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# City Branding and its Impact on City's Attractiveness for External Audiences

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# Introduction

The growing competition between cities has resulted in the increasing usage of marketing methods in their struggle to attract tourism, investment and residents. Even though the marketing of places is quite old and has been practiced since the $19^{th}$ century (Ward, 1998), it used to be limited to place promotion rather than the implementation of marketing as a whole enterprise. However, the intensification of inter-city competition has resulted in a more conscious application of marketing by public planning agencies, and the treatment of marketing as a philosophy of place management, not just an additional instrument (Ashworth and Voogd, 1994). This gave rise to the concept of 'entrepreneurialism' and to the adoption of business methods to running cities (Hubbard and Hall, 1998). According to Ashworth and Voogd (1994), the increased interest in the application of marketing philosophy and techniques to places among both the practitioners and scholars was preceded by the development of non-profit organisations marketing, social marketing and image marketing.

As Kavaratzis (2004) states, '*The beginning lies in the realization that all encounters with the city take place through perceptions and images'*. Thus, the rising concept of city branding, primarily derived from the emergence of corporate branding. '*The brand embodies a whole set of physical and socio-psychological attributes and beliefs'* (Simoes and Dibb, 2001) and its goal is to influence these images and perceptions mentioned by Kavaratzis. Managing these images is related to what Graham (2002) called the interaction between the 'external' and the 'internal' city. Everything in the city communicates its image. Kavaratzis (2004) distinguishes between three types of image communication. Primary communication, which is an effect of all actions that did not have communication as their primary goal, meaning everything that is actually happening and can be visible in the city and the actions of its authorities. Secondary communication, being the intended, formal type of communication realised by the usage of different place marketing techniques. And finally, tertiary communication, that is the word of mouth, media communication about the city and the communication of the city's competitors. Although the tertiary communication is not controllable, it can be influenced by the former two types and by city branding. Therefore, the aim of city branding is to reinforce positive tertiary communication and, as a result, enhance the city's image.

Since the message communicated needs to be coherent, the possible dissonances between the five above mentioned identities need to be addressed. For city branding this means that the brand should communicate a consistent identity and that too big gap between the communicated identity and the identity perceived by city's customers can interfere with the building of a strong, positive image of the city. In other words, the identity communicated by the brand needs to be honest.

Many marketing specialists have undertaken efforts to build advantageous city images, strong city brands, and to communicate positive identity of the city, often borrowing the methods and techniques from business environment and corporate branding. The question is why do cities and their authorities want to have a strong brand? Does a strong brand help economical development of the city? Moreover, does a strong city brand bring more people and more companies to the city?

Most of the literature on place branding and city branding focuses on the means of building a brand. Not much attention, however, has been paid to evaluating these efforts and further to evaluating their actual quantitative effects for the city. The aim of this thesis is to research whether the possession of a strong city brand has a measurable impact. The research goal is to verify the validity of the hypothesis stating that strong city brand makes city more attractive for external target groups, such as tourist and outside investors.

The thesis is divided into the theoretical part and the empirical part.

The theoretical part is composed of four chapters. The first chapter attempts at defining city branding based on the existing literature on brand, corporate branding, place branding and finally city branding. The second chapter discusses the relevance of strong brand for corporate world. Since city branding is derived from previous use of brands for products and companies, it is essential to see if branding is bringing desired results when applied to corporations. The third chapter focuses on how the city brand strength is being measured by Simon Anholt in *Anholt-GMI City Brands Index* (2006) and by Jeremy Hildreth in *Saffron City Brand Barometer* (2008). The two presented rankings and methods of measurement of city brand strength are the only two currently available. Furthermore, the *Saffron City Brand Barometer* (2008) is very important for the thesis, because it is being used as a proxy for city brand strength in the empirical part of the thesis. The fourth theoretical chapter discusses the effects that strong city brands can have for cities and why should branding be relevant for city authorities.

The empirical research contains an analysis of six regression models, focusing on the impact of strong city brands on external audiences, in this case tourists and foreign direct investment. The aim of the research is to determine whether it can be empirically proven that a city in possession of a strong brand can attract more visitors and more investment. The analysis includes 29 European cities and researches the relationships between city brands strength, foreign direct investment and tourist overnight stays.

The thesis ends with the concluding chapter based on what is discussed in the literature review and the results of empirical research. It also includes recommendations for further research on the matter in question.

# 1. Defining city branding

In order to determine whether branding is beneficial for cities, the first step is to define branding.

The American Marketing Association defines ‘brand’ as *‘a name, term, sign, symbol or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors’*. Hankinson and Cowking (1993) also emphasise the distinctive character of the branded product which is the result of the positioning efforts in relation to competition and unique combination of attributes and values. According to De Chernatony and Dall’Olmo Riley (1998) brand is a multidimensional construct of values facilitated by the producers and recognized by the consumers of the product. This is a two - way process of communication between the owners of the brand and the consumers who perceive it. It is more than a name or a slogan promoting a product, as it incorporates a number of different attributes associated with that particular product. A brand makes a product being differentiated from its competition by these attributes and values which form a unique combination. Brand carries with it values, bondings and loyalisation in relation to the customer (Stigel and Frimann, 2006).

A distinction should be made between product or service brands and corporate brands. Corporate brands have a slightly different aim than product brands. They target not just the customers, like in case of product brands, but a number of different stakeholder groups. Therefore they are a bit more complex and ought to involve the company’s mission, core values, beliefs, communication and culture. (Simoes and Dibb, 2001). A corporate brand is a continuous expression of the unique business model of the organisation through verbal, visual and behavioural means.

Furthermore, the concepts of brand and branding are not equal. Business Dictionary describes branding as the entire process involved in creating a unique name and image for a product or company in the minds of consumers and other stakeholders.(businesdictionary.com). ‘*Brand is an overall image or set of perceptions and associations that resides in people’s heads’* (Jeremy Hildreth, 2008) whereas branding focuses on establishing and maintaining this brand. (Stigel and Frimann, 2006).

Branding does involve promotion, but most importantly, it goes beyond it. Branding aims to establish a significant and differentiated presence in the market that attracts and retains loyal customers. But the aim of branding is not only to differentiate a product or a service from others, it is also to represent values and beliefs that will influence the behaviour of customers (Tasci and Kozak, 2006). It is about altering or improving an image. Thus, it should be treated as a complete and continuous process, that all other marketing activities are subject to. (Kavaratzis, 2007)

Places are very complex and cannot be treated as single products, rather as combinations of various products, services and associations. Rainisto (2003) claims that place brands are more similar to corporate umbrella brands than they are to product brands, and therefore a place's image is a value a place can benefit from. In corporate branding the company itself is the main focus and not the products or services it offers. It is the company's mission, vision and culture that are the main elements of branding. The same applies to place, as place branding is not about the single products which city offers, it is about the broader picture and branding the city as a whole entity. The goal of place branding is not to promote local products for external consumers. Quite the opposite in fact, place branding is about using the values associated with the local products to promote the place itself. Like in corporate branding, place branding is about attaching certain qualities to the whole combination of place products. Every one of these products can then befit from the place brand as a whole.

According to Merrilees, Miller and Herington (2009) *Place Branding is about the ways in which communities, cities, regions and countries market their entity.* City branding is a part of place branding which applies to single cities rather than whole regions or countries. On the other hand, if a city's efforts also include attracting tourists, then city branding can be assumed to be a part of destination branding. Destination branding applies to the tourism market, and its primary aim is to attract visitors to the given destination. Hence, city branding can be regarded as both place branding and destination branding for an urban region.

*Cities have always been brands in the truest sense of the word.* (Anholt, 2006). The governmental attempts to create place identity and to promote it to its either external or internal consumers, have long taken place before the name 'city brand' started to be used. (Kavaratzis & Ashworth, 2005) City branding is similar to corporate branding in this respect, that both of them want to attract attention of multiple stakeholders and not single customer groups. Other than that they both have multidisciplinary roots, both have a high level of intangibility and complexity, both need to take into account social responsibility, both deal with multiple identities and both need a long – term development. (Anholt, 2002) Hankinson (2007) claims that city brands are similar enough to corporate brands and therefore concludes that place branding needs leadership, a brand-oriented organisational culture, the coordination of different departments influencing the brand, continuous and consistent communication and strong partnerships. Thus, methods and techniques applied previously to corporate branding can now be used for building strong city brands. (Kavaratzis and Ashworth 2005) After all, the idea behind branding is to persuade the customer, that the city is able to fulfil his needs better than the competition.

City branding and city brand management aim at influencing the spatial behaviour of people and companies by putting the city on their mental maps and enforcing a positive perception of it, whether it relates to living, visiting or investing. (Kavaratzis and Ashworth, 2005) Although in the beginning city branding focused mainly on attracting outsiders, recently more attention is being paid to the current and potential resident, rather than just visitors. It became important to retain residents, and thus retain business in the city, resulting in sustainability in a competitive world where many cities begin to shrink.

To sum up, place branding can be defined as planning and execution of the entire process of creating, managing and/or improving of the perceptions of a city's existing and potential customers and other stakeholders, which aims to influence the spatial behaviour of those customers in a way, which will be beneficial for the city's sustainability and development, and focuses o the values of a city as a whole.

# 2. Importance of strong brands

City brands are in many ways similar to company brands, especially when it comes to their complexity and the variety of targeted audiences. Since there has been much more research done on the topic of the effect of strong brands for corporate world, it is beneficial to use these findings as a basis to discuss the value that brands have for cities. Furthermore, discussing the impact of strong brands for corporations can bring better understanding to the analysis of city branding effects.

First of all, brand equity is essential to understand the effects that strong corporate brands have for the company. Brand equity is the differential effect that brand knowledge has on consumer response to marketing activity. Thus, consumers react better to marketing efforts when brand is identifiable and included in marketing activities. (Hoeffler & Keller, 2003) Brand equity raises the anticipated safety of purchase. It makes the customer more confident about the quality of the product, raises the anticipated satisfaction level of the customers, reduces the anticipated difficulty in regards to the purchase. These consequences will have an impact on customer's behaviour making the purchase more probable.

Branding and creation of brand equity add value to an organisation. Initially brand equity was perceived through customer's behaviour, then it also included relationships with multiple stakeholders. In financial respect brand is perceived as an asset that can add value to the company by creating earnings above the value achieved with tangible assets. (Motion et. al., 2001)

Broyles, Schumann and Leingpibul (2009) researched brand awareness, behavioural loyalty and customer attitudes towards brands. The study included qualitative interviews with 22 respondents, who named the brands they are familiar with and use at least periodically. The best performing brands were Coca-Cola and KFC. Further, interviews were held with employees of the above mentioned companies and then a survey was conducted. The study proved that either reliability or effectiveness or both of them occurred among strong brands, such as Coca-Cola and KFC. On top of that, the relationship between reliability and effectiveness was proved.

Consumer base their quality assumptions on brands alongside company name and price. Strong brands are well-known to consumers and posses favourable and strong associations. Miller (2007) investigated brand value and customers' attitudes and relationships. Value of the brand is crucial for the success of companies. The study researched the correlation between brand fit for the customer, brand significance, brand attitudes and brand value. The study concluded that brand fit greatly influences brand significance and brand attitudes. Brand significance influences brand affluence of brand fit on brand value. An empirical test on Nike and Asics brands also proved the above mentioned results.

A research conducted by Einwiller and Will (2002) included case study, desk research and interviews with communication specialists from 11 market leading, global companies. Authors concluded that there is a mutual understanding on increasing importance of corporate branding and that there are five basic reasons behind this trend. First of all, the future expectations have a positive effect on the stock price. The 'soft factors' tend to have more and more impact on business decisions. Secondly, companies in possession of strong corporate brands are not only more attractive from customer's perspective, they are also more attractive for talented employees. Company's reputation is vital in attracting well educated, highly qualified people. Thirdly, corporate values are becoming more important for selling consumer products, because people pay more attention to corporate brands when choosing product brands. The fourth reason for the rising importance of corporate brands is their beneficial effect on coordination in multinational companies. It reinforces the communication of common idea and reduces the complexity of this communication and makes it easier for the corporation to get across with its message. Finally, external audiences demand more transparency and a strong corporate brand enables clear transparent communication while maintaining more positive attitudes of media. Furthermore, a fast development of telecommunication technologies requires constant and continues messages and interaction with different stakeholder groups raises the need for branding. Company's possessing strong brands are able to better manage this interaction. A corporate brand strengthens the integration and organisation of all company's marketing and communication efforts. (Einwiller & Will, 2002)

Corporate branding is essential in building a company's reputation. Good reputation can have a significant impact on three basic value drivers: return, growth and risk. It can help to increase sales in the current markets, enable the company to expand into new markets; also it lowers a potential business risk and strengthens the trust of business partners. (Dowling, 2006)

Berens, van Riel and van Bruggen (2002) used interviews with business and private customers in order to determine whether corporate brands add value to the company. The study showed that different types of customer associations with the company have an impact on product evaluation. However, the research also proved that social responsibility associations have a smaller impact on consumers' perceptions of the product than the reliability associations have. Customers tend to value quality expectations most and strong brand promises quality.

Even during the economic crises companies with strong brands continue to grow in value. According to a study conducted by BrandZ in 2009 the top 100 brand companies noted a growth of 4%. The top brads outperform the stock market. Apparently consumers' loyalty to strong brands is to some extent resistant to economical conditions. Brand is an important factor for approximately 90% of customers and only 7% base their buying decisions on price alone. Additionally, the study showed that the strongest brands enable companies to recover faster form the effects of the economic crises. (Clark, 2010)

Summing up, companies often benefit from the possession of strong brands. Better perception of their business, products and corporate value lead to customer loyalty, an increase in sales and revenue, an ease in acquiring new business partners and attracting investors. Just like its corporate equivalent, city branding aims at influencing the behaviours and choices of similar target groups: customers, investors and partners. Given that strong corporate brands are vital in this process, it can be expected that strong brands are also valuable for cities.

# 3. Effects of branding for cities

The effectiveness of city branding can be evaluated in terms of the strength of the brand, like it was done by Saffron Brand Consultants and Simon Anholt. However, if a city authority is to invest its time and resources in the construction and maintenance of a high ranking brand it has to get a return on that investment. It is essential to know what the benefits of having a strong city brand are and what disadvantages and issues can a weak brand cause.

In the face of globalization, every city competes with many others to attract consumers, tourists, capital, respect, attention, investment and business. (Anholt, 2006).

'*Corporate brands are seen as the base for long-term success of firms and organisations'* (Ashworth, Kavaratzis, 2007). Since, as discussed before, city brands can be to some extent treated similarly to corporate brands, the long-term sustainability and development depend on the strength of a brand.

Branding tries to give a city a distinctive identity, so as to differentiate from other cities. A strong brand means being differentiated from the competitors for investment, business, visitors and residents. A strong brand first of all raises awareness of place's existence. Secondly, it makes a potential city customer perceive its qualities as better that those of its competitors. Finally, it allows to control the way city's products are being used. (Kavaratzis, Ashworth, 2004) Decisions people make about where to live, where to go on holiday, where to do business or where to invest are, of course, partially rational but partially emotional (Anholt, 2006). The idea of branding is to draw these emotions in ones favour. Effective branding brings attention, strong brand means respect and these two result in interest in the city, in the end bringing more people, more capital and more business that will drive the development of the city

*'Brand images influence and underpin countless decisions made every day. Some of these decisions have far going consequences'* (Anholt, 2006) London is a perfect example of a strong brand city with all the benefits of it. The city ranked first in Anholt's GMI - City Brands Index and second in the Saffron European City Brand barometer. The result of London's brand's high position is the continuous inflow of people and business. Everyone wants to open a company or set up an office in London, because everyone has heard about the city and most probably

associates it with finance, stock exchange, business and economical development. It can be said, that, in fact, London is being perceived as the economical centre of Europe.

On the other hand, a weak or bad perception of a city can have negative far reaching consequences for its future development. Cities associated negatively have a smaller chance of attracting inward investments. Furthermore, it can lead to a decrease in business activities, reduction of the number of visitors and, in the end, cause urban decline. Whereas an improved brand perception can reverse a downward trend and help in urban renewal (Trueman et al., 2004)

The main goal of city branding and its desired effects are increasing inflows of tourists, and investment. (Kavaratzis, 2004) If the image of urban vitality can be projected into the international market place, then the chances of attracting tourists and multinational companies to the city improve. Strong brands emphasize the attractiveness of cities for international companies, thus bringing in foreign investment and economic development. (Gibson, 2005) A strong brand means strong brand relationships, and, as a result, more interactions with outside networks of stakeholders (Hankinson, 2004) Moreover, city branding enables local knowledge and creativity to be used for a more efficient approach to public planning and urban development, and can be used as an essential tool in urban regeneration. Trueman et al. (2004) showed this with the case of Bradford, the image of which changed from old industrial city into one noted for its heritage and new ideas.

Image is inevitably related to identity and identity communication. Since most city marketing and city branding practices started with the application of methods previously successfully implemented in business environment, identity communication frameworks for cities can also be derived from those applied to companies and corporations beforehand. Thus, Trueman, Klemm and Giroud (2004) successfully applied Balmer's (2001) $AC^2ID$ corporate identity model to cities, namely the city of Bradford. Balmer (2001) distinguishes between five interrelated identities, where (A) stands for the actual identity, meaning the reality of the city and its actions, (C) stands for the communicated identity, ($C^2$) is the conceived identity meaning the perception of the city by its customers and potential customers. (I) is the ideal identity so the optimum that can be achieved for the particular city under particular circumstances at the given moment. Finally, there is (D), the desired identity, which is the identity which the local authorities would like to achieve. Gaps often appear between these identities, and if left unresolved, they may develop into the crisis of the organisation (Balmer, 2001), in the study conducted by Trueman et al. (2004) the crisis of the city.

City branding can also be treated as part of destination branding when tourism is concerned. Tourism is important for political and economic processes and social restructuring. It represents shift from industrial economy to service economy. *'It stimulates comparative market advantage, niche specialization and sector segmentation.'* (Derek Hall, 1999) Adding to that, it helps to expose domestic enterprises to international markets and foreign direct investment. It encourages interaction of host populations with outsiders. Place branding and destination branding are important attracting visitors, which can help the economic development of the city.

For the image of a city created through branding to bring positive and profitable associations, the primary process itself must be well understood. Successful branding greatly depends on defining a clear set of values to be represented by the brand and a management of the process in a coordinated way. The understanding of branding is also essential for is effectiveness. Branding, as mentioned in previous chapters is not just a logo and a tag line to accompany it. It has to be treated as continues process which is the core of all marketing efforts of the city. It needs a strong leadership, a brand-oriented culture, coordination, consistent communication and compatible partnerships (Ashworth and Kavaratzis, 2007). On top of that brands need to honest. The 'communicated identity' needs to match the 'actual identity'. Finally, all different groups of stakeholders must be addressed in the process of branding. (Trueman et. al, 2004)

As Anholt (2009) suggests *'branding is essentially seen as a process of reduction'*. On one hand it is vital to adopt and communicate a single distinctive value in order to differentiate the city from its competitors. On the other hand richness and complexity bring additional value to the image. Anholt (2009) claims that the simplicity of a sharp city image is essential while establishing presence in the mind of potential customers, so they would be familiar with the city. In this case a single differentiator can be indeed a helpful tool. However, once the presence is established the image ought to be broaden, in order to embrace the variety of different activities within the city and to enable potential customers to notice the single attribute of the city that matches their exact needs. Since different customer groups of a city can very much differ from one another the attributes they are seeking also differ greatly. Thus the need for a more complex and richer image. (Anholt, 2009) Nonetheless, branding should always be based on a clear set of values and beliefs and should have a very clear purpose for the strategy to be effective and in return beneficial for the city.

However, no branding strategy and marketing efforts will be successful in a long term if they are not accompanied by actual visual changes within the city. Marketing campaigns can help to 'sell' the city as a tourist destination or an investment location by improving the perceptions of people about the city. Branding should however also include policy change. Anholt (2008) claims that in order to enhance city's reputation three elements are necessary. First of all, a *Strategy* is needed, which basically means that the authorities have to know what is the current position of the city, what is the desirable position and how to manage to get to the desirable position. Secondly, there is '*Substance*', which is the execution of a strategy in the form of all different sorts of economic, political and cultural activities taking place in the city. Finally, '*Symbolic actions'* are required. The aim of these actions is to communicate the actual changes happening in the city. They should '*emanate from as many different sectors as possible'* while communicating what was defined as Substance and this communication should be continues. (Anholt, 2008) Most often, when the image of a city improves it is not just due to excessive marketing and advertising, it is the result of an actual change which was being communicated with these marketing tools. However, it is necessary to show these changes to the world and to communicate the city's advantages. (Anholt, 2006) Thus, branding is important but cannot achieve much alone. It has to be reinforced by positive visible evidence in the city, so that the regeneration will promote its strengths and unique attributes. (Trueman et al., 2004)

To sum up, the possession of a strong city brand can bring in visitors, investment, business, but also retain residents, attract new resident and attract '*creative class'*. These all in the and are the drivers necessary for economic and urban development. The image of a city is a powerful factor, influencing all of the above in a variety of ways, either to the advantage or detriment of the described city. Hence it is by all means advisable for any responsible authority to give proper consideration to branding not only as a tool of improvement, but also to maintaining current position and avoiding unnecessary downward shifts, which may have an overall negative effect. Adding to that, branding is not to be treated lightly due to its complexity and the variety of factors, that must be paid attention to for a brand to be strong.

# 4. Determining the strength of a city brand

Two researches have been done to evaluate the success of the city branding and to determine which cities rank highest in regards to the brand. Simon Anholt (2006) measured brands of 30 cities worldwide, whereas Jeremy Hildreth (2008) measured the strength of brands for 72 European cities. The two researches differ not only in cities covered, but also in methodology and the indicators chosen to determine the strength of their city brand.

**Anholt-GMI City Brands Index**

Anholt-GMI City Brands Index is based on a hexagon consisting of six components. The first component is *'the presence'* which author describes as *'city's international status and standing'*. The presence is about people's awareness of existence of a city and the knowledge about its contribution to the world, basically meaning how much people know about a particular city. Secondly, there is the factor called *'the place'*, which relates to the perceptions regarding physical aspects, such as the actual beauty of the city and its climate. The third indicator used by Anholt to evaluate city brands is *'the potential'*, which considers *'the economical and educational opportunities'* including possibilities of finding a job, doing business and getting higher education. The image of the city offering exciting urban lifestyle is measured by the fourth component of the hexagon, which is called *'the pulse'*. All these relate to both tourists and residents, measuring the attractiveness of the city as a place to visit and to live in. Anholt states, that *'the people make the city'*, and therefore he uses *'the people'* component where the friendliness of inhabitants, the possibility of finding a community where one can easily fit in and the feeling of safety play an important role. The final factor taken into consideration is *'the prerequisites'*. These consist of people's perceptions of living in a particular city, finding affordable accommodation and the quality of different public amenities in that city. (Anholt, 2006)

To conduct the research, Anholt (2006) chose 30 cities of different kinds, including those believed to have strong brands like New York, Tokyo or Paris, those which have recently started to play a role in the world, and some with rather negative reputations. He conducted an online survey among 17502 people of different age, gender, income and nationality. Unsurprisingly London, New York, Amsterdam, Los Angeles and Paris ranked highest in the Index.

His research led to a number of interesting observations regarding city brand images. First of all, Anholt's survey showed that the familiarity with the city does not necessarily have to mean a good image. Sydney and Barcelona are both claimed to have very positive images, even though the knowledge about them is not as strong as about London, Washington and New York. Secondly, in the case of American cities the lifestyle and physical appearance of them has been pushed onto people worldwide, thanks to American cinema and television, thus spreading the increasing the knowledge of those cities. This proves the undisputed impact of media on creating strong city brands. Another very valuable asset enhancing a city's brand is the presence of an iconic landmark, such as the Eiffel Tower in Paris. The city ranks so high in brand rankings, thanks to the worldwide recognition of this visual symbol. Moreover, the importance of major events like Olympic Games cannot go unnoticed. Sydney is actually claimed to have built its modern brand on the Olympic Games in year 2000, alongside with the famous landmark of Opera House. Its hosting of the event resulted in a quick rise of Sydney's city brand. However, Anholt concludes, that such phenomenon, like in the case of Sydney, occurs rather rarely and brand images *'rise and fall very slowly'*, causing detriment to cities in developing countries on the one hand, while maintaining the cities with strong positive brands resistant to any negative events, that could affect city's reputation. (Anholt, 2006)

**Saffron City Brand Barometer**

Saffron Brand Consultants (2008) also conducted a study on the strength of city brands. In this study they measured the strength of city assets and the strength of city brands in order to correlate both and check whether a strong asset strengthens the brand. They also looked at the utilisation of the brand by the city based on the calculation of brand strength as a percentage of asset strength.

The creation of Saffron's European City Brand Barometer (2008) was a process involving the application of various methods, including qualitative research and applied surveys. Other than that, it is stated, that professional experience and judgment also contributed to the final effect.

Despite the fact, that a brand of a city is very hard to define precisely, it stems from several characteristics of a municipality, which are possible to measure and interpret. The use of these factors in evaluating a brand might at times prove to be subjective, nevertheless they allow to reach a measurable outcome and serve their purpose.

The focus of the study were 72 European cities. Municipalities above 450000 inhabitants were all scrutinized, as well as 5 important British cities below that population threshold, namely Bristol, Cardiff, Leeds, Manchester and Newcastle.

The scores achieved by cities through the conducted measurements (on a scale from 0 to 100), in both the asset strength and city brand strength led to the creation of the European City Brand Barometer. The Barometer is a visual representation of how the described 72 European cities stand against one another, providing the following measurable results:

1. City brand strength, showing the score and ranking of each of the 72 cities
2. City asset strength, revealing the ranking and asset score of each city mentioned
3. Brand utilisation, being the quantitative representation of how cities utilise their brand potential, calculated using brand strength as the percentage of asset strength

The first thing taken into consideration are the city's assets. In some cases those available in a city without any doubts represent the strength of a brand, among other things they are famous architectural landmarks or robust cultural scene. For example Warsaw, without any world – famous architecture or festivals, bears a disadvantage, if compared to cities like Paris or London, both of which due to their rich cultural scene and renown monuments are natural leaders when it comes to city branding. There are also cities, whose assets located them somewhere between the leading group and the far end of the list, among others Glasgow or Dublin, which nevertheless managed to create a strong brand for themselves.

As far as asset strength is concerned, Saffron Consultants report first determines its purpose against brand strength evaluation. It can be done through the purpose it is to serve. City asset strength represents the strength of a city's brand as determinable through the characteristics that are either visible or can be measured. It also shows to what extent a municipality is meeting the demand for what is most sought after in a city, hence indicating brand potential.

The most desirable assets in a city were determined by Saffron through a YouGov poll and the results served as the benchmark, against which particular city performance was measured. Those assets include both the physical supply of amenities available to people, as well as the more elusive cultural factors and the very important evaluation of the municipality's economical prosperity and significance. The poll in question was conducted on a group of 2000 UK respondents, given 2 questions each, the first concerning the cultural factors and the second one amenities, each with a set of multiple choice answers. They were asked to pick out 3 of the answers to each question and arrange them according to their importance for the respondent. The results for the 'cultural' question 1, 'When considering a city break, which of the following things are most important to you?' were as follows:

1. sightseeing and historical attractions
2. cuisine and restaurants
3. friendly and helpful locals
4. good shopping

Question 2, with the amenities catalogue for 'If you were considering a city break, what kind of city might appeal to you the most' brought about the following results:

1. particularly low cost
2. good weather
3. ease of getting around on foot or by public transport

As mentioned before, the performance of the cities was represented on an X-Y grid, which depicts the relation between city brand strength and asset strength.

As far as asset strength is concerned, each of the 72 cities was ranked according to seven factors deemed crucial in establishing this value. Several authoritative sources were used to determine the position of each municipality, in every case deriving data from the same set in order for the ranking to remain consistent.

First of all, historical attraction and sights to see make up for 20% of the asset strength value. In this case experience and own research was used, as well as the so-called 'physical charm' of a place, common knowledge being the fact, that it is regarded attractive by itself

Secondly, the next 15% were restaurants and cuisine in general. Again, own research and experience was utilised, providing the highest scores to cities with an abundance of either good or at least very specific, native food, regardless of the prices. On the other hand the lowest – scoring cities had not much to offer in terms of place-specific cuisine, despite a possible large number of good restaurants.

Another factor was the ease of moving around the city either by public transport or on foot, making up for 15% of the asset strength. In this case it was also experience and research used, to establish whether a foreign visitor can see everything of interest to him, without having to use a car and guided in English. It turned out, that most European cities have quite compact centres, hence doing very well here.

To follow up, costliness made factor number 4, which is 10% of overall asset strength. Price indicators and own experience were used to assess the cities' costliness, as people suggested, that when going on a short break, cheap cities are highly valued

Another thing was good weather, which is 10% of the score. Based on meteorological data and own experience, Saffron established the extent to which weather was a pro or a con to a place, as in many cases due to temperature changes seasonality is a fact, which is never good.

The next factor and 10% of asset strength is shopping, in particular the variety of shops and products available and their quality, prices were not considered.

Finally, the remaining 20% of the score was economic prosperity, derived from GDP/capita and the importance of a city in the context it is in.

Current city brand strength is impossible to actually measure as a coherent thing, as it is an image millions of people have of a municipality. There is also nothing like an average opinion of a city, that can be determined with some, if any,  usefulness. It is just like certain specific products, for instance British Marmite, the yeast extract, for use in practically every way connected to eating. There are strong, polar opinions of it, love and hate kind, or there is no opinion at all, as most people have not tried it at all. Nevertheless, the sales of such a product can be a determinant of its popularity, hence the possibility of deducing the perception of a city.

Based on Saffron's branding experience, four evenly weighted factors were picked to be incorporated in the current city brand Barometer. They were:

1. people's ability to recognise a city from a postcard without referring to description
2. number and strength of positive characteristics, associated with a city both with and without a suggestion
3. conversational value (in social situations) of having visited a city
4. quantity of media coverage in a given period

Each of the criteria made up for 25% of the total score. A city's performance in the 4$^{th}$ category is obviously an absolutely objective fact, the first 3 categories were assessed by a panel of experts appointed by Saffron Brand Consultants, and the experts created a subjective result, but based on proper, unbiased evaluation.

Even though the above 4 criteria were used to measure city brand strength, the authors of City Brand Barometer believe, that what should be used is an altered and significantly enhanced set of criteria. Namely the following ten are considered by Saffron to provide an accurate image of a city's brand strength:

1. Attitude and pride of locals, meaning if the inhabitants of a municipality think they live in the greatest place on Earth (even if visitors disagree) is an asset, contrary to a general negative attitude of the city dwellers, which has a negative effect on what a visitor experiences.
2. Unmistakable characteristics of a particular city, that immediately make a visitor feel he is in a specific city. An example of these would be the London double-deckers or telephone booths, or the architectural heritage of Gaudi, that places a tourist beyond any doubt in Barcelona or the gondolas of Venice
3. Business climate, together with the policies and general development visions present, as well as governance. Well – ran places usually score better, as well those with large investments and simply offering friendly environment for companies to function.
4. Recognition and widespread common perception of a place create a momentum for a city to continue to grow in significance an attractiveness. A feasible representation of this characteristic are independent (non-mainstream) guides available, widely known events like Oktoberfest, or obvious souvenirs.

5. The Samuel Johnson Test – ‘Is it worth seeing? Is it worth going to see?’ The highest scoring cities do not only have sights worth sparing a look, but are also in themselves worth the effort of getting there to see those things.
6. Facilitated and comfortable access are an obvious factor. The best in this category are easy to reach with sought-after means of travel.
7. The ‘cocktail party factor’, meaning the social value of sharing stories from having visited cities. Clearly a conversation about Paris experiences would be valued higher than, for instance, Manchester.
8. The value and context of the city’s location. The advantage here lies with either economically powerful municipalities and capital cities, as well as those in proximity of other points of interest. Nevertheless, a secluded place might also be of value due to the isolation.
9. Exoticness and attractions is also to be considered, as the sole fact, that the city is ‘different’ in many different ways could be an advantage, as well as important attractions. Saffron proposes this to be quantified according to the number of restaurants, diners, business hours, etc.
10. ‘The Barcelona effect’ – considered the representation of the experience provided by a city. It is simply the extent, to which people actually express the desire to live in a city after having visited it.

As far as the results presented in the European City Brand Barometer are concerned, it could be concluded, that having considered the abovementioned factors, cities in most cases benefit the way they should, the way most people would conclude without going deep into the subject. It means, that the research results seem to prove the thesis, that the strength of a brand of a city is proportional to its asset strength, additionally supported by the linear, positively sloping curve on the Matrix.

It is, however, not the case with some of the cities included in the Barometer. Certain examples show, that it is a possibility for a city to possess assets of great strength, but at the same time not take advantage of their full potential to translate it into brand strength. Two capital cities, Lisbon of Portugal and Sofia of Bulgaria are examples of much undervalued municipalities, as the possibilities created by their assets are much greater than those utilised. For instance Lisbon occupies the same asset strength level as Berlin, but the result of such a capacity is merely 65% of Berlin’s brand strength. The situation of Sofia is very similar. Its assets having scored the same as Edinburgh, its brand was awarded 30 points, compared to 75 points score by the capital of Scotland. Wrocław, Poland, and the capital of Lithuania are also vivid examples of insufficient asset utilisation, as they appear to be operating at 50 % of their brand capacity.

A curious observation can be made looking at the European City Brand Barometer, namely the fact, that there appears to be only one city in Europe, that has been taking advantage of its capabilities, as far as branding is concerned, to the exact extent provided by its assets. This city is Vienna, which, having achieved a 100% brand utilisation score, is the sole municipality which gets precisely what it deserves. Other cities mentioned in the Barometer were awarded scores, which represent brand utilisation of below 80%, meaning their potential is much higher than the actual perception. What is to be concluded, those responsible need to increase their awareness and market their municipality better in order to put its brand potential to full use. Certain cities, especially the underrated Wrocław, Vilnius or Lisbon would benefit greatly from such an approach, as their asset strength is much higher than that utilised to created a brand, and can benefit greatly as far as their recognition is concerned. An active pursuit of that goal is believed to, in time, result in a perfect utilisation of a city's brand potential, or even, with proper devotion, go above the 100% threshold.

On the other hand, there are cities apparently exceeding the brand utilisation level allowed by the strength of their assets. In this category the undisputed leader is Berlin, with an astonishing 137% brand utilisation rate, taking advantage of absolutely everything it can, even if at a first glance it might seem slightly far-fetched. An example of this could be the 'Ampelmann', the characteristic human silhouette used originally on east Berlin traffic lights, which appears on numerous souvenirs, place-specific memorabilia and promotional materials, despite the fact, that many people have initially no idea where the symbol comes from. Following Berlin there are Stockholm (118%), Prague, Liverpool and Amsterdam (all at 115%). All of the above have managed for their brand to exceed the possibilities provided by their assets through through successfully selling the image, the story behind the city, as with a 100% utilisation rate the aura accompanying a city matches the urban experience itself. The 'overachievers' manage to market their image to be better than that said urban experience.

What is, however, characteristic of all the mentioned exceptionally promoted municipalities is significant asset strength (except for Liverpool), and hence an assumption comes to mind, that it is indeed very hard to sell an image without solid assets to support it. The statement relates to one of the key issues Saffron's analysis poses for the branding industry, which is the way to create a strong city brand with assets of a lower quality than other on the market. One of the solutions to that problem appears not to be broadcasting the brand, but increasing the basic attractiveness of a city, meaning investing in the assets themselves, to, in turn, improve the brand. The other side to the story is the fact, that places ranking lowest in the Barometer, as regards brand utilisation, have what can be called 'unaccounted for reality', meaning what they have to offer in terms of assets is not being fully utilised in the brand. Such cities are, for example, Wrocław, Sofia and Vilnius. They have significant potential, are often referred to as 'hidden gems', and tend to attract visitors and investments, but fail to sell their potential to the fullest. It appears, that they would benefit greatly from proper branding, as examples show it to be true. For instance Barcelona, one of the leaders of the ranking is a city which has its assets utilised to a great extent, as particular aspects are targeted and marketed, because the people responsible have an idea what the city is to be famous for. As a result, the capital of Catalunya is famous, not underrated and, as mentioned before, one of the top scorers in the brand utilisation ranking. A similar situation can be observed in case of Liverpool, where the leaders also have a coherent objective towards popularising their city in a particular, clearly defined direction. Liverpool has its image being sold as 'hip', quite successfully, and as a means of doing that (and an example of a targeted approach) it ran for the European Capital of Culture 2008, with a positive result. (Hildreth, 2008)

# 5. City brand strength, tourists and investment – empirical research

The focus of this research, and the research question for that matter, is to check, whether the possession of a strong city brand is projected onto actual measurable benefits for the city as it would appear from the literature on the topic. Initially, the analysis included a number of different indicators of city development, e.g. population growth, the number of air passengers using the nearest airport, the percentage of students as a proxy for creative class presence and other social and economic factors. However, due to the limited availability of data and for the purpose of more clear and focused research, the indicators were reduced to only the external customers coming into the city, which are tourists and investments. Tourists are being measured by the total annual overnight stays in registered accommodation, whereas investment is represented by the estimated total yearly amount of foreign direct investments (FDI). Saffron city brand strength is being used as a proxy for actual strength of city brands. However, since Saffron’s research has its limitations and the results in Saffron European City Brand Barometer differ slightly from the results Simon Anholt presented in his City GMI-Index, this research can also be considered limited to the same extent the assessment of the indicators was. Furthermore, all 3 indicators used in the research were measured and recorded in different time periods. However, the strength of city brand is long lasting and cannot be changed neither easily nor quickly, thus the year difference of different indicators should not affect the results of the analysis and the following conclusions. Further the analysis also includes multiple regressions to check whether each of indicators is being influenced by the others and also whether a city size has an effect on the results

The research includes 29 European cities. The table 1 presented below contains the list of the cities together with data on brand strength, tourist overnight stays, foreign direct investment and population.

**Table 1**

| City | Brand Strength | Tourist Overnight Stays | FDI | Population |
|---|---|---|---|---|
| Amsterdam | 96 | 7908412 | 1058900000 | 739104 |
| Berlin | 96 | 11179832 | 2843100000 | 3387828 |
| Munich | 87 | 7120303 | 1134380000 | 1249176 |
| Stockholm | 85 | 4204318 | 835500000 | 761721 |
| Prague | 83 | 8149150 | 1175320000 | 1170571 |
| Athens | 80 | 3982210 | 221210000 | 796442 |
| Madrid | 77 | 10862314 | 1664530000 | 3099834 |
| Vienna | 77 | 8472717 | 830230000 | 1598626 |
| Dublin | 74 | 6605774 | 1547180000 | 471841 |
| Copenhagen | 65 | 3511648 | 1177000000 | 501664 |
| Hamburg | 65 | 5377973 | 837200000 | 1734830 |
| Oslo | 60 | 2618475 | 268400000 | 521886 |
| Lisbon | 59 | 4977159 | 716270000 | 529485 |
| Budapest | 55 | 5267611 | 850130000 | 1695814 |
| Helsinki | 54 | 2518722 | 216400000 | 559716 |
| Belfast | 50 | 1081656 | 1054160000 | 267500 |
| Manchester | 50 | 3102700 | 841640000 | 437000 |
| Zaragoza | 49 | 1107563 | 244600000 | 638799 |
| Warsaw | 48 | 2877851 | 1048770000 | 1692854 |
| Birmingham | 44 | 1687080 | 1896150000 | 992400 |
| Bucharest | 44 | 926968 | 1350890000 | 1927448 |
| Kraków | 44 | 2120804 | 343150000 | 757430 |
| Rotterdam | 43 | 718707 | 391320000 | 598923 |
| Düsseldorf | 41 | 2290652 | 413634075 | 572663 |
| Bratislava | 36 | 951918 | 721500000 | 425155 |
| Gdansk | 35 | 826329 | 116740000 | 459072 |
| Gothenburg | 35 | 1971282 | 69200000 | 508714 |
| Wroclaw | 33 | 1081655 | 697520000 | 636268 |
| Poznan | 29 | 684933 | 481790000 | 570778 |

Source: *Saffron City Brand Barometer*, FDI Intelligence, Urban Audit, Eurostat

The undoubtedly strongest city brands in Europe such as London, Paris and Rome were omitted on purpose. The incomparable fame and also size of these cities would have influence on the analysis, making it less clear. They would appear as outliers in the statistical analysis while distorting the actual trend. The population of London is nearly 7,5 million and is more than twice as large as the population of the biggest cities included in the analysis. The number of yearly tourist overnight stays in Rome is over 21 million and so is also twice as big as the number of tourists per year in the leading cities which were included. Therefore, it is better to leave out these three leading European cities.

**The impact of city brand strength on tourism and investment**

The research hypothesis states that strong city brand makes city more attractive for external target groups.

$H_1$: Cities possessing stronger brands are more attractive for external target groups.

These groups can include potential residents, investors, tourists, students and companies. Based on the data availability the analysis includes only the inflow of tourists measured by annual tourist overnight stays in registered accommodation and inflow of investment measured by estimated amount of foreign direct investment in cities in 2009 (FDI). In order to research these inflows two separate sub hypotheses are introduced.

The first hypothesis states, that the stronger the city brand is, the more tourist annual overnight stays will be recorded.

$H_{1.1.}$: The increase of city brand strength will cause an increase in the number of annual tourist overnight stays in registered accommodation.

The second hypothesis states, that the stronger the city brand is, the larger amount of foreign direct investment (FDI) will be recorded.

$H_{1.2.}$: The increase of city brand strength will cause an increase in the amount of foreign direct investment in the city.

In order to check the validity of both abovementioned hypotheses, the Pearson correlation matrix is required. Then two linear regressions are being analysed. In the first one, tourist overnight stays are the dependant variable of city brand strength. The second also treats city brand strength as the independent variable which affects the dependant variable, that being FDI.

The primary assumption for using linear regression is the normal distribution of data in the samples. Using the Kolmogorov-Smirnov test of normality, it has been determined that the significance of the Kolmogorov-Smirnov statistic presented below is greater than 0,05, meaning that the test did not detect any serious deviations from the normal distributions for any of the 3 indicators. Thus, it can be assumed, that the distribution is normal and therefore linear regression

**Tests of Normality**

| | Kolmogorov-Smirnov[a] | | |
|---|---|---|---|
| | Statistic | Df | Sig. |
| BrandStrength | .147 | 29 | .113 |
| TouristStays | .158 | 29 | .063 |
| FDI2009 | .131 | 29 | .200 |

a. Lilliefors Significance Correction

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analysis can be considered a valid method of research for the given data. For further validation of this assumption, the Q-Q plots are included in the appendix A.

The Pearson correlation matrix of the three indicators used in the research is presented below:

**1: Correlations**

| | | BrandStrength | TouristStays | FDI2009 |
|---|---|---|---|---|
| Pearson Correlation | BrandStrength | 1.000 | .860 | .499 |
| | TouristStays | .860 | 1.000 | .610 |
| | FDI2009 | .499 | .610 | 1.000 |
| Sig. (1-tailed) | BrandStrength | . | .000 | .003 |
| | TouristStays | .000 | . | .000 |
| | FDI2009 | .003 | .000 | . |
| N | BrandStrength | 29 | 29 | 29 |
| | TouristStays | 29 | 29 | 29 |
| | FDI2009 | 29 | 29 | 29 |

Clearly there is a significant relationship between the number of tourist overnight stays and the strength of the city brand, where Pearson correlation coefficient $r = 0{,}86$ and the $p$ (1-tailed) < 0,05. FDI is also significantly correlated with brand strength, with $r = 0{,}499$ and significance of $p < 0{,}05$. Both relationships are positive. What is more, there is a strong correlation between tourist overnight stays and FDI.

**1.1. Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .860[a] | .739 | .730 | 1615448.033 | .739 | 76.592 | 1 | 27 | .000 |

a. Predictors: (Constant), BrandStrength

The first linear regression model determines the relationship between brand strength and tourist overnight stays. As presented in the model summary $R^2 = 0,739$, which means that the strength of a brand can account for 73,9% of the variation in number of tourist annual overnight stays. It can also be concluded from the model summary, that the model is significant for given relationship, since Sig. F Change < 0,05.

**1.1. ANOVA[b]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1.999E14 | 1 | 1.999E14 | 76.592 | .000[a] |
| | Residual | 7.046E13 | 27 | 2.610E12 | | |
| | Total | 2.703E14 | 28 | | | |

a. Predictors: (Constant), BrandStrength

b. Dependent Variable: TouristStays

The variance analysis shows that the *F* ratio equals 76,592, indicating the improvement of the model in prediction over using a mean variable. The degree of freedom for the regression also proves the improvement of the prediction. The significance value is less than 0,05 which indicates that the *F* ratio is significant.

**1.1. Coefficients[a]**

| Model | | Unstandardised Coefficients | | Standardised Coefficients | T | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | -3905690.156 | 945064.793 | | -4.133 | .000 | | |
| | BrandStrength | 134269.026 | 15342.117 | .860 | 8.752 | .000 | 1.000 | 1.000 |

a. Dependent Variable: TouristStays

The model of the first regression is presented below:

Number of annual tourist overnight stays = -3905690,156 + 134269,026 * strength of city brand

Both the significance of the *t* statistics for the constant and for the predictor which is brand strength are smaller than 0,05, thus indicating that both predictors have a significant impact on the model. The T statistic also indicates that brand strength ($t$ = 8,752) has a larger impact on the model than the constant has ($t$ = -4,133). The standardised coefficient $\beta$ = 0,860, indicating a strong positive relationship between the dependant and independent variables.

Given the Pearson correlation matrix, the model summary and the analysis of variance, first hypothesis $H_{1.1.}$ is accepted, thus indicating that the strength of city brand is positively correlated with the number of tourist overnight stays per year.

**1.2. Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .499[a] | .249 | .221 | 5.37517E8 | .249 | 8.930 | 1 | 27 | .006 |

a. Predictors: (Constant), BrandStrength

The second linear regression model determines the relationship between brand strength and the estimated amount of foreign direct investment in 2009. As presented in the model summary $R^2$ = 0,249, which means that the strength of a brand can account for 24,9% of the variation in the amount of FDI. It can also be concluded from the model summary, that the model is significant for given relationship, since Sig. F Change < 0,05.

**1.2. ANOVA[b]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 2.580E18 | 1 | 2.580E18 | 8.930 | .006[a] |
| | Residual | 7.801E18 | 27 | 2.889E17 | | |
| | Total | 1.038E19 | 28 | | | |

a. Predictors: (Constant), BrandStrength

b. Dependent Variable: FDI2009

The *F* ratio equals 8,93, indicating the improvement of the model in prediction over using a mean variable. The degree of freedom for the regression also proves the improvement of the prediction. The significance value is less than 0,05 which indicates that the *F* ratio is significant.

**1.2. Coefficients[a]**

| Model | | Unstandardised Coefficients | | Standardised Coefficients | T | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | -2.740E7 | 3.145E8 | | -.087 | .931 | | |
| | BrandStrength | 1.525E7 | 5104871.237 | .499 | 2.988 | .006 | 1.000 | 1.000 |

a. Dependent Variable: FDI2009

The model of the second regression is presented below:

Annual amount of FDI in 2009 = -2,740E7 + 1,525E7 * strength of city brand

The significance of the *t* statistic for the predictor, which is brand strength, is smaller than 0,05, thus indicating that this predictors has a significant impact on the model. However, the *t* statistic for the constant equals 0,931 and is greater than 0,05, thus indicating that this predictors' impact on the model is not significant enough. The standardised coefficient β = 0,499, indicating a positive relationship between the dependant and independent variables.

Given the Pearson correlation matrix, model summary and the analysis of variance, the second hypothesis $H_{1.2.}$ can be accepted, thus indicating that the strength of city brand is positively correlated with the amount of FDI in cities in 2009. However, the second model seems to have more limitations, the constant used in the model is not significant enough and the $R^2$ is not as high as in the case of the first model, thus a smaller percentage of change in amount of FDI can be explained by the change in brand strength of a city.

**The impact of city brand strength and tourism on investment**

Therefore, a third model is being introduced into the analysis, in order to determine, whether the amount of FDI can perhaps be better explained by both change of city brand strength and the number of tourist overnight stays, since the Pearson correlation matrix proved, that there is also a strong positive relationship between the tourists and the amount of investment. Thus a third hypothesis is being introduced.

$H_{1.3.}$: The amount of FDI in a city increases when the city brand strength increases and when the number of tourists overnight stay increases.

In order to check the third hypothesis a multiple regression model needs to be analyzed, where FDI is the dependant variable and the independent variables are city brand strength and tourist overnight stays.

**1.3. Model Summary**

| | | | | | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .612[a] | .374 | .326 | 4.99808E8 | .374 | 7.778 | 2 | 26 | .002 |

a. Predictors: (Constant), TouristStays, BrandStrength

The multiple regression model determines the relationship between foreign direct investment, brand strength and tourist overnight stays. As presented in the model summary $R^2 = 0,374$, which means that the strength of a brand and tourist overnight stays can account for 37,4% of the variation in amount of FDI. It can also be concluded from the model summary, that the model is significant for given relationship, since Sig. F Change < 0,05.

**1.3. ANOVA[b]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 3.886E18 | 2 | 1.943E18 | 7.778 | .002[a] |
| | Residual | 6.495E18 | 26 | 2.498E17 | | |
| | Total | 1.038E19 | 28 | | | |

a. Predictors: (Constant), TouristStays, BrandStrength

b. Dependent Variable: FDI2009

The *F* ratio equals 7,778, indicating the improvement of the model in the prediction over using a mean variable. The degree of freedom for the regression also proves the improvement of the prediction. The significance value is less than 0,05 which indicates that the *F* ratio is significant.

**1.3. Coefficients[a]**

| Model | | Unstandardised Coefficients | | Standardised Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 5.043E8 | 3.736E8 | | 1.350 | .189 | | |
| | BrandStrength | -3024818.326 | 9297714.097 | -.099 | -.325 | .748 | .261 | 3.837 |
| | TouristStays | 136.141 | 59.543 | .695 | 2.286 | .031 | .261 | 3.837 |

a. Dependent Variable: FDI2009

The model of the third regression is presented below:

Annual amount of FDI in 2009 = 5,043E8 -3024818,326 * strength of city brand + 136,141 * number of tourist overnight stays

The significance of the *t* statistic for the tourist overnight stays is smaller than 0,05, thus indicating that this predictors has a significant impact on the model. However, the *t* statistic for the constant equals 0,189 and is greater than 0,05, thus indicating that this predictors' impact on the model is not significant enough. Same applies to the brand strength which significance equals 0,748 and is greater than 0,05. The standardised coefficient β = 0,695, indicating a positive relationship between the dependant and tourist overnight stays. At the same time coefficient β = -0,099, indicating in this case an irrelevant however negative relationship between amount of FDI and city brand strength.

**1.3. Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | |
|---|---|---|---|---|---|---|
| | | | | (Constant) | BrandStrength | TouristStays |
| 1 | 1 | 2.772 | 1.000 | .01 | .00 | .01 |
| | 2 | .211 | 3.621 | .13 | .00 | .26 |
| | 3 | .017 | 12.832 | .86 | 1.00 | .73 |

a. Dependent Variable: FDI2009

In order to check the assumption of no multicollinearity the collinearity diagnostics table need to be analyzed. As it is presented above, in the third dimension the Eigenvalue of 0,017 is very small and simultaneously the variance proportions of all three predictors is very high, 0,86 for the constant, 0,73 for tourist overnight stays and 1,00 (100%) for city brand strength. If the previously analyzed Pearson correlation matrix is considered, it is clearly visible that all three indicators used in the analysis (city brand strength, amount of FDIs, number of tourist overnight stays) are correlated with one another. Thus, both the collinearity test and the Pearson correlation matrix prove the issue of the multicollinearity in the multiple regression model. Therefore, the analysis of the third model is inconclusive and the third sub hypothesis can neither be rejected nor accepted.

**The impact of city brand strength and investment on tourism**

Since both the tourist overnight stays and FDI were strongly correlated $r = 0,61$ with significance value of $p = 0,00$ it is also valuable to research an option where the tourist overnight stays are the dependant variable and the FDI is one of the independent variables alongside city brand strength. For this purpose a fourth hypothesis is being added into the analysis:

$H_{1.4.}$: The number of tourist overnight stays in a city increases when the city brand strength increases and when the amount of foreign direct investment increases.

The multiple regression model researching hypothesis $H_{1.4.}$ is presented below.

**1.4. Model Summary**

| | | | | | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .885[a] | .783 | .766 | 1502117.885 | .783 | 46.906 | 2 | 26 | .000 |

a. Predictors: (Constant), BrandStrength, FDI2009

The multiple regression model determines the relationship between tourist overnight stays, brand strength and foreign direct investment. As presented in the model summary $R^2 = 0,783$, which means that the strength of a brand and foreign direct investment can account for 78,3% of the variation in number of tourists. This result appears to be better than it was in the model explaining the change in FDI where $R^2 = 0,374$. It can also be concluded from the model summary, that the model is significant for given relationship, since Sig. F Change < 0,05.

**1.4. ANOVA[b]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 2.117E14 | 2 | 1.058E14 | 46.906 | .000[a] |
| | Residual | 5.867E13 | 26 | 2.256E12 | | |
| | Total | 2.703E14 | 28 | | | |

a. Predictors: (Constant), BrandStrength, FDI2009

b. Dependent Variable: TouristStays

The *F* ratio equals 46,906, indicating the improvement of the model in the prediction over using a mean variable. Again, this ratio is higher than in the case of third hypothesis $H_3$ analysis. The degree of freedom for the regression also proves the improvement of the prediction. The significance value is less than 0,05 which indicates that the *F* ratio is significant.

**1.4. Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | -3871994.494 | 878888.278 | | -4.406 | .000 | | |
| | FDI2009 | .001 | .001 | .241 | 2.286 | .031 | .751 | 1.331 |
| | BrandStrength | 115510.704 | 16456.649 | .740 | 7.019 | .000 | .751 | 1.331 |

a. Dependent Variable: TouristStays

The model of the third regression is presented below:

Annual tourist overnight stays = -3871994,494 + 0,001 * the amount of FDI + 115510,704 * strength of city brand

The significance of the *t* statistic for all three predictors is smaller than 0,05, thus indicating that these predictors have a significant impact on the model. The *t* statistic for the constant equals 0,00, for FDI equals 0,031 and for the city brand strength it is also 0,00. The standardised coefficient $\beta$ = 0,74, indicating a very strong positive relationship between the dependant and city brand strength. At the same time the FDI predictor has a coefficient $\beta$ of 0,241 indicating in this case an irrelevant and yet positive relationship between amount of FDI and number of tourist overnight stays per year. In the previous model, where FDI was the dependant variable the relationship between the two was also considered irrelevant, however negative. Thus, it can be assumed that the city brand strength has indeed a relevant impact on both foreign direct investment and tourist overnight stays, however in combination with the city brand strength the influence of FDI or tourist overnight stays on the other is being minimized.

**1.4. Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | |
|---|---|---|---|---|---|---|
| | | | | (Constant) | FDI2009 | BrandStrength |
| 1 | 1 | 2.761 | 1.000 | .01 | .03 | .01 |
| | 2 | .193 | 3.783 | .15 | .83 | .03 |
| | 3 | .046 | 7.739 | .84 | .14 | .97 |

a. Dependent Variable: TouristStays

In order to check the assumption of no multicollinearity the collinearity diagnostics table need to be analyzed. As it is presented above, in the third dimension the Eigenvalue of 0,046 is very small and simultaneously the variance proportions of two out of three predictors is very high, 0,84 for the constant, 0,97 for city brand strength. Additionally, in the second dimension the Eigenvalue is also small and equals 0,193 and the variance proportion for the third predictor, which is the FDI equals 0,83. If the previously analyzed Pearson correlation matrix is considered, it is clearly visible that all three indicators used in the analysis (city brand strength, amount of FDIs, number of tourist overnight stays) are correlated with one another. Thus, both the collinearity test and the Pearson correlation matrix prove the issue of the multicollinearity in the multiple regression model. Therefore, the analysis of the fourth model is inconclusive and the fourth sub hypothesis can neither be rejected nor accepted, as it was in the case of the third model.

### The influence of population

The analysed cities also differ in terms of their population. Since it is more probable that larger cities are better known and therefore attract more visitors the issue of size cannot me excluded from the analysis. Inclusion of population in the research can also help to overcome existing multicollinearity problems with multiple regression. Furthermore, the fourth model although inconclusive appears to have a better fit than the third model ($R^2$ of the fourth model equals 0,783 and is greater than $R^2$ of the fourth model which equals 0,374). The analysis of the variance also shows that when the *F* ratio of the fourth model equals 46,906, it is only 7,778 in the case of the third model. Therefore, the fourth model is used as the base for the following models incorporating city population into the analysis. In order to determine whether the city size has an impact on the number of tourists a fifth regression model is introduced into the analysis, where tourist overnight stays is the dependant variable and the independent variables include city brand strength, FDI and population of the cities. The fifth sub hypothesis states that the number of tourists increases when the city brand strength increases, the amount of foreign direct investment increases and the population increases.

$H_{1.5.}$: The number of tourist overnight stays per year increases when city brand strength increases and when the annual amount of foreign direct investment increases

In order to verify the validity of the fifth hypothesis a second Pearson correlation matrix needs to be analysed.

**2 Correlations**

| | | TouristStays | FDI2009 | BrandStrength | Population |
|---|---|---|---|---|---|
| Pearson Correlation | TouristStays | 1.000 | .610 | .860 | .679 |
| | FDI2009 | .610 | 1.000 | .499 | .678 |
| | BrandStrength | .860 | .499 | 1.000 | .445 |
| | Population | .679 | .678 | .445 | 1.000 |
| Sig. (1-tailed) | TouristStays | . | .000 | .000 | .000 |
| | FDI2009 | .000 | . | .003 | .000 |
| | BrandStrength | .000 | .003 | . | .008 |
| | Population | .000 | .000 | .008 | . |
| N | TouristStays | 29 | 29 | 29 | 29 |
| | FDI2009 | 29 | 29 | 29 | 29 |
| | BrandStrength | 29 | 29 | 29 | 29 |
| | Population | 29 | 29 | 29 | 29 |

The new Pearson Correlation Matrix clearly shows that there is a strong significant relationship between the number of tourist overnight stays and the strength of the city brand, where Pearson correlation coefficient $r$ = 0,86 and the $p$ (1-tailed) < 0,05. This is the strongest relationship that can be observed in the matrix. FDI is also significantly correlated with brand strength, with $r$ = 0,499 and significance of $p$ < 0,05 and is even more strongly correlated with tourist overnight stays, where the Pearson coefficient of 0,61 and significance smaller than 0,05. However the correlation between tourist overnight stays and population also appears to be very strong ($r$ =0, 679; $p$ = 0,00), at the same time it is even stronger than the relationship of the number of tourists to the amount of foreign direct investment. This shows that not only the brand strength and the FDI can have an impact on the number of visitors but also the size of a city is a relevant factor. Additionally there is a slightly weaker relationship between city brand strength and the population. Since the causality issue is not researched here, it is hard to determine whether the population is being influenced by city brand strength or the other way around, the city size reinforces the brand strength.

**1.5. Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .922[a] | .849 | .831 | 1277125.250 | .849 | 46.915 | 3 | 25 | .000 |

a. Predictors: (Constant), Population, BrandStrength, FDI2009

As presented in the model summary $R^2$ = 0,849, which means that the strength of a brand, foreign direct investment and the population can account for 84,9% of the variation in number of tourists. The result is higher than in the fourth regression model, where population was not one of the independent variables. Thus, it seems beneficial to use city size as one of the indicators in the regression. It can also be concluded from the model summary, that the model is significant for given relationship, since Sig. F Change < 0,05.

**1.5. ANOVA[b]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 2.296E14 | 3 | 7.652E13 | 46.915 | .000[a] |
| | Residual | 4.078E13 | 25 | 1.631E12 | | |
| | Total | 2.703E14 | 28 | | | |

a. Predictors: (Constant), Population, BrandStrength, FDI2009

b. Dependent Variable: TouristStays

The *F* ratio equals 46,915, indicating a high improvement of the model in the prediction over using a mean variable. The degree of freedom for the regression also proves the improvement of the prediction. The significance value is less than 0,05 which indicates that the *F* ratio is significant.

**1.5. Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | -3897469.736 | 747284.814 | | -5.216 | .000 | | |
| | FDI2009 | .000 | .001 | .025 | .228 | .821 | .492 | 2.034 |
| | BrandStrength | 107591.213 | 14194.591 | .689 | 7.580 | .000 | .730 | 1.370 |
| | Population | 1.424 | .430 | .355 | 3.312 | .003 | .525 | 1.907 |

a. Dependent Variable: TouristStays

The model of the fifth regression is presented below:

Tourist overnight stays per year = -3897469,736 + 107591,213 * city brand strength + 1,43 * city population

The FDI predictor was omitted from the model because coefficient B equals 0,00 and the significance of the *t* statistic for FDI equals 0,821, which is much greater than 0,05, thus, indicating that foreign direct investment has no significant impact on the model. It can be concluded, that tourist overnight stays are only influenced by the change of city brand strength and the size of the city.

The significance of the *t* statistic for the population is smaller than 0,05, thus indicating that this predictors has a significant impact on the model. Same applies to the constant for which significance equals 0,00 and is smaller than 0,05 and city brand strength which has a significance of 0,00. The standardised coefficient β = 0,689 for city brand strength, indicating a very strong positive relationship with the dependant. At the same time coefficients β = 0,355 and β = 0,025, indicating in this case less relevant relationships between number of tourists and respectively population stays and FDI. The model analysis clearly proves that in combination with population and FDI, it is city brand strength which has the largest impact on the number of tourist overnight stays.

**1.5. Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | | |
|---|---|---|---|---|---|---|---|
| | | | | (Constant) | FDI2009 | BrandStrength | Population |
| 1 | 1 | 3.586 | 1.000 | .01 | .01 | .01 | .01 |
| | 2 | .259 | 3.719 | .14 | .10 | .04 | .24 |
| | 3 | .109 | 5.729 | .01 | .82 | .00 | .74 |
| | 4 | .046 | 8.834 | .84 | .06 | .95 | .01 |

a. Dependent Variable: TouristStays

In order to check the assumption of no multicollinearity the collinearity diagnostics table needs to be analyzed. As it is presented above, in the fourth dimension the Eigenvalue of 0,046 is very small and simultaneously the variance proportions of two out of four predictors is quite high, 0,84 for the constant, 0,95 for city brand strength. The remaining two predictors show high variance proportions in the third dimension, where the Eigenvalue equals 0,109 and the proportion values are 0,82 for FDI and 0,74 for population. If the previously analyzed Pearson correlation matrix is considered, it is clearly visible that all four indicators used in the analysis (city brand strength, amount of FDIs, number of tourist overnight stays, population) are correlated with one another. Thus, both the collinearity test and the Pearson correlation matrix prove the issue of the multicollinearity in the multiple regression model. Therefore, the analysis of the fifth model is inconclusive and the fifth hypothesis can neither be rejected nor accepted.

The above presented model included population as one of the independent variables. However, given the limited number of observations (N=29) the regression should have less variables. Therefore, the sixth model incorporates the population by making tourist stays and foreign direct investment data relative. Thus, the number of indicators will be smaller. The sixth hypothesis states that the annual number of tourist overnight stays per resident increases when the amount of foreign direct investment per resident and the city brand strength increase.

$H_{1.6.}$: The annual number of tourist overnight stays increases when city brand strength increases and when the amount of foreign direct investment per resident increases.

In order to research the validity of the sixth hypothesis, the sixth model needs to be analyzed. The third Pearson correlation matrix is presented below.

**3 Correlations**

| | | TouristStaysPerResident | FDI2009PerResident | BrandStrength |
|---|---|---|---|---|
| Pearson Correlation | TouristStaysPerResident | 1.000 | .471 | .580 |
| | FDI2009PerResident | .471 | 1.000 | .065 |
| | BrandStrength | .580 | .065 | 1.000 |
| Sig. (1-tailed) | TouristStaysPerResident | . | .005 | .000 |
| | FDI2009PerResident | .005 | . | .368 |
| | BrandStrength | .000 | .368 | . |
| N | TouristStaysPerResident | 29 | 29 | 29 |
| | FDI2009PerResident | 29 | 29 | 29 |
| | BrandStrength | 29 | 29 | 29 |

The Pearson Correlation Matrix clearly shows that there is a strong significant relationship between tourist overnight stays per resident and city brand strength, where Pearson correlation coefficient $r$ = 0,58 and the $p$ (1-tailed) < 0,05. A bit weaker correlation can be observed between tourist overnight stays per resident and foreign direct investment per resident with $r$ = 0,471 and the $p$ (1-tailed) < 0,05. Interestingly, there appears to be no relevant correlation between city brand strength and the amount of foreign direct investment per resident ($r$ = 0,065; $p$ = 0,368). This proves that the relationship between city brand strength and number of tourists per resident is apparent, but the relationship of city brand strength and FDI per resident is not. Since the causality issue is not researched here, it is hard to determine whether the number of tourists per resident is being influenced by city brand strength or the other way around, the city brand strength reinforces the number of tourists per resident.

**1.6. Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .725[a] | .525 | .488 | 2.20755 | .525 | 14.365 | 2 | 26 | .000 |

a. Predictors: (Constant), BrandStrength, FDI2009PerResident

As presented in the model summary $R^2$ = 0,525, which means that the strength of a brand and foreign direct investment per resident can account for 52,5% of the variation in number of tourists per resident. The result is smaller than in the fifth regression model, where population was one of the independent variables and not incorporated into the two indicators. It can also be concluded from the model summary, that the model is significant for given relationship, since Sig. F Change < 0,05.

**1.6. ANOVA[b]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 140.007 | 2 | 70.004 | 14.365 | .000[a] |
| | Residual | 126.706 | 26 | 4.873 | | |
| | Total | 266.713 | 28 | | | |

a. Predictors: (Constant), BrandStrength, FDI2009PerResident

b. Dependent Variable: TouristStaysPerResident

The *F* ratio equals 14,365, indicating an improvement of the model in the prediction over using a mean variable. The degree of freedom for the regression also proves the improvement of the prediction. The significance value is less than 0,05 which indicates that the *F* ratio is significant.

**1.6. Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. | Tolerance | VIF |
| 1 | (Constant) | -2.182 | 1.356 | | -1.609 | .120 | | |
| | FDI2009PerResident | .001 | .000 | .435 | 3.214 | .003 | .996 | 1.004 |
| | BrandStrength | .086 | .021 | .551 | 4.071 | .000 | .996 | 1.004 |

a. Dependent Variable: TouristStaysPerResident

The model of the sixth regression is presented below:

Tourist overnight stays per resident = -2,182 + 0,001 * amount of FDI per resident + 0,086 * city brand strength

The significance of the *t* statistic for the city brand strength equals 0,00, thus indicating that this predictors has a significant impact on the model. Also the significance of the *t* statistic for the foreign direct investment per resident is smaller than 0,05, which makes the FDI per resident also a significant predictor in the model. The constant on the other hand has a significance value of 0,12, proving that it is not significant for the model. The standardised coefficient β = 0,551 for city brand strength, indicating a very strong positive relationship with the dependant. At the same time coefficient β = 0,435 for the amount of foreign direct investment per resident, indicating in this case relevant but not as strong relationship between number of tourists per resident and FDI per resident. Therefore, it can be assumed that the number of tourists per resident can be well explained by the changes in city brand strength and incoming investments per resident.

**1.6. Collinearity Diagnostics**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | |
|---|---|---|---|---|---|---|
| | | | | (Constant) | FDI2009PerResident | BrandStrength |
| 1 | 1 | 2.644 | 1.000 | .01 | .05 | .01 |
| | 2 | .306 | 2.940 | .03 | .93 | .06 |
| | 3 | .051 | 7.221 | .95 | .02 | .93 |

a. Dependent Variable: TouristStaysPerResident

In order to check the assumption of no multicollinearity the collinearity diagnostics table needs to be analyzed. As it is presented above, in the third dimension the Eigenvalue of 0,051 is very small and simultaneously the variance proportions of two out of three predictors is quite high, 0,95 for the constant, 0,93 for city brand strength. The remaining predictor shows high variance proportions in the second dimension, where the Eigenvalue equals 0,306 and the proportion values are 0,93. VIF values in the coefficients matrix presented above remain much smaller than 10 and average VIF equals 1,004, which would indicate that there is no problem with multicollinearity, the tolerance values are greater than 0,1 and the previously analyzed Pearson correlation matrix showes no relevant correlation between FDI per resident and city brand strength. Thus, it can be assumed that there is no problem of multicollinearity and that the sixth hypothesis can be accepted.

Therefore, the number of tourists per resident increases when city brand strength increase and when the amount of foreign direct investment per resident increases, although the impact of brand strength is larger than the impact that FDI per resident has on the number of tourist overnight stays per resident. Once again, the issue of causality was not included in the analysis, so it can only be stated that there is a correlation between the dependant and independent variables, but it is not certain whether it is the city brand strength and the FDI per resident affecting the number of tourists or if the number of tourists are influencing city brand strength and incoming investment.

## Conclusions

To sum up, three out of six sub hypothesises were accepted, whereas the other three regression models were inconclusive. However, none of the hypothesises was rejected. Furthermore, the analysis of the first Pearson correlation matrix proved that there are strong positive relationships between the three initial indicators. The further analysis of two single regression models showed that the city brand strength greatly influences the number of tourist overnight stays per year and that it also has an influence however smaller on the amount of foreign direct investment coming to the city. Thus, it can be assumed that a strong city brand will influence the increase of the number of tourists coming into the city and the amount of foreign investment. The hypothesises $H_{1.1.}$ and $H_{1.2.}$ were accepted and therefore, the main hypothesis can also be considered as accepted. A relationship between city brand strength and city attractiveness for external target groups can be observed.

Further analysis of multiple regressions for hypothesises $H_{1.3.}$ and $H_{1.4.}$ proved to be inconclusive due to the multicollinearity issue. However a strong relationship between city brand strength and the number of tourist overnight stays could still be observed as well as a slightly weaker relationship between city brand strength and the amount of FDI. Also the correlation remained between the tourist overnight stays and the inflow of investment.

Introduction of population as one of the indicators in the analysis has proven to be beneficial for the research. Although, the fifth model was once again inconclusive due to the multicollinearity problems, the second Pearson correlation matrix showed that population is in fact strongly correlated with both tourist overnight stays and foreign direct investment. However, the analysis of the coefficients of the fifth model showed that in this combination city brand strength has the greatest impact on number of visitors and is far more influential than city size is.

Finally, the sixth model based on relative indicators allowed hypothesis $H_{1.6.}$ to be accepted, thus indicating that the number of tourist overnight stays per resident is influenced by the city brand strength and the amount of foreign direct investment per resident, even though the impact of brand strength is much greater than the impact of FDI per resident.

Taking all of the above under consideration it can be assumed that strong city brands have influence on city’s attractiveness for external audiences, especially on the number of visitors.

## Conclusions and recommendations

The research hypothesis stated that cities with stronger brands are more attractive for external audiences. The validity of this hypothesis was verified by the review of literature on the topic and an empirical research. The literature review focused on four main topics: the definition of city branding, the importance of strong brands, the measurement of city brand strength and the effects of branding for cities.

Place branding is a phenomenon much like corporate branding, meaning it aims at promoting the supra entity, a sum of all of its parts, in this case the city, rather than its particular aspects like regional products, etc. What is more, the singular characteristics are used to promote the city, which of course they can later benefit from themselves. City branding is a more specific type of place branding, with the scope narrowed down area-wise from regions or countries to single cities. The aim, like with branding in general, is to differentiate a particular city from the others, making it attractive and creating a positive common image of it. As far, as the definition of place branding is concerned, it is the creation and managing, meaning either maintaining or improving, of the city's image and its perception by potential customers, visitors and inhabitants, with the goal of influencing people's spatial behaviour in a way most profitable for the city, its sustainability and development, with the focus on the city as a whole.

City brands are in many ways similar to corporate brands. First of all, in both cases it is the sum of all parts and not the parts themselves that is marketed. Hence, due to their nature, they are very complex and audiences targeted are much broader than in case of a single product, as well as the aspects being marketed include many more factors. Due to those similarities it must be concluded, that the extensive research and experience of corporate branding can both help understand the value of a brand for cities, as well as the effects of city branding. Corporate brands have significant value for their owners, as it has been concluded in a variety of studies, that consumers attach more and more importance to the brand itself when it comes to making a purchase, rather than the price. The reliability factor implied in case of a strong brand appears to be the deciding argument for most prospective clients. Adding to that, a strong brand influencing future expectations positively affects stock prices, attracts highly qualified personnel and facilitates internal and external communications, with the positive image being already in place and thus simplifying the information that needs to be transmitted. What is more, due to all of the above, well-branded companies prove to be crisis-resistant. All in all, cities, just like companies, can benefit from a strong brand because their image leads to customer loyalty, an increase in revenue and an ease in obtaining new business partners, investors and customers.

As regards the measurement of brand strength, two studies that have been presented, including Simon Anholt's research and Jeremy Hildreth's evaluation for Saffron Consultants. Anholt chose 30 cities from all over the world, including the obviously strong ones like Paris, some recently emerging ones and a few negatively reputed cities. Six components were used in the Anholt-GMI index to evaluate brand strength: *the presence*, meaning how much people know about a city, *the place*, which is the perception of physical aspects like beauty and climate, *the potential*, being the availability of jobs, business and higher education, *the pulse* – a measure of 'exciting urban lifestyle', *the people*, that is local friendliness, ease to find a fitting community with a sense of security, and, last but not least, *the prerequisites* of living in a particular city, that is the perception of people on finding accommodation and various amenities. Saffron's Jeremy Hildreth evaluated 72 European cities in his research, using a different set of factors than Anholt. He took into consideration the historical attractions and sights, restaurants and cuisine available, taking into account the quantity, quality and specificity. The other factors were the ease of moving around either on foot or by public transport, the costliness of a city, good weather, meaning whether it is seasonal or not, shopping and economic prosperity. Both studies depict city brand strength, even though they differ significantly on both the choice of cities and factors used to evaluate the image.

A strong brand can bring several benefits to a city. It raises the global awareness of the existence of a city, followed by the recognition of its qualities by prospective and current visitors, investors, business partners and residents. To follow up, all those groups not only acknowledge the fact of existence of a city and its qualities, but also perceive it as simply better than the others. This, in turn, influences the spatial behaviour of people, who then pick the well-branded city when deciding on a holiday, investment or business destination. Adding to that, a certain kind of resident or employee is attracted, namely the so-called *creative class*. The increasing provision of such educated, innovative and driven people, along with the inflow of investments, tourists and businesses can only result in cultural and economical prosperity and an increased revenue, which both the city and its inhabitants benefit from.

Based on the literature review an empirical research was conducted, showing that there is a correlation between the city brand strength and the number of tourist overnight stays. Hence, it turns out, that cities with stronger brands are more attractive as tourist destinations and are most probably also better known, and therefore appeal to a wider crowd of potential visitors and investors. However, the issue of causality was not researched here, so this relationship can be considered mutual, meaning that strong brands bring in more tourists, but also places visited by more people have stronger brands due to a wider tertiary communication, resulting from the fact, that more people visited the city. In respect to the foreign direct investments realized in the city, the research also showed a correlation between the amount invested in the city and the strength of the brand. This relationship, however, seems to be slightly weaker than the correlation between brand strength and tourism. On the other hand, a slightly stronger correlation can exist between the tourist overnight stays and the amount of FDI. But once again, causality was not determined here, therefore it is not stated beyond reasonable doubt, that it is the city brand strength that brings in more investments. It could also seem, that the number of visitors have an impact on the perception of a city as an investment location. However, the analysis proved, that these relationships do exist in the presented sample, so it can be assumed that branding can be considered beneficial for the city in terms of bringing in new investors and visitors. Further analysis included the city size effect and proved, that the size of the city does, in fact, have an impact on tourism and investment, but at the same time is not as strongly correlated with the city brand strength. Moreover, the two regression models which included the population showed, that the number of visitors is being influenced more by the strength of city's brand, than it is by the size of the city. Thus, cities with stronger brands attract more tourists than cities with larger population. In the end, the main hypothesis of the thesis has prove to be correct. Cities possessing stronger brands are more attractive for external audiences.

The research covered only 29 cities out of the 72 included in the Saffron Brand Consultants ranking, due to limited data availability. The period of the creation of Saffron City Brand Barometer and the periods of the two other indicators were not the same. Other than that, the city brand strength was adopted form the Saffron ranking, which also can be seen as subjective. City brand strength is hard to measure precisely, and the results between the studies conducted by Saffron Consultants and Simon Anholt differ. On top of that, Saffron research was based on a panel of experts and respondents who were only United Kingdom residents. Moreover, they only used four criteria when determining the strength of a city brand. However, at the time there are no better proxies for city brand strength. Additionally, the analysed external target groups could also be influenced by other factors, which were not included in the research. Finally, the empirical research focused only on external audiences, while internal customers are also very important for branding and the evaluation of its effectiveness and effects. Thus, it can be beneficial to evaluate the relationship that brand strength has with the internal target groups.

A further research of the topic should first of all include a larger sample of cities. Secondly other indicators can be used to determine the effectiveness of city branding and its effects on urban development. Additionally, more in-depth analysis and more accurate measurement of city brand strength could prove to be beneficial for further research of the problem. The creators of Saffron City Brand Barometer believe that to fully and properly asses city brand strength a significantly enhanced set of criteria should be used, as compared with the one they utilised. Perhaps a larger number of respondents should be included in the poll and their nationality should be diverse, it should not be limited to a single country. However, the realisation of the research on a bigger scale could be problematic due to a limited availability of data and information an a city level.

Bearing all of the above in mind the final conclusion is that cities, as well as countries and regions need to market and differentiate themselves in order to be competitive in today’s world. City branding is the most holistic approach to achieving this competitiveness and if applied effectively it can lead to raise in the number of incoming costumers and the number of investments realized within the city. Thus, branding can impact the sustainability and economic growth of the city.

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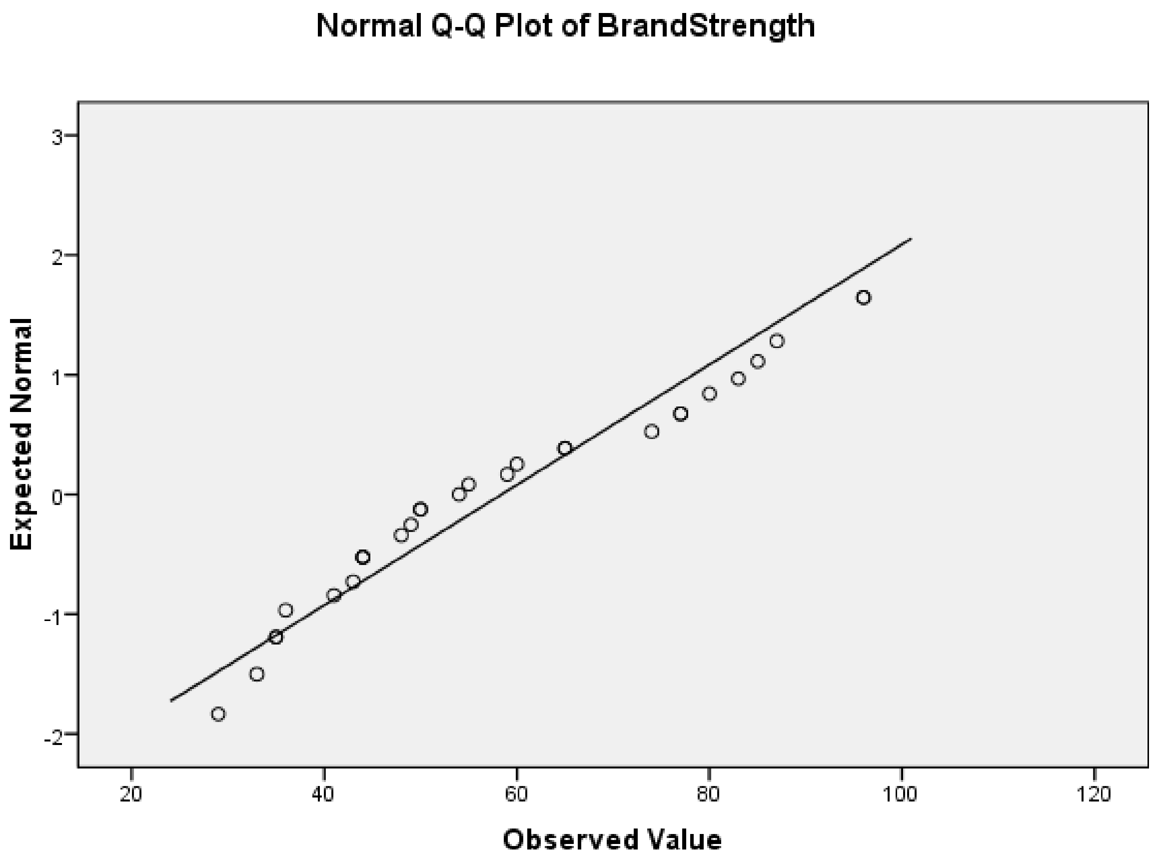
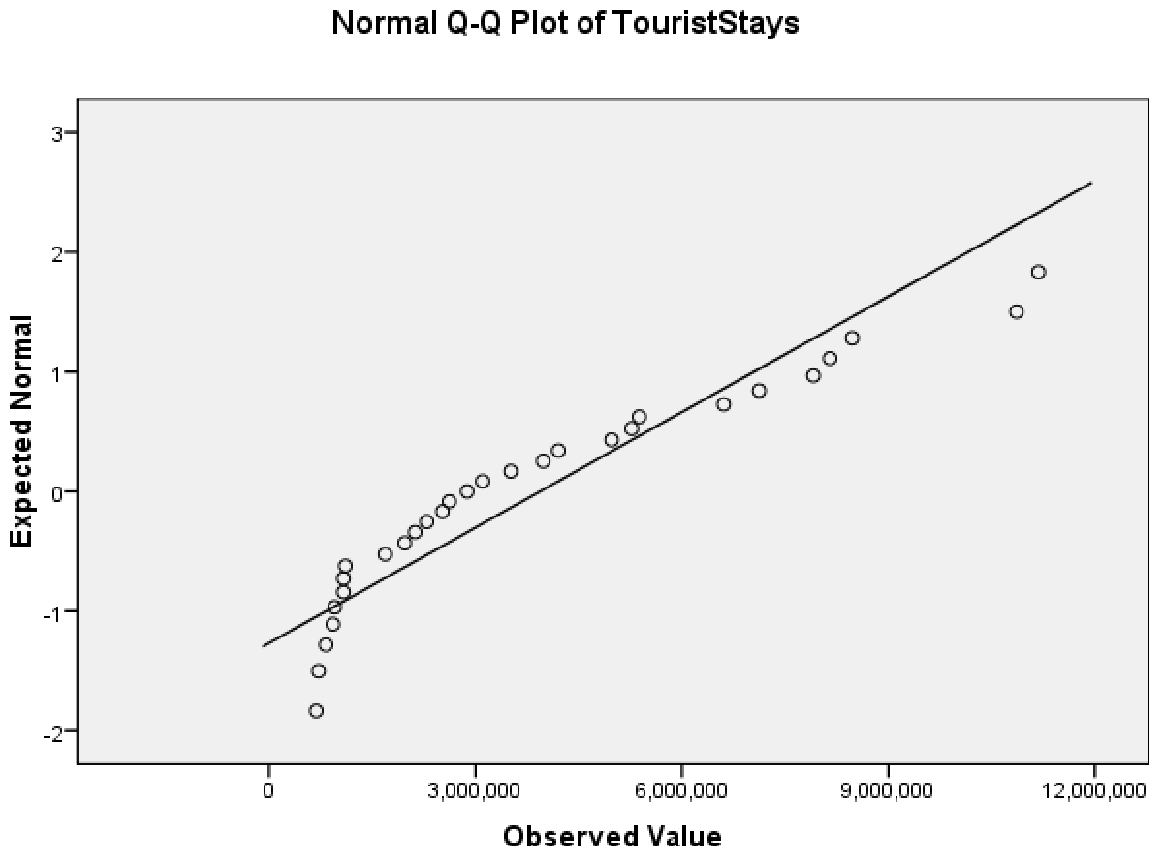
## Data sources

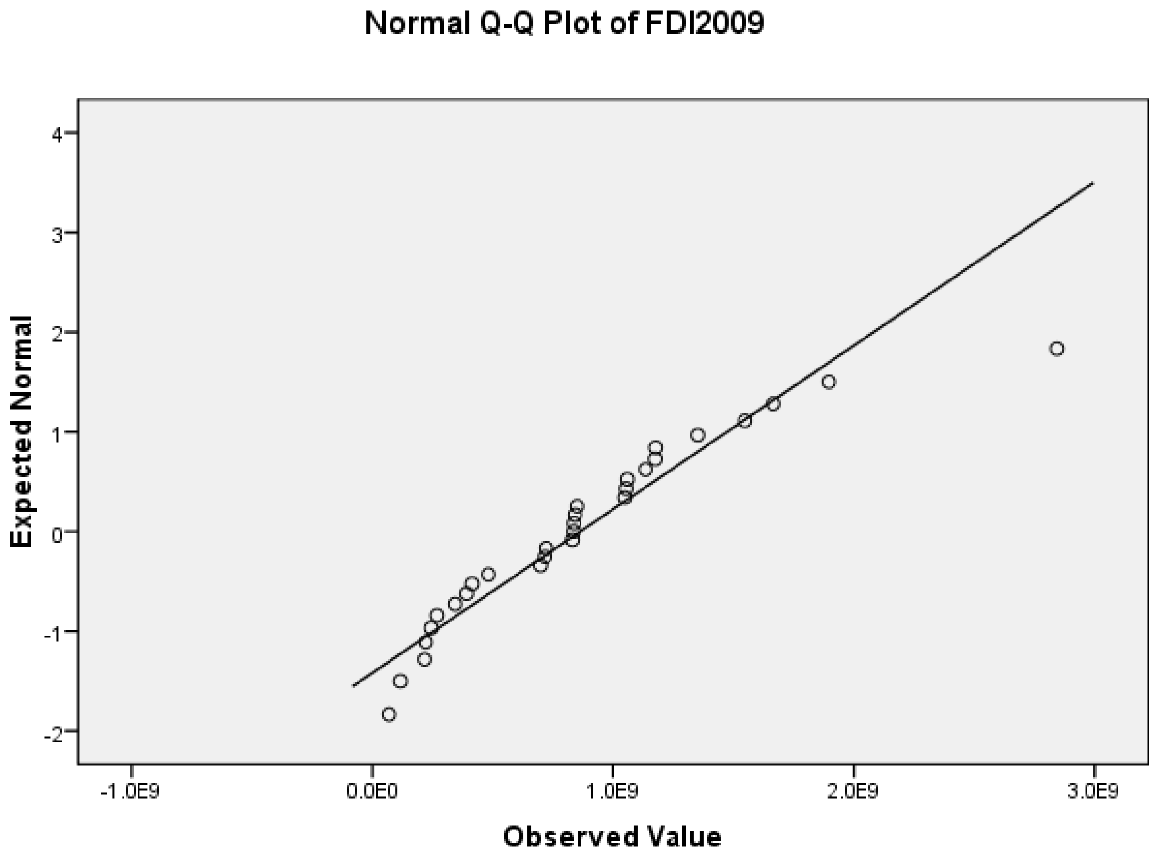
- FDI Intelligence
- Urban Audit
- Saffron City Brand Barometer
- Eurostat

# Appendix

**Q-Q Plots for city brand strength, tourist annual overnight stays in registered accommodation and amount of foreign direct investment in 2009**




Normal Q-Q Plot of TouristStays
Expected Normal
3
2
1
0
-1
-2
0
3,000,000
6,000,000
9,000,000
12,000,000
Observed Value



Normal Q-Q Plot of FDI2009
Expected Normal
4
3
2
1
0
-1
-2
-1.0E9
0.0E0
1.0E9
2.0E9
3.0E9
Observed Value