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## Applying city marketing as a tool to support sustainable development in small cities: case study in Ukraine

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### Abstract

In the modern world, with rapidly developing technologies and exponential increase in competition - not only between enterprises, but also between territories – implementation of up-to-date approaches to city logistics and development is of crucial concern. While trying to be on the top of the ranking of cities in the region, the country or the world, most cities do not always use all available resources and competitive advantages. The last few years have proved inefficiency of conventional techniques of municipal management in terms of city development. City marketing is considered by the authors as one of the modern tools for forming and strengthening a city brand worldwide (Seisedos, 2004). The analysis of city marketing in Ukraine, on a national and local level, led to the conclusion that there is a need to form both national and local city marketing strategies. Special emphasis was put on marketing for small cities in Ukraine as the key aspect of their further development. Furthermore, the approaches to create sustainable city marketing for small cities on the example of small cities in the Kharkiv region are presented.

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## 1. Introduction

These days, the modern world has been increasingly focused on image (Kampshulte, 1999). Image creation concerns anything and anyone - from well-known politicians to entire nations. This is not surprising, since in the context of globalization it is easy to get lost in the crowd. Any subject is the image - no matter anyone is engaged in its creation or not. Thus, if we let things drift, the image will develop spontaneously, and there is a chance that it will show the most negative side of the subject (Morello, Ratti, 2009). Consequently, regions and cities all over the world started to think about what should be done in order to create a spectacular image, recognizable in the eyes of its own citizens as the inhabitants of the country, as well as foreign partners (United Nations, 2012).

Constantly changing conditions of the external environment require continuous improvement of urban management models, searching for new approaches aimed at innovative self-development, an increase in scientific potential, science-intensive output growth products.

Starting from 1983, each city on the planet started to change its behavior toward sustainable one, so as to use limited resources wisely to allow future generations to have same living standard (Dan Cristian Duran, 2015). But on the other hand, in the rapidly changing world cities are forced to find new ways to compete with each other. Each city faces the same problem: how to attract money from the budget for its own needs, how to make the city attractive to investors, what should be done in order to develop the tourism business, and how to make strong international contacts. The more recognizable the city will be and the more positive associations it will carry, the easier it will be to deal with these problems.

Therefore, the objective of this paper is to define the influence of city marketing on sustainable development of small cities, based on the example of small cities in the Kharkiv region.

## 2. City marketing

City marketing is carried out in order to create, maintain or change opinions, intentions and/or conduct of entities external to the area (Levy, 1969). It is aimed at creating and maintaining: attractiveness and prestige of the territory as a whole and appeal centered on the territory of resources (Goovaerts, 2014).

The basic principles of territorial marketing include:

- promotion of the territory as a place for implementation of various projects based on knowledge and forecasting the needs of the economy, the current situation and possibilities of the territory;
- providing effective solutions to the problems of the economy at different levels;
- focusing on long-term sustainable development;
- influencing the formation of the needs and behavior of actors in the investment market.

The main factors affecting the attractiveness of a region, a city for investors and the public are as follows:

- The real level of development and prosperity in the region
- Image
- Reputation

When choosing a territory, the population and investors consider the following: the level of the territory urbanization; migration, labor and social mobility; demographic problems; agricultural development; the functioning of the housing market; regional issues of education and health care; problems of transport infrastructure development and others (Govers, 2011).

An image of a territory represents a set of emotional and rational representations arising from a comparison of the territory ideas coming from experience of people and rumors that affect the creation of a specific image (Hospers, 2009). Empirical studies show the following areas of marketing policy in improving the image of the territory: implementation of its three basic functions - residential, recreational space management; improving the management and infrastructure of the territory; improving the competitiveness of companies located in the region. Thus, the image of traditional marketing focuses on improving the communicative aspects of information and promotion of the previously created advantages of the territory (Paddison, 1993).

Dynamic characteristics of the life and activity in the territory, emerging over a long period of time, and a set of reliable information on them is represented by the city reputation. This primarily includes information on luxury residence in the territory, security, social security, power of authority, etc. In addition, the reputation of the territory

is determining its emotional appeal, for example, the presence of the sea or heritage sites, reputation management in the region in terms of efficiency and integrity of the investment obligations fulfillment; financial and economic performance of the city's development; investment activity in the region.

### 3. Strategies of city marketing

The concept of city marketing requires focusing on the needs of the target groups of goods consumers and service areas. All the structures and the companies responsible for the fate of the region should focus on the needs of customers and target groups of consumers, as well as on creation of the best image compared to other areas for the optimal satisfaction of all consumer categories.

In order to develop the adjusted concept of socio-economic development of the region and its separate territorial entities, the marketing strategy of the city should be revised. The revision should include an analysis of the activities offered by various institutions, associations and individuals to study foreign experience in solving social and economic problems at the level of the territory and its territorial entities, to make the positioning of the city, to identify the specific benefits, targeted consumer segments, etc. (Avraham, 2004).

An analysis the city marketing strategies worldwide has shown the most popular four approaches. The first strategy is aimed at the city image (Braun, 2008). The purpose of this strategy is to create a positive image of a territory and disseminate it among potential investors and tourists. This is supported by the attractiveness of the territory, enhancing the emerging reputation of the region. The leading marketing tools of the image include communication activities, demonstrating the openness of the territory for contacts and opportunities to explore it (Kampshulte, 1999).

Another strategy can be defined as a marketing attraction; it is aimed at increasing the attractiveness - in the most diverse sense (from the competitive advantages for the investors to the availability of attractions and activities for tourists) – of the city territory for people's living standard and business development. A significant potential for enhancing the attractiveness of territories and especially the cities is the so-called event marketing.

Infrastructure-based marketing is one more approach and the most stabilizing element of the city marketing, as the infrastructure is the foundation of the city's attractiveness (Althuisen, 2006). Most often it refers to a reliable energy supply, clean drinking water, developed communications, good transport links, and safety on the streets. In some cases (in particular, the competition between cities to host "Euro 2012") the basic infrastructure is primarily considered as the availability of modern stadiums, airports, hotels and roads.

In case of lack of resources, cities build their strategy on population-based marketing (Bispo, 2007). For the development of the territory, a city can choose its own strategy corresponding to its needs. For example, areas with a low level of employment and low-cost labor may emphasize this fact to attract investors to create new jobs. The opportunities for investors could become the city's competitive advantages.

Currently, on the one hand the city requires a comprehensive review and evaluation, intra-regional interests and needs, and on the other hand, an assessment of their own capabilities to meet them. Method development and implementation of target complex programs of city marketing can solve these problems.

City marketing is a base for development and implementation of an integrated long-term vision in the economic and social area, gradual elimination of the negative phenomena and solving social and economic problems (Berg, L. van den & Braun, E. 1999).

The mechanism of applying a city marketing strategy should include two main steps:

During the first step, strategic planning (SWOT analysis, definition of a small city's strategic goals and development priorities) including a marketing strategy together with development of a city brand should be initiated. For strategy development, marketing research should be done. Furthermore, development of unique city proposals should be determined.

The second step includes work with target stakeholders (population, tourists, investors, business, and local authorities) through marketing communication tools which include establishing parameters of information influence, choosing the methods of communication, selection of information channels.

#### 4. Case study: small cities in the Kharkiv region

The concept of territory marketing is aimed at key customers - stakeholders of the territorial product. It allows to take into account their interests and to offer the most attractive products in the form of internal conditions for any stay, leisure, entrepreneurial and investment activities. The specific set of tools for implementing the cities mostly focused on the development of strong city's features.

While most of the time big cities do not require any promotion or marketing and can easily compete with each other, small cities (with fewer than 50 thousand inhabitants) could not always be easily recognized and most of them have to attract attention and have to make a sufficient effort in order to promote themselves.

Common barriers for small cities in Ukraine include:

- low level of social development;
- lack of resources for development;
- lack of funding from the state budget;
- one-sided specialization of enterprises and their insufficient load capacity;
- low rates of housing, social infrastructure;
- insufficient economic capacity of core enterprises, lack of demand for their products;
- limited opportunities for training and employment ;
- underdevelopment of the service sector;
- negative demographics, the aging population;
- insufficiently developed system of water supply, electricity, heating and drainage systems;
- poor condition of road services;
- underdeveloped transport;
- unsatisfactory situation with regard to collection and disposal of municipal waste, and in certain cities industrial toxic waste;
- low level of development of urban infrastructure and social services;
- lack of cultural facilities, an unsatisfactory number of sports grounds, etc.

In order to analyze the influence of city marketing on sustainable development of small cities, six cities recognized on the regional level in the Kharkiv region were selected. These are Lozova, Chuguiv, Kypyans'k, Izyum, Pervomaysk and Lubotyn (Fig.1.).

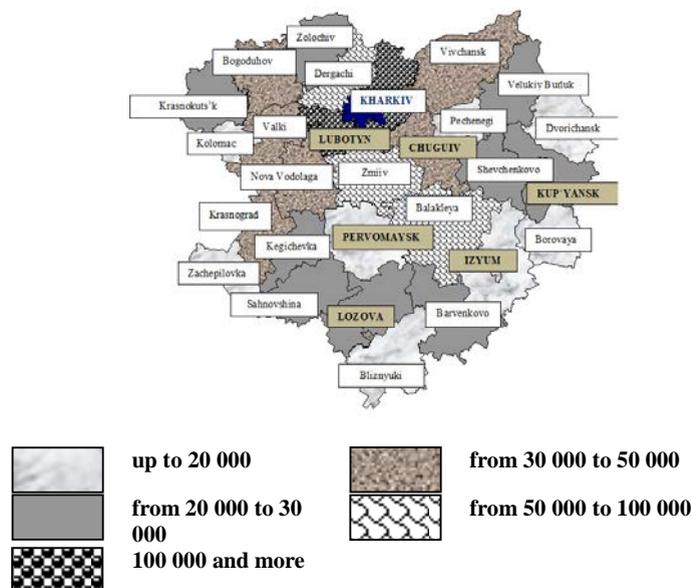


Fig.1. Distribution of districts by population (Ukrstat, 2014)

The research study on the chosen small cities in the Kharkiv region was carried out based on a comparative analysis of the social, economic and environmental indicators (Govers, 2011; Drobyshevskaya, 2006). The indicators were analyzed based on the statistical information provided by the governmental institution – Department of Statistics in the Kharkiv region (Ukrstat, 2014).

The analysis of the general information on the cities, presented in Table 1, illustrates unevenness of their development. The population density indicates that some cities with relatively small territories have bigger populations than others with bigger territories. Further analysis exposed a progressive development of cities Lozova, Chuguiv and Kypyans'k, and a less satisfactory development of three others – Izyum, Pervomaysk and Lubotyn.

Table 1. General information on the six cities in the Kharkiv region

	Small city	Territory (km <sup>2</sup> )	Population	Population density
1	Lozova	18.1	64,745	3,577
2	Chuguiv	12.8	32,442	2,535
3	Kypyans'k	33.4	57,142	1,711
4	Izyum	40.8	50,591	1,240
5	Pervomaysk	30.8	30,821	1,001
6	Lubotyn	31.1	21,714	698

While all the cities are geographically located at different distances from the main city – Kharkiv, some of them demonstrated permanent dynamics of economic, social and ecological indexes growth, while others continued to struggle with the decrease of enterprises in the city, pollution and declining populations.

The cities with positive dynamics of economic growth are Lozova, Chuguiv and Kypyans'k where the number of private enterprises constantly increases (Table 2).

Table 2. Number of private enterprises

	2008	2009	2010	2011	2012	2013	2014	2015
Lozova	740	725	696	695	720	724	740	760
Chuguiv	568	573	563	577	582	611	640	643
Kypyans'k	709	700	680	684	654	644	639	649
Izyum	580	572	560	564	545	535	533	528
Pervomaysk	358	317	310	319	327	335	340	345
Lubotyn	308	324	335	349	362	363	370	379

Moreover, each city takes a number of actions which stimulate attractiveness of the city to investors. Hence, the local authorities of Lozova promote the city on its website which offers a variety of information for tourists and investors on what to do and where to invest in the city, in both Ukrainian and English (Fig. 2 and 3). The city of Lozova comes second after Kharkiv in terms of industrial potential, with significant achievements in various spheres of life. The city has been promoted as the city of a glorious heritage and unique appearance. The city even has its own slogan: “Lozova city for work and leisure”. It is interesting for various stakeholders, and the local authorities promote the potential city development. As a result – Lozova has managed to attract the biggest amount of investment (Table 3).

Table 3. Amount of investment in the city, UAH ‘000

	2014
Lozova	300,340
Chuguiv	28,965
Купьянськ	48,584
Izyum	14,987
Pervomaysk	27,742
Lubotyn	43,225

A completely different situation can be observed in Chuguiv. The Chuguiv city council promotes the city on its website as well, and it organized a number of tourist events for its visitors. Unlike Lozova, the city of Chuguiv used to be a military city and over the last year it had to change its image by promoting its tourist attractions, including the major one: place of birth, life and work of one of the famous 19<sup>th</sup> century artists.



Fig.2. Tourist routes in Lozova

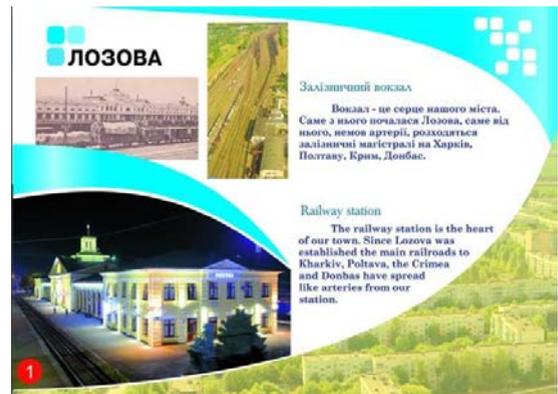


Fig.3 One of the tourist attractions in Lozova

Купьянськ city is one more example of successful city marketing approach implementation. Though it does not have any specific tourist attractions or a particular brand, the city is well known as the second biggest railway interchange station of the Kharkiv region (after Kharkiv), which is located near (40 km) the border with Russia. Купьянськ city council in partnership with the company Yandex updated the version of the satellite maps and street maps, including automatic movement miscalculation of city bus routes. Active promotion of these small cities coincided with a positive direction towards reduction of emissions in the three leading cities (Table 4).

Table 4. Air emissions from stationary and mobile sources (‘000 tons)

	2008	2009	2010	2011	2012	2013	2014
Lozova	3.5	3.1	4.4	4.4	4.2	3.9	3.6
Chuguiv	1.6	1.6	1.4	1.4	1.3	1.2	1.1
Купьянськ	6.4	5.3	3.8	3.0	3.0	3.0	2.8
Izyum	2.0	2.0	2.0	2.1	1.9	1.9	1.8
Pervomaysk	2.3	1.7	2.1	3.4	1.8	1.6	2.0
Lubotyn	1.1	1.0	1.1	1.0	0.9	1.0	1.1

In the meantime, the analysis of the three other cities has shown that all of them have the same potential as the first three. Thus, Izyum as well as Chuguiv is one of the most interesting places for tourists on their way to one of the most popular pilgrimage sites. Pervomaysk as well as Lozova has the number of enterprises. Lubotyn as well as Kypyans'k is one of the biggest railway interchange stations in the Kharkiv region. However, Izyum, Pervomaysk and Lubotyn do not use their potential and while having bigger territories than the other three cities, they have fewer citizens, less investment and thus unsustainable development.

## 1. Conclusions

Thus, territorial marketing is one of the key concepts for effective development of a city, which is confirmed by numerous studies. Based on the foregoing, it is possible to say that various marketing techniques can be successfully applied in relation to city and local urban areas.

Various marketing tools can be successfully used in each city, though the historical accents and priorities should not be ignored. It is very important to strengthen those that effectively maximize the position of the city.

Applying the marketing approach allows to analyze the territory in terms of its main stakeholders: business investors, public and state structures, citizens. It allows to implement a comprehensive territory assessment of the most important socio-economic and environmental parameters. The described method is appropriate to be applied for the analysis of territorial entities of different taxonomic ranks: at both macro level and at the level of municipalities.

The marketing in small cities could be a powerful tool to foster city development in a rapidly growing competitive environment. To develop a successful city marketing strategy, it is necessary to research into the territory and its competitive advantages, and analyze the target markets.

Currently, small cities in Ukraine are struggling for further development. Some of the cities have succeeded. The case study on the small Ukrainian cities in the Kharkiv region has proved the successful implementation of city marketing as a tool to support sustainable development. The comparison of six small cities in the Kharkiv region has shown that each small city has competitive advantages which should be highlighted for fostering sustainable local development. Thus, Lozova, Chuguiv and Kypyans'k are examples of successful city marketing implementations. In spite of the fact that these cities have different historical backgrounds and are known for different reasons, all of them have shown positive development dynamics. In the meantime, three other cities, though having their own advantages, were left behind and should now focus on developing a city marketing strategy in the nearest future in order to meet current needs of city stakeholders and local sustainable development.

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