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MARKETING RISKS OF TERRITORY BRANDING

Branding as a strategic tool for managing the development of territories performs an important function in creating awareness, ensuring a positive image, attracting investment, tourist flows, human capital, and increasing the overall competitiveness of the territory at the national and global levels. However, the process of forming, promoting and managing a territory's brand is accompanied by certain marketing risks that can significantly affect the effectiveness of branding strategies and cause negative consequences of both economic and social nature. Timely identification, assessment, and effective minimization of such risks allow avoiding reputational losses, maintaining the trust of target audiences, and ensuring sustainable economic growth. The research is based on the hypothesis that the marketing risks of a territory brand are formed under the influence of internal and external factors in its marketing environment. The methodological basis of the research is formed by general scientific and special methods: analysis and synthesis, induction and deduction, grouping, structural and logical method, logical generalization of results and graphic visualization. The article analyzes the main theoretical approaches to the interpretation of the concepts of "marketing risks" and "brand risks" and characterizes the existing approaches to their classification. The factors of the micro- and macro-environment that generate risks are analyzed, and a typology of marketing risks of the territory brand is proposed. The results of the research can be used in the development of territorial branding

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МАРКЕТИНГОВІ РИЗИКИ БРЕНДИНГУ ТЕРИТОРІЙ

Брендинг як стратегічний інструмент управління розвитком територій виконує важливу функцію у формуванні впізнаваності, забезпеченні позитивного іміджу, залученні інвестицій, туристичних потоків, людського капіталу, а також у підвищенні загальної конкурентоспроможності території на національному та глобальному рівнях. Однак формування, просування та управління брендом території супроводжуються певними маркетинговими ризиками, які можуть істотно впливати на ефективність брендингових стратегій і зумовлювати негативні наслідки як економічного, так і соціального характеру. Своєчасне виявлення, оцінка та ефективна мінімізація таких ризиків дають змогу уникнути репутаційних втрат, зберегти довіру цільових аудиторій та забезпечити стійке економічне зростання. Дослідження базується на гіпотезі, що маркетингові ризики бренду території формуються під впливом внутрішніх та зовнішніх чинників її маркетингового середовища. Методологічну основу дослідження становлять загальнонаукові та спеціальні методи: аналіз і синтез, індукція та дедукція, групування, структурно-логічний метод, логічне узагальнення результатів та графічна візуалізація. Проаналізовано основні теоретичні підходи до трактування понять "маркетингові ризики" та "ризики бренду", охарактеризовано існуючі підходи до їх класифікації. Досліджено чинники мікро- та макросередовища, що генерують ризики, а також запропоновано типологію маркетингових ризиків бренду території. Результати дослідження можуть бути використані під час



strategies and risk management systems in the field of territory marketing.

Keywords: territory branding, marketing risks, brand risks, marketing environment.

розроблення стратегій територіального брендингу та систем управління ризиками у сфері маркетингу територій.

Ключові слова: брендинг територій, маркетингові ризики, ризики бренду, маркетингове середовище.

JEL Classification: M31, R22.

Introduction

Territory branding is an important element in the formation of a unique image of a territory, which allows attracting tourists, investors and creating favorable conditions for economic growth. It is becoming increasingly relevant in the context of growing competition between territories (cities, regions, communities, etc.) that seek to stand out among others at the national and international levels. However, territory branding is accompanied by numerous marketing risks that can negatively affect the effectiveness of implemented strategies. Failure to take these risks into account can lead to reputational losses, financial problems, and other consequences that can undermine the achievement of the territory's long-term goals. Thus, identifying and analyzing branding risks is a key aspect for ensuring the sustainable development of territories and their successful positioning in the global environment.

Scholars have studied marketing risks in various aspects, but they have not considered them in the context of territories. Lyakh (2013), Karpenko and Chornenka (2022) analyzed marketing risks in the context of enterprises. Laburtseva (2016) studied the risks of trading enterprises. Lyaluk et al. (2022) studied the marketing risks of trading enterprises, but in a digital environment. Oklander and Pedko (2017) focused on market risks in all areas of marketing activity. Kurasova and Yevtushenko (2017) considered the risks associated with the creation of new brands. Fournier and Srinivasan (2018) studied branding risks and risk management. Marketing risks of territory branding have not been studied by anyone in the studies.

The aim of the research is to define and classify marketing risks of branding territories.

The article is based on the hypothesis that the formation of marketing risks of a territory's brand is influenced by the marketing environment of the territory.

To verify the hypothesis, the following general scientific and special research methods were used: analysis and synthesis, induction and deduction, grouping, structural-logical (for studying marketing and branding risks and their classifications), logical generalization of results (for formulating conclusions regarding the conducted research), graphic (for creating drawings).

The information base of the research was publications of domestic and foreign scientists, as well as Internet resources.

In three sections of the main part of the article, various approaches to defining the concepts of "marketing risks" and "brand risks" are considered, existing classifications of marketing risks and brand risks are highlighted; the factors that shape the marketing risks of the internal (micro-) and external (macro-) environment of the territory have been identified; the marketing risks of branding territories have been systematized.

1. The nature of marketing risks

Marketing activities are accompanied by a significant number of risks that can significantly affect the effectiveness of implemented strategies and the achievement of planned results. One of the key areas of research into marketing risks is the branding of territories, since this process determines not only the level of competitiveness of a certain territory, but also affects its long-term social and economic development.

Research into marketing risks in the field of territorial branding is necessary for the timely identification of potential threats, the development of mechanisms for their prevention, and the reduction of the level of uncertainty. This, in turn, contributes to increasing the effectiveness of communication strategies, the formation of a sustainable positive image of the territory, and ensuring its sustainable development in the context of global competition.

For a better understanding of the term "marketing risks" in *Table 1*, various interpretations of this concept by scientists are given.

Table 1

Generalization of definitions of "marketing risk"

Authors	Definition of the concept	Essential features
Karpenko & Chornenka (2022, p. 56)	Risk in the field of marketing activities should be interpreted as a separate marketing management function due to the uncertainty of internal and external environmental factors of the enterprise when making decisions in the field of marketing, which involves a special procedure for identifying, assessing, selecting and using methods of influencing risks, exchanging information about risks, and controlling results	The marketing management function is determined by the uncertainty of internal and external environmental factors
Laburtseva (2016, p.81)	Marketing risks of trading enterprises are a set of risks that arise in the process of marketing activities of trading enterprises as a result of the influence of controlled and uncontrolled factors and carry the possibility of not achieving the established goals of this activity at its individual stages or as a whole	The possibility of not achieving the established goals
Lyaliuk et al. (2022)	Marketing risks are potential failures and losses that may arise as a result of the lack of internal resources for the integration of marketing channels, insufficient general business understanding of the value of individual customers and improper coordination of communication or coordination of actions in business areas or sales channels	Potential failures and losses

End of Table 1

Authors	Definition of the concept	Essential features
Lyakh (2013, p. 190)	Marketing risk is the probability of not achieving marketing goals under the influence of the external environment or internal negative factors. The consequence of marketing risk is a low level of sales volumes of products or services compared to planned indicators and, as a result, leads to a decrease in planned profit (receiving a loss)	Probability of not achieving marketing goals
Oklander & Pedko (2017, p. 129)	Risks in marketing are a category that reflects the inherent properties of marketing management, which arise from objective or subjective reasons, are measurable or immeasurable in nature and can cause a decrease in planned income in the process of solving sales optimization problems. Risks in marketing are foreseeable events that can lead to losses or damages	Category that reflects the inherent properties of marketing management
Pavlenko et al. (2008, p. 269)	Risk in marketing should be understood as the threat of losses or loss of profits as a result of implementing specific decisions or types of production and sales activities based on marketing recommendations	Threat of losses or loss of profits

Source: compiled by the author.

From *Table 1*, we conclude that marketing risks of territories should be understood as potential threats and failures that can lead to failure to achieve marketing goals, deterioration of the territory's image, and financial losses.

For a deeper understanding of marketing risks, their classification should be considered (*Table 2*).

Table 2

Classifications of marketing risks

Authors	Classification code	Type of marketing risk
Karpenko & Chornenka (2022, p. 55)	By sources of risk By place of occurrence	Sales risks Interactions with counterparties and partners Risks of unforeseen competition External and internal risks
Laburtseva (2016, p. 83); Lyakh (2013, p. 189)	The nature of factors that generate risk. Depending on the influencing factors By the cause of occurrence	Objective and subjective External and internal risks Price risks Product risks Distribution risks (sales) Promotion risks (communication)
Oklander & Pedko (2017, p. 129)	Place of risk occurrence	External (risks of external factors of the marketing microenvironment) and internal (risks of internal factors of the marketing microenvironment)
Pavlenko et al. (2008, p. 271)	Objective (external) risks Subjective (caused at the stages of preparation and making marketing decisions) risks	Caused by the actions of macroenvironmental factors Caused by the actions of microenvironmental factors Market research Strategic decisions Marketing complex

Source: compiled by the author.

As follows from *Table 2*, marketing risks are mostly considered in the context of enterprises and classified by their place of origin and divided into external (objective) and internal (subjective).

To more fully determine the possible risks of branding territories, it is advisable to carry out a comprehensive analysis of the marketing environment of territories, which includes the study of the macro- and microenvironment.

2. Factors that create marketing risks of the territory

The risks that arise in the process of branding territories are inextricably linked to the marketing environment, which determines the conditions for the formation, development and perception of a territorial brand. Taking these risks into account is key to developing effective branding strategies and ensuring its long-term sustainability. The marketing environment of territories encompasses a set of factors that determine the perception of the territory by target audiences, the level of its competitiveness, and the effectiveness of measures aimed at promoting the brand. The factors of the marketing environment can be conditionally divided into two groups: the macroenvironment, which contains general factors that affect all territories regardless of their geographical location or specificity, and the microenvironment, which consists of internal factors that determine the features of the development of a particular territory and directly affect its branding (*Figure 1*).

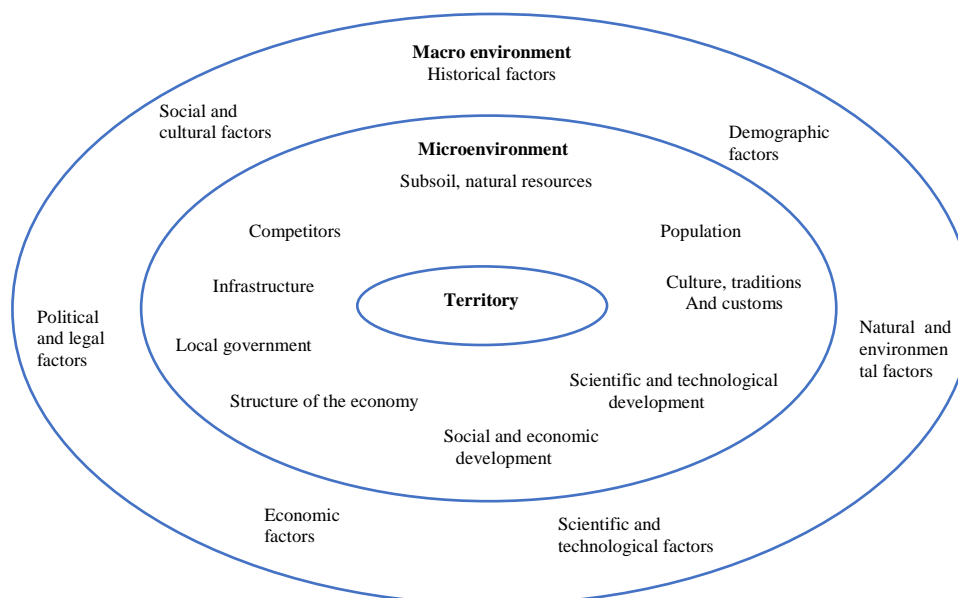


Figure 1. External and internal marketing environment of the territory

Source: (Iankovets & Levytska, 2024, p. 67).

A comprehensive analysis of the marketing environment makes it possible to identify potential risks at the early stages of developing a territorial brand and implement preventive measures to minimize them.

The main risks formed by external environmental factors are expediently divided into the following types:

political and legal (related to the political and legislative system): continued hostilities; change in state policy; negative changes in legislation, etc.;

economic (related to the economic system): increased inflation; decreased purchasing power of the population; increased unemployment, etc.;

social and demographic (related to the population of the territory): increased migration of the population; aging of the nation; change in the sex composition of the population (predominance of women), etc.;

natural and ecological (related to natural resources, flora, fauna and ecology): climate change (global warming); pollution of nature due to hostilities; shortage of natural resources, etc.;

cultural (related to the historical and cultural heritage of the territory): destruction of historical monuments; loss of cultural identity; disappearance of folk traditions and rituals, etc.;

scientific and technological (related to the level of development of science and technology): low level of scientific research; lag in the introduction of innovations, etc.

Key risks formed by internal environmental factors are divided into:

competitive (related to competition between territories): low attractiveness of the territory; emergence of new competitors (territories with similar investment and tourist offers), etc.;

infrastructural (related to the infrastructure provision of the territory): lack of kindergartens, schools and hospitals; deterioration of transport infrastructure, etc.;

risks related to the local population: outflow of youth and qualified personnel; change in population structure; reduction of jobs, etc.;

risks related to local authorities: inefficient resource management; bureaucratic obstacles; insufficient level of population involvement in decision-making, etc.;

investment and entrepreneurial (related to entrepreneurs and investors and business activities): distrust of the territory; political and economic instability; lack of a favorable business environment, etc.;

tourist (related to tourists and the tourism industry): environmental pollution; unsatisfactory quality of service; deterioration of cultural and historical monuments, etc.

At the same time, it is important to remember that every risk may contain a potential opportunity. The main thing is to identify a potential danger in time and prevent it, or – in the best case – turn it into an opportunity. This is helped by regular monitoring of the marketing environment, which allows you to identify threats in a timely manner and adapt the brand strategy in accordance with changes in the external and internal environments.

3. Territory branding risks

Risks arising in the process of branding territories can be divided into two main groups: marketing risks, which are formed under the influence of various factors of the marketing environment, and branding risks, which are directly related to the development, implementation and perception of a territorial brand. This approach provides an opportunity to analyze potential threats in more detail and determine effective mechanisms for their prevention. Branding risk is a new and not yet sufficiently researched concept, so there is no unambiguous definition of this term (*Table 3*).

Table 3

Generalization of definitions of "brand risk"

Authors	Definition of the concept	Essential features
Kudumula (2023)	Brand Risk refers to the potential damage that a company's reputation and financial performance could suffer as a result of negative public opinion, regulatory action, or other external factors	Potential damage
Lindsay (2024)	The term "brand risk" refers to the potential for a brand to either completely fail or lose value in the marketplace	Falling down, loss of value
Seekr Team (2024)	Brand Risk refers to the potential damage that a business could suffer through its public persona or connections, whether intentionally or accidentally	Potential damage

Source: compiled by the author.

The risks of branding territories should be understood as a set of potential threats and uncertainties that can negatively affect the creation, development, implementation and perception of a territorial brand, as well as its image and reputation.

To form a systematization of branding risks of a territory, it is advisable to consider existing classifications.

Kurasova and Yevtushenko (2017) identify 10 classes of risks that are closely related to the creation of new brands: financing; product; political; economic; reputation; translational; instability; erroneous strategy; choice of goods and consumers; incorrect assessment of the market situation.

Fournier & Srinivasan (2018) identify 4 risks related to brands:

- brand reputation – is the potential damage to the overall reputation of a brand that arises from negative brand signals;
- brand dilution – refers to the loss of values that distinguish a brand from competitors;
- brand cannibalization – results in lost sales or revenue that occurs when customers purchase a new product at the expense of other products offered by the same company;
- brand stretch – reduces the company's ability to capitalize on new market opportunities, new technologies, or changing consumer tastes by introducing new, personalized offerings.

Seekr Team (2024) identify 6 main sources of brand risk in the digital age:

- out-of-context ad placements;

- association with controversial or harmful content;
- negative user-generated content on social media platforms;
- inappropriate partnerships with influencers;
- data breaches and privacy issues;
- regulatory changes.

Lindsay (2024) examines the 7 most common brand risks:

- brand awareness risk – when the target audience does not associate the brand with a specific product or service;
- brand recognition risk – can arise if the brand does not have a well-developed brand recognition or has failed to stand out from its competitors;
- lack of customer loyalty – negative customer experiences can lead to a disloyal customer base;
- negative brand legacy – negative moments in the company's history can affect public opinion;
- positioning issues – when the brand has not chosen a specific position or the target audience does not remember it;
- public perception risks – negative public perception of the brand is a serious risk and can significantly damage reputation;
- reputational risks – a brand's online reputation should align with the company's values. If there is a gap between the desired image and how customers actually perceive the brand online, this is a problem.

Summarizing the opinions of various authors on this issue, it is proposed to divide the risks of branding territories into 4 key groups.

Strategic risks (associated with the development, implementation and implementation of the territory brand strategy):

- lack of a holistic strategy;
- incorrect research before developing a brand strategy;
- risk of insufficient funding;
- risk of errors at the stages of creating a strategy;
- risk of incorrect selection of the target audience, etc.

Positioning risks (associated with incorrect determination of the territory's place in the market):

- similarity with competitors;
- unclear positioning;
- incorrectly selected unique selling proposition;
- public rejection, etc.

Communication risks (associated with the promotion and marketing communications of the territory):

- use of ineffective communication channels;
- risk of lack of brand recognition and awareness;
- inconsistency of communications with modern trends;
- violation of ethics and morality;
- negative responses to communication messages, etc.

Reputational risks (related to the image of the territory):

- inconsistency of the brand with the real characteristics of the territory;
- cooperation with individuals with a controversial reputation;

- negative public opinion;
- risk of scandals, conflicts, crises, etc.

Thus, it is advisable to consider marketing risks of territory branding in a complex manner (*Figure 2*), since they are interconnected and interact with each other. A comprehensive approach to the analysis of marketing risks makes it possible not only to identify potential threats at the early stages of implementing a branding strategy, but also to develop preventive measures to minimize them. Taking into account both global and local factors allows you to more accurately predict possible difficulties and challenges and adapt the brand to changing conditions.

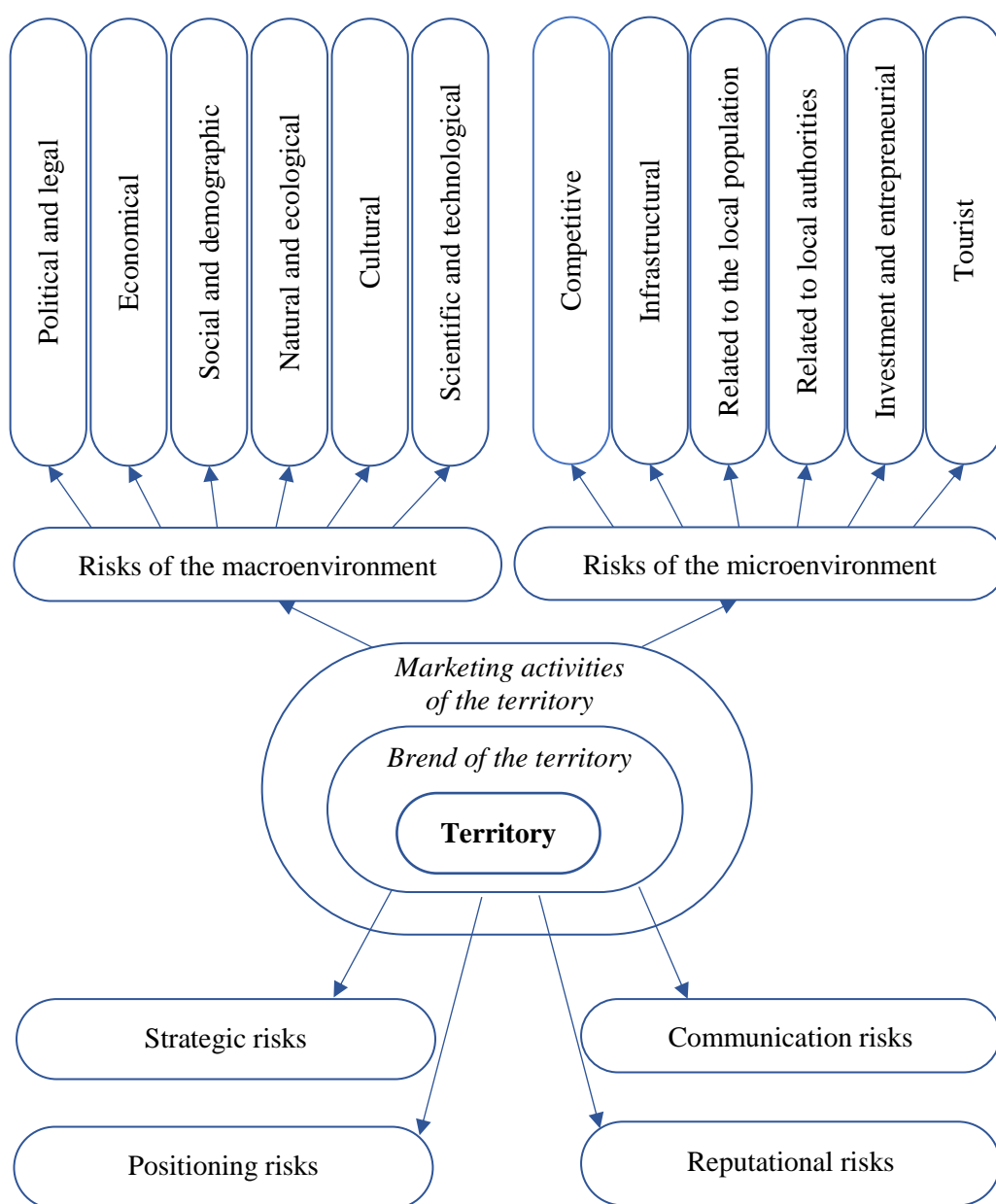


Figure 2. Marketing risks of territory branding

Source: compiled by the author.

By approaching territory branding taking into account these risks, organizations and local authorities can create effective promotion strategies that will help not only avoid negative consequences, but also strengthen the positive image of the territory, sustainable development and attract investors and tourists.

Conclusions

The research confirmed the hypothesis of a significant influence of the marketing environment of the territory on the formation of marketing risks associated with its branding. The marketing environment encompasses a set of internal (competitive; infrastructure; risks associated with the local population; risks associated with local authorities; investment and entrepreneurial risks; tourism risks) and external factors (political and legal, economic, social, demographic, natural and environmental, cultural risks, scientific and technological risks). The joint influence of these factors determines the effectiveness of the process of creating and promoting the territory brand. In combination with the branding risks of the territory (strategic, communication, reputational and positioning risks), the marketing environment is a key element for assessing potential threats and opportunities. The combination of internal and external factors can contribute to both strengthening and reducing the risks of branding territories. Constant analysis of the situation, monitoring of threats and adaptation of branding strategies are necessary measures to reduce risks and use new opportunities for the development of the territory.

Further research should focus on developing methods for assessing marketing risks of territories and creating effective strategies for their management.

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