

## FEATURES OF MARKETING APPROACH IN FORMING INVESTMENT CLIMATE OF REGION

Valerii Bondarenko<sup>1</sup>, Sofija Trapaidze<sup>2</sup>, Oleg Luchyn<sup>3</sup>

<sup>1</sup>Doctor of Economic Sciences, Professor, Vinnytsia Institute of Trade and Economics of Kyiv National University of Trade and Economics, Vinnytsia, Ukraine, e-mail: bondarenkovalm@gmail.com, ORSID: <https://orcid.org/0000-0001-6182-6760>

<sup>2</sup>Graduate student, Vinnytsia National Agrarian Univesity, Vinnytsia, Ukraine, e-mail: sofiyatrapik@gmail.com, ORCID: <https://orcid.org/0000-0001-8977-4616>

<sup>3</sup>Graduate student, Poltava University of Economics and Trade, Poltava, Ukraine, e-mail: oleg.tze@gmail.com, ORCID: <https://orcid.org/0000-0002-5643-8031>

### Citation:

Bondarenko, V., Trapaidze, S., & Luchyn, O. (2020). Features of marketing approach in forming investment climate of region. *Economics, Finance and Management Review*, (3), 58–64. <https://doi.org/10.36690/2674-5208-2020-3-58>

Received: August 14, 2020

Approved: September 21, 2020

Published: October 01, 2020



This article is an open access article distributed under the terms and conditions of the [Creative Commons Attribution \(CC BY-NC 4.0\) license](https://creativecommons.org/licenses/by-nc/4.0/)



**Abstract.** The article covers the issues of regional investment attraction and the factors they depend on. The factors that determine the degree of risk of investments and the possibility of their effective use in the region are presented. The purpose of this research is to determine the role of marketing, its means in the process of forming the investment climate of the region. The author used the methods of static and logical comparison, systematization and generalization, which made it possible to achieve the goal of the study. There are named the tools and methods, which in case of using the marketing approach will lead the implementation of investment potential of the regions onto a qualitatively new level and increase the volume of investment in the regional economy. Also, there are proposed the principles that underlie the concept of a marketing approach to attracting investments to the region. The peculiarities of the marketing approach of attracting investments into regional development are clearly marked.

**Keywords:** investment climate, investment attraction, investment projects, region, marketing tools and methods, marketing approach, principles, regional development.

**JEL classification:** E44, E60

**Formulas:** 0; **fig.:** 1 **tabl.:** 0; **bibl.:** 9

**Introduction.** Under current conditions the investment attraction of the region depends on the decisive actions of state authorities and local self-government, as well as on the well-developed marketing strategy of the region. The prospects for implementing powerful investment projects and attracting investment resources depend on the effective positioning of the region. Foreign investment plays an important role in the country's economic development: on the one hand, it is additionally attracted capital, on the other hand, it is the receipt of the new technologies into the state. Therefore, the policy of the Ukrainian government should promote the development of regions, the implementation of investment projects and programs at the local and regional level.

**Literature review.** Problematic issues of attracting investment resources were actively studied by economists I. Blankom, M. Butko, V. Krakivskaya, L. Marmul, V. Geits, A. Ilyina, T. Lapenko, V. Marcin, F. Fedorenko, A. Skoropov, W. Sharp and others. At the same time, the problems and directions of the attraction of investment resources to the region are not sufficiently investigated.

**Aims.** The purpose of this research is to determine the role of marketing, its means in the process of forming the investment climate of the region.

**Methods.** The author used the methods of static and logical comparison, systematization and generalization, which made it possible to achieve the goal of the study.

**Results.** The investment attraction of the region is closely linked to the other areas of regional marketing, therefore investment attraction should be considered within the framework of the regional development strategy, to determine the priorities of the region's development, the positioning of the region, work with the population, and promotion of the image of the region.

The tools and methods of marketing allow to increase the awareness of the territory, to allocate its most attractive characteristics, which will increase the inflow of investment resources, improve the conditions for doing business, improve the quality of goods manufactured in the region and services rendered. The creation of strong regional brands through the use of marketing technologies will create a positive image, will improve the tourist and business attraction of the country in general.

The attraction of foreign investment, as it is showed by the world experience, has a positive effect on the country's economy. Reasonable use of foreign capital investment contributes to the increasing of the products competitiveness on the world market, production development, productivity growth, the transfer of advanced technologies, the creation of new jobs, the development of backward regions, and others.

The willingness of investors to invest in the industry of the any region depends on the investment climate existing in it. Creating a favorable investment climate is a prerequisite for increasing the inflow of foreign investment in the region's economy.

The investment climate is considered as a set of political, economic, legal, social, domestic, climatic, natural, infrastructural and other factors that determine the degree of risk of investment and the possibility of their effective use [1].

When considering the investment climate as an investment attractiveness in the dynamic aspect, it is important to note such a factor that affects investment attractiveness as a fashion image. Of course, the image is a qualitative factor that is very difficult to assess. One can only note that the image of the region is also affected by:

- active participation of the region in the international economic forums and conferences, various events in Ukraine and abroad, informal meetings of investors and businessmen;
- organization of the region's own events aimed at presenting this region to the potential investors;
- professional work with specialized media;
- available access to an internet portal with all necessary information about investments for the relevant target audiences.

Naturally, that the investment policy should be pursued not only by the state authorities, but also by the regional ones. It is at the regional governing bodies that the responsibility for creating a favorable investment climate of the territories is to attract private domestic and foreign investment.

The inflow of investments in specific regions depends on the content of the activities of local governments to create a favorable regional investment climate. The marketing approach is increasingly being applied for this.

The emergence of the concept of the marketing approach at the attracting investment is stipulated by two trends. The first one is connected with the problems of constantly increasing the level of expenses of the region for marketing and the need to control their effectiveness, taking into account the investment nature of these costs, which is a difficult task in implementing marketing programs.

The second is manifested in the fact that marketing activities require greater integration between different programs in the region. Implementation of the concept of marketing at the attracting investment determines the investment strategy as an integral part of the overall strategy of the region, considering investments as the basis of the state's economic activity and its regulatory policy as a whole, as well as a separate organization, and as the investment projects as the tools of achieving the goals. Attention to the concept of marketing at the attraction of investments is stipulated by:

- 1) the complication of the processes of scientifically-based decision-making in the field of investment;
- 2) an increase in the degree of investment risk in all stages of the investment project, its assessment, prevention or reduction;
- 3) the aggravation of competition for sources of financing of capital investments;
- 4) the need for a careful selection of the most optimal, profitable and reliable sources of financing;
- 5) the need to form a long-term investor confidence in business, and, based on this trust, to plan investment;
- 6) the need to form a balanced portfolio of investments.

Investment attraction management with the use of a marketing approach can lead to the realization of the investment potential of the regions to a qualitatively new level and increase the volume of investments into the regional economy. Tools and marketing methods allow you:

- to create the necessary infrastructure of the regional investment market and to use it effectively for making managerial decisions;
- to improve pricing for the regional investment products and increase their competitiveness;
- to form the investment attractiveness of the territories;
- to provide the optimal structure of attracted funds;
- to improve the image of the territories.

Technologies of marketing approach in the management of investment attraction provide access to information for potential investors, facilitate coordination of the management process, facilitate control, allow for timely analysis and monitoring of investment conditions. All this allows the subjects of regional investment markets to adapt to the dynamically changing conditions of the external and internal

environment in the shortest possible time, and therefore, to meet the modern requirements of the management.

The marketing approach in managing the investment activity of the regions contributes to prioritizing the attraction and distribution of the investments, as well as the determination of the points of effective application of investment capital, thus creating a positive experience and real prerequisites for the emergence of new investment projects. This is the first step towards the formation of an opened, civilized market for regional investment goods. On this basis, today it is expedient to determine the investment priorities of the regions as follows:

- at using budget investments from the point of view of the state interest in the implementation of investment projects and programs and obtaining a social effect;
- in the direction of private investment, based on the positioning and investment attractiveness of regional economies for a private investor oriented towards profit.

Since the investments are very important for any region and any country, first of all for their development, we can talk about their multi-effect: when the investment comes, the territory receives not only financial resources, but also technology, employment, qualification development as specialists, and management personnel, the image of enterprises and territories, infrastructure development, access to foreign markets.

The basis of the concept of a marketing approach to attracting investments may be the following principles [2]:

1. Full provision of resource potential for the existence of economic actors and freedom to maneuver. Ability to provide the investment process on the necessary scale and create a mechanism for transforming investment resources into investment objects.

2. Target orientation and complexity. The main thing in marketing is its target orientation and complexity, which means merging into a single investment process of all the individual elements of this activity. Complexity means that individual marketing actions taken by themselves are not able to provide the effect that can be gained by the investment marketing as a system. Complexity provides the integration:

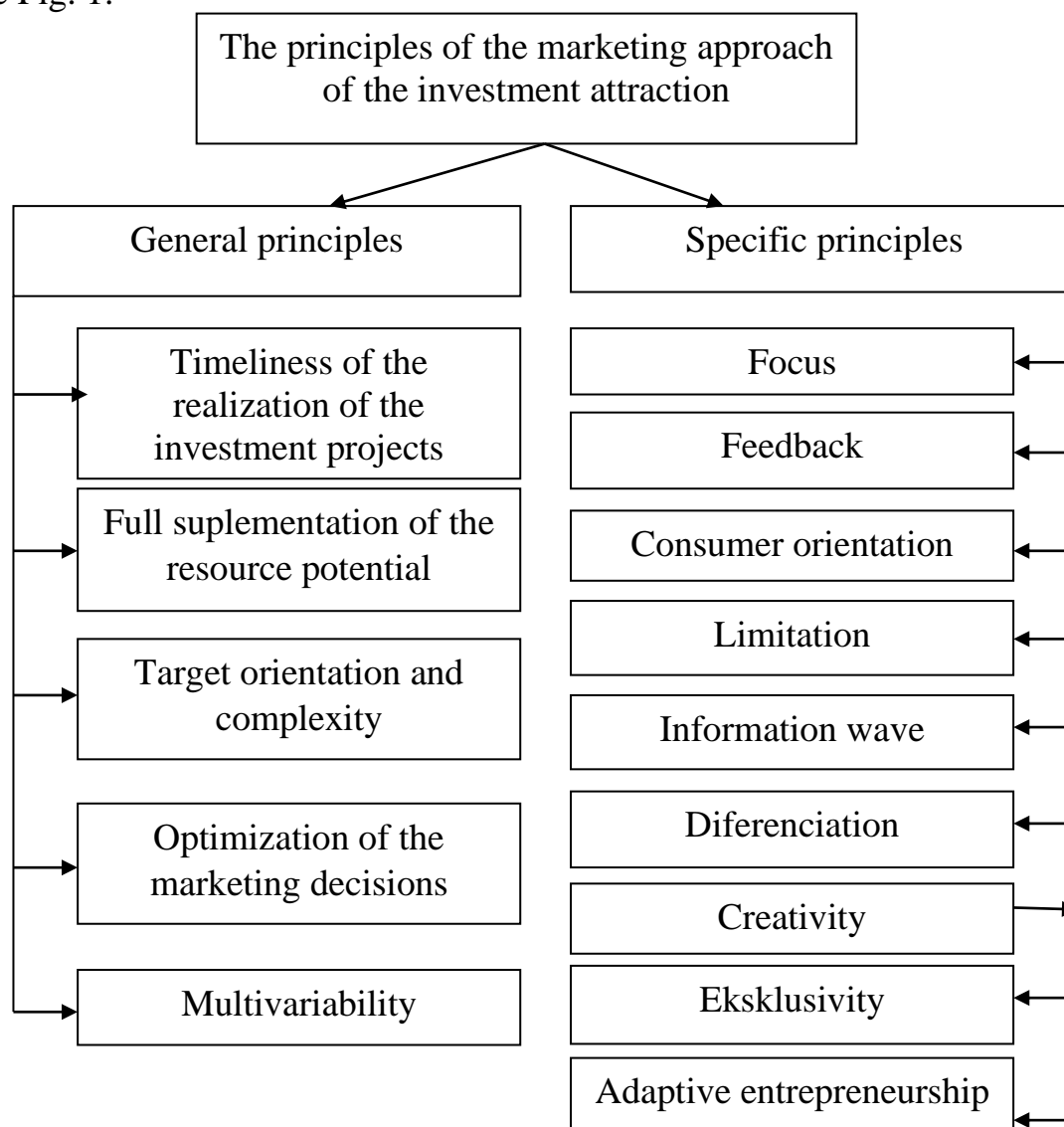
- of four elements relevant to classical marketing: commodity, pricing, marketing and communication policies;
- of two spheres of the activity: the traditional market of goods and services and the investment market;
- the interests of all participants in the investment market and the creation of interconnected conditions for all parties involved in the investment process.

3. Multivariate and optimal marketing decisions. It is necessary to strive for the maximum expansion of the variant nomenclature, approaching the optimal solution.

4. Timeliness of realization of the investment projects. The principle is related to the need of the accurate account for a temporary factor. That displays readiness of marketing measures for practical application. Such readiness is ensured by the substantive orientation and the relatively high degree of specification of investment development, as well as the full and comprehensive consideration of the environmental factors.

It is also necessary to note the specific marketing principles: exclusiveness, consumer orientation, information waves, differentiation, focus, limitation, feedback, creativity, adaptive entrepreneurship, which provides a quick and effective response to changes in the external environment, the unity of marketing strategy and tactics, etc.

The principles of the marketing approach of the investment attraction are offered on the Fig. 1.



**Figure 1. The principles of the marketing approach of the investment attraction**

*Source: developed by authours*

**Discussions.** In addition, the features of the marketing approach to attracting investment are worth to be mentioned:

1. Investments are not the purpose by itself. This is just a tool for implementing the ideas.

2. The ideas are: the development of the regional attractiveness as a place of residence of people, as the place of origin of goods or services, as a convenient place for the transfer and use of the resources and of the tourism.

3. Types and directions of the investment are formed depending on the ideas: in infrastructure (roads, logistics, medicine, housing, hotels, trade, communication, places for events), in production (technology, innovation development, markets, increase in production volumes - the effect of scale), in tourism (entertainment, events, recreation, excursions, infrastructure).

4. The industry interests, motivation and the terms of investment are determined, depending on the type of investment, the types of potential investors.

5. It is possible to start the program of the regional attraction, having defined the idea, types and directions of investments, types of investors and their motivation.

6. Work on the attracting investments must take place within the country (region) and beyond. There is the internal work with the attracting investments personnel and with the population, also the creation of conditions for types of investors, the development of infrastructure, and support of existing investors. Beyond it there is the promotion through forums, presentations, the Internet, the image and positioning of the region, participation in joint international projects, and work through agents - embassies, exporters etc.

7. There are some points of the growth of investment potential: positioning, which means the sectoral specialization, cluster formation, education and infrastructure development in the direction of investment attractiveness.

8. The investor is interested in the profitability of the business: its size, the payback rate, the stability of obtaining, the possibility of its export, business sales.

9. It is important to understand the indicators of the perception of potential investors by the attraction of the region and the factors affecting them.

10. The concept of investment attractiveness of the region should be combined with the program of socio-economic development, realize the uniqueness of the region and perceived by the population.

11. Investments in the region, compared to investments in the enterprise, are more long-term and balanced, that's why it is not possible to overconstruct houses, roads, infrastructure, if there are no basic ideas for the development of the region (industry, tourism, processing).

12. Significant investment projects of large international companies are an important starting point for the development of investment attractiveness.

13. The competently developed and positioned program of promotion has a pivotal character, therefore it is well controlled. The promotion program includes: the creation of a region passport, forums, catalog of the opportunities, representations (agents) abroad, "background noise" of the mass media, periodic newsletter, presentations for target groups, video materials.

**Conclusions.** Thus, ensuring the active development of the region's economy and increasing its competitiveness can be achieved by combining the achievements of science, education, production and entrepreneurial initiative with the active state participation and the support for the model of the innovative regional development. A special role in this process is played by the necessity of using marketing tools in order to ensure the competitiveness of an individual enterprise by making it a high-tech product or providing quality services based on the latest advances in science and

technology. All these areas, combined with high-quality education and rational regulatory policies, will ensure the competitiveness of the regional economy and boost regional economic development.

**Author contributions.** The authors contributed equally.

**Disclosure statement.** The authors do not have any conflict of interest.

### References:

1. Asaul A. (2011) Systematization of the Factors Characterizing the Investment Attractiveness of Regions. *Regional Economy*. No. 2, 53-62.
2. Baz' M.O. & Domasheva Ye.A. Investment Marketing as a Determinant of Competitiveness of Enterprises in the Investment Market. Retrieved from: <http://ev.fmm.kpi.ua/article/viewFile/45704/41926>.
3. Granin A.N. (2013). Investment Marketing. *State and Regions. : Economics and Entrepreneurship*. № 1. 185-189. Retrieved from: [http://nbuv.gov.ua/j-pdf/drep\\_2013\\_1\\_39.pdf](http://nbuv.gov.ua/j-pdf/drep_2013_1_39.pdf)
4. Kuzmenko O.V. (2015). Investment Climate and Investment Attractiveness of he Regions of Ukraine. *Economic Noblevsky Visnyk*. No. 1 (8). 46-54.
5. Makarenko M.V. (2012).The image of the region as a major factor in its competitiveness. *Current problems of the economy*. No. 2 (128). 180 - 187.
6. Shchelkunov V., Bondarenko V., Karakai Y., Gramotnev V., Matveyev V. (2005) Marketing of the Regions: Investment Aspects: monograph. 176. pp.
7. Marmul L.O. & Chernyavskaya T.A. (2012). New Methodological Approaches to Analysis of Investment Attractiveness of Regions. *Bulletin of Economic Science of Ukraine*. No. 1 (7). 83-89.
8. Ushakov V.V. The Essence of the Concepts "Investment Attractiveness of the Region" and "Investment Climate in the Region and the Factors that Determine them". Retrieved from: [http://lubbook.net/book\\_431\\_glava\\_1\\_Tema\\_1.\\_](http://lubbook.net/book_431_glava_1_Tema_1._)
9. Chernov V.V. (2011). Integrated Approach to Territorial Management Based on Regional Marketing. *Economic Bulletin Donbass*. No. 2 (24). 156-161.