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## Features of Touristic Territory Branding on the Example of Sochi City (Russian Federation) and Jurmala City (Latvia)

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### Abstract

The brand is a harmonic combination of social and cultural life, modern infrastructure, authorities and business activities, attractive investing climate and historical heritage. In a modern world territory brand formation and its successful integration is a key aspect in ensuring of well-being and development of society. Geographic mobility is increasing and it influences welfare of territories. Complex of branding activities provides a sustainable place in a market for territory. Russian experience in tourism development demonstrates that each ruble spent on tourism promotion returns to growth of tourist flow, tax revenues and local producers' incomes. So territory brand promotion expenditures can give a heavy impact to socio-economic development of the region. The brand of territory is directed to diverse target audiences, the most important of whom are investors, tourists, consumers of goods and services in the external market, residents.

The article considers the touristic territory branding experience of Russia and Latvia. Research aims to analyze how the implementation of branding activities contributed to achieving a new level in tourism and investment attractiveness of cities, and if it allowed creating an image of unique place for visiting.

**Keywords:** touristic territory, brand, promotion, strategy, branding activities.

### 1. Introduction

In globalization time and intense competition for investment brand reputation is undoubtedly important. Brand can be both challenging and constraining factor in the territory development. Brand-building of resort towns consists of several stages, including the development of strategy, analysis of key market segments, brand positioning and so on.

There are different approaches for branding tourist destinations, depending on the potential, infrastructure development and funding opportunities. This article considers various approaches to the formation of territories brand, and compare brand formation processes of resort towns – Sochi and Jurmala.

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**2. Relevance**

Territory branding relevance caused by the fact that the competition for tourist flows between cities and countries is increasing every year. Working out of territory developing strategy and improving its image – is a necessary element of efficient development policy of the regions and the whole country. This process includes identifying of the hidden capacity and the unique characteristics of the region, which together will provide the region long-term competitiveness, sustainable development, and capital inflows. Thus, the branding of territories is a key element in national strategies for sustainable socio-economic development.

**3. Materials and methods**

The methodological bases of the study are the works of Russian and foreign scientists in the field of territory branding, formation and successful implementation of branding strategies in Russia and Latvia. The study was based on the works of (Anholt, 2005; Kotler, Gertner, 2002). The paper used methods of system, factor and comparative analysis, as well as the method of statistical processing of empirical data.

**4. Discussion**

Branding territory study has not a long-term history. The concept of "place branding» was firstly used in 2002. Simon Anholt – the author of term. However, the lack of terminology does not imply the absence of the process. For the first time to promote the territory brand (namely the country brand) suggested David Ogilvy in the 1950s. Later, in 1980, T. Levitt raised the issue of creating a unique image (brand) to achieve a positive effect in his book "Marketing success through differentiation." Scientists who studied the essence of branding processes, issues to increase their tourist attractiveness are Ward, S. V. (1998), A.P. Pankrukhin (2002), S. Devis (2005), F. Sharkov (2006), Danny K. (2013) and others.

In the scientific literature there are a lot of different definitions of the brand and brand essence. In the most complete meaning brand can be described as a set of ideas about product, service or territory, which forms an integral image, determines their differences from competitors in the perception of potential consumers. The brand creates the unique properties of the goods in the minds of consumers by symbols and through communication channels. From an economic point of view, the brand of territory is a demonstration and guarantee of competitive advantage (Brand and image...).

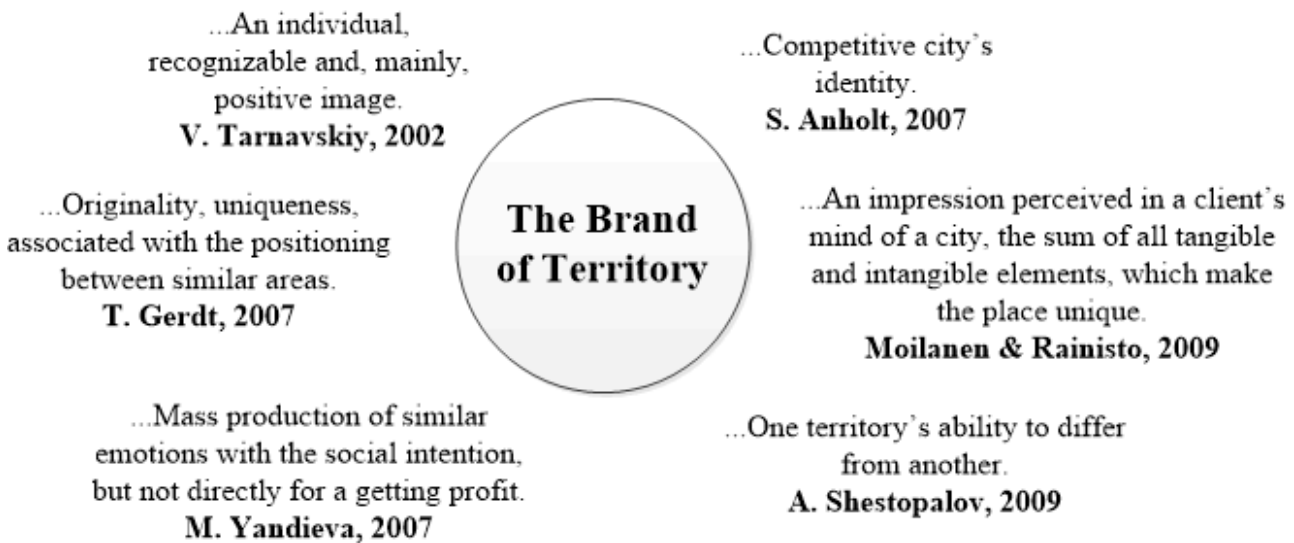
Brands can be classified according to certain criteria. Firstly, brand is closely connected with its potential market. Depending on the spread in the world market brands are divided into global and local. If we compare the ability of different brands influence the minds of consumers and shape their preferences, we will reveal the concept of brand strength. On this basis, there are strong and weak brands. The most famous classification of brands compiled by L. Apshou (Upshaw, 1995), it is based on the brands division according to branding object: trade, service, personality and so on (Moilanen, Rainisto, 2009). There are also a number of concepts that are worth paying attention to. In the hierarchical classification there is isolated umbrella brand, which is a union of a few products or services under a single brand, which may be completely unrelated to each other. The basic classifications of the brand are presented in Table 1.

**Table 1.** Brand Classifications according to different features

According to...				
Market	Object (L.Apshou)	Recognition Degree	Hierarchy	Promotion way
1. Global 2. Local	1. Goods 2. Services 3. Persons 4. Organizations 5. Events 6. Territory	1. Strong 2. Developing 3. Weak	1. Corporative 2. Umbrella Brand 3. Sub-brand 4. Individual	1. Consumer 2. Hi-tech

Territory branding becomes popular nowadays. The trait of post-industrial time is the development of services sector and tourism as one of the types of service, accordingly. Today, when it is possible to get to any place in the world for a few hours, the question of raising recognition and attractiveness of the tourist areas is most relevant. Branding of the territory is a strategy to improve the competitiveness of certain territories, aimed at different target groups of customers: tourists, investors, highly qualified migrant workers. The main objective of the strategy – the promotion of tangible and intangible resources of the territory as a result of the distribution of information about its uniqueness among a wide audience of potential customers. Territory brand is a tool for implementing the regional development strategy.

Territory branding attracts attention of many scientists, so in the scientific literature there are so many different definitions of the term. The most interesting and precise concept of the territory brand shown in [Figure 1](#).



**Fig. 1.** Some definitions of territory brand

Analysis of presented definitions helps to conclude a complete definition of the brand of territory. The brand of territory is a positive image in consumers' notion, distinguishes area among identical territories, as well as the sum of all the unique characteristics of the area, defining its competitive identity.

It's impossible to find one universal script of effective branding; there are only general methods for brand development. As branding process of any product, working-out of territory branding should be based on the principles of marketing planning, including 4 stages:

1. Marketing research of the situation, emphasizing of a unique image of the territory;
2. Creation of the brand development strategy;
3. Positioning of the brand, i.e. the definition of the brand niche in the market;
4. Promotion of the brand, namely the implementation of the development and introduction brand strategy.

As mentioned above, the territory is a special commodity, and its consumer value lies in discovering and using its potential. Prospective basis (potential) include such characteristics of the region, which distinguish it from the neighboring areas. Besides geographical position and climatic conditions the uniqueness of the territory may be in its resource base, historical and cultural heritage, infrastructure development, and other features. In addition, high-quality functioning of the territory depends on the condition and operation of housing and roads.

Today territories have to compete on the foreign and domestic market. Cities and countries are involved in a highly competitive fight for investment, professionals, tourists, and therefore an important task of areas is to provide "something outstanding or unique" in the market ([Kotler, Asplund, 2005](#)). Something "unique" should help to ensure a unique position in the market and positive image among other areas. Therefore, branding of territory, according to Kotler and

Asplund, consists of four components: the development of an attractive image, creating incentives for potential customers of goods and services, delivery of goods and services in an effective form, information about distinctive advantages.

Formation of touristic territory brand, as a strategic development tool aimed at attraction of tourists by displaying their exclusivity by means of various communication technologies, affords many advantages for resorts. Thus, a strong, well-built and attractive territorial brand will allow the tourist area to increase:

- Awareness of potential tourists;
- Attractiveness of the territory in the minds of potential tourists;
- The number of tourists due to the formation of tourist loyalty;
- The flow of public and private investment in the development of the territory;
- Attractiveness of the territory for the population with certain qualifications and skills demanding in the tourism sector.

Thus, territory branding as a managerial process aimed both to the creation and development of the brand, and to its promotion and increase of tourist demand, it is one of the most valuable intangible assets of a tourist area.

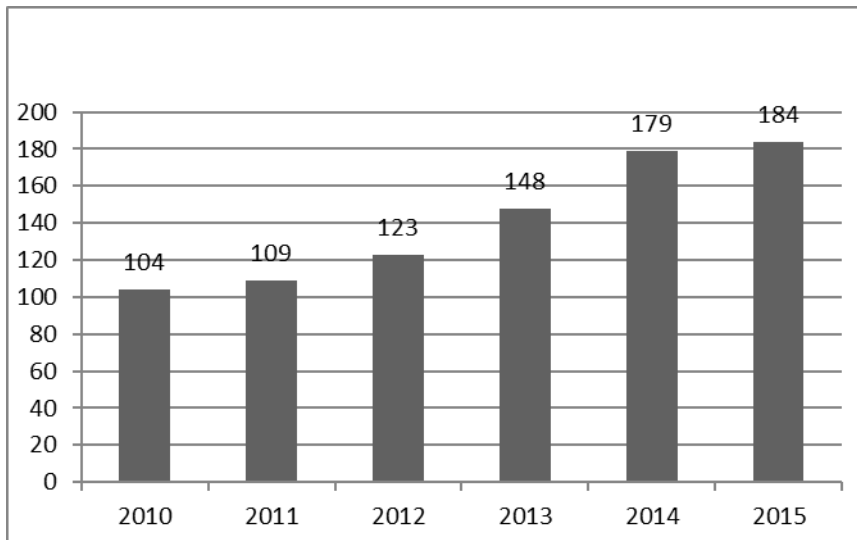
Well-developed territory brands are the source and mover for successful development of tourism, and not only today but also in the future as strong brand can bring considerable profit in the long term.

For a more detailed study of territory branding process, we consider the features of branding such touristic cities as Sochi (Russia) and Jurmala (Latvia).

Jurmala – the biggest and the only official resort in Latvia, for many years it is a favorite destination of tourists from all over the world. Every season, the resort hosts big cultural events: art exhibitions, local and international festivals and concerts. The Government of Latvia pays serious attention to the building of a national brand. In 2007, in the development of a national branding strategy was engaged one of the most famous experts in the branding of areas – Saimon Anholt. The results of his study were not as optimistic as expected, and he suggested basing the branding strategy not on the country's positioning as a whole, but to attract attention to the capital – Riga. Brand of Latvia is formed by a number of internet resources, including official sites and accounts in social networks, designed to attract the world's attention to the country and its history. In recent years, insufficient attention is paid to the largest seaside resort of the Baltic States – Jurmala. For a long time, the city was a center for various festivals and competitions ("New Wave", KVN, "Anshlag», Comedy club etc.). Since 2015 holding the majority of Russian-speaking events in Jurmala was suspended due to political confrontations. International music festival "New Wave" is now held in Sochi, attracts many tourists, creates new jobs and increases the brand awareness of the city. Governor of Krasnodar Region on this occasion said: "We have won the right to hold the "New Wave" ([Tourism in Jurmala](#)).

According to official statistic data about 180 thousand people were on vacation in Jurmala in 2014, in comparison with 2013 year increase of visitors is 21 %. Despite the loss of Russian consumers and visitors of "New Wave" festival, positive dynamics remains. Increased attendance and, consequently, the popularity of the city can be achieved by moderate price policy.

In the modern economic situation, when the economic crisis has yet affected many countries, more and more consumers prefer to rest for a modest pay. Hotel rooms in Jurmala became cheaper by 15-20 % in 2015 compared to 2014. The dynamic of tourists' number annually visiting Jurmala is presented in [Figure 2](#).

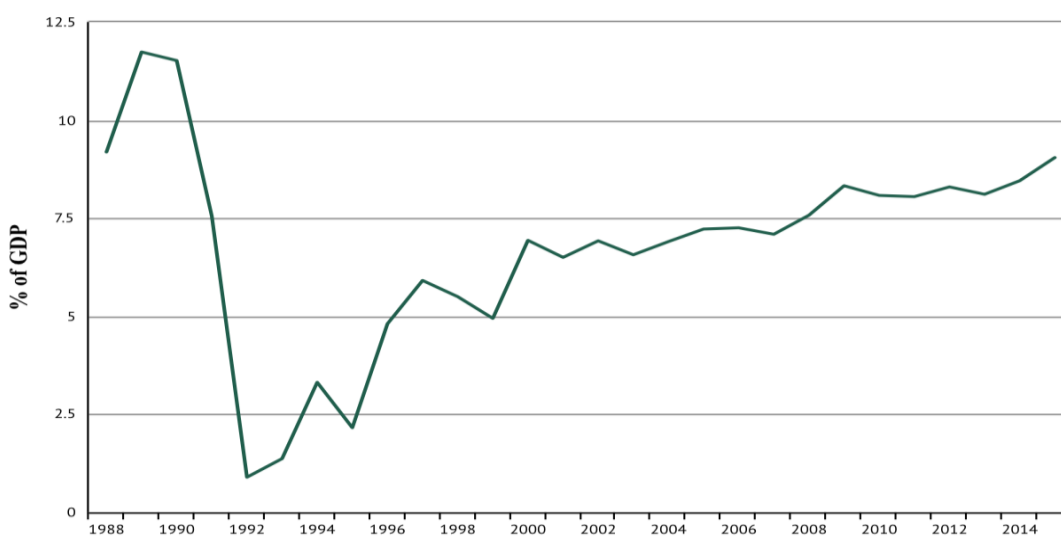


**Fig. 2.** Number of foreign visitors in millions people, 2010–2015 ([Tourism Developing Strategy...](#))

In 2016 Jurmala plans to attract 5 % more tourists than in 2015 due to marketing activities. The main strategic markets for Jurmala are the Baltic States, Finland, Belarus and Scandinavian countries. The priorities of resort are health and business tourism.

The strategic target of Tourism Development Strategy for Jurmala 2007–2018 is the increase of number of tourists served in Jurmala lodgings from 101 447 in 2005 up to 140 000 in 2020. Equal increase in the amount of tourists during off-season is another target: annual 8 % increase out of season and 20 % increase during the season ([Tourism Developing Strategy...](#)). As we can see foreseen number of tourists has been achieved in 2013. It proves the efficiency of marketing activities.

The most popular time for Latvian brand was in the Soviet Union period. To have a rest in Jurmala was considered as prestigious. At that time, Jurmala took 2nd place by the number of holidaymakers after Sochi and Yalta. However, after the collapse of the USSR Jurmala reached a turning point. The country faced wide range of competitors; it led to a decrease of popularity of resorts of Latvia. This point is clearly visible in the chart of tourism's contribution to GDP (See [Figure 3](#))

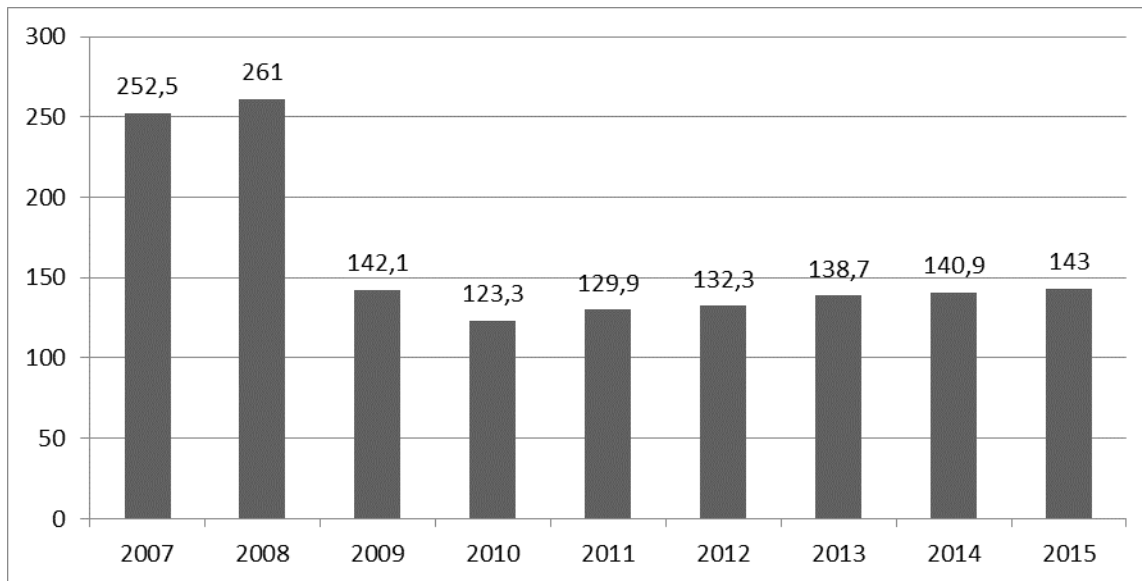


**Fig. 3.** Tourism total contribution to GDP of Latvia, % share ([Advertising Expenditure...](#))



In 2015 total contribution of tourism reached 9 % of GDP. Graph shows a sustainable growth of tourism since 2003.

Advertising expenditure in Latvia demonstrate moderate growth since post crisis period. The dynamic is shown on the [Figure 4](#).



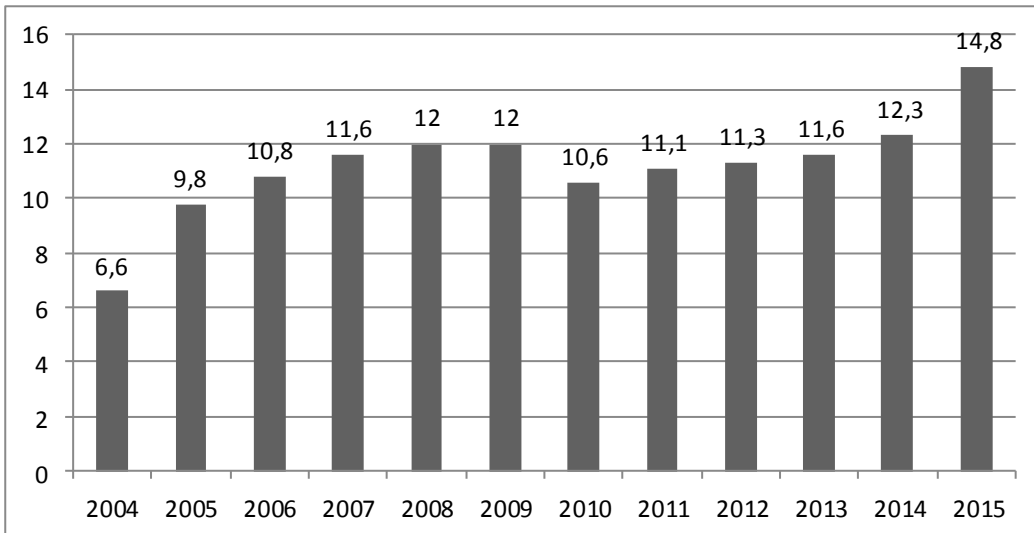
**Fig. 4.** Advertising Expenditure in Latvia, 2007–2015, million U.S. dollars ([Official page of National Competitiveness Council](#))

Despite the promotion activities by tourism professionals, Latvia's recognizability remains rather low which is one of the problems in the tourism industry, representatives of other industries should also make effort to increase Latvia's recognizability so that people in other countries would know where and what Latvia was and what it could offer. Moreover, Latvia had to compete not only with neighboring countries that had similar offers for tourists but also, for example, with the Mediterranean countries that had plenty of sun and warm sea. For the Latvian tourism industry to be competitive, it had to find its niche. ([Latvia's recognizability...](#)).

The history of brand' formation of Sochi city can be divided into several stages: Old Sochi, Olympic Sochi and post-Olympic Sochi. Until 2007, the resort's fame was limited by the territory of the former Soviet Union, during that time Sochi was one of three most visited resorts in the Soviet Union with Yalta and Jurmala. In 2007 Sochi was recognized throughout the world as the future Olympic capital. Since that moment an active policy of promoting the "Sochi 2014" brand had started. To turn subtropical resort to the capital of the Winter Olympics country had to fully rebrand the territory.

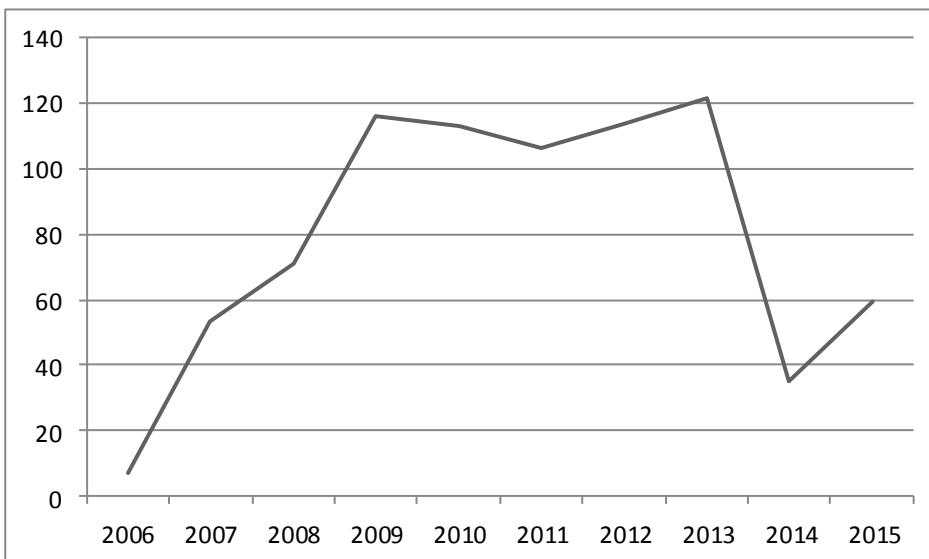
The first step of the re-branding of the city was the creation of the brand in the perception of the world's community. In the second part of 2013 the amount of advertising with the brand "Sochi 2014" was more than any other brand. In total, sponsors have spent more than \$ 1 billion for branding promotion of the Olympic Sochi. Olympic rebranding affected the appearance of the city as a whole. Soviet-style resort was destroyed and instead was erected a new Sochi – a world-class resort. Before the Olympic Games Sochi was considered as a middle class resort, now it is a "luxury" resort, provides with a variety of world-class chain hotels. Sochi became a venue for high-level meetings: meetings of President of the Russian Federation Vladimir Putin with heads of foreign countries are often held in Sochi.

Sochi is not the only resort of the Krasnodar Region, but it stands out among the neighboring territories, demonstrating its competitive identity. This is direct evidence of the city promoted brand. The dynamics of the tourist flow in the Krasnodar region in the period from 2004 to 2015 is shown in [Figure 5](#).



**Fig. 5.** Tourist flow in Krasnodar region, million people (Municipal Program...)

The diagram shows that the holding of the Olympic Games was the most effective branding event for the resorts of Krasnodar region. Despite the huge brand promotion of the Olympic capital, since 2007, real tourist's interest to the region emerged only after 2014. To trace how branding activities contributed to touristic traffic' increase, consider the dynamic of the budget of tourist potential promotion of the Krasnodar region, see Figure 6 (Municipal Program...)

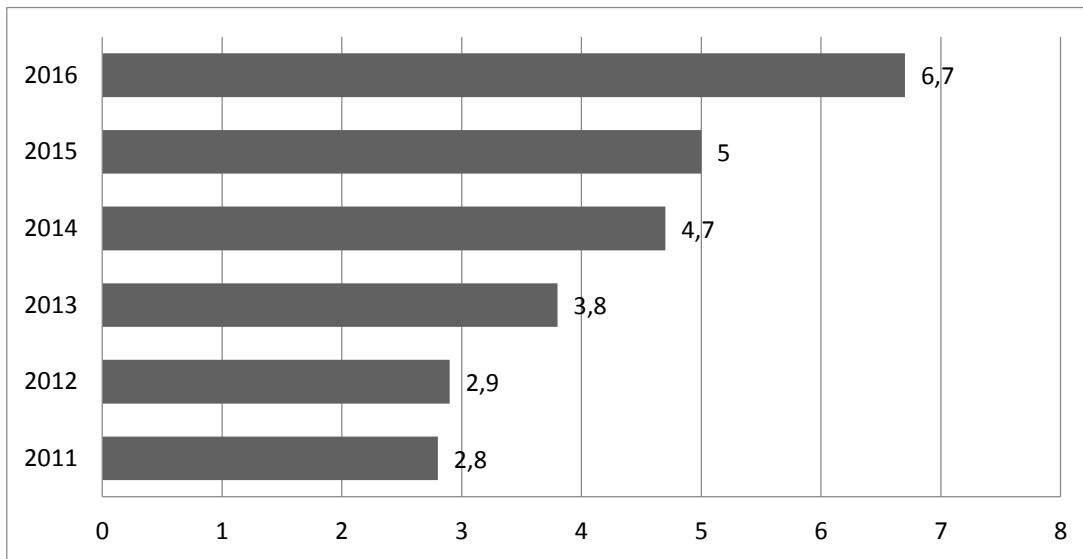


**Fig. 6.** Dynamic of marketing funding in Krasnodar region, million rub

As we see funding of marketing activities and information promotion of resorts rose more than 2 times from 2007 to 2009, and the flow of tourists grew by only 3 %. Later since 2009 to 2013 growth of investments fluctuated and eventually reached 4.8 %, while the number of tourists during this period decreased by 3.4 %. In 2014-2015 financing has been cut by more than 70 %, but there still was a growth in the number of tourists by 6 % and 20 % in 2014 and 2015 accordingly.

According to the results of the analysis, we can conclude that the branding activities can vary depends on strength, have both positive and negative effects and, most importantly, they are cumulative.

In the Olympic capital the number of tourists is increasing every year, a significant growth is seen in the post-Olympic period. (See Figure 7)



**Fig. 7.** Number of tourists in Sochi, million people

There is only preliminary data about 2016, but it is already clear that the post-Olympic Sochi attracts an increasing number of tourists. Popularity growth was also affected by external factors, such as sanctions, restricting entry of Russian citizens on the territory of the European resort; temporary difficulties in the relations with Turkey, as well as the unstable economic situation which affected the exchange rate of the ruble.

Analysis of brands formation processes in tourist areas on the example of two cities-resorts allows comparing the methods of territory branding. Both resorts had been quite popular in the Soviet Union times, and with it the collapse had to resist foreign competitors. Today Jurmala and Sochi are expanding their travel services markets and claim to get the title of world resorts. Sochi attracts the attention by the unique post-Olympic legacy, by organizing major world-class events (Olympic Games, Hockey Championship, New Wave, etc.). A significant part of tourist visited Jurmala consisted of guests of such large events as the “New Wave”, “KVN” etc., but introduction of sanctions for many Russian artists caused loss of this segment of the market for Jurmala. Latvian resort implements promotion activities through internet channels, participates in international tourism fairs and cooperates with many European and Scandinavian countries. A brief comparative description of the resorts is shown in [Table 2](#).

If we evaluate the effectiveness of branding activities in the number of tourists, we can conclude that the results of Jurmala policy are intangible. However, this is not true, Jurmala actively implement Tourism Developing Strategy and targets of 2018 have almost been achieved in 2015. There is a reason for the huge difference in the number of tourists in these cities (in Jurmala the number of tourists are in the hundreds of thousands, in Sochi –in millions). Latvian resort strongly depends on the season and attracts guests only during the summer, while Sochi has been positioned as a year-round resort for several years.



**Table 2.** Comparison of Tourist territories branding activities

	Sochi	Jurmala
Priority branding methods	Promotion as Olympic city; Act as World Events area; Distribution of Symbolics; Mass media	Internet promotion; International cooperation; Participation in Tourism Exhibitions
Costs	Government spent about 550 million rub; Sponsors invested more than 1 billion U.S. \$ since 2010	Since 2010 Latvia spent 808 millions U.S. \$ for marketing
Results	Since 2011 the number of tourists increased by 3.7 million people in whole region, and by 3.9 million people in Sochi city	Increase of tourist flow from 104 000 people till 179 000 since 2011

### 5. Conclusion

Research of branding policy of resorts proved that in a variety of modern methods of brand promotion there is not universal safe version, each territory requires a special approach. Sochi implements more aggressive tactics of brand promotion, and becomes a world-class resort in a short term. Such a fast-moving tactic requires significant financial investments, the support of the authorities and the use of bright events (event marketing) to attract global attention. Olympic Games played an important role in city marketing; after Games Sochi "wakes up" famous in a moment. However, to hold large event is not simple way to form a successful brand of the city. There are many examples of unsustainable management of post-Olympic cities, which leads to non-use of the Olympic legacy and the fall of the city's popularity. Sochi continues to support a brand even after its successful formation and so stimulates the growth of tourist flows after the Olympic Games.

The tactic of Jurmala is rather quiet. Latvia annually participates in the international tourism fairs, and in this way demonstrates potential of territory, attracts tourists and investors, and also in marketing policy of Latvia promotion through the Internet channels has a significant impact. During the brand formation of Jurmala event marketing also took place, for many years the resort hosted the famous festival "New Wave", and other events attracted tourists.

Brand development of both cities took great efforts; authorities invested large sums and developed strategies, and definitely made some progress. But the formation of a sustainable brand of territory is affected by many external factors which may constrain the growth of tourism. The overall effect of long-term marketing activities results in the growth of tourist flows during 5 years at 79 % and 69 % in Sochi and Jurmala accordingly.

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