

“Brand New World”

The Brand Values of Nations

„According to some estimates, brand value could be as much as one-third of the entire value of global wealth (ANHOLT 2005, page 2). No wonder that we can visualize a time when the marketing concept itself will become obsolete, to be replaced by a new concept called “branding” (RIES – RIES 2002, page x). But what is a “brand”? And what is a “country brand”? Is it possible to measure somehow the brand values of nations?

WHAT IS A BRAND?

Let me start with an example!

Barbie™

Is this a brand?

No, it is not.

It is just a *logo*. Or *symbol*. Or *trademark*.

But it is not the brand itself.



Ok, so what about this? Is this the brand?
 Sorry, but this is the *product*.
 So what exactly is a brand???



"A *brand* is a person's gut feeling about a product, service or company." (NEUMEIER 2005, page 2.) In this case, it is this girl's feelings about Barbie, the picture appearing in her mind, whenever she hears the name or sees the product. (PAPP-VÁRY 2003)

It is always a *gut feeling* because we are all emotional, intuitive beings, despite our best efforts to be rational. And it is a *person's* gut feeling, because in the end the brand is defined by individuals, not by companies, markets or the so-called general public.

This means that each person creates his or her own version of the brand. Companies cannot control this process but they can influence it by communicating qualities that make this product different than that product. The whole point of *branding* is to make a product or a business look distinct from its competition. (HAIG 2004, page 1)

When enough individuals arrive at the same gut feeling, a company can be said to have a brand. In other words, "a brand is not what *you* say it is. It is what *they* say it is." (NEUMEIER 2005, page 2-3, 125)

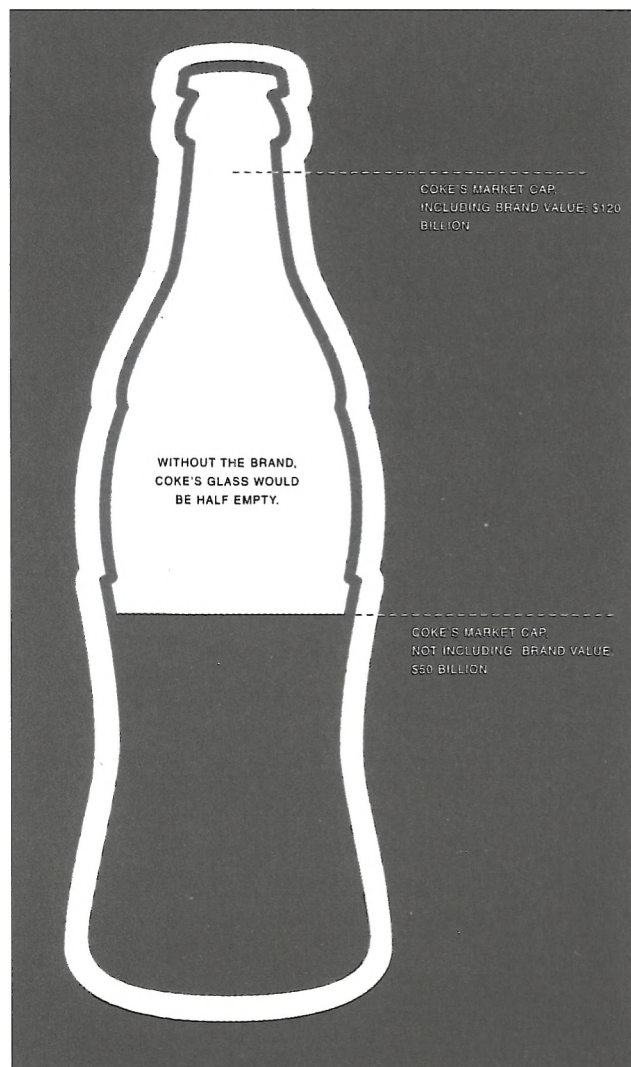
If we agree with the previous statement, *brand management* will be the management of differences, not as they exist on data sheets, but as they exist in the minds of the people (RIES - TROUT 2000). As SERGIO ZYMAN, former chief marketing officer of the Coca-Cola Company says: "In real estate it is: location, location, location. In marketing it is: differentiate, differentiate, differentiate." A focused brand

knows exactly what it is, why it is different, and why people want it. Successful brands are similar in that they all have a clear vision, but that vision is never the same.

THE VALUE OF BRANDS

The *brand value* is not a tangible value: you cannot measure it very easily, but it represents capital because it enables producers and sellers to charge more money for their products and services and maintain a strong, long-term relationship with their customers (ANHOLT 2005, page 1). *The ultimate brand* can be defined as any product, service or company for which people believe there is no substitute.

Without the brand, Coke's glass would be half empty



Source: NEUMEIER, Marty (2006): *The Brand Gap - How to Bridge the Distance between Business Strategy and Design*, page 13

Being able to measure the value of the mentioned assets is clearly important, and *Interbrand*, a branding consultancy, have devised a widely accepted method for doing this. Interbrand routinely publishes the list of the *Most Valuable Global Brands*. According to their survey, the intangible assets of the top 100 global brands are together worth \$988 287 000 000: just a shade under a trillion dollars! (ANHOLT 2005, page 2)

The leader today is Coca-Cola with a brand worth of nearly \$70 billion, which accounts for more than 60% of its market capitalization. No wonder Coca-Cola is the second most well-known word after OK.

But even without the Interbrand list you can tell which brands are charismatic, because they are constant topic in the cultural conversation: Coca-Cola, Apple, Nike, IBM, Virgin, IKEA, BMW, Disney, Google and some others.

The 32 most valuable global brands		
Rank	Brand name	2005 brand value (US\$ million)
1	Coca-Cola	67 525
2	Microsoft	59 941
3	IBM	53 376
4	GE	46 996
5	Intel	35 588
6	Nokia	26 452
7	Disney	26 441
8	McDonald's	26 014
9	Toyota	24 837
10	Marlboro	21 189
11	Mercedes-Benz	20 006
12	Citi	19 967
13	Hewlett-Packard	18 886
14	American Express	18 559
15	Gillette	17 534
16	BMW	17 126
17	Cisco	16 592
18	Louis Vuitton	16 077
19	Honda	15 788
20	Samsung	14 956
21	Dell	13 231
22	Ford	13 159
23	Pepsi	12 399

The 32 most valuable global brands		
Rank	Brand name	2005 brand value (US\$ million)
24	Nescafe	12 241
25	Merril Lynch	12 018
26	Budweiser	11 878
27	Oracle	10 887
28	Sony	10 754
29	HSBC	10 429
30	Nike	10 114
31	Pfizer	9 981
32	UPS	9 923

COUNTRIES AS BRANDS

Countries (and for that matter, cities and regions too) behave, in many ways, just like brands. Even when a country does not consciously manage its name as a brand, people still have images of countries that can be activated by simply voicing the name. (KOTLER - GERTNER 2004, page 42)

They are perceived – rightly or wrongly – in certain ways by large groups of people at home and abroad; they are associated with certain qualities and characteristics. Those perceptions can have a significant impact on the way how consumers view the country's products, and the way they behave towards that country in sport, politics, trade and cultural matters. It will affect their propensity to visit or relocate or invest there; their willingness to partner with such countries in international affairs; and whether they are more likely to interpret the actions and behaviours of that country in a positive or a negative light. In short, the image of a country determines the way the world sees it and treats it. (ANHOLT 2005, page 105)

Most country images are stereotypes, extreme simplifications of the reality that are not necessarily accurate. This is because most people are much too busy worrying about themselves, their immediate friends and families and their own countries, to spend too long attempting to form complete, balanced, informed and unprejudiced views about 6.5 billion other people and two hundred of other countries. We all tend to make do with simple shorthand for the vast majority of people and places – the ones we will probably never know or visit – and only start to expand and refine these impressions when for

some reason we acquire a particular interest in them. Remember the old saying: "When you have not got time to read a book, you judge it by its cover."

And how does this cover look like? According to ANHOLT and HILDRETH (2004), the *nation brand* is the sum of people's perceptions of a country across six areas of national competence. Together, these areas make the *Nation Brand Hexagon*:

Tourism

Tourism is often the most visibly promoted aspect of the nation brand, since most tourist boards spend lots of money on 'selling' the country around the world. Blue skies and golden sands or snow-capped mountains are only a tiny part of the reality of a country, but because these images are often so aggressively promoted, they have a disproportionate effect on people's perceptions of the country as a whole.

Export brands

Whether we like it or not, commercial brands are increasingly performing the role of transmitting national culture: they have become one of the primary vectors of national image, and are more and more often the means by which people form their views. In Interbrand's top 100 global brands 61 are American, 8 are German, 6 are Japanese and 6 are British. As we will see, these countries place on the top of the Nation Brand Value List.

Foreign and domestic policy

How competently and fairly the countries are governed, how much they respect the human rights of their own citizens, how far they trust them to make responsible decisions which uphold international peace and security, and what their international contribution is to the environment and poverty reduction – this is also important part of the image, especially because policy makers are much closer to the international media than they used to be.

Investment and immigration

To business audiences, the way the country attracts inward investment, foreign talent and foreign companies.

Culture and heritage

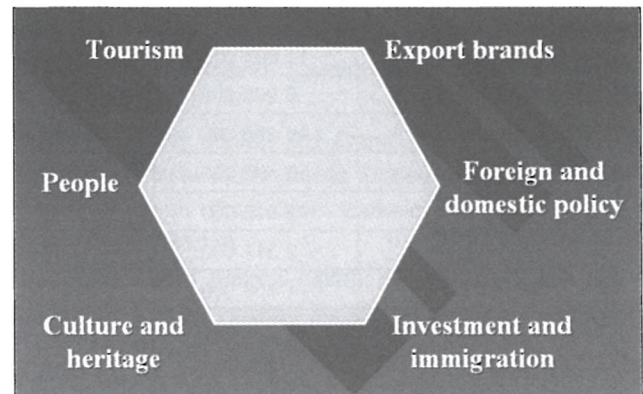
This point represent people's appreciation of or intention to consume the country's popular, more

commercial cultural products and activities; and their perceptions of its sporting prowess.

People

The people of the country themselves: the high-profile leaders, media and sports stars and the general population; how they behave when abroad and how they treat visitors at home.

The points of the brand hexagon



Source: ANHOLT, Simon – HILDRETH, Jeremy (2004): *Brand America – The Mother of All Brands*, page 13

If it is true – and ANHOLT's researches suggests that it is true – that people tend to think about countries as a complete entity when they are considering whether to visit them, buy their products, or engage with them in some other way, then it is obviously a good thing for countries to have wellrounded brand images with strength on as many points of the hexagon as possible. A nation brand that's strong in culture, business, politics, people and general attractiveness is more likely to support tourism, investment, exports and international cultural and political relations. Consistency is therefore one of the main assets of the nation brand.

THE BRAND VALUE OF NATIONS

Thanks to *Brand Finance* and *Anholt-GMI Nation Brands Index* it has become possible now to put a dollar value on the reputations of the countries, giving a sense of the real contribution of the brand to the nation's economy.

To perform the valuation of each country brand, the '*royalty relief*' approach was used by the researchers. This is an intuitively simply approach that assumes a country does not own its own brand and

calculates how much it would need to pay to license it from a third party. The present value of that stream of (hypothetical) brand contribution payments represents the value of the brand.

The 'royalty relief' methodology was used for two reasons – firstly, it is the valuation methodology favoured by tax authorities and courts in many coun-

tries because it calculates brand values by reference to documented, third-party transactions; and secondly, because it can be performed on the basis of publicly available financial information.

Applying the Brand Hexagon model, the research was compiled by using publicly available information regarding market share, tourism arrivals, GDP

The 32 most valuable nation brands

Rank	Country	Brand value (US\$ million)	GDP 2004 (US\$ million)	Brand value / GDP	Population (000's)	Brand value per head (US\$)
1	USA	17 893 000	11 734 000	152%	293 507	60 963
2	Japan	6 205 000	4 673 000	133%	127 764	48 566
3	Germany	4 582 000	2 742 000	167%	82 631	55 449
4	UK	3 475 000	2 133 000	163%	59 405	58 492
5	France	2 922 000	2 048 000	143%	59 991	48 714
6	Italy	2 811 000	1 679 000	167%	57 573	48 821
7	Spain	1 758 000	1 040 000	169%	45 584	38 566
8	Canada	1 106 000	994 000	111%	31 902	34 669
9	Australia	821 000	618 000	133%	20 120	40 785
10	Netherlands	792 000	579 000	137%	16 250	48 762
11	Denmark	772 000	242 000	320%	5 400	143 055
12	China	712 000	1 649 000	43%	1 296 500	549
13	Russia	663 000	588 000	113%	142 814	4 641
14	Switzerland	558 000	359 000	156%	7 382	75 621
15	Belgium	456 000	352 000	130%	10 400	43 864
16	Sweden	398 000	347 000	115%	8 985	44 309
17	Ireland	300 000	181 000	165%	4 019	74 658
18	India	291 000	631 000	46%	1 079 721	270
19	Mexico	281 000	677 000	41%	103 795	2 704
20	Norway	276 000	250 000	110%	4 582	60 151
21	South Korea	240 000	925 000	26%	48 142	4 986
22	Turkey	189 000	302 000	63%	71 727	2 365
23	Portugal	189 000	168 000	112%	10 436	18 067
24	Brazil	181 000	604 000	30%	178 718	1 013
25	Singapore	106 000	107 000	100%	4 300	24 761
26	New Zealand	102 000	97 000	106%	4 061	25 132
27	South Africa	94 000	213 000	44%	41 286	2 282
28	Hungary	78 000	100 000	77%	10 070	7 699
29	Egypt	67 000	316 000	21%	68 738	976
30	Czech Republic	55 000	107 000	51%	10 183	5 379
31	Argentina	55 000	153 000	36%	38 226	1 432
32	Poland	43 000	242 000	18%	38 160	1 138

Sources: Branding Places Q4 2005 Newsletter

The Brand Finance Index of the Most Valuable Nation Brands (A report prepared by Brand Finance in conjunction with the Anholt Nation Brands Index)

growth, domestic and international investment and metrics regarding culture and people. The data sources were: Brand Finance, Bloomberg Data, Anholt-GMI Nation Brands Index, the IMD World Competitiveness Yearbook, CIA World Fact book, United Nations Statistics Division and press releases.

As we can see, the valuations range from the remarkable figure of nearly \$18 trillion for 'Brand America' to \$43 billion for 'Brand Poland'. As for Hungary, we are in good shape, perceived as a superior 'brand' in every way to our near neighbours, the Czech Republic and Poland. Hungary's brand value is almost the double of Poland's, and the „per capita" numbers are even better.

BUILDING A COUNTRY BRAND

So how can we improve our image? And how can we increase our brand value?

Building a country brand is a little like building a cathedral during the Renaissance. It took hundreds of craftsmen scores of years, even generations, to complete a major edifice. Each craftsman added his own piece to the project – always keeping an eye on the total effect.

This metaphor tries to show that planning a national branding strategy requires certain conditions:

- The political resource and will to collaborate fully, fairly and transparently with the private sector.
- A feasible and coherent plan of economic and social development which can form the basis of the country-brand strategy.
- Sufficient goodwill and trust with companies, organizations, local and regional government, city authorities, the civil service, trade unions, the tourist board and the population at large to create widespread acceptance of the strategy.
- A degree of basic financial stability.
- And perhaps most importantly, the project needs the personal backing of the 'Chief Executive' of the country, whoever he or she may be, otherwise it is unlikely to achieve anything lasting. (ANHOLT 2005, page 15)

God bless Hungary to have all these at once.

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