

STATE BRANDING IN THE 21ST CENTURY

Master of Arts in Law and Diplomacy Thesis

Submitted by Jorge de Vicente

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Under the advisement of Professor Bernard Simonin

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1) THE RISE OF STATE BRANDING IN THE 21ST CENTURY

1.1. What is it?

State branding is about using strategic marketing to promote a country's image, products, and attractiveness for tourism and foreign direct investment. State branding implies that countries "behave, in many ways, just like brands...they are perceived in certain ways by large groups of people both at home and abroad; they are associated with certain qualities and characteristics."¹

Marketing a country is not entirely new; in fact, numerous countries have traditionally promoted their image for tourism. However, the current process of globalization has underlined the need for countries to brand themselves on four different dimensions (public diplomacy, tourism, exports, foreign direct investment) and in an integrated manner.

As we reach the year 2005, three things are clear: i) state branding is no longer a choice but a necessity; ii) it is no longer conceived as a function to be performed individually by the state, associations or individual private companies, but as an integrative and concerted effort by all interested stakeholders; iii) if done effectively, state branding can provide 'soft power.'

1.2. How relevant?

State branding is relevant because consumers and investors continue to rely heavily on country images to make their economic decisions. Brands or images have become a shortcut to a purchasing decision. Effective state branding not only serves to reinforce positive images but also helps to fight negative ones by shaping new images and associations.

Equally important, branding has become a central tool of country competitiveness because having a bad reputation or none at all seriously affects a country's ability to compete. Thus, effective branding of a country can give it a competitive advantage in world markets and this, as we shall see later, opens many opportunities for developing countries.

1.3. Literature Review

Research on state branding is not new. For the past 40 years, numerous studies have been carried out on the so-called 'country of origin effect': the effect of national image on products.

During the 90s, Philip Kotler dealt with the topic of place branding and marketing in four books: *The Marketing of Nations* (actually a book on economic development and government policy rather than on marketing), *Marketing Places Europe* (on how to attract investments, industries, residents and visitors to cities, communities, regions and nations in Europe), *Marketing Asian Places*, and *Marketing for Hospitality and Tourism*.

¹ Simon Anholt. *Brand New Justice: The Upside of Global Branding*. Butterworth Heinemann, 2003

Another significant contribution to the field is *National Image and Competitive Advantage* by Eugene D. Jaffe and Israel D. Nebenzhal. In addition to reviewing the theoretical underpinning of country image for products, they provide useful insight as to how it can be managed by countries, industries and firms. One of their central points is that country image is product specific.

What's much more recent, however, is the coining of the term "brand state" or "state branding." The September 2001 publication in *Foreign Affairs* of the article "The Rise of the Brand State" by Peter Van Ham was a turning point, attracting a great deal of attention both from the academic community and the world of practitioners, and bringing about further research on the multidimensional nature of state branding.

In April 2002 *The Journal of Brand Management* devoted a special issue to the topic of 'Branding the Nation' bringing together contributions from the leading experts in the field, including scholars (Kotler, Papadopoulos), consultants (Anholt, Ollins) and practitioners. It is to this day the most comprehensive and up-to-date set of papers on state branding.

In the consulting world, Simon Anholt, one of the leading international marketing thinkers, has written about state branding in the collective work *Destination Branding*, and more recently authored the book *Brand New Justice*, in which he argues that developing countries can increase their competitiveness and therefore reduce economic disparity through effective branding. Equally important is the work of Wally Ollins, whose book *Trading Identities* establishes a linkage between state branding and companies going global.

Finally, the International Marketing Council of South Africa (IMC)² has put together a number of case studies of how countries around the world (of India, Britain, Brazil, Thailand, Spain, Germany and others) have approached the promotion of their national image.

1.4. Purpose of this Thesis

The purpose of this thesis is to investigate the various aspects of State Branding and bridge theory and practice, with particular attention to its four core dimensions: public diplomacy, exports, tourism, and foreign direct investment. This paper begins with a survey of basic concepts in branding, then addresses the theory and practice of country branding, continues with an exploration of the four dimensions of state branding through case studies, and concludes with key findings and postulates derived from this analysis.

² <http://www.imc.org.za/main/resources.stm>

2) STATE BRANDING: THEORY AND PRACTICE

2.1. Basic Concepts in Branding: Brand, Brand Image, Brand Identity, Brand Equity

The American Marketing Association defines a *brand* as a “name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition.”³ It follows that just as a brand name may be the only common element linking otherwise unrelated products together, a country name is a symbol that joins together a broader range of products and services.

According to Kotler, brands’ purpose is two-fold: i) they serve as a ‘major tool to create product differentiation’ ii) they represent a promise of value.⁴ From a consumer’s viewpoint, a brand is above all a shortcut to a purchasing decision. Even when differentiation is possible based on product characteristics, consumers often don’t take the time to compare and contrast.

As David Arnold suggests, “branding has to do with the way customers perceive and buy things.”⁵ In this sense, marketers’ typically distinguish three levels in a brand: essence benefits and attributes. The *essence* of the brand is a single simple value, easily understood and valued by customers. It is the personality of the brand, and the element that is distinctive in the market. The *benefits* delivered by the brand (emotional, status, image) match the needs and wants of the consumer. Finally, you have the *attributes*, directly noticeable and tangible characters (colors, shapes, functions, and graphics).

Brand image is how a product or service is perceived, whereas *brand identity* is what the company thinks its product is. The closer the alignment between the two the more successful the brand will be.

Brand equity is “the value of a brand based on the extent to which it has high brand loyalty, name awareness, perceived quality, strong brand associations, and other assets such as patents, trademarks, and channel relationships.”⁶

2.2. Branding applied to Countries

This section is about thinking of a country name as a brand, the contrast between how other see us (country image) and how we see ourselves (country identity). It explores how the image of a country affect our perception of its products (country of origin effect), and how the image of a product brand condition our perception of its country. The elements of a country’s brand and the concept of country equity are also laid out before moving on to consider the practical aspects of developing a country brand.

³ Philip Kotler, and David Gertner. “*Country as a brand, product and beyond: A place marketing and brand management perspective.*” The Journal of Brand Management (page 249), vol 9. no 4-5, April 2002.

⁴ Philip Kotler and David Gertner. “*Country as a brand, product and beyond: A place marketing and brand management perspective*”. The Journal of Brand Management (page 249), vol 9. no 4-5, April 2002.

⁵ David Arnold. *The Handbook of Brand Management*. The Economist Books, Addison Wesley Publishing Company, 1992.

⁶ Philip Kotler and Gary Armstrong. *Principles of Marketing*. Prentice Hall, 9th edition, 2001.

- **Country as a brand**

The fundamental assumption in country branding is that country names amount to brands and as a result convey images, help us evaluate products and services and make purchasing decisions. Thus, a powerful country brand translates into a better perception of the country, increased exports and inward tourism and foreign investment.

As Simon Anholt has rightly point out, country brands still stand for a limited number of qualities (power, wealth, sophistication) so there is still plenty of space for countries to brand themselves with qualities such as ‘creativity, music, philosophy, trust, innocence, wisdom, challenge, safety and so on.⁷

- **Country image vs. country identity**

A *country image* is the mental picture of a country, the sum of beliefs and impressions people hold about places. Every nation has an image which can vary across time and across countries to a greater or lesser extent, and this image colors both consumer’s perceptions of a country’s products and services and investor’s perceptions of the country as a place in which to do business.

As Nebenzal indicates, “the image of a country is influenced by the perception of its people, culture, level of economic development, quality of its products, products in which it has a comparative advantage, etc. The image of a less known country may be highly influenced by the country category in which it is classified: a developing African country, a developing Asian country, a developing Latin American country, an industrialized country.”⁸

Our image of countries and places are formed since early childhood from education, the media, travel, product purchases, but most of them are in fact stereotypes and clichés that do not conform to the contemporary reality of the country. By definition, clichés have a grain of truth in them and since they are so familiar, we feel comfortable with them. Country image is not a static phenomenon, but country images are long-lasting and difficult to change. That is why in order to improve a country’s image, it may be easier to create new positive associations than try to refute old ones.⁹

Country identity is what a country believes it is. A strong country brand should be rooted in reality and connect with people, both within and outside the country. Ultimately, it should strive to strike a balance between its image and its identity.

⁷ Simon Anholt. Foreword to The Journal of Brand Management (page 229), vol 9. no 4-5, April 2002.

⁸ Eugene D. Jaffe and Israel D. Nebenzahl. *National Image and Competitive Advantage*. Copenhagen Business School Press, 2001.

⁹ Philip Kotler, and David Gertner,. “*Country as a brand, product and beyond: A place marketing and brand management perspective*”. The Journal of Brand Management (page 251), vol 9. no 4-5, April 2002.

- **The Role of Country of Origin in the perception of products and services**

As products and services have increasingly standardized core features, marketers often turn to country associations to differentiate their brand. Country of origin has therefore become central to product evaluation, along with price, brand name, packaging and seller.

Country of origin can be defined as the country that a consumer associates with a certain product or brand as being the ‘home country’ of the brand (Honda identified as a Japanese product), regardless of where the product is actually produced (i.e. Honda assembled in the US). Products bearing a ‘made in Germany’, ‘made in Switzerland’ or ‘made in Japan’ labels are commonly regarded as high quality, due to the reputation of these countries as top world manufacturers and exporters. This nuance is important ‘because of the increased sourcing of production by multinational firms and their use of global, standardized advertising for their products¹⁰. In fact, one can argue that the only time we really stop to separate country of origin, country of manufacture, country of assembly is when we are buying expensive items or products that fall under the category of “fair-trade.”

Consumers continue to associate and evaluate given product lines (e.g. cosmetics, furniture, cars and fashion articles) with specific countries. French perfumes, German cars, Japanese electronics, are just some of the examples where national image is synonymous with quality, workmanship, durability, style or taste. In fact, research has shown that the country of origin effect is product specific- the importance of country of origin is greater in the purchase of cars, clothing and electronics.¹¹

Following Anholt, we can identify ten top places or countries as far as brand image is concerned. Of them, “the US is considered by most people to be the supreme country of origin for the world’s three most valuable and profitable business sectors: entertaining, merchant banking and information technology.”¹² Beyond the ‘top ten’, we find an array of minor-country brands countries whose appeal is limited to one or two kinds of products or a few brands.

¹⁰ Eugene D. Jaffe and Israel D. Nebenzahl. *National Image and Competitive Advantage*. Copenhagen Business School Press, 2001

¹¹ Eugene D. Jaffe and Israel D. Nebenzahl. *National Image and Competitive Advantage*. Copenhagen Business School Press, 2001.

¹² Simon Anholt. *Brand New Justice: The Upside of Global Branding*. Butterworth Heinemann, 2003

Table 1: Top ten vs. minor-country brands¹³

TOP TEN COUNTRY BRANDS	MINOR-COUNTRY BRANDS
United States	Ireland
England	Canada
Scotland	Finland
France	Spain
Germany	Taiwan
Japan	Wales
Scandinavia	Portugal
Switzerland	Belgium
South Korea	
Italy	

On another note, several studies have shown a relationship between stage of economic development and country-of-origin effect, pointing to an inherent perceptual bias against developing countries' products that serves as an entry barrier to industrialized markets. This would support the claim often made by Third World business executives that they cannot compete because they are "Third World". To this point, Michael Fairbanks responds by stressing that "consumers are increasingly blind as to the origin of the products they buy and what matters is that the producer meets critical customer's needs. A good example of this would be Café de Colombia as a top quality coffee, except that behind the success of Café de Colombia also lies a successful integrated marketing and communications campaign.

- **The Role of Product brands in the perception of countries**

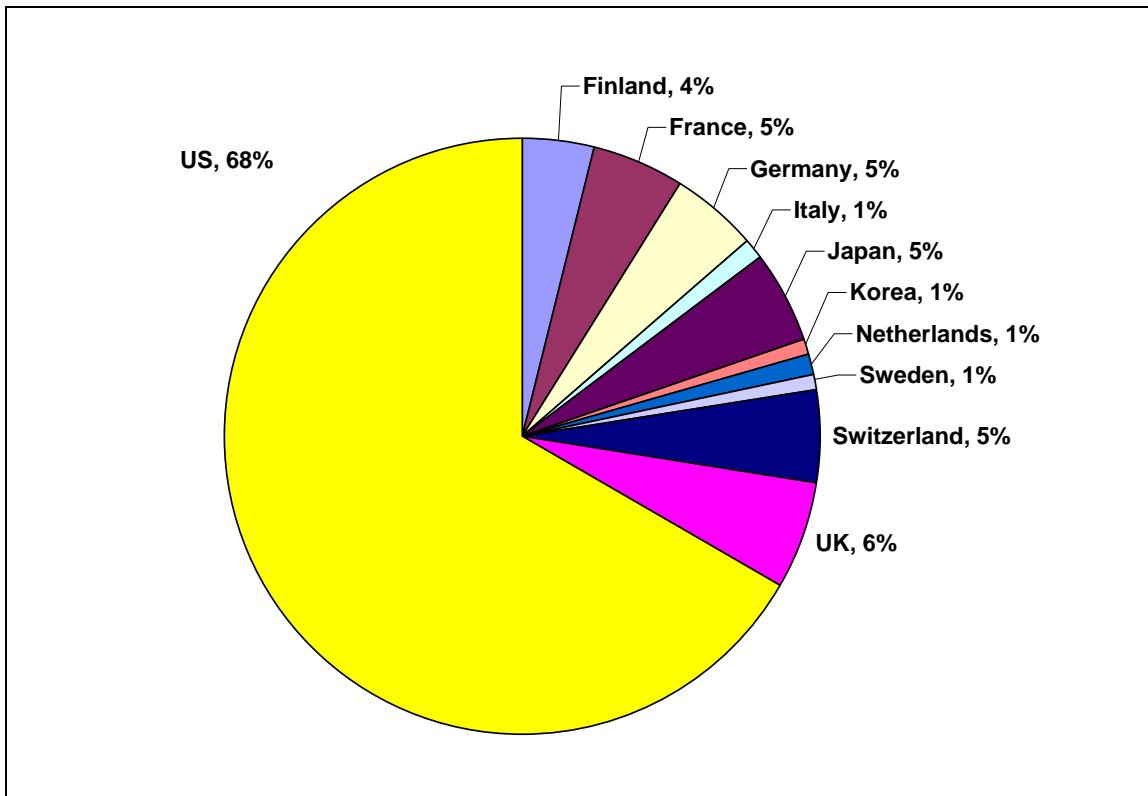
A question which has been less looked at is the role of product brands in the perception of countries. This is a relevant question for three reasons: 1) experience with products or services can cause a revision in the image of a country; 2) brands and states often merge in the minds of the global consumer (i.e. Nokia is synonymous with Finland, just as Microsoft and McDonald's are with the U.S.); 3) commercial brands are increasingly shaping the perceptions of national culture.

As Anholt argues, "one commercial consequence of such brand-informed images is that they tend to stereotype countries in a two-dimensional way which makes it harder for exporters of non-typical products to gain acceptance in the overseas market. For example, Italy's brand image as a fashion and style producer made it extremely difficult for Olivetti, a computer manufacturer, to create a successful export business; German fashion brands like Hugo Boss and Jill Sander have

¹³ Ibid.

tended to downplay their national origins as these products do not match the technical and rational image of Germany as well as brands like BMW, Porsche, Siemens or Mercedes.”¹⁴

Table 2: Brand Value distributed by Country



Source: Interbrand Chart and data, presented by Mark Leonard in *Public Diplomacy*

- **Country Equity**

Based on the concept of brand equity, the term *country equity* has been coined to mean “the emotional value resulting from consumers’ association of a brand with a country.”¹⁵ The concept of country equity clearly points to export promotion as the principal actionable dimension in state branding. However, we should also consider tourism and FDI as dimensions contributing to strengthen or weaken country equity, for tourists are very likely to come into contact with a country’s products during their stay and FDI decisions by companies do take into account not only factors of production but also image and name awareness.

¹⁴ Simon Anholt. *Brand New Justice: The Upside of Global Branding*. Butterworth Heinemann, 2003

¹⁵ Philip Kotler, and David Gertner. “Country as a brand, product and beyond: A place marketing and brand management perspective.” *The Journal of Brand Management* (page 249), vol 9. no 4-5, April 2002.

2.3. Practicum on Country brand development

After examining the salient aspects of country branding, I now turn to the practical aspects of how to develop and/or manage a country brand. First and foremost, state branding requires an understanding of a country's relative competitive position. That includes the strengths and weaknesses of the country to compete with others (country location, the size of the domestic market, presence of industry clusters, access to regional trade areas, education of the population, tax incentives, skilled labor, cost of labor, security and other factors) as well as the ability to recognize threats and opportunities in the external environment.

In addition, carrying out a SWOT analysis of your country's image, and benchmarking best practices are all critical to designing an effective country branding strategy. Ultimately, it is a process that requires participation and a shared vision from government, citizens and businesses.¹⁶

- A Survey of Tools**

Countries use different tools to promote themselves as a brand. These include logos, taglines and country websites, among others. The primary channel for these tools is advertising in the press, airline and travel magazines, television, etc.

- Visual images, symbols or logos such as the ones pictured below are increasingly used by countries to maintain and build brand awareness. Here it's critical to come up with an umbrella logo or symbol to leverage everything together in the eyes of the country and the world. From this logo, graphic variations can be developed for the specific branding activities of the country. As a matter of fact, most countries have but a tourism logo. A notable exception is South Africa, which has done a terrific job in terms of ensuring consistency across its range of logos.

South Africa's umbrella logo



¹⁶ Ibid, pp 253-254.

South Africa's array of logos



- Taglines such as ‘Spain-Everything under the Sun’, “Costa Rica-No Artificial Ingredients”, “Hong Kong-Asia’s World City”, “Peru-Land of the Incas” , “India-Eternally Yours“, “Amazing Thailand” or “Malaysia-Truly Asia” are most often used for tourism purposes and are meant to be catchy, arouse interest and convey the essence of the country brand.
- The importance of a one-stop country website or official Internet gateway is paramount, because it contributes to country brand consistency and allows the four dimensions of state branding (public diplomacy, tourism, exports, foreign direct investment) to leverage one another. Equally important, it’s a reflection of the country’s commitment to customer service in that internet users only have to visit one website to obtain all the information they need. And yet most countries surprisingly still don’t have such a website. A remarkable exception is South Africa, whose International Marketing Council launched the web portal www.safrica.info in 2001. Undoubtedly, South Africa has not only internalized the importance of state branding but also become a world-class competitor in this arena. Thus, it should not have come as a surprise that South Africa was recently chosen to host the 2010 Soccer World Cup, becoming the first African country to organize such an event.



- **Brand Strategy: the umbrella concept, segmentation, targeting, and positioning**

Developing a country brand begins by crafting an umbrella concept or core message rooted in reality that will cover and be consistent with the four dimensions of country branding. Among the possible concepts is a country of quality, innovativeness, nature, security, pleasure, progress, honesty, which lean on industries, personalities, natural landmarks and historical events that can provide a basis for strong story-telling.

Prioritizing one of these branding dimensions based on the competitive advantage of a country makes total sense, especially when resources are limited, and should not be seen at odds with the idea of an umbrella concept. In fact, effective branding in one dimension can have positive spillovers into others. The underlying idea is that the four dimensions of branding are closely linked and therefore are mutually reinforcing and complimentary. This clearly calls for a new conceptualization of state branding as a dynamic system, very much along the lines of the diamond framework put forth by Professor Michael Porter.

Segmentation and *targeting* entail identifying your markets and within them your potential clients for each branding dimension. *Positioning* is about emphasizing those traits of your country that are more appealing to each specific country and audience. All three phases require an ongoing understanding of how your country is perceived across space and over time. This in turn makes it possible to adjust the message to different countries over time

- **Integrated Marketing and Communications Campaigns for Country branding**

Since state branding is a long-term, cumulative effort, in order for a country branding campaign to stand any chance of success, it must rely upon an integrated marketing and communications campaign. After all, “the way a brand is sold can be as important as the brand itself.”¹⁷

A public private partnership with overall responsibility for the country branding efforts, like South Africa’s International Marketing Council¹⁸, seems more appropriate than a purely governmental body for various reasons:

- First, it enables an integrated approach to marketing the nation and ensures continuity beyond politics.
- Second, it makes it easier to enlist the largest consensus, support and contribution possible from all relevant brand stakeholders (government agencies at national, regional and local levels, major private companies, top advertising executives, universities) on the country brand proposition and marketing tools.
- Third, multi-stakeholder buy-in guarantees subsequent use of the country brand.
- Finally, a country branding campaign, if properly executed, could have a positive effect on the morale, team spirit and sense of purpose of a country.

¹⁷ Ibid.

¹⁸ See <http://www.imc.org.za/>

However, a public private partnership is not always a likely outcome, especially where there is a tradition of strong government, private sector reliance on the public sector (as in most developing countries) or lack of trust between the public and private sectors.

It is the role of the country brand authority, whatever its composition may be, to carefully integrate and coordinate the many communication channels (advertising, public relations and direct marketing) to deliver a simple, coherent and compelling message on the country. As national brands are perceived differently in different countries and regions, an effective Integrated Marketing and Communications Campaign may adapt its strategy for different target markets.

Consistency is a key aspect of successful branding. This means making sure that all graphics and messages used in each branding dimension fit into the country's umbrella concept. It also means coordinating and integrating city and region brands within the larger goal of nation branding—they can be mutually reinforcing, so why not leverage each other?

Two caveats: many governments usually operate in a short-term environment, making commitment to a national branding campaign very difficult. 2) There is potential for conflict between different levels of government within the country that is being marketed.

All of the above shows that a public private partnership is the best institutional arrangement to manage a country branding effort. Neither companies nor the government can do it on their own, but they each have important contributions to make: money and long-term vision in the case of the private sector and coordination, institutional support, and legislation (i.e. use of logo, quality controls) in the case of the government.

One of the pioneering and most successful overall country branding campaigns to this day has been that of Scotland.

CASE STUDY: “SCOTLAND THE BRAND” CAMPAIGN

The campaign “Scotland the Brand” established in 1994 as a joint venture of industry and government for the promotion of Scottish trade, tourism and culture is a good example of integrated state branding at work and good coordination between the public and private sector.



The aim of using a national logo on exported products was to “encourage cohesion in image and marketing to deliver greater commercial value and contribute to raising Scotland’s profile and status in the global marketplace.”¹⁹

¹⁹ <http://www.scotlandthebrand.com>

Another good example of an effective marketing campaign for country branding is the case of the “Britain in Malaysia” campaign.

CASE STUDY: “BRITAIN IN MALAYSIA” CAMPAIGN²⁰

Joint initiative launched in 1998 and into 1999 by the British High Commission, the British Malaysian Industry and Trade Association, the British Council and the British Tourist Association to enhance trade, investment and cultural flows between Malaysia and Britain.



The ‘Britain in Malaysia Logo’ and the tagline “just between friends” celebrate the close and long standing relationship between the two countries.

Many of the activities were largely sponsored by British companies in Malaysia.

• The Role of Country Brand Auditing

Brand auditing involves continuous monitoring of perceptions and images of a country based on information gathering through opinion polls, research and analysis. Measuring the existing country image and using this knowledge to improve it seems vital.

Since successful country branding requires long-term planning and multi-stakeholder participation, it seems only natural for country brand auditing to be under the responsibility of the same body in charge of the overall country branding effort.

An important issue in country branding is evaluating and tracking the effect of critical events on national image:

- Health crisis (i.e. SARS)
- Natural disasters (i.e. floods in the Dominican Republic)
- Wars (i.e. Balkan countries, Rwanda)

²⁰ -Skuba, Charles. “Branding America.” *Georgetown Journal of International Affairs*. Summer/Fall 2002.
- See also <http://www.bmcc.org.my/archive/press.htm>

- Terrorism. In this respect, both politicians and academics worldwide agree that the US led war in Iraq has had a very negative impact on its image worldwide, especially in Arab and Muslim countries, a view backed by the latest study on global attitudes from the Pew Research Center.²¹ Despite the fact that the large majority of the Spanish population opposed the war in Iraq but strongly support the fight against terrorism, Spain's image has also been weakened by the support of the Aznar government for the war in Iraq and close alignment with the Bush administration.

- **The Role of Culture in promoting a country's image**

The role of culture in promoting and sustaining a country's brand image has been eloquently emphasized by Simon Anholt, who argues that culture is 'uniquely linked to the country, and dignifying'. Equally, important, culture can be an important revenue earner through national and international cultural events like concerts, exhibitions, competitions and festivals, but most importantly, through language.²²

Cultural and language organizations like the British Council, the Goethe Institute, Alliance Francaise, and more recently Instituto Cervantes play a central role in enriching a country's brand image and making that image sustainable over time. The tools they can use include film festivals, presentations, concerts, art exhibits, and student exchanges, among others.

3) METHODOLOGY

The following analysis seeks to integrate existing knowledge and provide new insights on the four dimensions of state branding by bridging theory and practice. Considering a number of different case studies, this chapter explores countries' practices, identifies gaps, and provides recommendations to maximize country branding efforts.

4) THE FOUR DIMENSIONS OF STATE BRANDING.

4.1. Overview

The current process of globalization and the accompanying increase in economic competition for markets has underlined the need for countries to brand themselves on four different dimensions (public diplomacy, tourism, exports, foreign direct investment) and in an integrated manner. This being said, each country's level of emphasis on each of these four dimensions will vary depending on its brand essence and competitive advantages

Nevertheless, countries don't look at the four dimensions of branding as reinforcing and complimentary and therefore ignore the synergies of country branding. What we actually find is that most countries only clearly brand themselves for tourism purposes, so much so that tourism

²¹ '...in most countries, opinions of the US are markedly lower than they were a year ago. The war has widened the rift between Americans and Western Europeans, further inflamed the Muslim world, softened support for the war on terrorism.' The Pew Global Attitudes Project. *Views of A Changing World, June 2003*. (accessed in April 2004). Available from <http://people-press.org/reports/display.php?ReportID=185>

²² Simon Anholt., *Brand New Justice: The Upside of Global Branding*. Butterworth Heinemann, 2003

branding tends to be confused with state branding. As Anholt has rightly pointed out, “this is because tourist promotion is usually the only way in which countries ever consciously engage in marketing themselves to the outside world.”²³

Tourism branding “typically involves ‘mass-marketing’ approaches (media advertising) by government and industry associations, and both mass and more focused approaches (such as personal selling and incentives to travel agents) by associations and individual firms.”²⁴

Public diplomacy comprises a government’s range of ‘interactions not only with its foreign counterparts but primarily with non-governmental individuals and organizations’ aimed at furthering its image and reputation through mutual understanding. Public diplomacy is mostly carried out by developed nations, especially the US and the UK, so it’s essentially an anglo-saxon phenomenon. This has been common practice for the US since the days of the United States Information Agency. By contrast, other developed nations have yet to articulate a coherent public diplomacy strategy that brings together and gives coherence to the various activities carried out abroad by the Government that fall under the umbrella of public diplomacy.

Export promotion is primarily carried out by individual exporters, with government and industry associations acting as facilitators (ie. arranging trade fairs, country weeks at major department stores in target markets). Therefore, “the export image of most countries tends to be less consistent than that of their tourism industries, suggesting a potential opportunity for a greater role by government and trade associations in helping to coordinate and promote the country’s export brand(s).”²⁵

Investment promotion activities by all three actors tend to be of a personal selling nature rather than a mass-marketing one (ie. investment missions and handling of individual investors by government agencies).²⁶

4.2. Public Diplomacy

This section examines the concept of public diplomacy, its goals and time horizon, and then provides a snapshot of how public diplomacy is carried out in three countries: the U.S., South Africa and the UK.

- **Definition**

The term ‘public diplomacy’ was first used in by the United States Information Agency in the early 1960s in terms of how a country manages its reputation abroad.

²³ Ibid.

²⁴ Nicolas Papadopoulos and Louise Heslop. “Country equity and country branding: Problems and prospects.” *The Journal of Brand Management*, vol. 9. no. 4-5, April 2002. (page 310)

²⁵ Ibid.

²⁶ Ibid.

"Public diplomacy . . . deals with the influence of public attitudes on the formation and execution of foreign policies. It encompasses dimensions of international relations beyond traditional diplomacy; the cultivation by governments of public opinion in other countries; the interaction of private groups and interests in one country with those of another; the reporting of foreign affairs and its impact on policy; communication between those whose job is communication, as between diplomats and foreign correspondents; and the processes of inter-cultural communications. Central to public diplomacy is the transnational flow of information and ideas."²⁷

- **Goals**

According to Mark Leonard, public diplomacy has four goals:

- “Increasing people’s familiarity with one’s country (making them think about it, updating their images, turning around unfavorable opinions)
- Increasing people’s appreciation of one’s country (creating positive perceptions, getting others to see issues of global importance from the same perspective)
- Engaging people with one’s country (strengthening ties – from education reform to scientific co-operation; encouraging people to see us as an attractive destination for tourism, study, and distance learning; getting them to buy our products; getting to understand and subscribe to our values).
- Influencing people (getting companies to invest, publics to back our positions or politicians to turn to us as a favored partner.)”

To achieve these goals, Leonard goes on, public diplomacy is to operate in three dimensions:

- “Communication on day-to-day issues—in other words, aligning traditional diplomacy with the news cycle.
- Strategic communication—that is, managing overall perceptions of a country.
- Developing lasting relationships with key individuals through scholarships, exchanges, training, seminars, conferences, and access to media channels.”²⁸

²⁷ Accessed in April, 2004. Available from <http://www.publicdiplomacy.org/1.htm#origins>

²⁸ Mark Leonard, with Catherine Stead and Conrad Smewing. *Public Diplomacy*. The Foreign Policy Center, 2002 . London. (accessed on March 25, 2004); available from www.fpc.org.uk

- **Case Studies: U.S., South Africa, and the UK**



US PUBLIC DIPLOMACY

Purpose: During the Cold War years, the objective was to promote the values of democracy and free market behind the Iron Curtain countries. From the early 90's up to this day, that objective has been merged into a larger effort to counter the negative image of the US in the Arab and Muslim world as a result of its perceived lack of commitment to resolving the Palestinian conflict and more recently the War in Iraq. However, the fact that negative views of the US have grown worldwide after the war in Iraq poses a significant challenge to US public diplomacy.

Institutions: U.S. Department of State, Undersecretary for Public Diplomacy and Public Affairs as the umbrella institution.

Instruments: Exchange programs (Fulbright, International Visitor, Partnerships for Learning, Youth exchange and study program); Culture Connect program.

Strategy formulation:

Public Diplomacy Activities and Programs; Margaret DeB. Tutwiler, Under Secretary for Public Affairs; Testimony before the House Committee on Government Reform Subcommittee on National Security, Emerging Threats and International Relations; Washington, DC

Changing Hearts, Winning Minds: A new Strategic Directions for US Public Diplomacy in the Arab and Muslim World. Report of the Advisory Group on Public Diplomacy for the Arab and Muslim World. <http://www.state.gov/documents/organization/24882.pdf>



SOUTH AFRICA'S PUBLIC DIPLOMACY

Purpose: To reposition South Africa in as a “country alive and with possibility” and overcome the negative image left by the Apartheid era and inherited problems, mostly AIDS.

Institutions: Ministry of Foreign Affairs; International Marketing Council (IMC), a public-private partnership developed in 2000 at the initiative of President Thabo Mbeki to create a positive and united image for South Africa.

Instruments:

- Communications Resource Center (international monitoring on news about South Africa)
- Web Portal www.safrica.info
- Marketing of South Africa internationally at trade fairs, exhibitions, international events, and through media products.
- Effective international media briefings, press conferences, media briefings, feature articles, photo opportunities.

Strategy formulation:

- South Africa's branding strategy is available at
<http://www.imc.org.za/documents/brandingsa.stm>
- South African Department of Foreign Affairs: Strategic Plan 2003-2005
<http://www.dfa.gov.za/department/stratplan03-05/stratplan03.pdf>



UK PUBLIC DIPLOMACY

Purpose: “To understand and improve foreign perceptions of the UK so that we are increasingly seen and appreciated as modernizing, diverse, creative, successful and relevant / with a lively, inclusive, open and welcoming people / in order to underpin our political and cultural influence, commercial competitiveness, and ability to attract visitors, students, investment and talent.”

Institutions: Foreign and Commonwealth Office (FCO), British Council, BBC WorldService, British Tourist Authority, Department for International Development, British Trade International.

Instruments: Public Diplomacy Strategy Board, i-uk.com, BBC World Service, British Council, Scholarships, Working with Foreign Journalists, Public Diplomacy Challenge Fund).

Strategy formulation:

Promoting the UK webpage in FCO’s website.

<http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029395249>

Foreign and Commonwealth Office Public Diplomacy Strategy.

http://www.fco.gov.uk/Files/KFile/PUBLICDIPLOMACYSTRATEGY_May2003.pdf

Panel 2000 Consultation Document (Foreign and Commonwealth Office)

<http://www.fco.gov.uk/Files/kfile/panel2000,0.pdf>

In 1998 the UK government launched the initiative “Panel 2000 to project Britain into the world and better align perceptions with reality. Actually, Panel 2000 speaks to the importance of coordination among brand stakeholders:

“By achieving better co-ordination between government, the private sector, and NGOs, and by focusing on key themes that explain what it is to be British we can make the whole more than the sum of its parts, and ensure that perceptions of Britain across the world are more closely in line with the reality of Britain today.”²⁹

²⁹ *Panel 2000 Consultation Document*. Foreign and Commonwealth Office. (accessed in March 2004); Available from <http://www.fco.gov.uk/Files/kfile/panel2000,0.pdf>

- **Seize the moment**

The choice of the preceding case studies is no coincidence. Only a handful of countries, largely developed nations, have developed strategies for public diplomacy. The rest may practice it to a larger or lesser extent but still do so within the mindset of traditional foreign policy.

Public diplomacy understood as a way to exercise “soft power” does afford developing nations an array of opportunities to increase people’s familiarity and appreciation of a country. From the development of an official one-stop country website to proactively informing others about one’s country by way of the Foreign Service or exchange students, even the poorest countries can engage in public diplomacy. In turn, public diplomacy can become a source of pride and unity in these countries, which then opens the possibility for every citizen to become an active Ambassador of his/her own country.

For developed nations which engage in public diplomacy without having formulated a clear strategy, public diplomacy should not be regarded as just another policy area to be implemented by the Foreign Service, but as a multi-stakeholder initiative, involving associations, private individuals, businesses, etc. Furthermore, if it is to be effective, a strategy must be in place that views public diplomacy as a key dimension of state branding and is able to leverage disparate public diplomacy efforts such as a network of cultural or language institutes, giving of development aid or participation in peacekeeping operations worldwide.

Mark Leonard gives the following recommendations for the exercise of public diplomacy³⁰:

-“Governments should engage with mass audiences not through embassies on the ground but by working through foreign correspondents in your own capital.

-Governments need to change the tone of public diplomacy, so that it is less about winning arguments and more about engagement.

-Public diplomacy should be focused on the countries that are more relevant to our interests.

-Conspicuous government involvement in public diplomacy can be counter-productive; working through third parties (ie. NGOs, Diasporas) is more likely to build trust.”

4.3. Tourism

This section begins by looking at the renewed and critical importance of branding for tourism, and makes the case for coordination and segmentation. Next, it examines tourism as a way to leverage exports, as well as effectiveness of tourism branding through the Internet. It concludes with a series of case-studies relevant to tourism branding: Costa Rica as an ecotourism destination, regional tourism branding through the Geo-brand “Central America,” tourism branding opportunities for developing countries exemplified by Ecuador and Rwanda, and the challenges of a successful tourism destination such as Spain.

³⁰ Mark Leonard, with Catherine Stead and Conrad Smewing. *Public Diplomacy*. The Foreign Policy Center, 2002 . London. (accessed on March 25, 2004); Available from www.fpc.org.uk

- **Why Branding for Tourism is critical**

Country branding for tourism is not new, but its importance has grown dramatically as tourism has become one of the world's largest industries, with worldwide tourism revenues amounting to \$462 billion in 2001, according to the World Tourism Organization.

With most destinations boasting superb hotels, services and facilities, claiming a unique culture and heritage and the friendliest people, and also competing on price, “the need to create a unique identity—to find a niche and differentiate yourself from the rest of competitors—is more critical than ever.”³¹ Furthermore, with 15 countries accounting for nearly 70% of the market share of international tourist arrivals, branding becomes essential for the other countries.

The following are some logos used in tourism by various countries throughout the world:



³¹ Nigel Morgan, Annette Pritchard and Rachel Piggott. “New Zealand, 100% Pure. The creation of a powerful niche destination brand.” *The Journal of Brand Management*, vol. 9. no. 4-5, April 2002.

- **The Importance of Coordination and Segmentation**

Tourism branding should be coordinated by the National Tourism Authority within the overall country branding strategy and in cooperation with industry associations. Its success will be largely based on segmentation, that is, “a country must be specific about what it wants to market and to whom.”³²

Segmentation can be made based on consumer needs, attraction/s (natural beauty, sun and beaches, adventure, gaming, events/sports, or culture/history), areas, regions or locations, seasons. Ideally, a country’s ultimate tourism goal should be to attract high revenue tourists that contribute to the well-being of the local community, have the lowest-impact on the ecosystem, and have the lowest cost to serve. In other words, a country must choose its tourists and not vice versa.³³

Whether a country decides to position itself as a niche or a multifaceted destination for tourism purposes will depend on its proximity to demand and the variety and quality of its tourism offer. A country like Spain can be regarded as a multifaceted destination since it offers a high quality array of tourism products ranging from sun and beaches to culture, nature, and gastronomy. By contrast, Costa Rica is commonly deemed a niche destination in ecotourism.

- **Tourism as way to leverage exports**

Countries that attract international tourists, especially those concerned with the environment and the well-being of the local population, have a unique opportunity to turn tourists into loyal customers for their export products and services. This is especially relevant for companies in the developing countries that are moving from export of unprocessed food products (ie. coffee, tea, cocoa) to exporting processed products in order to capture more profit along the value chain.

A good example of a company that is leveraging export products through the tourism industry is Café Britt in Costa Rica. Café Britt organizes tourist visits to its plantations, has placed its product in hotel rooms throughout the country as well as in the National airport, and sells its coffee directly to consumers through its internet website.³⁴

Another developing country in which companies seem to have realized the potential that tourism offers for leveraging exports is Rwanda. The Rwandese government, following the guidance of the consulting firm On-the-Frontier has picked tourism, coffee and tea as key sectors around which to boost the competitiveness of the Rwandan economy.

³² Philip Kotler and David Gertner. “Country as a brand, product and beyond: A place marketing and brand management perspective.” The Journal of Brand Management (page 255), vol 9. no 4-5, April 2002.

³³ Michael Fairbanks. Remarks during the class *International Entrepreneurship* at The Fletcher School on April 16, 2004

³⁴For more information, see <http://www.cafebritt.com/>

- **Tourism Branding through the Internet**

With hundreds of destinations competing for attention in consumers' minds, a one-stop website becomes an essential tool of a country's tourism branding effort, especially for niche destinations. While many countries have put up a national tourism website, few realize that an attractive design, ease of use and user-friendly interface are just as important as the objective product being offered, if not more. English-speaking countries tend to have very appealing and helpful official tourism websites, such as Australia (www.australia.com), New Zealand (<http://www.purenz.com/>), and South Africa (<http://www.southafrica.net/>).

Latin America is quickly catching up. Not only countries like Costa Rica (<http://www.visitcostarica.com>) and Peru (<http://www.peru.org.pe/perueng.asp>), but also regional organizations like SICA (<http://www.visitcentroamerica.com>) and the Andean Community (http://www.comunidadandina.org/ingles/tourism/e_home_tourist.htm) are boasting slick, informative and user-friendly one-stop national tourism websites.

- **Case Study: SPAIN**



FACTS: Most experts agree that post-Franco Spain is one of the most successful examples of national branding, especially as a tourist destination. As the nation took off economically and democracy strengthened, Spain was able to convey this image of change on the international scene. Key to this success was a tourism marketing campaign launched in 1982 on the occasion of the World Soccer Cup held in Spain. The campaign used Joan Miro's sun design to symbolize the modernization of Spain. This logo has since become Spain's tourism logo.

CHALLENGE: However, as international competition for tourist becomes fiercer than ever, the need for innovation, an effective communications and marketing campaign, and a top-of-the-line tourism website can not sufficiently stressed.

OFFICIAL TOURISM WEBSITE: <http://www.tourspain.es/TourSpain/Home?Language=en>

- Case Study: Costa Rica as an Ecotourism Destination



Brand Creation: Even though Costa Rica started to develop as an ‘ecotourism’ destination in the mid-eighties, the brand “Costa Rica, No Artificial Ingredients” was first used in 1996 in a promotional campaign by the Costa Rican Tourism Board (ICT) in the U.S and has ever since become the country’s official tourism brand. In terms of graphics, the logo may feature different colors with different animals.

Positioning: The brand leverages the rich biodiversity of Costa Rica, as well as its image as a sustainable tourism destination fostered by President Figueres during his term in office (1994-1998). An important element which contributes to this positioning is the “Certificate of Sustainable Tourism” (CST) developed by ICT.

Despite the success of the brand, the current tourism authorities would like to go beyond an ‘ecotourism positioning’ and adopt more of a “sustainable tourism” image, which in their view would make it possible to combine different destinations within the country (sun and beach, nature, adventure).³⁵

Institutional framework: Costa Rican Tourism Board (ICT), is the leading government institution in the country’s tourism activity.

Challenges: Over the last few years, the country has experienced a rapid growth in sun & beach tourism, especially in terms of so called “enclave destinations” in the North Pacific region of Guanacaste. This tourism boom has also brought along gambling and child prostitution. Essentially, the challenge Costa Rica faces as a tourist destination is one of positioning and segmentation, that is, the country must adopt an attitude of “I choose my customers, my customers don’t choose me”³⁶, which essentially means promoting true ecotourism³⁷ to attract high revenue tourists..

Website: www.visitcostarica.com

³⁵ Barry Roberts, Marketing Director of ICT. Interview with author. San Jose, Costa Rica, August 2003.

³⁶ Michael Fairbanks. Remarks during the class *International Entrepreneurship* at The Fletcher School on April 16, 2004

³⁷ Ecotourism is defined by International Society on Ecotourism (TIES) as “responsive travel to natural areas that conserves the environment and improves the well-being of local people” www.ecotourisms.org

- Case Study in regional tourism branding: The Geo-Brand “Central America”



Creation: Regional tourism branding initiative launched in 2002 by the seven Central American countries (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) coordinated by the Central American Integration System (SICA) and supported with the funds of the German Government International Cooperation Agency (GTZ).

Positioning: “Central America as a geo-destination with unique and different characteristics: its exuberant tropical nature, its cultural wealth, a sum of pre-Colombian and Colonial cultures, along with the warmth and hospitality of its peoples, all in a relatively small territory.”³⁸

Purpose: To market Central America as a regional tourist destination in the context of international tourism fairs and through promotional materials, including the official tourism websites of all seven Central American countries.

Notwithstanding this regional brand, each Central American country continues to have its own tourism brand (logo + tagline) as can be seen clicking on the country links that appear on the brand Centroamerica website (<http://www.visitecentroamerica.com>). According the brand handbook mentioned below, when the country brand and the regional brand are used together, “they must be located opposite each other.”³⁹

Institutional Framework: Central American Tourism Agency (CATA), a public-private partnership made up both by the Ministers of Tourism and the Presidents of the National Tourism Chambers from all seven Central American countries. Set up in 2003 and headquartered in Madrid, its main purpose is to plan, coordinate, and assist and further Central America as a multifaceted tourism destination, primarily in the European and Asian markets.

Private Sector participation: In addition to CATA, the regional airline “Grupo Taca” has agreed to showcase the brand ‘Centroamerica’ on all its airplanes.

Commercial Website: <http://www.visitecentroamerica.com> both in English and Spanish.

Institutional website: <http://www.sgsica.org/turismo/index.html>

³⁸ Centroamerica Corporate Identity Manual (Available in pdf from <http://www.sgsica.org/turismo/index.html>)

³⁹ Ibid.

- **Case Studies in the developing world: Ecuador and Rwanda**



ECUADOR

- **Tourism background:** Tourism has consistently ranked as the fourth major source of revenue in the country, surpassed by oil, banana and shrimp exports. There are two major tourism clusters in Ecuador: Quito (cultural tourism) and the Galapagos Islands (ecotourism).
- **Positioning:** Except for Galapagos, Ecuador does not have a distinct tourism image and positioning. On top of that, Ecuador lacks a clear country image.

The Ecuadorian Ministry of Tourism acknowledges that effective tourism branding of the country needs to be done within the context of a larger national branding effort so as to leverage the other three mutually reinforcing dimensions of state branding.⁴⁰

- **Logos:** The logo of Galapagos National Park stands out for its uniqueness and elegance.



<http://www.galapagospark.org/en/home.htm>

- **Building a tourism brand:** Given Ecuador's unique biodiversity and cultural resources (both colonial and indigenous) in a small area of land, Ecuador can be considered a microcosm of Latin America and that is how it should sell itself. Since high-revenue tourists are mostly attracted by Galapagos, mainland Ecuador should target both tourists seeking cultural attractions and an affordable yet medium to high quality ecotourism experience.
- **Websites:** <http://www.vivecuador.com/>
http://www.comunidadandina.org/ingles/tourism/profile_ecu.htm

⁴⁰World Tourism Organization. *Tendencias de los Mercados Turísticos: Las Américas*. World Tourism Organization, 2002.



RWANDA

- **Tourism Background:** Before the civil war (1990-1994), Rwanda's tourism industry around the Virunga volcanoes and mountain gorillas was a rather profitable one. In 1988, 36,000 tourists visited the country.
- **Tourism after the civil war:** The genocide that took place in 1994 was extremely damaging to the international image of Rwanda. Once the economy was stabilized from a macroeconomic standpoint, the new Government launched a strategy for development and a competitiveness program that identified tourism as one of three key sectors. Various efforts were and continue to be made on product and infrastructure development, marketing, and institutionalization.⁴¹
- **Positioning:** The Rwandan National and Competitiveness Program focuses on high-value eco-travelers coming to see the mountain gorillas.
- **Building a tourism brand:** Rwanda's tourism brand must be developed as part of a larger "country brand" so that the FDI and export dimensions of country branding can leverage one another. The time seems ripe for the government to put forward a new image based on the great economic progress and political stability achieved by the country over the last 10 years. An attractive, informative and easy to use website should be a priority.
- **Government website:** <http://www.rwanda1.com>

⁴¹ Michael E. Porter. *Rwanda: National Economic Transformation*. Draft, April 9, 2004. HBS.

4.4. Export Promotion

This section deals with country of origin as brand name, as well as branding for export promotion in developed countries and developing countries. Two case studies are presented: Spain's branding project, and Café de Colombia to bridge the gap between theory and practice.

- **Country of Origin as a brand name**

As already discussed, country of origin operates in the minds of consumers like a brand name, that is, it is a shortcut to a purchasing decision. It follows that the stronger your country image and equity are, the more products a country will be able to sell in international markets.

- **Branding for export promotion in developed countries**

Traditionally, in developed countries individual exporters and industry groups have done the vast majority of marketing with governments limiting themselves to an informational role, organizing trade fairs, or arranging a country week, all of which are usually carried out by a country's network of trade offices overseas. This is fine for the top ten country brands, but for most countries this fact points to the need for a greater role by government and trade associations in helping to coordinate and promote the country's export brands.

These two primary stakeholders should, first of all, consider export promotion as one of the four essential and interrelated dimensions of state branding. This requires acknowledging the role the products of a country play in shaping the image of that country abroad, as well as the positive influence that a strong country image can have on sales. Ultimately, it calls for a new vision of export promotion within the overall country branding effort.

In addition to coordinating with other bodies and institutions responsible for state branding, a country's export promotion agency should create export controls to make sure that every exported product is available and delivers the promised level of performance.

CASE STUDY: “PROYECTO MARCA ESPAÑA” (Spain’s Branding Project)⁴²



What is it: Through the initiative “Proyecto Marca España”, public and private stakeholders have come together to articulate an overall branding strategy to align image of the country abroad with its current economic, social and cultural reality.

Participants: Real Instituto Elcano (Spain’s major international relations think tank), the Spanish Asociacion of renowned brands, the Spanish Association of Communication Executives (DIRCOM), the Spanish Agency for Export Promotion (ICEX-Ministry of Economy), and the Spanish Ministry of Foreign Affairs.

Relevance for Exports: The area where there is bigger gap between Spain' image and identity is its products. The “Made in Spain” label remains a weak one. Thus, the need to align the perception of Spanish products with their true quality.

Project Phases: 1) Gathering of all existing information and data on the image of Spain abroad; 2) Series of roundtables featuring public/private institutions and individuals most directly concerned with the brand Spain to reflect on the problems of Spain’s image abroad. 3) Based on the conclusions reached in the second phase, a team of communication experts and executives put forth a number of recommendations to better position and communicate brand Spain to the rest of the world.

Major Recommendations: a) Set up a government agency or entity to lead this effort, or alternatively a ‘Brand Spain Committee’ which would include not only the original task-force participants but also the Spanish Tourism Agency, Instituto Cervantes, all cultural agencies charged with promoting Spanish culture abroad, Spanish National TV, Chambers of Commerce; b) Create a permanent Auditing Office to monitor and track Spain’s image abroad c) Provide public diplomacy training to the Spanish Foreign Service.

⁴² Javier Noya. *La nueva etapa de la marca Espana*. Real Instituto Elcano. (accessed in March 2004). Available from <http://www.realinstitutoelcano.org/analisis/388.asp>

Asociación Directivos de Comunicación, Foro de Marcas Renombradas Espanolas, Instituto Español de Comercio Exterior, Real Instituto Elcano de Estudios Internacionales y Estratégicos. *Informe Proyecto Marca Espana*. Accessed in March 2004. Available from <http://www.realinstitutoelcano.org/>

- **Branding for export promotion in developing countries**

As for developing countries, it has been customary to have export promotion agencies, especially in those countries which in the sixties and seventies chose import substitution as their model for economic development. Today, the major challenge is also to look at export promotion as a part of much large enterprise called ‘country branding’ and therefore, to coordinate actions with other government departments and agencies responsible for tourism and FDI.

Developing countries ought to also explore the possibility of using their name to promote their products. A clear case in point is Café de Colombia.

CASE STUDY: CAFÉ DE COLOMBIA



Creation: The promotion of Colombia, as a country of high-quality coffee, was started by the National Federation of Coffee Growers of Colombia in 1981. The image campaign, which is running to this day, has Juan Valdez and his mule as its main characters.

Purpose: To create a positive image of Colombia coffee among consumers as well as one of superiority.

Logo: The logo is to be used as a seal of guarantee issued by the National Federation of Coffee Growers of Colombia.

Communication Channels: TV commercials, print ads, promotional materials.

Results: Colombia is the leading exporter of coffee to the US and Café de Colombia holds over 40% of the specialty coffee market in the USA.

Website: www.juanvaldez.com

4.5. Foreign Direct Investment

This section looks at the promotion techniques to attract Foreign Direct Investment (FDI), how to design an effective branding strategy for FDI, types of export promotion agencies, competition for foreign investment between countries and cities/regions. The topic is then demonstrated through a case study about Intel's investment in Costa Rica.

- **Introduction**

Branding a country to attract FDI is concerned with creating an attractive image of a country as a place to invest. As such, branding is usually carried out by a promotion agency and is regarded as one of three promotion techniques, the other two being providing information to potential investors and providing services to prospective investors, respectively.

FDI is defined as “the establishment or purchase by residents of one country of a substantial ownership and management share-usually measured by a minimum equity stake of 10 percent-of a business in another country.”⁴³

Branding for FDI is not new, but it has definitely intensified as globalization has brought about an unprecedented growth of foreign direct investment. Branding plays a meaningful role in so far as other tools available to countries to attract foreign investment (i.e. tax incentives, infrastructure investments, government grants, export processing zones) can be easily imitated and can sometimes exceed the benefits the country might get.

- **Branding Strategy for FDI**

In designing a sound and effective country brand strategy to attract FDI, countries must first define the industries they want to attract and try to build clusters as companies tend to look for networks of interconnected organizations (producers, suppliers, contractors, R&D institutions) and highly skilled labor that increase productivity and foster innovation.⁴⁴

They must also always be aware of the basic information foreign companies are looking for when searching for a location: local labor market, access to customer and supplier markets, infrastructure, transportation, education and training opportunities, quality of life, business climate, access to R&D facilities, capital availability, taxes and regulations.

Countries can use any combination of image-building techniques with a view to changing the image of a country as a place to invest and/or generating investment directly. The most common of these techniques include: “1) advertising in general and financial media; 2) participating in investment exhibitions; 3) advertising in industry or sector-specific media; 4) conducting general

⁴³ Louis T. Wells Jr. and Alvin G. Wint, *Marketing a Country: Promotion as a Tool for Attracting Foreign Investment*. International Finance Corporation, 2000.

⁴⁴ Michael E Porter. *On Competition (chapter7)*. Harvard Business Review Book, 1998.

information missions from or from host country to source country; 5) conducting general information seminars on investment opportunities.”⁴⁵

An important research finding is the use of different promotional strategies at the different stages of the investment decision process. Impersonal techniques, such as advertising and image building are best at influencing investors during the early stage of the investment decision, while personal techniques (i.e. visits, presentations) are most effective for companies that have already decided to invest in a region but are considering two or more different locations.⁴⁶

On the other hand, research suggests that incentives and tax credits are more effective in retaining present investors and helping them expand their operations than in attracting new ones.⁴⁷

Table 2: Types of Export Promotion Agencies

COUNTRY	PROMOTION AGENCY	TYPE OF ORGANIZATION
Canada	Investment Canada	Government
Costa Rica	Costa Rican Investment Promotion Program (CINDE)	Private
Indonesia	Investment Coordinating Board	Government
Ireland	Industrial Development Agency	Quasi-government
Jamaica	Jamaica National Investment Promotion	Quasi-government
Malaysia	Malaysian Industrial Development Authority	Quasi-government
Scotland	Locate in Scotland	Quasi-government
Singapore	Economic Development Board	Quasi-government
Thailand	Board of Investment	Government

Source: Louis T. Wells. *Marketing a Country: Promotion as a Tool for Attracting Foreign Investment*. International Finance Corporation, 2000.

⁴⁵ Louis T. Wells Jr. and Alvin G. Wint, *Marketing a Country: Promotion as a Tool for Attracting Foreign Investment*. International Finance Corporation, 2000.

⁴⁶ Nicolas Papadopoulos and Louise Heslop. “Country equity and country branding: Problems and prospects.” *The Journal of Brand Management*, vol. 9. no. 4-5, April 2002

- **Competing with regions and cities for FDI**

Countries also have to deal with competition from sub-national governments at the state, province and city-levels, which may pursue their own self-interests. As this phenomenon expands, investors are increasingly likely to think of places other than countries. This is already the case of world cities such as New York, Paris and London. Therefore, countries need not only benchmark against external competitors but also coordinate the approaches of individually marketed regions or cities within a country so as to effectively leverage the country brand.

- **Case Study: INTEL in Costa Rica**



Facts: In 1996, Costa Rica was chosen over Brazil, Chile, and Mexico as the site for Intel's first assembly and testing plant (ATP) in Latin America, despite the fact that Costa Rica was not even on the original shortlist. The investment amounted to US \$ 300-500M.

Branding Strategy: Proactive marketing approach by CINDE (Costa Rican Investment Board) which anticipated questions from Intel and provided information Intel might need before the other competing countries.

Keys to success: 1) Personal involvement of the Costa Rican President Jose Maria Figueres in discussing the business with Intel's executives. 2) The active participation of business professors from Instituto Centroamericano de Administracion de Empresas (INCAE).⁴⁸

⁴⁸ - Michael E. Porter and Niels Ketelhohn. *Building a Cluster: Electronics and Information Technology in Costa Rica.* HBS Case Study, 2002.

- Philip Kotler, and David Gertner. "Country as a brand, product and beyond: A place marketing and brand management perspective." *The Journal of Brand Management* (page 249), vol 9. no 4-5, April 2002.

5) KEY FINDINGS

- ✓ Country names amount to brands and therefore convey images, help us evaluate products and services and make purchasing decisions.
- ✓ State branding is relevant because consumers and investors continue to rely heavily on country images to make their economic decisions. Brands or images have become a shortcut to a purchasing decision.
- ✓ Country branding is a long-term, cumulative effort that requires coherent and stable marketing strategies on the part of countries to achieve the desired positioning in the minds of their target audiences. Yet, many governments usually operate in a short-term environment, making commitment to a national branding campaign very difficult and the potential for conflict between different levels of government more likely. Moreover, while the Internet allows you to reach your target audience, only a handful of countries have put up a one-stop country website or specific websites for tourism, exports or foreign investment.
- ✓ Effective state branding is a source of competitive advantage, especially for developing countries. In these nations, the private sector must abandon its belief that state branding is the sole responsibility of the government. By engaging in partnerships with the government, the private sector can make a significant contribution to the country's perceived competitiveness and thus trigger the process of image change.
- ✓ Consistency is a key aspect of successful branding. This means making sure that all graphics and messages used in each branding dimension fit into the country's umbrella concept. It also means coordinating and integrating city and region brands within the larger goal of nation branding.
- ✓ Since perceptions and clichés are very hard to change, crafting a new identity that contradicts the widespread image people have about your country may just backfire. Countries trying to change their brand image may be better off ‘turning overtime those clichés and commonplaces, into something truer, richer and fairer.’⁴⁹
- ✓ Culture plays a central role in enriching a country's brand image and making that image sustainable over time.
- ✓ Despite all the hype about state branding, few countries have so far articulated and implemented an overall branding strategy.
- ✓ Only a handful of countries, largely developed nations, have developed strategies for public diplomacy. The rest may practice it to a larger or lesser extent but still do so within the mindset of traditional foreign policy. Public Diplomacy understood as a way to exercise “soft power” does afford developing nations a universe of opportunities to increase people's familiarity with and appreciation of a country.

⁴⁹ Simon Anholt. *Brand New Justice: The Upside of Global Branding*. Butterworth Heinemann, 2003

- ✓ In branding for tourism, the major challenges for countries are positioning, segmentation and developing an attractive, informative and user-friendly website.
- ✓ In branding for exports promotion, the major challenge is to look at it as a part of a much larger enterprise called ‘country branding’ and therefore, to coordinate actions with other government departments and agencies responsible for tourism and FDI.
- ✓ Branding for FDI plays a fundamental role in so far as other tools available to countries to attract foreign investment (i.e. tax incentives, infrastructure investments, government grants, export processing zones) can be easily imitated. These tools combined with appropriate branding have the potential to greatly increase the benefits the country might get without appropriate branding.

6) CONCLUSIONS

Country as a brand affords us a useful metaphor to express that many of the techniques of product marketing are applicable to marketing a country. Even more helpful, as Anholt argues, is to think of ‘country as a corporate brand’, more like a holding company which manages a group of interrelated sub-brands.⁵⁰

Knowing your relative competitive position is critical to national branding. This means countries must choose the markets and the segments in which to compete prior to designing their brand strategy. Successful country branding does not stop with the launching of a successful campaign. It requires constant tracking of your brand image, flexibility to adapt to the unexpected and careful monitoring of your competitors. Moreover, for a country brand to be sustainable over time, the country must deliver on its promises.

Finally, state branding presents developing countries with the unique opportunity to reverse the brain drain that has hampered so much of their development.

⁵⁰ Simon Anholt. *Brand New Justice: The Upside of Global Branding*. Butterworth Heinemann, 2003

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