

## THE IMPACT OF FOREIGN DIRECT INVESTMENTS ON THE IMAGE OF A CITY: THE EXAMPLE OF FIAT COMPANY AND THE CITY OF KRAGUJEVAC

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### Abstract

In the contemporary circumstances of accelerated globalization, every country, region and city have to compete for their part in the total number of the world's consumers, tourists, businesses, investment and experts. Creating a brand and building a favorable image of the specific city can be of great importance in the process of the realization of its economic, political and developmental objectives, differentiation with regard to competitive cities, as well as in the process of gaining a global competitive advantage. This paper examines the impact of foreign direct investment and the image of the company on the improvement of the image of the city in which the investments are realized. The results of the empirical research, which refers to the investment of the international company Fiat in the City of Kragujevac, indicate that investments, the company's image and its business have a positive influence on the image of the city, primarily through its impact on the economic and infrastructural aspects.

**Key words:** city brand, city image, company image, FIAT, foreign direct investment.

## УТИЦАЈ СТРАНИХ ДИРЕКТНИХ ИНВЕСТИЦИЈА НА ИМИЦ ГРАДА: ПРИМЕР КОМПАНИЈЕ „ФИЈАТ” И ГРАДА КРАГУЈЕВЦА

### Сажетак

У савременим условима убрзане глобализације, свака земља, регион и град морају се такмичити за удео у укупном броју светских потрошача, туриста, послова, инвестиција и стручњака. Стварање брэнда и изградња повољног имица одређеног града могу бити од изузетног значаја у процесу остваривања његових економских, политичких и развојних циљева, диференцирања у односу на конкурентске градове, као и стицања глобалне конкурентске предности. У раду се истражује утицај страних директних инвестиција и имица компанија на побољшање имица града у коме се инвестиције реализују. Резултати емпиријског истраживања које се односи на инвестицију међународне компаније „Фијат” у

граду Крагујевцу указују на чињеницу да инвестиције, имиџ и пословање компаније утичу позитивно на имиџ града, првенствено кроз њихов утицај на економске и инфраструктурне аспекте.

**Кључне речи:** бренд града, имиџ града, имиџ компаније, ФИЈАТ, стране директне инвестиције.

## *INTRODUCTION*

During the last few decades, the use of marketing and branding at the level of states, regions and cities has an increasingly important role in creating their attractiveness and competitiveness on the international market. Globalization and pronounced mobility of the people, companies and capital force cities to compete against each other for the conscience of the consumers about them, international recognition and, at the bottom line – money. In order to differentiate from other cities, marketers focus on observing the city as a brand, acquiring marketing techniques so that they can differentiate the city from the rival cities; identify rival cities and analyze the impact of the image of the city on different stakeholders (Anholt, 2010). Branding the city has to include and integrate interests of different groups of stakeholders, such as city's residents, potential residents, tourists, experts, companies, investors and entrepreneurs.

The first step in creating a campaign of city branding is to determine its image, i.e., to research impressions, beliefs and attitudes that people have towards the city in question (Kotler, 1997, page 607). Certain groups of stakeholders might have very diversified interests when it comes to the city, and their perception might be accordingly different. Factors and attributes that influence the creation of the image of the city are numerous, and some of the most important ones are historical, socio-cultural, economic and infrastructural aspects. Having in mind that reactions and behavior of stakeholders are determined by their perception of the cities, managing the image of the city is of essential importance.

Apart from the large number of studies about the image of cities, which refer to researching the impact of the previously mentioned attributes of the cities on the perception of residents, tourists and other stakeholders of the cities, the main purpose of this paper is to explore the impact of investments, operations and image of international companies on the image of the city in which the investments were realized and in which the company in question carries out its business activities. Therefore, the main aim of the research is to determine whether the cities, by attracting foreign direct investment, can achieve, among other positive effects, those related to the improvement of its general image.

*THE SIGNIFICANCE OF MARKETING AND BRANDING  
OF THE CITIES*

Location marketing is a relatively new area of scientific research. At the beginning of the new millennium, location branding, especially of the cities, has become a very important area in the context of location marketing, both in the scientific literature as well as in the economies of many countries. Location implies all kinds of places, such as cities, municipalities, regions and countries, and it is made of people, cultures, historical legacy and material assets (Rakita & Šipragić, 2010). Kotler, Asplund, Rein and Haider (1993, p. 18) point out that by using location marketing, the value and image of a specific place can be promoted, so that prospective customers can be familiar with its distinctive advantages.

A brand can be understood as a mental picture of a particular object in the mind of the consumer, which represents a set of brand associations, or knowledge of the brand. Having that in mind, location branding aims to shape mental images and assessments that consumers have about a specific location (Keller, 1993). Location branding is the process of applying branding strategies and other marketing techniques in the process of economic, political and cultural development of countries, regions and cities (Ashworth & Kavaratzis, 2009).

An increasing number of cities, regions and countries invest in the construction of branding campaigns, in order to establish a positive reputation and gain a competitive advantage in the global market (Veljkovic, 2010, p. 409; Anholt, 2010). As a response to the challenges of the contemporary global environment and an intense competition among cities, economic policy makers can use branding as means to convey positive images and create a favorable perception of the city in the minds of consumers (Braun, 2012). However, as Braun, Eshuis and Klijn (2014) point out, the creation and implementation of branding campaigns are no longer common just for the metropolis, state capitals and tourist destinations, but also for an increasing number of smaller towns that are trying to build their brand and position themselves in the international market.

Having in mind a complex nature of the notion of the city, there are different definitions of the term city brand. A city brand represents a set of the evaluations of the consumers and different stakeholders, expressed through various dimensions (Kotler, Asplund, Rein & Haider, 1999, стр. 35). The basic idea is that when the name of a certain city is mentioned, a set of related associations come to people's mind, and these associations can be managed, in the aim of making a better brand of a city in question (Kavaratzis, 2004).

*THE IMPACT OF AN IMAGE OF A COMPANY ON THE IMAGE  
OF THE CITY*

The concept of image developed in the middle of 20th century, and since then, it found its application in different spheres of marketing (Barich & Kotler, 1991). The term image is used for representing a set of beliefs, attitudes and perception that a person might have about a certain object. That object can be a product, company, brand, place or person. For the purpose of this research, the image of the company and image of the city brand are of the greatest importance.

Corporate image or the image of the company refers to the way people view the company as a whole. In fact, the largest number of authors define the company's image as a set of perceptions, associations, impressions, knowledge, attitudes and beliefs that different parts of the public have about the company (Dowling, 1988; Barich & Kotler, 1991). Company image is the mental picture that different stakeholders have, i.e. it represents the thing that different people think about when they hear the name of the company or see its logo (Gray & Balmer, 1998). Due to the fact that the image is formed from the perspective of stakeholders, it is clear that different groups of stakeholders form a different perception of the company (Gray & Smeltzer, 1985). Research suggests that building and maintaining a good image positively influences the assessment of the quality of the company's products, and it contributes to the creation of loyalty and customer satisfaction as well (Souiden, Kassin & Hong, 2006).

Branding provides a starting point for marketing of the city as well as a framework for building and managing the image of the city. In fact, the first step in formulating a campaign for city branding is to determine its image. With branding, positive associations towards a specific country or a narrower geographic location are created and promoted. In this way, a positive image of the location and destination is created, in order to attract as many visitors and investors (Rakita & Mitic, 2011). The image of the city affects the way in which its residents, visitors and companies form their perceptions, attitudes, reactions and behavior in relation to it. Therefore, managing the image of the city is of great importance (Kotler & Gertner, 2004). Having in mind the complexity of the city, Kavaratzis (2008, p. 41) states that everything which exists in a city, all that is happening and is being done in it - transmits messages about the image of the city.

Anholt (2010) points out that cities have image, in the same way products and companies have image, and it has a significant part in making decisions of the current and potential "users" of the city.

Numerous studies focus on the image of the cities and destinations (Baloglu & McCleary, 1999; Pike, 2002; Gallarza, Saura & Garcia, 2002). A generally accepted definition of the image of a place or destination is that it represents a set of beliefs, ideas and impressions that a person has of a destination (Baloglu & McCleary, 1999). According to Echtner and Ritchie

(2003) image of a certain place, destination or city can be defined as a set of perceptions about its individual attributes and characteristics, but also as a holistic impression (i.e. mental image) about a place itself. Besides that, the image of a destination includes functional characteristics, which represent its tangible aspects as well as its psychological characteristics which refer to intangible aspects. Embacher and Buttle (1989) point out that the image is composed of the ideas and concepts about the observed destination, which exist in the mind of an individual or in a collective mind, and it also contains cognitive and evaluating component.

The quality of a certain city is conditioned by positioning that city in the mind of the people, and perception of the city is shaped by perspectives and interests of different groups of stakeholders (Merrilees, Miller & Herington, 2012). Therefore, it can be concluded that certain groups of stakeholders have different needs and requirements when it comes to the city, and it has as a consequence the fact that they form perceptions in a different way and evaluate its image. Although the groups of stakeholders are different, certain factors, by which brand and image of the city are evaluated, are repeated in scientific studies. According to the analysis of 39 studies from the area of brand and image of the city, published in the period from 2001 to 2013, the most commonly analyzed attributes of the cities which have an impact on the perceptions of stakeholders about the brand and image of the city – are shown in table 1.

*Table 1. Analysis of the frequency of factors used in 39 studies about the image of the city*

Factors used in analysis	Frequency (in %)
History and historical heritage	53
Culture	47
Economy	47
Entertainment and night life	47
Infrastructure (roads, communication, transport etc. )	35
Shopping centers	29
Environment (pollution, quality of the water etc.)	29
Recreational activities	29
Accommodation possibilities	24
Safety	18
Sport activities	18
Parks	18
Services	12
Access to highways	12
Medical objects	8
Restaurants	8
Green surfaces	8

*Source:* Gilboa, S., Jaffe, E., Vianelli, D., Pastore, A. & Herstein, R. (2015). A summated rating scale for measuring city image. *Cities*, 44, 50-59.

Results of the analysis given in the table 1 point out the fact that economic aspects of the city are an important factor in creating its image. Economic activities and business opportunities, presence of the big companies and possibilities of employment and the quality of overall business surroundings represent elements which are of great significance for the residents of the city, potential residents and visitors, but also business subjects as well.

*THE IMPACT OF THE IMAGE OF FIAT COMPANY  
ON THE IMAGE OF THE CITY OF KRAGUJEVAC*

By opening the first and the only automotive factory in the Balkans-Zastava, in Kragujevac in 1953, a development of automotive industry in Serbia has started. Due to the production of more than four million cars, export to the great number of world markets and more than half of century of existence, Kragujevac acquired international recognition and a status of the centre of automotive industry in former Yugoslavia. Zastava ceased to exist in 2008, when factory's name was changed into Fiat Automobili Srbija (Fiat Automobiles Serbia - FAS), and when the production of Zastava cars was ended.

One of the world's largest automotive companies, the Italian Fiat, signed a contract in 2009 on the joint venture with the Republic of Serbia in the Kragujevac factory "Zastava Automobiles". The value of investment was around 940 million euros (NALED, Baza investicija), and the contract included the establishment of the joint venture company Fiat Automobiles Serbia (FAS), which is owned by Fiat 67%, and owned by the Republic of Serbia 33%. The company's name was changed in the meantime, into FCA Serbia, due to the change of company's name into Fiat Group, FCA. Together with partner companies, FCA Serbia employs over 3,000 workers and has been the largest exporter in the Republic of Serbia in the last three years. Due to the high brand recognition, in the paper, we used the name FIAT for the company in Kragujevac, instead of the current name FCA Serbia.

Owing to the establishment of the Fiat Company, opportunities for other investments of international companies have been created in Kragujevac, companies which are part of the supply chain of Fiat, of which the most important ones are Magneti Marelli, Johnson Controls, Sigit and PMC. In addition, a number of Serbian companies was hired as Fiat's suppliers, which further stimulated economic activity of different industries. With the arrival of the Italian company, the positive effects were observed in the service sector as well, through the growth of activities in the context of tourism, hotels, trading and banking sector, where the cooperation of UniCredit Bank and the Fiat is particularly emphasized.

The data on the operations of the company Fiat mentioned above point out significant economic effects that are generated by the investment of the Italian manufacturer, at the territory of the City of Kragujevac, but also in the whole Serbia. In fact, there is an agreement in the literature that foreign direct investments have numerous positive effects on the country and on the city being invested in, such as fostering economic growth and development, increasing exports, increasing employment, technology transfer, and other (Stefanović, 2008). Because of these effects, governments and authorities at the level of cities are trying to attract foreign investors. However, very little attention in literature is dedicated to the additional effects which investments may have in the cities in which they are implemented, such as improving the image of cities on domestic and international level. With the research which is being conducted in this paper, we seek to overcome this shortcoming, given the great importance that the image of the cities has in today's business environment.

#### *RESEARCH METHODOLOGY*

Despite the obvious economic benefits of the investment of the Fiat Company for the City of Kragujevac and the Serbian economy, it is important to investigate whether the return of the status of the economic center to the City of Kragujevac had a positive impact on its image among the citizens of Serbia and Kragujevac. In accordance with that, the subject of research in this paper is to analyze the impact of the investment and image of the Fiat Company on the image of the City of Kragujevac, as well as to analyze differences in the attitudes of inhabitants of several districts of Central Serbia and residents of Kragujevac.

The main aim of the empirical research is to determine whether and to what extent the investment by Fiat and its business had a positive impact on the image of the City of Kragujevac. In addition, the goal of the research is to examine whether the residents of the City of Kragujevac and residents of other cities in Central Serbia evaluate in a different way image of the City of Kragujevac after the investment of the Fiat Company, as well as to test the statistical significance of these differences.

Based on the determined subjects and aims of the research objectives, the following hypotheses can be proposed:

H1: Foreign direct investments have a positive impact on the image of the city in which they were realized.

H2: There are statistically significant differences in the evaluation of an improvement of an image of the city under the influence of foreign direct investment, between the residents of the city in which the investment was realized and residents of other cities.

H3: There are statistically significant differences in the evaluation of an improved image of the city under the influence of foreign direct investment, among members of different age groups.

The testing of the first hypothesis was conducted by using a regression analysis, i.e. by examining the impact of the investment and the image of the Fiat Company itself on the image of the City of Kragujevac. The second and third hypotheses were tested by using ANOVA test to test statistically significant differences between different groups of respondents within the sample.

The research was conducted on the sample of 2046 respondents, and a survey was conducted in the City of Kragujevac and in several districts of Central Serbia, in the period from the 20th of December 2015 until 25th of January 2016. In the questionnaire that was used, the respondents evaluated their agreement with the statements on the five-point Likert scale. Processing and analysis of the collected data was performed by using the software for statistical data processing SPSS (Statistical Package for the Social Sciences, version 20.0).

The structure of the sample by socio-demographic characteristics is shown in Table 2, while the structure of the sample according to the representation of the districts is shown in Table 3 and Figure 1.

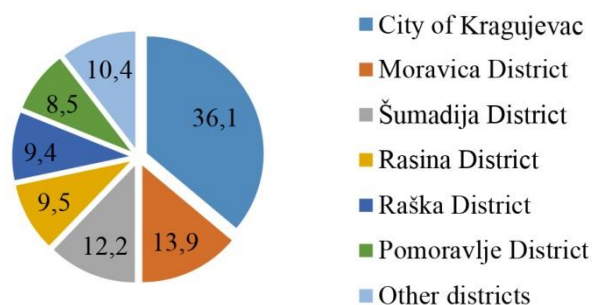
*Table 2. Descriptive statistics for the respondents' characteristics*

	Data	% of respondents
Sex	Female	52,4
	Male	47,5
Age	18-24	26,7
	25-31	15,1
	32-38	11,2
	39-45	12,4
	46-52	14,5
	over 53	20,2
Employment status	Student	26,6
	Manager, entrepreneur	7,7
	Professor, doctor, engineer	9,0
	Office worker	14,1
	Worker	23,9
	Shop clerk	4,8
	Retired	8,8
Other	5,7	
Education	Secondary education	56,3
	College education	14,7
	Higher education	28,8



*Table 3. The percentage of the representation of the respondents from certain districts of Central Serbia*

City/ District	% of respondents
City of Kragujevac	36,1
Moravica District	13,9
Šumadija District	12,2
Rasina District	9,5
Raška District	9,4
Pomoravlje District	8,5
Braničevo District	2,6
Zlatibor District	2,5
Podunavlje District	1,4
Other cities	3,9



*Figure 1. The representation of the respondents from certain districts of Central Serbia in the sample (%)*

The research on the impact of the investment of Fiat Company on the improvement of the image of the City of Kragujevac has been carried out in two stages. The first stage used descriptive statistics and reliability analysis to analyze the scores of the respondents concerning the image of the companies Zastava and Fiat, as well as the image of the City of Kragujevac during the operating period of business of both companies. Having in mind that Fiat Company was established after Zastava Company had been shut down, the second stage of the research examined the impact of the image of both companies on the image of the City of Kragujevac. By measuring the impact of the image and business of both companies on the image of the City of Kragujevac and by comparing the extent of the impact, it can be determined whether the investment of Fiat Company has improved the image of the City of Kragujevac.

When assessing the image of the companies Zastava and Fiat, factors of image which are important from the perspective of the consumers were used, and they were analyzed in relevant studies about the image of companies. Factors of image which are important for the perceptions of the

consumers concerning the image of the company primarily concern the value which they get by purchasing products and services, then product quality, performance and prices. In addition to that, for the evaluation of the overall image of the company, the recognition and the reputation of the company in the domestic and international market are also important (Barich & Kotler, 1991). The factors used in this research correspond to the research which focuses on automotive industry and the analysis of dimensions of the image of the company from the perspective of the consumers (Hsieh, 2002; Hsieh, Pan & Setiono, 2004).

When analyzing the image of the City of Kragujevac, different factors that impact the perceptions of the residents of this, but also of other cities in Serbia were used, and they were analyzed in numerous studies about the image of cities. However, having in mind that the purpose of the paper was to measure the improvement of the image of the City of Kragujevac under the influence of the investment by the international company Fiat, those factors which could have been affected by that investment were primarily analyzed, such as factors of economic and developmental nature, including the infrastructure and layout of the city, employment possibilities and the standard of living of the population (Merrilees, Miller, & Herington, 2009; Zenker, Petersen, & Aholt, 2013; Zenker & Rutter, 2014), as well as the economic development of the city, its recognition, prestige and position on the international market (Anholt, 2006; Anholt, 2007; Larsen, 2015).

#### *RESULTS AND DISCUSSION OF THE RESULTS OF THE EMPIRICAL RESEARCH*

In the analysis of the impact of the investment of Fiat Company on the image of the City of Kragujevac, four groups of statements were used. The first two groups of statements refer to the image of the companies Zastava and Fiat, and the other two groups of questions refer to the image of the City of Kragujevac during the operating period of Zastava Company and during the operating period of Fiat Company. For comparison purposes, the same questions were asked in both cases, and the results of the descriptive statistics of the respondents' answers are given in Table 4 and Table 5. In addition to the values of the arithmetic means and standard deviations, Cronbach's alpha coefficients are shown for all groups of statements, which show the internal consistency of statements and which, in all four cases, have the value above the recommended value of 0.7 (Nunnally, 1978, p. 245).

*Table 4. Descriptive statistics of the factors of image of the companies Zastava and Fiat*

	The image of Zastava Company - Cronbach's alpha: 0,842		The image of Fiat Company - Cronbach's alpha: 0,811	
	Arithmetic mean	Standard deviation	Arithmetic mean	Standard deviation
Prestige and reputation of the company	3,91	1,052	4,01	0,909
Recognition in the market	4,07	0,987	4,16	0,884
Product quality and performance	3,43	1,098	3,76	0,881
Product design	3,13	1,144	3,89	0,948
Product reliability and safety	3,01	1,103	3,45	1,088
Value of the product compared to its price	3,27	1,088	3,43	0,988

*Source:* Author's calculations

According to the values shown in Table 4, it can be seen that according to all indicators, the image of Fiat Company was better scored than the image of Zastava Company, which is evident from the higher values of the arithmetic means, and it can also be seen that there are fewer discrepancies in the respondents' answers, which is evident from the lower values of the standard deviations. In the cases of both companies, the highest score was given to the recognition of the companies and their products on the market (4.16 for Fiat Company and 4.07 for Zastava Company). In addition to recognition, the international prestige and the reputation of Fiat Company have a high average score (4.01). On the other hand, Fiat Company was given the lowest score in terms of value that its products bring to consumers compared to their price (3.43), while the respondents gave the lowest scores to the reliability and safety of products from Zastava Company (3.01).

The arithmetic means and standard deviations of questions concerning the image of the City of Kragujevac are shown in Table 5. These values point out the fact that the image of the City of Kragujevac during the operating period of Fiat Company was better scored from every aspect, compared to the image of the City of Kragujevac during the operating period of Zastava Company, as well as the fact that there are fewer discrepancies in the respondents' answers. When it comes to the image of the City of Kragujevac during the operating period of Fiat Company, it can be seen that the investment of this company most influenced the attitudes of the consumers

towards the standard of living (improvement from 3.50 to 4.36), then towards the economic development of Kragujevac (improvement from 3.44 to 4.17), as well as the attitudes towards infrastructure and layout of the city (improvement from 3.65 to 4.37). At the same time these are the best scored aspects of the image of the City of Kragujevac, whereas the investment of the company least influenced the international prestige and position of the city on the international market (improvement from 3.58 to 3.97).

*Table 5. Descriptive statistics of factors of the image of the City of Kragujevac during the operating period of the companies Zastava and Fiat*

	Image of the City of Kragujevac during the operating period of Zastava Company - Cronbach's alpha: 0,883		Image of the City of Kragujevac during the operating period of Fiat Company - Cronbach's alpha: 0,918	
	Arithmetic mean	Standard deviation	Arithmetic mean	Standard deviation
Economic development of Kragujevac	3,44	1,041	4,17	0,923
International prestige and position	3,58	1,029	3,97	0,941
Recognition of the city on an international level	3,56	1,037	4,14	0,936
Infrastructure and layout	3,65	1,045	4,37	0,827
Standard of living	3,50	1,045	4,36	0,803
Employability possibilities	3,39	1,054	4,04	0,920

*Source:* Author's calculations

For the purpose of assessing the impact of Fiat Company on the image of the City of Kragujevac, regression analysis was used. By using two simple linear regressions, the impact of the image and of the business of the companies Zastava and Fiat on the image of the City of Kragujevac was assessed. In Table 6, the results of the analysis of the impact of the image of Zastava Company on the image of the City of Kragujevac are shown, which suggest the fact that there was a statistically significant impact of the image of Zastava on the image of Kragujevac, more precisely, that 26.4% of variability in the image of Kragujevac could be accounted for by the image of Zastava. Taking into account the long tradition of Zastava Company and the given facts concerning its business,

this result is not surprising, because Zastava Company was truly one of the main aspects of the City of Kragujevac and its image.

*Table 6. Results of the regression analysis of the impact of the image of Zastava Company on the image of the City of Kragujevac*

	R Square	F	B	$\beta$	T
Image of Kragujevac during the operating period of Zastava Company	0,264	744,342***	0,433	0,514	27,283***

Note: Sig:  $p < 0,01$ (\*\*\*)  
Source: Author's calculations

According to the results shown in Table 7, it can be noticed that the image and business of Fiat Company have a statistically significant impact on the image of the City of Kragujevac, but the percentage of the variability of the image of the City of Kragujevac is, to a greater extent, explained by the image and business of this company compared to Zastava, since that percentage equals 38.6%. Taking into account the results of the regression analysis and descriptive statistics, it can be concluded that the investment of Fiat Company has a statistically significant impact on the image of the City of Kragujevac, and that it has led to an improvement of the image of the City of Kragujevac according to all analyzed questions, which **confirms Hypothesis 1** of this research.

*Table 7. Results of the regression analysis of the impact of the image of Fiat Company on the image of the City of Kragujevac*

	R Square	F	B	$\beta$	T
Image of Kragujevac during the operating period of Fiat Company	0,386	908,800***	0,699	0,553	30,146***

Note: Sig:  $p < 0,01$ (\*\*\*)  
Source: Author's calculations

The results of the analysis of variance of different groups of samples concerning the image of the City of Kragujevac during the operating period of Fiat Company are given in Table 8. Namely, according to the results of the ANOVA test of the significance of differences among groups of samples, it can be seen that there are statistically significant differences in the scored image of the City of Kragujevac during the operating period of Fiat Company among the observed districts of Central Serbia ( $F(9, 2036)=5.74, p < 0.01$ ). The Post-hoc analysis and Tukey HSD test showed that statistically significant differences appear among the scores of the residents of the City of Kragujevac ( $M=4.249, SD=0.683$ ) and the residents of Moravica District ( $M=4.085, SD=0.633$ ) and the residents of Raška District ( $M=4.100,$

SD=0.634), while there are no statistically significant differences among the other districts. Besides, it should also be pointed out that the average value obtained in the City of Kragujevac (M=4.249) is also the biggest one in the sample. The reason for this result could be the fact that the residents of the City of Kragujevac can directly notice and experience the considerable positive effects and changes in the city itself, which is why their perceptions of the image of the city are more positive, compared to the other respondents.

*Table 8. Results of the analysis of variance concerning the image of the City of Kragujevac during the operating period of Fiat Company*

	Sum of squares	Number of degrees of freedom	Average squared deviation	F value	Significance
Districts	36,723	9	4,080	5,744	<b>0,000</b>
Respondents' age	1,181	5	0,236	0,325	0,898

*Source:* Author's calculations

According to the criterion of the respondents' age, groups of respondents of different ages do not show any statistically significant differences in the given score of the image of the City of Kragujevac during the operating period of Fiat Company ( $F(5, 2040)=0.325$ ,  $p=0.898$ ). Considering the results of the analysis of the variance, it can be concluded that **the second hypothesis of this research is confirmed**, that is, it can be said that there are statistically significant differences in the score of the image of the city among the residents of the city in which the investment was made and the residents of other cities. However, considering that the analysis of the variance did not show any statistically significant differences in perceptions among respondents of different age groups, **the third hypothesis cannot be confirmed**.

#### *IMPLICATIONS AND LIMITATIONS OF THE RESEARCH*

Considering the results, the conducted research has certain implications. Most importantly, this research has proven that attracting foreign companies and their investments leads to improvement of the image of the city in which the investment was realized. This fact can be of great significance for the government representatives in cities which strive to create a better image of the city, both on the domestic and international market. With numerous economic effects that foreign investments can bring, it is important to recognize the importance of investments for the improvement of perceptions of and attitudes towards the image of a certain city.

The basic limitation of this research is the fact that it has been carried out in the territory of the City of Kragujevac and nine districts of Central Serbia, thereby excluding residents of other parts of Serbia and

big cities such as Belgrade, Novi Sad and Niš. The results of the research would have been more complete if it had been carried out in the territory of the whole Republic of Serbia. In addition, another limitation stems from the fact that the research has been conducted from the perspective of only two groups of stakeholders, and those are the residents of the City of Kragujevac and other districts of Central Serbia, while in future research it would be desirable to examine the attitudes of companies, experts, tourists and other stakeholders, whose evaluations of image would contribute to the quality of the research.

### *CONCLUSION*

Evident competition among cities on an international level leads to the necessity of a better positioning of the city in the minds of the residents, tourists, companies, investors and the workforce. A trend which is seen both in literature and practice is that an increasing number of cities is trying to influence the perceptions and the behaviour of stakeholders through branding activities, so as to influence the city's recognition and differentiation compared to other cities. The perceptions and impressions of stakeholders of certain cities represent their image, and it can be shaped under the influence of different factors and attributes of the city. The attractiveness and the competitive position of a city are greatly influenced by its image, which is why it is important to strive towards its continuous improvement.

The purpose of the conducted research was to analyze the influence of the investment of an international company on the image of the city in which the investment was realized. The results of the research indicate that the investment of an international company impacts the improvement of the image of the city, primarily via factors of economic and infrastructural nature. Having in mind the significance of economic factors in the creation of the image of the city, it can be said that the presence and the business of companies with a good image positively affect the opinion, attitudes and impressions of the residents of the city in which these companies do business, but also those of the residents of other cities. This impact is seen through the improvement of certain functional, that is, visible aspects, such as infrastructural aspects and the layout of the city, but also some less visible aspects, such as the standard of living, the overall economic conditions in the city itself and the international recognition of the city, especially if the investments and business of internationally established companies are in question.

Such results of the research contribute to the existing literature, and practice as well, since they point out the fact that attracting foreign investors and realizing the investments can lead to numerous positive effects, including the improvement of the image of the city. This can be an important signal to other investors and the other stakeholders of the city,

which can lead to the realization of the economic, developmental and political goals of the city in the long run.

The investment of the Italian company Fiat has brought about many considerable positive effects, which are primarily seen in the recovery of the automotive industry of Kragujevac and Serbia. However, additional effects of this investment should also be pointed out, such as the arrival and business of cooperating companies, the engagement of Serbian companies as suppliers, but also a considerable development of the service sector, especially tourism, hotel business, trade and banking in the City of Kragujevac. The results of the research on the impact of investments on the image of the city and the data concerning the economic effects of the investment of Fiat Company in the City of Kragujevac indicate that foreign direct investment have multiple positive effects, which may be quite significant for the representatives of the local and national government in the international competitive race with other cities, in the conditions of growing globalization.

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## УТИЦАЈ СТРАНИХ ДИРЕКТНИХ ИНВЕСТИЦИЈА НА ИМИЦ ГРАДА: ПРИМЕР КОМПАНИЈЕ „ФИЈАТ” И ГРАДА КРАГУЈЕВЦА

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### Резиме

Трендови и промене у савременом пословном окружењу, као што су глобализација, укидање баријера и слободно кретање капитала, робе и ресурса између држава, доводе до све израженије конкуренције између локација на међународном и глобалном нивоу. У борби за ресурсе, радну снагу, инвестиције, туристе и становништво, носиоци власти теже примени маркетинга и посебно брендирања градова како би их учинили препознатљивим и јединственим на међународном тржишту. С обзиром на то да бренд представља скуп асоцијација у свести људи и менталну представу о одређеном објекту, креирањем бренда града тежи се обликовању ових представа и стварању позитивних перцепција о граду.

Веома важан елемент стварања бренда града јесте утврђивање његовог имица. Како имиц представља скуп ставова и веровања који одређени стејкхолдери имају о граду, њихове активности и понашање су у великој мери условљени њиме. Изградња позитивног имица града је од изузетног значаја услед чињенице да атрактивност и конкурентност на међународном нивоу у великој мери зависе од ефикасног дефинисања, преношења и управљања имицом. Поред фактора који утичу

на креирање имица градова, као што су културолошки, историјски или инфраструктурни, велики значај имају и фактори економске природе, где спадају животни стандард, могућност запослења, пословне прилике и целокупни пословни амбијент.

Предмет истраживања у овом раду је анализа утицаја страних директних инвестиција и имица компанија на имиц градова у којима се инвестиције реализују. Сходно опредељеном предмету, основни циљ истраживања био је утврдити да ли се привлачењем страних инвеститора са добрим имицом и њихових инвестиција утиче на побољшање имица града у коме се оне реализују. Ради долажења до ових сазнања спроведено је емпиријско истраживање које се односи на инвестицију италијанске компаније „Фијат” у граду Крагујевцу. Резултати истраживања указали су да је инвестиција утицала на побољшање целокупног имица града Крагујевца, али и да постоје статистички значајне разлике у оцени побољшања имица између становника града Крагујевца и становника других округа Републике Србије. Инвестиција компаније „Фијат” највише је утицала на ставове о животном стандарду, економској развијености града, али и инфраструктури и уређености града.

Резултати истраживања пружају значајан допринос како у научном погледу тако и у погледу практичне примене. Наиме, уочава се недостатак студија које истражују утицај страних директних инвестиција на имиц градова у којима се оне реализују, поред других економских ефеката који се остварују. Такође, резултати истраживања пружају значајан допринос у погледу употребе од стране представника власти градова јер указују на то да се привлачењем међународних компанија и реализацијом инвестиција може побољшати имиц града, што може бити важно у конкурентској борби са другим градовима, на националном и међународном нивоу.