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## The Role of Marketing Environment and Target Audiences in the Process of Territory Brand Formation

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**Abstract:**

*The article covers the role of marketing environment and target audiences in the course of territory branding formation, in successful territorial development modeling.*

*The elemental composition of marketing environment of the territory and the structuring of the territory in the framework of its marketing management are provided in it.*

*Authors' classification of target audiences of territorial formation is offered in the paper, namely stakeholders of the territory participating in the process of territory brand formation and acting as subjects participating in its further promotion.*

**Keywords:** Territory, marketing environment, development, target audiences, classification, brand formation.

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## 1. Introduction

The issues of brands creation and promotion are significant in relation to commodity and service markets for a long time, as they allow companies to be successful and receive a price premium which meets expectations of consumers and is realized in material terms by means of this intangible asset (Bondarenko, 2015). In the current situation, territories are significant players offering products (goods and services) to interested target audiences located in the territories and beyond them.

The needs for intensification of territorial development predetermine a well-grounded interest in marketing technologies (Bondarenko, 2016) in terms of attracting the business community, investments and priority projects and, for example, intensifying tourism activities. The above-mentioned opportunities determine the interest of the managing elite maintained by the business community of the territory in terms of forming a regional brand that facilitates developing an interest in the territory from internal consumers and attracting external economic agents (Kalieva, 2016).

A priori, marketing management of the territory implies that the region is subject to assessment in terms of the current state of its socio-economic system and possible prospects with an emphasis on meeting the needs of target audiences. This process involves conducting marketing analysis of the environment of a certain territory. When developing the issue of forming a territory brand in territorial marketing, the internal and external environment of the territory is determined. The internal environment, in fact, reflects the available reserves and the accumulated potential for the disclosure of the comprehensive potential of territorial education. The effectiveness of the territorial development and the success of the emerging brand of the territory depend on the state of the marketing environment and cultivating relationships with target audiences (Kalieva, 2016).

## 2. Marketing environment and target audiences of the territory

Such a view of the problem presupposes an investigation of the composition of the marketing environment of the territory, which presupposes identification and characteristics of its main components. The main components of the marketing environment of the territory are shown in Figure 1 (Wettenberg, 2009).

**Figure 1.** Territory marketing environment (Wettenberg, 2009, P. 61-65)

Internal environment	External environment	
	Micro-environment	Macro-environment

<ul style="list-style-type: none"> <li>- resourcing of the territory;</li> <li>- indicators of the socio-economic development of the region;</li> <li>- quality of work of authorities of a certain territory, characterizing the business climate being formed</li> </ul>		
<ul style="list-style-type: none"> <li>- target audiences focused on consumption of resources of the territory;</li> <li>- competing regions;</li> <li>- organizations localized in a certain territory;</li> <li>- territorial authorities.</li> </ul>		
<ul style="list-style-type: none"> <li>- political factors;</li> <li>- economic factors;</li> <li>- socio-cultural factors;</li> <li>- technical and technological factors.</li> </ul>		

Accordingly, the internal environment of the territory can be conditionally expressed in three basic elements that characterize its resource base. This resource base of the territory can be described with the help of three enlarged components, such as:

- ✓ climate and geographic position;
- ✓ innovation and technological resources;
- ✓ social resources (Wettenberg, 2009).

According to the traditional technique of the external macro-environment analysis – PEST analysis four groups of factors that determine the external macro-environment of the territory are traditionally distinguished:

- ✓ institutional factors (political and legal) (it is documentation for the territories that determines the specifics of their functioning as a constituent entity of the Russian Federation, as well as federal and regional programs that determine the vector of development of the territory);
- ✓ the general macroeconomic background, which determines the conditions of economic activity in the territory (official inflation indicators in the country, government regulation measures, subsistence level, taxation system, salary formation, quotation of the national currency, fixed prices for energy, transportation tariffs, etc.);
- ✓ the socio-cultural component that characterizes the potential of the population of the territory (population structure (by age and gender characteristics), the total population outlining the potential of able-bodied personnel, the dynamics of population growth / decline, migration, established customs, cultural traditions, the system of interethnic relations in the territory);
- ✓ innovation and technological component (the degree of introduction of innovations in the production, creation and development of technical and

technological production conditions, the development of industrial infrastructure and energy capacities, the introduction of a system for assessing the quality of production and quality standards of production processes and products / services).

The external environment cannot be controlled by the territory, its factors are not subject to influence population groups, power structures, business localized on the territory. On the contrary, the economic processes occurring on the territory are dependent on the influence of environmental factors. The influence of a number of factors can be weakened on the initiative of the territory and under its influence in case of taking into account ongoing changes and correction of own actions in the short or medium term. This requires taking into account the current situation, forecasting and identifying opportunities for conducting the desired correction of the manifested impacts.

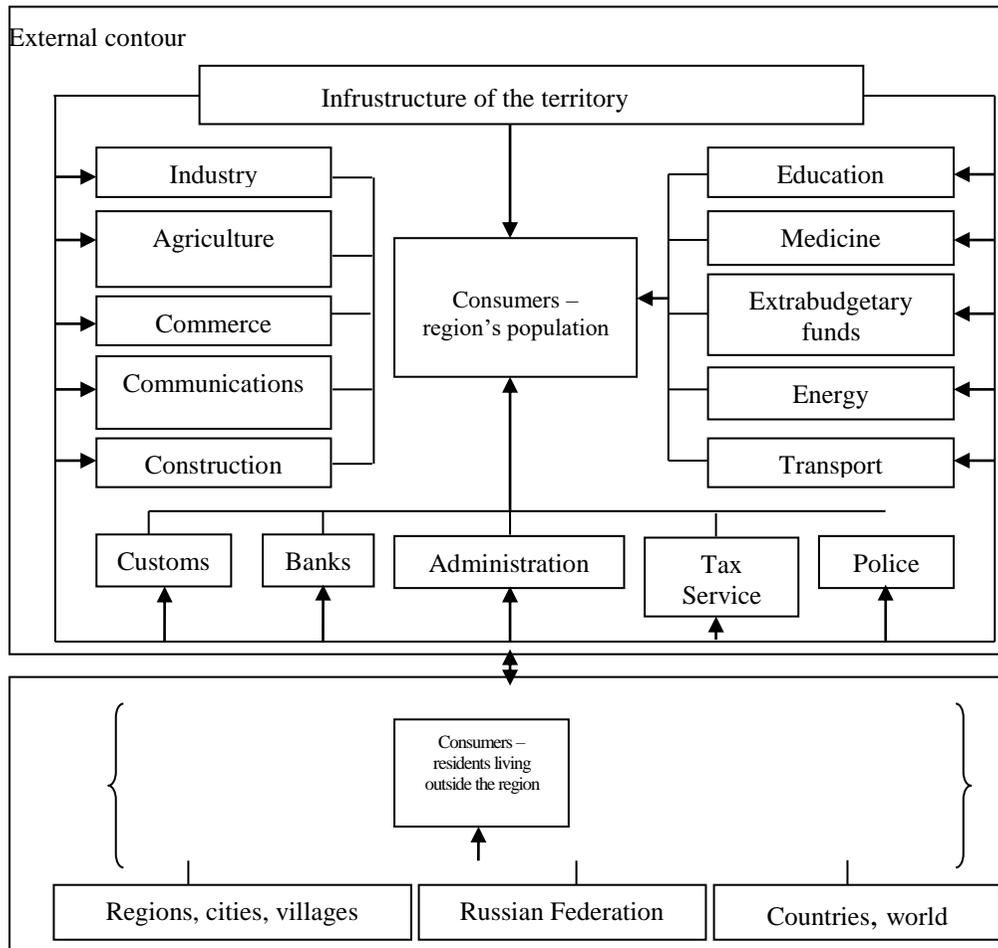
In the course of territory brand formation, it is important to determine the key objects (consumers of territory services / consumers and target audiences / target groups, according to the terminology of territory marketing) for which the formed brand accounts. According to Vizgalov's (2012) opinion, target groups of consumers of services provided by the territory are naturally differentiated, according to their needs, targets and manifested motivation. Residents of a territorial unit are focused on the formation of a comfortable place of their permanent residence / stay, which gives opportunities for self-realization, career and personal growth, security, prosperous management, household management. The attractiveness of a territory as a place of income is a priority area for foreign investors. They are not directly interested in strategic development issues, territory resources conservation, so management bodies should undertake questions related to coordinating investors' interests in the course of the development of territory's potential in the strategic perspective (Vizgalov 2012). The researcher refers the so-called stakeholders of the territory (SoT), both individuals and legal entities, to consumers of services in the territory, highlighting the following tentative groups by their importance in the functioning of the territory:

- ✓ city-forming enterprises that are of key importance for the economy and society of the territory;
- ✓ "one-time builders" who have an interest for the territory in the short term which is exhausted in the foreseeable future;
- ✓ "criminal elements/structures" that impede the full functioning of the territory (Vizgalov, 2012).

### **3. Determination of the composition of the territory and the author's classification of its consumers**

The structure of the territory in the framework of the territorial marketing can be displayed as follows (Figure 2):

**Figure 2.** The structure of the territory in the framework of territory marketing (Compiled on the basis of Vizgalov, 2012)



It should be explained that to determine the most significant processes and the consistent characteristics of territorial marketing, it is advisable to conduct a subjective assessment of the audiences by their territorial belonging: inside or outside the territory. The assessment is advisable because, as a rule, the audiences localized in the territory connect their interest and further life with this territorial formation in the long term; while external players focus on making profits, developing their interests beyond its borders. When establishing contacts with external audiences, it is necessary to find a reasonable compromise between their profit-making intent and the strategic goals of developing the territory's potential.

The subjects of marketing activity in the framework of territorial marketing are the following: enterprises and organizations localized in the territory; households that directly consume products and services of the territory; organized consumers doing

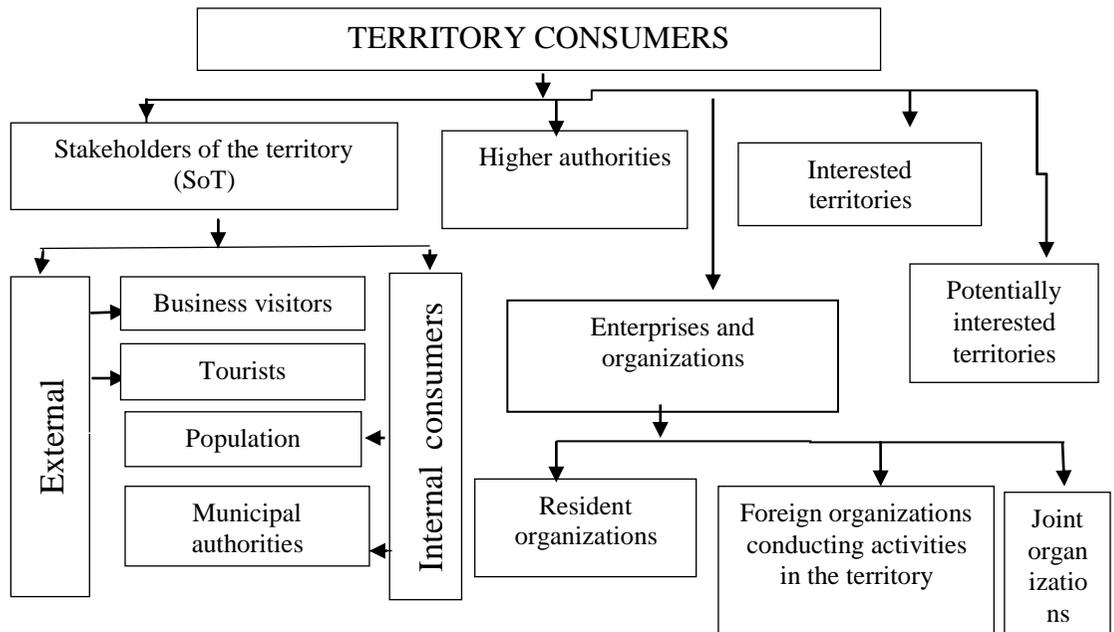
their entrepreneurial activities by involving the products and services of the territory in commercial circulation; marketers – professionals performing certain tasks in the field of marketing and carrying out these functions in the framework of the work of enterprises and organizations; representatives of contact audiences (legal entities and individuals involved in economic processes in the territory and interested in their performance).

All consumers of territory services have their own motivation and aim to achieve their own interests. Interests are formed on the basis of the needs which are identified by target groups and which they aim to satisfy in the framework of building relationships with the territory.

Residents of the territory consider such characteristics of their own place of residence as safety and conditions for satisfaction (at the initial level) of their primary physiological needs as significant. At the present stage, these conditions are invariably supplemented by requests for qualitative education, decent salary for interesting work; opportunities of self-realization as a person and a specialist, full-fledged career growth, etc. All this puts forward certain requirements for the socio-economic characteristics of the territory and should be reflected in the territorial brand being formed and taken into account when developing the strategic vector of territorial development.

Taking into account the different level of motivation when meeting the needs of the representatives of target audiences, it is possible to classify the consumers of the territory. Authors' classification of consumers of the territory is presented in Figure 3. It is compiled under the objective of the research and includes stakeholders of the territory, organizations, enterprises, higher authorities, interested territories and potentially interested territories. Classification of stakeholders of the territory includes external and internal consumers.

Figure 3. Classification of territory consumers



Let us characterize the key concepts used in the study. The term “consumers of the territory” is actively used in scientific literature (Vazhenina, 2009; Pankrukhin, 2009), but it does not meet the full characterization and detailed interpretation. Proceeding from the existing realities, it can be concluded that an organization, as well as an individual or a legal entity, a subject of the territory, is a consumer of the territory. Another territorial entity or authority that uses or intends to use the resources of a given territory to meet their personal needs, conduct business activities or perform the assigned official duties can also be the consumer of the territory. It is feasible to refer individuals and legal entities to stakeholders of the territory (SoT) aimed at meeting their own needs by means of the resource potential of the territory.

Accordingly, consumers of services provided in the territory are classified on the basis of different criteria bases. For example, the classification can be based on: the criterion of territorial location, location, residence / stay, legal status. For example, Vazhenina (2009) currently determines those who can become inhabitants of the territory, present and potential investors, businessmen, city guests (ordinary and business tourists) as its residents. An interested or potentially interested territory is the territory which uses resources or needs access to the resource potential of a particular territorial formation. This category of consumers can include territorial entities focused on the consumption of resources of a certain territory, territories investing in the development of another entity, competing territories. Target

audiences of the territory are of decisive importance for the formation of the territorial brand (Bondarenko, 2017).

#### **4. Conclusion**

Summarizing the above, it should be noted that the marketing environment is of decisive importance for the interaction of target audiences and creates conditions for effective marketing management of territorial education. Naturally, determined target consumer audiences are objects of influence on building a marketing model for the formation of a territory brand. All consumers of the territory interact with each other directly or indirectly within the complex of socio-economic relations in the production, distribution and consumption of various products and services with different structures of the territory and with each other. It is during the implementation of these relations that a territory brand can be formed.

Consumers of territories may become subjects participating in the further advancement of the territory under certain conditions. The development of the most realistic and effective brand of the territory implemented in different target groups is possible only if the groups enumerated are comprehensively and actively engaged in it.

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