphor, representing a unique synthesis of the magic of a geographical place, its history and future. The search, discovery, spinning and promotion of such a metaphor is the key basis of a winning social strategy of the territory [23].

In our opinion, a positive local consumer response to territorial brands can be traced and developed at the individual, collective, organizational and institutional levels. Each next level supplements and adjusts the primary consumer response to represented territorial brand. The distribution and promotion of territorial brands, not based on informal institutional restrictions (local rules, traditions) that have developed and dominate in a specific region, are doomed
to a predominantly negative individual and collective consumer response [24].

From our point of view, the current situation may change significantly if the specially developed subprograms for the formation and promotion of territorial brands are included in the Russian programs of 13 national projects implemented until 2024 (healthcare, education, demography, culture, safe and high-quality roads, housing and urban environment, ecology, science, small and medium-sized enterprises and support for individual entrepreneurial initiatives, digital economy, labor productivity and employment support, international cooperation and export, a comprehensive plan modernization and expansion of the main infrastructure).

Funding for these subprograms could be carried out within the funds allocated for the implementation of these national projects, as well as at the expense of interested subjects of the Russian Federation and municipalities, as well as at the expense of local enterprises and organizations.

Ethical issue

Authors are aware of, and comply with, best practice in publication ethics specifically with regard to authorship (avoidance of guest authorship), dual submission, manipulation of figures, competing interests and compliance with policies on research ethics. Authors adhere to publication requirements that submitted work is original and has not been published elsewhere in any language.

Competing interests

The authors declare that there is no conflict of interest that would prejudice the impartiality of this scientific work.

Authors’ contribution

All authors of this study have a complete contribution for data collection, data analyses and manuscript writing.

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