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the magazine of the IFC, a division of the World Bank

Fall 1999

<u>Branding the developing world</u>

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"Mamma, mamma, ci fai andare nella casa di Pinocchio?"

— Mummy, mummy, will you let us go in Pinocchio's house?

The speaker: my youngest daughter, Claudia, aged three. The place: Disneyland Paris. She is speaking in Italian, her mother's tongue, yet pronouncing the name *Pinocchio* in the American way: *pin-**know**-key-oh*.

This sets me thinking. The correct pronunciation of the celebrated fibber's name is *pin-**knock**-key-oh* — that's the way millions of Italians have said it ever since Collodi first created the story in 1880. But my daughter, like most European children in recent decades, has been brought up on a steady diet of Walt Disney videos. And because we live in England, we tend to buy the English-language versions of the videos, which are of course the American-language versions.

My children firmly believe that *pin-**knock**-key-oh* should be pronounced *pin-**know**-key-oh*, and that the story is American, as are *Mary Poppins, The Hunchback of Notre Dame, Mulan,* and all the rest of them, despite their distinctly recognizable backdrops of London, Paris, and China.

Ah, America. It's one of the world's most enduring, powerful, and compelling myths. It's also home of the world's most successful brands. The two are not unconnected.

Disney and McDonald's, Coca-Cola and Levi's, Nike and Pepsi — all are known to come from America. This is a fundamental part of their international success and the reason why their American-ness has always been, quite rightly, stressed in their advertising messages. These days, where a brand comes from is often one of the very few differentiating factors among the bewildering variety of apparently identical products bombarding the consumer at every point of purchase. We live in an age where products can come from almost literally anywhere on earth, and knowing which country they're from can be as significant a part of our decision to buy as knowing which company they're from.

So what was it that my family succumbed to that day at the "casa di Pinocchio"? Nothing less than the world's most powerful brand: Disney. The minute many consumers sense the presence of that magic name and logo, they gain confidence in a vast array of otherwise unrelated products: films, theme parks, clothes, toys, cruises, even an entire ready-made town, (Celebration, Florida). Many, like my daughter, soon start to see the world through the brand's all-seeing eyes.

A brand, then, would seem to be a mighty thing indeed. But what, exactly, do we mean by the term?

Technically speaking, a brand is the promotion of consumer preference bound up in a recognizable commercial name or identity. It is the sense of predictability and quality assurance that adds a measure of trust and appeal to a product sold under that name, and consequently allows the owner of the brand name to launch new products more easily, and to charge more money for them, than can its competitors. The sugary brown liquid in a Coca-Cola bottle, for example, can retail for up to twice as much as very similar sugary brown liquids marketed under less valuable brands. The brand is where the profits of most consumer goods companies come from; it's their competitive edge, and increasingly, their *raison d'être*. The book values of the real global megabrands (i.e. the value of the entire company minus everything tangible) – are often greater than the GDPs of smaller countries.

One of the great advantages of brands over commodities is that they are an infinitely sustainable resource — that is, as long as their value is maintained through careful marketing. Their value resides primarily in the mind of the consumer, not the factory of the producer, and once created, that makes them surprisingly difficult to destroy.

Clearly, the notion of exporting branded rather than unbranded products is a compelling one for many countries. Developing countries could especially benefit from a movement towards global brand export: it is part of a sustainable wealth-creation behavior which could ultimately help them escape from the poverty cycle.

As it stands, though, most developing countries are enmeshed in a pattern of economic behavior that keeps them poor: selling unprocessed goods to richer nations at extremely low margins and allowing their buyers to add massive “value” by finishing, packaging, branding, and retailing to the end user. This process often helps deplete the source country’s resources while keeping its foreign revenues at a break-even level at best.

Creating and selling international brands is the classic trick of industrialized nations. It is one born of necessity, perhaps, since some of the world’s richest nations have precious few commodities to export, but it is one that many poorer nations would do well to emulate. For it is conceivable that if consumers in developing countries are faced with the choice between yet more brands from the G-7 nations, and new brands from “colleague countries” in the developing world with no shady colonial past, they might just feel more comfortable with the latter.

Global brands as the ultimate distributor of wealth? It’s an intriguing thought.

In today's hypercompetitive global marketplace, where so many products are functionally identical to their many direct competitors, a powerful brand is just about the only remaining legal competitive advantage a company can possess. One attribute that is particularly important to international brands is the influence that the brand’s origins (or its perceived origins) has on the consumer’s perception of the brand. When you look at the question of a brand’s provenance, it becomes clear that certain countries behave almost like brands in their own right. Just like commercial brands, “nation brands” are well understood by consumers around the world, have long-established identities, and can work just as effectively as an indicator of product quality, a definer of image and target market, as the manufacturer’s name on the package.

Without doubt, the world's most powerful country brand is the United States. This may well be connected with the fact that "Brand USA" has the world's best advertising agency, Hollywood, which has been busily pumping out its 2½-hour cinema commercials for the best part of a century, and which – here's the joke – consumers around the world have enthusiastically paid to watch.

Indeed, Brand USA is so powerful that companies around the world will often attach bogus American values to their domestic brands in order to give them a more glamorous image: one of the biggest-selling chewing gum brands in Italy is called "Brooklyn," its packaging proudly displaying a reasonably accurate drawing of the eponymous bridge. The fact that the product is manufactured by Perfetti of Milan is, from both the consumer's and the manufacturer's point of view, a very minor issue indeed.

Apart from the USA, though, only a few countries have clear, consistent, and universally understood brand prints, and most of them are European: for example, England (heritage and class), France (quality living and chic), Italy (style and sexiness), Germany (quality and reliability), Switzerland (methodical precision and trustworthiness), Sweden (cleanliness and efficiency).

As might be expected, all these countries produce successful international brands which are in turn strongly associated with the brand qualities of their provenance: so England gives us Burberry and British Airways, France gives us Chanel and Citroën, Italy gives us Ferrari and Ferragamo, Germany gives us Bosch and BMW, Switzerland gives us Swatch and Swissair.

In fact, it's hard to find any international brands that *don't* come from strongly-branded countries: brand-neutral countries like Belgium, Portugal, Austria, Chile, or Norway have produced remarkably few international market leaders.

But nation branding does not depend on government promotion alone. It is primarily a private sector-led process, one that reaches the foreign consumer's latent desire to buy into his or her favorite parts of the sourcing country's image.

Still, nations can *enhance* their own brand values, just as manufacturers can enhance the brand equity of their commercial brands. Japan is perhaps the most striking example of a country that had succeeded in completely altering its values as a provenance brand in a short space of time: 30 years ago, “Made in Japan” was a decidedly negative concept. Today, it is enviably synonymous with advanced technology, manufacturing quality, competitive pricing: even of style and status.

Korea, too, has undergone a similar and even more rapid transformation in its brand image, thanks to the efforts of such corporations as Hyundai, Daewoo, Samsung, and LG, and perhaps consumers were unconsciously aided in their acceptance of the brand by the Japanese example.

Other countries could perhaps capitalize on the success of their high-profile brands: Finland and Nokia, for example. It appears crucial for Finland to capitalize quickly on the significance of Nokia’s origin if it intends to make itself into a valuable nation-brand: through a combination of high product quality, speed to market, excellent marketing and distribution, Nokia has turned itself from a moderately successful domestic producer of rubber boots into one of the most successful hi-technology brands in the world. In doing this, it has also managed to create an entirely new set of associations of “brand Finland” in many consumers’ minds: no longer just a quaint fairyland perched on the fringe of Europe, this is a country which can *do* technology, can *do* marketing, and become world-beating.

And there's a good deal of that mysterious, associative consumer logic which makes this shift believable: who knows – perhaps it's something to do with the fact that cold countries are believed to be precise and efficient countries, which makes them good countries to make hi-tech products. So if other Finnish companies – and Finland itself – don't move quickly to build on and leverage this climate of global consumer acceptance, then they are missing a great opportunity. Sadly, Nokia itself seems at pains to diminish its own origins in the way it markets its products, perhaps in an effort to appear "global", which means that this valuable pro-Finnish opportunity may be going to waste.

Still, Finland, Japan and Korea are all rich countries. What about the poor?

When you try to match provenance with product, there are some pairings that clearly make brand sense, and others that just don't. People might well buy Indian accountancy software (the debut of Infosys on NASDAQ has certainly helped this association) or a stylish Lithuanian raincoat, and although I'm tempted to say that they probably *wouldn't* buy Peruvian modems or Croatian perfume, attitudes can and do change quickly. Fifteen years ago, who would have believed that we Europeans could be happily consuming Chinese Tsingtao beer or Malaysian Proton cars?

Or, indeed, who would have believed that one of the world's most successful and fastest-growing manufacturers of jet aircraft would be a Brazilian company, Embraer?

The stage, therefore, is set for the emergence of many poorer countries as respected, even privileged provenances for successful commercial brands. As Embraer shows, successful branding often emerges where we least expect it. Sometimes that happens not at the retail but at the wholesale level, where a company purchasing agent is the consumer, and someone else he never meets is the actual end-user.

Still, many barriers must be overcome. Brazil, one of the most “strongly branded” countries in the world, produces almost no other international commercial brands whatsoever. This is surprising, particularly because the brand print of Brazil is associated with a very homogeneous and coherent set of values. "Brand Brazil" has much going for it – the merriment of samba dancing at carnival time; awesome rainforests as endangered as they are exotic; sex, beaches, sport, adventure – and all of these attributes could contribute to the brand print of almost any successful youth product on the market today, especially in the food, cosmetics, fashion, music, and even automotive and industrial fields.

Certainly, these are clichés that may be depressing, even insulting, to the average Brazilian, but they are undeniably a fine platform on which to build a believable global brand. It is one of the tasks of advertising and marketing to manipulate these clichés into something more creative, more substantial, more fair, more true.

The fact that there are negative associations (pollution, overpopulation, poverty, and the like) within the brand print of Brazil is not necessarily a cause for great concern, at least from the branding point of view. After all, a strong brand is a rich brand, and richness implies a complex and satisfying mix of many different elements. The brand equity of the United States also contains a significant proportion of negative elements, but this does little to diminish its attraction, especially when the audience you're dealing with is composed of younger consumers, who demand to challenge and be challenged.

Currently, however, almost all Brazil's export income derives from the sale of raw commodities (such as soy beans, tobacco, iron ore and coffee), semi-processed goods (such as cellulose, steel, soy oil, and sugar), and largely unbranded manufactured goods (such as shoes, orange juice, sheet steel, and automobile tires); and many of these exports contribute directly or indirectly to the depletion of the country's natural resources.

There is no question that if these bulk exports were to be enhanced or, indeed, replaced by the sale of branded goods directly to overseas consumers, profits – at least for the owners of these brands – would rise dramatically, and the level of profit generated by the success of these brands might soon overtake the income created by the export of commodities.

The opportunity to capitalize on the positive and powerful associations which Brazil evokes in people's minds all over the world is not, by and large, being seized – at least not by Brazilian companies. It is largely through the efforts of companies in North America and Western Europe, for example, that Brazilian coffee-growers are getting fairer representation on supermarket shelves in richer countries (Café Direct in the UK and similar organizations throughout Europe were set up in order to ensure that the coffee growers always get a fair price for their beans); and there are plenty of Western companies making great capital out of real and bogus "rainforest" ingredients, but the real value of "brand Brazil" is, as yet, untapped.

Not all emerging countries have Brazil's natural advantages: a strong nation-brand, combined with an increasingly healthy economy, a government that actively encourages the export mentality, not to mention considerable domestic experience in brand-building. After all, even though it emerged from military rule and hyperinflation only a few short years ago, Brazil enjoys a democratic climate, and this has enabled the creation of many highly successful entrepreneurs, domestic companies, and domestic brands (not to mention one of the best advertising industries in the world).

Nonetheless, with the right combination of marketing expertise, government support, a high-quality manufacturing base, investment, and creative brand strategy, many countries around the world have the basic potential to develop a healthy brand-based export economy. To spot the opportunities, all you need is the brand development skill, the creative flair and the grasp of global consumer psychology to make credible and attractive pairings between the country brand and the brandable products that country produces.

And the oddest things do happen. The mighty Tata Corporation of India, for example, is currently in the process of buying the Tetley Tea Company of England, the world's second-largest teabag manufacturer – a spectacular reversal of the traditional arrangement, where the tea is grown in a poor country, and sold at a low price to a brand-owner in a rich country, who sells it on to rich consumers at a vastly higher price.

And China has proved full of nasty surprises for many Western manufacturers: more than $270 billion has been invested in Chinese ventures, by thousands of foreign firms, since 1992, yet few Western companies have succeeded in making any money in China. Whirlpool, for example, launched enthusiastically in China in 1994, building factories to manufacture the domestic appliances it confidently expected to sell to the Chinese, only to find that it couldn't compete against domestic brands. (Indeed, one of these rival firms, Haier, is now beginning to market products under its own brand-name, with some success, in North America). After losing more than $100 million and shutting down most of its factories, Whirlpool now manufactures washing-machines for

Guangdong Kelon, another of its Chinese competitors, which are sold to Chinese consumers under the Kelon brand.[1] So perhaps the next great nation-brand association in the making is China, soon to be recognized by consumers worldwide as a byword for quality domestic appliances.

What it takes

Naturally, launching a global brand requires flair, confidence, and *chutzpah* – especially if you don't come from a Top Ten country. It requires objectivity to an unusual degree: the ability to see yourself as others see you, and to accept that this is, at least in commercial terms, more important than the way you see yourself. It requires government support.

And it requires constant investment in the country brand itself, which in turn requires commitment, collaboration, and effective synergy among the main purveyors of the country's image in the global media: usually the national tourist board, the national airline, and the major food producers, because these are the routes by which the national brand is most commonly created and exported.

[1] Source: *The Economist*, September 25th, 1999.

Until a few years ago, it would also have been true to say that building a global brand requires lots of cash to buy advertising media: until the "new media revolution" happened, this was the *sine qua non* of building global brands. You just couldn't think of building a global brand for less than fifty or a hundred million dollars a year: quite simply, as in all extremely mature and heavily exploited markets, every media vehicle had its own value calculated to the n^{th} degree, and there were no bargains.

But with the Internet-driven media revolution, we find ourselves in an entirely new world, in an immature and as yet very imperfectly understood market. And in immature markets, there are bargains everywhere, for anyone who knows how to recognize them: even the owners of some of the new channels of communication have yet to realize the true value of what they're offering.

Until recently, it was also true to say that the biggest hurdle which emerging country manufacturers had to overcome before launching their brands boldly onto the international market was the common consumer perception of poor manufacturing quality – "unless it comes from Europe, Japan or North America, it can't be properly made" – but, again, circumstances are conspiring to change people's minds.

For this, we have the rich country producers to thank: over the last few decades, consumers have become very familiar with those humble little stickers on the underside of their American or European-branded goods ("Made in Taiwan", "Made in Vietnam", "Made in Thailand", "Made in Mexico", and many more besides), and they have quietly absorbed the fact that a great many of the products they buy are manufactured (to the high standards required by those American and European brand-owners, naturally) in poor countries.

The American and European brand-owners could hardly have done their supplier nations a better favor. The perception only has to be enhanced a little further, and brought repeatedly to the consumer's attention, and yet another barrier preventing the development of global brands from emerging markets is removed.

One last obstacle standing in the way of emerging countries as producers of global brands? It may be purely psychological: a simple lack of self-confidence. After years of acting as mere suppliers to more commercially successful nations, many "third-world" countries suffer from what you might call *Groucho Marx syndrome* ("I'd never belong to a club that would have someone like me as a member"): the idea that nobody in a rich country could possibly be interested or attracted by brands coming from a country so poor and unimportant as theirs.

Well, that perception is probably less true now than it has ever been before. As we hurtle towards the millennium, there is a pronounced shift in western tastes and fashions, towards "asianisation" – a yearning for the values of older, wiser, more contemplative civilizations than our own.

Never before has there been such a vogue for the "ethnic", the organic, the exotic. There's World Music (currently the fastest-growing part of the big record labels' catalogs, and fast overtaking the hitherto unquestioned dominance of the big American popular entertainers); World Cinema (occasionally rivaling the success of Hollywood blockbusters); World Cuisine (last week, a Parisian family offered me *sushi* when I visited their home – a phenomenon which would have been literally unthinkable a few years ago!); the phenomenal surge of interest in alternative, Eastern and pseudo- Eastern remedies (acupuncture, shiatsu, aromatherapy); and much more besides.

The Western consumer is attracted as never before by the cultures and the products of distant lands. Now, surely, is the time for the rightful owners of the truly exotic nation-brands to leverage the power they hold over the imagination of the world's richest consumers. Now is the time for them to start making back some of the money which they have paid rich countries for their products over the past century, to begin to reverse the relentless flow of wealth from poor to rich, and to redress some of the imbalance between the lucky and the unlucky nations of the earth.

The factors which make consumers buy products from certain brand names and not from others – whether these are country brands or corporate brands – may seem somewhat mysterious. The perception of a brand in the mind of the consumer is like that game where you join up a series of numbered dots to make a picture of an animal: in branding, the dots have no numbers, and the brand-owner has little control over how the consumer will join them up in his or her mind, and what kind of creature will be the result. But refined technique, long experience, and above all a profound understanding of cultural differences and consumer psychology, can make the process far from random.

In reality, "brand extensions" – where a brand-owner launches a new product line under an already familiar name – can, as we have seen, be very logical and very obvious, or they can appear totally random. For Kellogg's to launch a new kind of breakfast cereal on the market is just as much to be expected as is a new wine from France or a new fashion label from Italy. But for Caterpillar, a manufacturer of earth-moving equipment, to launch a range of casual footwear, is in its way as surprising and exciting as a software giant emerging from India.

When a country does have the courage, insight and creativity to move away from the classic paradigm of "national produce" and celebrate the fact that it produces brands which make you think again about the country which produces them, the results can be far more noticeable, and consequently far more profitable. Somewhere in the mysterious processes of consumer logic, Caterpillar boots *made sense*, and the resulting brand extension benefits both the company's core business and the new business: it really is a case of two and two making five.

This is one kind of aid which emerging countries could find truly valuable: the international branding expertise which can create unexpected and inspiring connections between countries and consumers, and which will enable countries to launch their products onto the global marketplace with confidence, with a big noise, and above all, with pride in their origins.

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