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CORPORATE STRATEGIC BRANDING: HOW COUNTRY AND CORPORATE BRANDS COME TOGETHER

ABSTRACT: *The concept of countries as brands has been increasingly recognized in the post-modern global world. A strong country brand can provide corporate brands with a unique set of values, which supports their positioning on the international market. Simultaneously, once corporate brands achieve worldwide success, they contribute actively to developing new features of the country brand. Consumers pay more and more attention to products' country of origin. When the name of a country is mentioned, they can have positive associations (high quality, modern design, product innovation), which means that the country itself has a powerful brand. However, there are opposite cases where we talk about the weak branding of a particular country. It is necessary to mobilise all the available forces of politicians, business people, artists, sportsmen and scientists to create a strategy for enhancing the image and reputation of a country on the international markets, i.e. for creating the national branding strategy.*

KEY WORDS: *country brand, corporate brand, value-transfer, associations, BMS*

JEL CLASSIFICATION: F21, F23, M31

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1. Defining the Brand

As often happens with post-modern concepts, a great many definitions have appeared with respect to brands as part and parcel of a post-modern economy. Marketing professionals themselves seem unable to agree on a consensus. In order to provide our audience with a better understanding of the topic, we have consulted several sources to find some of the better explanations. This is our starting point for further discussions concerning country and corporate brands. To start with, we will stress that the brand is not a simple equivalent of a certain product; it encompasses all visual, verbal or conceptual elements that form an identity of the product. For this reason, the definition provided by the Oxford Dictionary (*www.oup.com*) - a brand is a type of product made by a particular company - is rather restrictive and inappropriate for our purpose. In his work Marketing Management, Philip Kotler defines the brand as a name, sign, symbol, drawing, or a combination of all these, whose main purpose is to identify the products or services of one company, and to differentiate them from those of competitors (Kotler, 1997). Although far more complete, this definition does not emphasise enough the abstract dimensions of the brand. Walter Landor addresses this issue and says: Simply put, a brand is a promise. By identifying and authenticating a product or service it delivers a pledge of satisfaction and quality. (Landor in Building Brands, 2004).

David Aaker compares the brand with a mental box and gives a definition of brand equity as: a set of assets (or liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service. (Aaker in Building Brands, 2004). This definition connects the more visible aspects of a brand such as name, logo, or identifying visual marks with the abstract ones such as embodied values. Yet, for the purpose of this study, we will regard brands mainly from an abstract perspective, defining them as collections of perceptions in the mind of the consumer. This definition makes it absolutely clear that a brand is differentiated from the simple idea of a product through a set of values that go beyond mere functional performance (Ind, 1997). A brand takes the form of a symbolic construct; it is intangible and exists in the mind of the consumer. Further more, a brand's success results from being able to sustain these added values in the face of competition (de Chernatony, McDonald, 1992). It is only recently that marketers came to realise that the principal asset of a company is in fact its brand equity (brand awareness, brand image), which actually represents the added value in customers' minds (Kapferer, 2001). Originally, branding was believed to be the producers' invention meant to serve primarily their own interests. Today, it is more accurate to assert that buyers demand branding in most cases, because it is an important information source and creates a number of buyer benefits (Kotler, 1997). Combining both parties, producers and consumers, branding generally brings advantages to both. Whichever standpoint we take, customers are always a fundamental entity in branding decisions (Kapferer, 2001), either at the starting point, or as final arbiters. However, we should not neglect the third recipient of branding advantages - society as a whole or in part. Such a discussion goes beyond the boundaries of this study. Nevertheless, whenever we use the term audiences throughout our discourse, we are referring to all groups that may benefit from branding: employees, stockholders, customers, activists, suppliers, strategic partners, competitors, media representatives, etc.

Previously dominated by a strong emphasis upon stand-alone products, brands are focusing today on more intangible factors as described by several authors (Aaker, Joachimstahler, 2002). A brand is not simply a reference (unique functional benefits), or a personality (incorporated emotional values), but also an icon: it can be used to stand for something beyond itself (de Chernatony, McEnnaly, 1999). In our opinion, this evolution made it possible for countries to use new tools in promoting themselves: logos, branding techniques, advertising campaigns, speeches, or trade fairs, to mention just a few. Following increased globalisation, numerous studies have been carried out on the so-called *country-of-origin effect*: the consequences that the national image of the producing country has upon the buyers' quality perceptions of the product. Yet, the country-of-origin concept has smoothly shifted nowadays towards the country-of-brand concept (Hulland, 1998). Due to increasingly frequent outsourcing initiatives, when components are produced and assembled all over the world in countries with cheap labour, the brand is eventually the only part that maintains the national origins of the product (Jaffe, Nebenzahl, 2001). Given the country-of-origin and country-of-brand concepts, the occurrence of a term such as country brand was quite natural. Its advent was to some extent announced in the 90s, when Philip Kotler approached the topic of place branding and marketing in his book *The Marketing of Nations* (1997). This attempted to show the pathway leading to increased tourism, investments or exports for cities, regions or countries. In 2002, Simon Anholt, guest editor of *The Journal of Brand Management* put together a special issue dedicated to the topic of nation branding. Leading experts in the field, such as Kotler, Papadopoulos and Olins, supported him in his efforts. All contributors wanted first and foremost to increase awareness with respect to the way such mega brands should be created and managed, as well as to their significance in the current world. This initiative remains unique in the area of state branding. Simon Anholt was familiar with the topic of country branding, since he participated in the collective work *Destination Branding*, first published in 2001. More recently, he has published the book *Brand New Justice*, which can be regarded as a manual for developing countries striving to increase their national wealth by means of effective branding (de Vicente, 2004).

In this context, one should not forget the work of Wally Olins (1999), whose book *Trading Identities: Why countries and companies are taking on each other's roles* established a linkage between state branding and companies going global. His hypothesis is that countries should act like companies, whereas global companies, companies that function in foreign markets, represent a state within a state, so they have to take on different responsibilities. Yet, the relationship that country brands and corporate brands have beyond the well-known country-of-origin or country-of-brand effect needs further debate and analysis. A significant work, which provides a glimpse over this subject, is *National Image and Competitive Advantage* by Eugene D. Jaffe and Israel D. Nebenzahl. It was published in 2001, and offers deep insights about how a country image can contribute to the customers' perceptions of brands originating from there, how this image can be used by companies, or how national image campaigns can be managed. The variety of examples on display make the book essential reading. Thomas Friedman opened the path in this field while dramatising the conflict of *The Lexus and the Olive Tree* - the tension between the globalisation system and ancient forms of culture, geography, tradition and community. In his book, he argues that in today's global world, powerful global companies and powerful countries need to have strong brands that seduce and take hold of consumers and investors. The unique bond they can develop is of crucial importance in the author's opinion.

2. Brand Essentials: Identity, Image, Equity

When it comes to a highly competitive business environment, brands represent the primary capital of many companies. There are a number of definitions of brands that try to explain these invisible, intangible and unwritten concepts of the business. As follows, we will focus on some other concepts in branding such as: brand equity, brand identity, brand image, or branding strategies and brand management.

As David Arnold (1992) suggests, branding has to do with the way customers perceive and buy things. 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 and the element of the brand that is distinctive in the market. The benefits delivered by the brand (emotional, status, image) match the needs and wants of the consumer. Finally, one has the attributes, directly noticeable and tangible characters (colours, shapes, functions and graphics). Brand identity is the total proposition that a company makes to consumers - the promise it makes. It may consist of features and attributes, benefits, performance, quality, service support, or the values that the brand possesses. Brand identity is everything the company wants the brand to be seen as (Temporal, 2002). Brand image, on the other hand, is the totality of consumer perceptions about the brand, or how they see it, which may not coincide with the brand identity. More specifically, it is defined as that cluster of attributes and associations that consumers connect to the brand name (Thackor, Kohli, 1996). Companies have to work hard on the consumer experience to make sure that what customers see and think is what they want them to see and think.

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 (Kotler, Armstrong, 2001). Thus, brand equity can be defined as the value built-up in a brand, which can be calculated by comparing the expected future revenue from the branded product with the expected future revenue from an equivalent non-branded product. This value can comprise both tangible, functional attributes, and intangible, emotional attributes. It can be positive or negative. Positive brand equity is created by a history of effective promotions and consistently meeting or exceeding customer expectations (Temporal, 2002). Positive brand equity can grow a significant barrier to entry for prospective competitors. The greater a company's brand equity, the greater the probability that the company will use a family branding strategy rather than an individual strategy. This is because family branding allows them to leverage the equity accumulated in the core brand (Temporal, 2002). Strategic brand management incorporates decisions about operative combinations of attributes that brands hold, and particularly about brand portfolios. It seeks to increase the product's perceived value to the customer and thereby increase brand equity. Brand equity must be managed, nurtured and controlled in a proper way by integrating the tools of a consistent brand management. Its central concept consists of perceptions of brand identity and brand image (Kapferer, 1994).

Brand management is the application of marketing techniques to a specific product, product line, or brand. It seeks to increase the product's perceived value to the customer, and thereby increase brand franchise and brand equity (Kapferer, 1994). A continuous, strategic brand building contributes to create value, which lies outside the business, in the minds of potential buyers (Kapferer, 1994), and therefore is important for establishing competitive advantage. Branding is an activity whose strategic purpose is to create a difference. Companies seek to better fulfil the expectations of specific groups of customers. They do so by consistently and repeatedly providing ideal combinations of attributes - identity, principles, values, origin, specificity and difference - systematically collected in a word or a sign under conditions that are economically feasible for the company (Kapferer, 1994). In practice, brand management can be seen as a set of activities which (Branding UK, 2003):

- define a consistent product or service based on identified customer needs;
- associate appropriate values and imagery with the organisation, product or service;
- communicate consistently through naming, design, and advertising promotions within the market place.

Current thinking about brand management emphasises the necessity of a comprehensive approach in which continuous and extensive advertising promotion, packaging and design should be consistent with the various components of a brand. Consistency must be achieved to build enduring value. Whatever the brand is, whatever it may be doing, the customers should perceive the brand as a set of clear and consistent values. Therefore, brand management is all about coherent and carefully nurtured programmes for identity implementation and maintenance. All pillars of all marketing activities must carry the key concepts and the image of the brand. This means that the deployment of all marketing instruments for product, price and distribution as well as communication must be uniform and homogenous. The employees must interact with both customers and each other in a way that is typical for the company and in tune with the image of the brand (Aaker, Joachimsthaler, 2002). The objective of business strategy is to achieve sustainable competitive advantage, which may originate from any part of the organisation's operations. Brand strategy is the process whereby the offer is positioned in the consumers' mind to produce a perception of advantage (Arnold, 1992). As part of a strategic or marketing plan of a company, a brand strategy is comprehended as the sum of operational tactics for building a brand, with clearly defined results in creating brand equity (Aaker, Joachimsthaler, 2002).

There are several practices which a company may pursue while cultivating its brand. The most common ways of effective handling of brands are the general branding strategies - a single brand for all of the organisation's products, family branding, or the use of individual brand names for all products (Kotler, 1994).

Whatever the brand strategy, the focus is always on assuring a healthy brand image, while building the essence of the brand and reaching the target market. Formulation of the brand strategy begins with creating a potent brand image. The brand should foremost establish an emotional connection and express the benefits of the product/service to the target group. Consequently, the target group will respond in accordance with collective representation, shaped over time by the accumulated experiences of familiarity (Kapferer, 2001). The collective belief is triggered by the abstract values that the brand represents, and by the transmission of brand functions to the customers' perceptions of added value. The role of brand strategies is to ensure the shift of physical (external) functions towards the hidden values of the product that are difficult to promote otherwise. From the perspective of this deeper definition, a brand itself reveals its values and presents a vision (Kapferer, 2001).

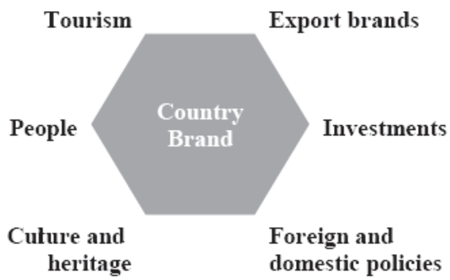
3. Country Brand and Branding Strategies

A country brand defines a symbolic construct, which emphasises the positively memorable, attractive, unique, relevant and sustainable qualities of a nation (Allan, 2004). A national brand is a national identity that has been proactively distilled, interpreted, internalised and projected internationally in order to gain international recognition and to construct a favourable national image (Delorie, 2000). By national identity, we mean the way a country voluntarily positions itself. Accordingly, a national image is the set of beliefs, ideas and impressions that a person holds regarding a specific country (Kotler, 1997). The country brand, as any other brand, consists of both identity and image, but we will refer to a strong country brand as one for which most of the values that a country voluntarily promotes coincide with the values that the audience perceives. Yet, perfect overlapping is impossible to achieve. What is true for corporations, products, services or individuals, goes also for countries. Every nation has a certain image, be it favourable or unfavourable, positive or negative. These perceptions and/or preconceptions determine the development of the country, most commonly with respect to tourism, exports or foreign direct investments. Therefore, a nation's brand is, as Jaffe and Nebenzahl (2001) put it, *an outgrowth of its economic, political and educational systems.*

Consequently, country branding is the practice of employing strategic marketing to promote a state's image (Anholt, 2002). Yet, there are a great many differences between national branding and corporate branding. In national branding, there is a different level of control over the brand compared to a simple business-to-consumer, or business-to-business situation. Magne Supphellen explains: *In principle, [product] and place, branding is the same. It is all about identifying, developing and communicating the parts of the identity that are favourable to some specified target groups.* (Supphellen in Frost, 2004). Because of the difficulty in getting the public's perceptions, the communication step within the extensive PR process demands more resources and effort (Supphellen in Frost, 2004). Philip Kotler acknowledges, in his turn, the complexity by explaining that countries may be more limited in altering their brands, compared to corporations. Although it may be possible for a nation to attract more foreign direct investment or shift its economic base, there will always be some constraints over which it has little or no control (Kotler, Jatusripitak, Maesincee, 1997). David Gertner makes a point in emphasising the extended time frame when it comes to branding a nation: *Products can be discontinued, modified, withdrawn from the market, re-launched and re-positioned or replaced by improved products. Places do not have most of these choices. Their image problems may be founded in structural problems that take years to fix.* (Gertner in Frost, 2004)

It is generally agreed that most country brands display a hexagonal dimension, as shown in the figure below. (Figure 1.)

Figure 1. The Six Dimensions of a nation brand



(Source: Placebrands, www.placebrands.com)

Dimension 1: Tourism. The world's fourth largest export industry is the most visible aspect of a country brand because it receives considerable financial support from governments, and is therefore the main marketing tool at the national level. It is a major economic driver through employment, international visitor expenditures, investments, and regional development. As announced by the World Tourism Organisation (www.worldtourism.org), France firmly leads the ranking of the most visited countries and territories with 77 million international tourist arrivals, and a share of 11% of worldwide arrivals in 2002. Spain consolidated the second position, taking over from the United States in 2001, as tourist arrivals grew by more than 3% while arrivals to the United States dropped for the second year in a row (-7%). Italy is next with arrivals reaching almost 40 million. China, in fifth position, confirmed its importance as a growing world tourism destination and achieved the fastest growth among these top five countries in 2002 (+11%) (*www.worldtourism.org*). Spain, as a relatively recently emerged country brand, has capitalised a lot on tourism when positioning itself. Nurtured by Miro's symbolic sun and fortified by the reconstruction and embellishment of major cities such as Valencia, Barcelona and Bilbao, tourism advertising on national, regional and global levels made the country among the most popular holiday destinations (Olins, 2001).

Dimension 2: Export brands. Within the global market there is a constant struggle to increase share of exports. In order to achieve this purpose, the quality of exported products or services has to be superior to that of competitors. Under these circumstances, export brands represent an important mark for each and every country (*www.placebrands.com*). Consider Finland, a country which was outside the global arena ten years ago, and therefore little known. Today, we label it as the country of high-tech mobile phone technology, and this is mainly due to Nokia's performance. Moreover, we believe that an increase in exports can raise the self-esteem of a country, which in turn boosts self-confidence and further success.

Dimension 3: Investments. The rate of inward investments is also an issue in the global contemporary economy because of the multitude of advantages they bring: positive competition; increased quality standards; an enriched flow of skills, knowledge and information between countries; increased employment; technological advances and innovations, and so on. All countries, be they developing or developed, are now striving for an investment-friendly image. Country brand, and everything that it stands for, has a lot to say when it comes to attracting foreign direct investments. For this reason, it is no wonder that almost all foreign direct investment has been, until recently, limited to six countries: USA, Great Britain, Japan, The Netherlands, France and Canada (Kotler, Jatusripitak, Maesincee, 1997). However, from 1990 onwards, the inflow of foreign direct investment into developing countries has increased considerably. What caught our attention was that almost 60% went to Asia, precisely as the Branding Asia operation was initiated and the Asian Tigers showed their potential (Kotler, Jatusripitak, Maesincee, 1997).

Dimension 4: Foreign and domestic policies. Nations are also judged in accordance with the foreign and domestic policies that their leaders initiate. These activities, similarly to all the others mentioned here, need to be performed with sensitivity to the strategic imperatives of the brand. Foreign and domestic policies must be coordinated so that they would invigorate the national brand (Papadopoulos in Frost, 2004). Sweden is a brand that successfully achieved such coordination. The country has long been praised for its ability to meet the residents' needs for health, education, human rights, political participation, population growth, equality of all types, cultural diversity and freedom from social chaos (*www.isa.se*). The same attitude was adopted externally in 2001, when Sweden took over the six-month rotating presidency of the European Union (*www.worldeyereports.com*).

Dimension 5: People. It is worth mentioning that the branding of a country must start from inside because a country's brand is most frequently promoted by its people. Just as corporate branding campaigns can raise the employees' morale, team spirit and motivation, national branding campaigns must provide the people with a common sense of purpose, of belonging and national pride. Yet, according to Papadopoulos most governments currently do not bother to consult their citizens when putting together national branding campaigns. That may change because widespread buy-in by the population is a critical precondition of the success of any branding programme. To deliver, everyone in the "organisation" must believe in the brand. (Papadopoulos in Frost, 2004) It is also important to identify internal and external perceptions/images and the discrepancies between them, which eventually will have to be corrected. Internal motivation remains a problem for developing countries, for instance, because they still have to provide their citizens with an above-average living standard. Until this goal is achieved, such country brands cannot aspire to the international dimension.

Dimension 6: Culture and Heritage. Last but not least, one should not overlook the cultural dimension of a country brand. Culture penetrates all areas of life, including all scientific endeavour. For this reason, culture has turned into the ultimate reference point, a conventionally accepted solution to all problematic questions. As Adam Kuper points out, culture has become the source of explanation per se, instead of something to be described and explained (Kuper in Barinaga, 1999). In this sense, it is worth mentioning a study performed by Richard Franke, Geert Hofstede and Michael Bond (1991), which revealed that cultural influences explain more than 50% of the differences in economic development (growth rates) for the periods 1965- 80 and 1980-87. Therefore, national cultures or, better yet, the differences they display, trigger differences in economic performances.

Consequently, not only is culture the embodiment of the nation, but it is also the only enduring differentiation marker. As Simon Anholt put it, culture is uniquely linked to the country itself; it is reassuring because it links the country's past with its present; it is enriching because it deals with non-commercial activities; and it is dignifying because it shows the spiritual and intellectual qualities of a country's people and institutions. Because of its unique and inimitable features, culture can provide the country's net asset value with the desired added value.

Tourism, export brands and foreign direct investment influence in a more direct manner the value of a country's 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 (Kotler, Gertner, 2002). The concept of country equity clearly points to export promotion as the principal actionable dimension in state branding. However, we should also consider tourism, investment, culture and people as elements strengthening or weakening country equity: tourists always come into contact with a country's products, culture and people during their visits, whereas investment decisions by companies rely a great deal not only on factors of production, but also on national image and name awareness.

It is important for everybody to understand that branding a nation is not just a function individually performed by governments, companies or different associations, but an integrated and concerted effort on behalf of all interested stakeholders. Therefore, it demands political, managerial and technical competencies in equal measures (de Vicente, 2004). According to Wally Olins, there are six basic stages in building a state brand (Olins, 1999):

- Forming a work group with representatives of government, industry, the arts, education and media;
- Establishing how the nation is perceived both internally and externally by means of qualitative and quantitative research tools;
- Establishing the strengths and weaknesses of the country, and compare them with other similar research data, whether they originate within the country or outside;
- Creation of a central idea, powerful and simple, on which the strategy is based and which captures the unique qualities of the nation;
- Message coordination, especially with respect to tourism, inward investment and exports;

- Formation of a liaison system, within the working party, to implement the programme and encourage supportive actions from appropriate organisations in commerce, industry, arts, media and so on.

Although somewhat different to commercial identity campaigns, due to increased complexity and the need for coordination, a national branding plan displays the same essentials: clear, simple, differentiating propositions often built around emotional qualities expressing some kind of superiority, which can be readily symbolised both verbally and visually (Olins, 1999). Performing a SWOT analysis for nations is an idea that has been promoted by many others. In his book *The Marketing of Nations*, Philip Kotler (1997) confirmed the idea that each nation must assess its strengths, weaknesses, opportunities and threats (SWOT) periodically in its five areas of capability:

- Government leadership;
- Factor endowments;
- Industrial organisation;
- Social cohesion;
- Culture, attitudes and values.

A nation's capability portfolio gives the measure of a nation's wealth. It is driven forward in the right direction through both internal marketing (for increasing internal teamwork) and external marketing (creating wealth in the global marketplace). These are just a few models for building a national brand. Because each country is unique, such branding plans have to be adapted to the relevant circumstances. Some nations develop a national brand in a kind of controlled or formalised way, but with others, it happens almost spontaneously. India, for instance, has emerged in the last five years in terms of perceptions in a rather uncontrolled way: from spirituality and poverty to software and highly educated people (Olins in Frost, 2004). There are several examples of country branding campaigns. Some have failed, and among these the most important is the *Cool Britannia* campaign initiated in 1997 by British industrialists, government agencies and advertising agencies in order to provide the country with a hip and trendy image. Yet, the results were not as expected, mainly due to the fact that the *Cool* image had little relevance for manufacturing and technology. However, there are state brands that have managed to market themselves powerfully, and among these campaigns one can mention Scotland the Brand, Deutschland Europe, and The New Zealand Way (Jaffe, Nebenzahl, 2001). Be that as it may, the branding strategy must focus on the realities that a state experiences, nothing more and nothing less. Promoting false values would eventually turn people against the brand and destroy it before it has even started to evolve (Olins, 1999).

4. Country and Corporate Brands Co-positioning

The general purpose of this study is to establish how country and corporate brands capitalise on each other's values in the most profitable manner. It aims to increase awareness about the competitive advantage that a nation's image can provide to its company/product/service brands, and vice versa. The importance of national origin is not understood. A great many companies today trumpet themselves as global, and they support this idea with the number of markets they cover or factories/offices they own worldwide. Yet, although the span of their operations is global, their value set is almost always perceived to be dominated by a single nation (Goodchild, Callow, 2001). Moreover, when discussing global brands, one cannot disregard their place of birth. As Aaker (1991) put it, a global brand often provides a country association (for a brand which is very established in one country) and for which the country association is part of the essence of the brand. For example, Levi's is US jeans and Johnny Walker is Scotch whisky. This is in complete accordance with the categorisation theory, rooted in Bruner, Goodnow and Austin's work: A Study of Thinking, and briefly described by Jaffe and Nebenzahl (2001) in their book on national image and competitive advantage. The categorisation theory describes relevant learning processes in the perception of products and services. Learning controls the perception of information and the reaction that it yields, and it involves two parallel mental processes:

- Abstraction: formation of categories and placement of objects in categories;
- Generalisation: once an object is placed in a category, it is ascribed all the properties of that category.

Categorisation is the joint phenomenon of abstraction and generalisation, and may be performed in two ways, either by:

- Identity categorising: things that seem to be different in their details are identified as belonging to the same entity; or by
- Equivalence categorising: things that are in reality different are conceived as being similar in their nature, by their belonging to the same class.

This categorisation process is significant in the way people perceive and construct the image of either corporate brands in accordance with the country of brand image, or country brands in accordance with their corporate brands (Jaffe, Nebenzahl, 2001). Categorisation and the associations it drives are fundamental in the value-transfer process. When a country image category is formed in the consumer's mind, they will transfer its attributes to the brands emerging from that specific territory. Likewise, a single company can often dominate national perceptions: Japan is Sony, Germany is Mercedes, Sweden is Ikea, Finland is Nokia, and so on. Of course, this raises entry barriers for other industries. For example, Italy's passion, fashion and style capital made it extremely difficult for Olivetti, a computer manufacturer, to create a successful export brand. The same goes for Hugo Boss - the German fashion brand - in its attempt to overcome the preconception that everything that is German is technical and cold (de Vicente, 2004). However, companies that face such problems could turn everything to their advantage by capitalising on such values in an imaginative and innovative manner, or by trying to promote pro-actively other values of the national brand that better suit their case. Again, it is important that the country brand would develop a wide range of values in order to assist a wider range of companies and industrial branches. In conclusion, if a country's image is negative, this will also reflect in the perception of the brands originating from there, irrespective of their true quality. In contrast, when a brand is associated with a country that enjoys a positive image, it will gain acceptance more easily (Jaffe, Nebenzahl, 2001).

Our modelling is based on the general research model presented in the first chapter, and therefore, it focuses on the value-transfer between country and corporate brands, and on the way international target groups perceive this transfer. As mentioned at the beginning of the present chapter, audiences are important for each branding initiative, be it at the initial stage (how the brand is built to fit the audiences) or in its final evaluation (how the audiences assess the brand). Country and corporate brands co-positioning in terms of values is more noticeable when companies are present on the global market, and face international audiences. Each country may benefit from certain favourable or unfavourable associations with respect to its nature, culture, national identity and so on. The form that these associations take in the minds of the external public greatly influences the performance of the country in any given field. We have stated that our focus is to establish if capitalising on a country brand is considered attempting to achieve a sustainable competitive advantage in the global economic arena. Therefore, we will only consider the outcomes that this brand connection has upon global audiences and, more precisely, upon customers and potential consuming target groups.

Our model is built on two dimensions:

- The relationship between corporate brands and the country brand, namely the corporate awareness of country brand values;
- The audiences' associations between the two types of brands

Figure 2. The Value Transfer Window (The relationship between country brand values and corporate brand values, and its outcomes for targets)

Audiences' perceptions	Corporate awareness of the benefits that the country brand values hold: AWARE	Corporate awareness of the benefits that the country brand values hold: UNAWARE
ASSOCIATED	**1.Obvious value-transfer** Companies actively capitalise on or awarely benefit from country brand values.	**2. Spontaneous value-transfer** Companies passively benefit from country brand values.
NON-ASSOCIATED	**3.Un(der)developed value-transfer** Companies invest in associations, or ignore them.	**4.Latent value-transfer** No perception of the value transfer.

(Source: Placebrands, www.placebrands.com)

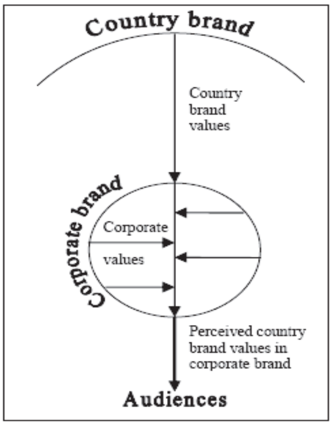
The first dimension deals with the intra-organisational perspective, that is whether corporate leaders become aware of the benefits of the country brand values. We claim that the value-transfer, be it recognised or not inside the organisation, always exists. This value-transfer can be integrated in Edgar Schein's (1992) third level of organisational culture represented by basic assumptions. Located at the core of the organisational culture, basic assumptions are "the ultimate source" of underlying values, which cannot be easily deciphered due to the people's lack of conscious thought. Country brand values can be identified with some of the values that back up the corporate awareness of the benefit that the country values hold: organisational entity, and consequently, the organisational brand values. When acknowledged, these values can be integrated in the corporate branding strategy, and go up one level in Schein's representation to become espoused values. From our model's perspective, when these values or their benefits are not acknowledged, companies are placed in the 2nd or 4th quadrant. When acknowledged, these values may be considered in strategy formulation, and therefore, companies are placed in the 1st or 3rd quadrant.

The second dimension shifts the focus on the outside perspective of corporate brands, namely on the audiences' perceptions of the co-positioning of country and corporate brands. As previously discussed, brand image is a cluster of associations that customers develop in relation with corporate brands. We claim that one of these associations is made with the country brand values, and we support this claim with previous research on the importance of brand origin: the concept of brand origin has the potential to contribute to our understanding of how consumers perceive brands. (Thackor, Kohli, 1996) Obviously, customers can either make associations or not. These associations connect the country brand values to the corporate ones; by "value", we mean a measure of what people think is a culturally defined standard of desirability, goodness, and beauty (Macionis, 1999). In contrast, a stereotype is an unreliable generalisation, an exaggerated over-simplified belief about an entire group of people. A prejudice, in its turn, is a negative cultural attitude, directed against an individual or a group of people, which is based on stereotypes (*www.encyclopedia.thefreedictionary.com*). With this in mind, associations that we refer to in our model cannot be negative. The values of a country brand are different from other cultural labels, which can only be preconceptions or stereotypes. That is why we believe that negative associations do not involve values, but are subjective judgments of other countries' images. Therefore, our model does not deal with degrees of positive or negative, but rather with degrees of weak and strong, from associated values to non-associated values. Following data collection, we will have enough information to place the two analysed companies, according to the dimensions discussed above, in one of the following quadrants.

1st quadrant: Obvious value-transfer

In the case that corporations are aware of national values that can contribute to the development of their own brands, and simultaneously audiences associate these values with the corporate brands, then the value-transfer has an obvious, explicit form. Companies may choose to invest in maintaining and intensifying the associations by actively using references to their home country. The other alternative is for them not to invest, but still benefit from the country brand-values; without specific marketing, audiences still make connections that favour the corporate brand. In our opinion, these alternatives differ in terms of the financial outcomes they yield in the long run: investments reinforce the development of the value association, whereas marketing compliance will most probably lead to a constant or decreasing perception.

Figure 3. Obvious value-transfer

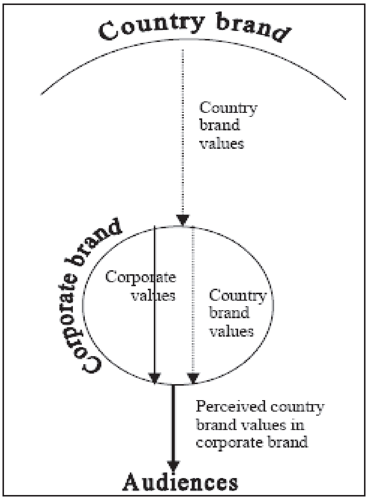


(Source: Placebrands, www.placebrands.com)

2nd quadrant: Spontaneous value-transfer

In the case that corporations are blind to the benefits that country-brand values can bring, and yet audiences still make association between country and corporate brand values, the transfer is spontaneous. It emerges as a result of common knowledge about the corporate and country brands. Companies do not invest in marketing their brands in association with the country brand, but such associations exist for the benefit of the corporate brands.

Figure 4. Spontaneous value-transfer

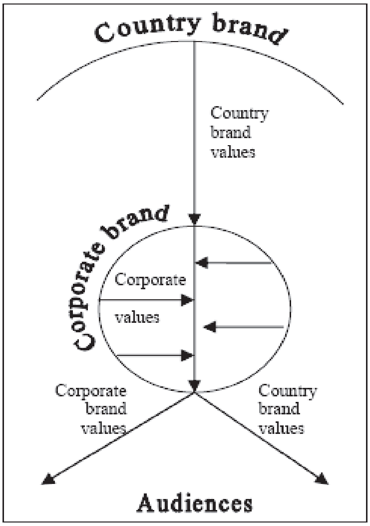


(Source: Placebrands, www.placebrands.com)

3rd quadrant: Un(der)developed value-transfer

In this case, companies either invest in patenting their own brands with values from the country brand or ignore such possibilities. When investing, marketing efforts are underdeveloped, in the sense that they do not enjoy the expected results from the association process. Companies fail to plan and communicate successful branding strategies in order to trigger profitable associations. On the other hand, corporations may choose to ignore the benefits of national values intentionally, which triggers an undeveloped value-transfer. These facts turn the 3rd quadrant into the least desirable one.

Figure 5. Un(der)developed value-transfer

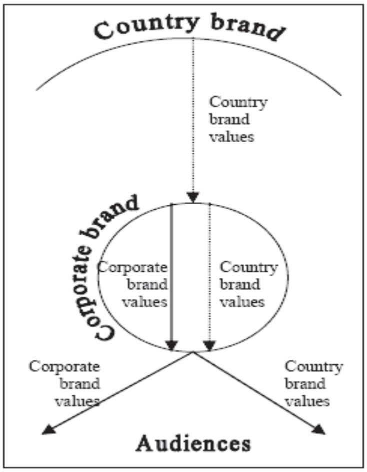


(Source: Placebrands, www.placebrands.com)

4th quadrant: Latent value-transfer

In the 4th quadrant, neither corporations nor audiences perceive the value-transfer, although it still takes place on a hidden, latent level.

Figure 6. Latent value-transfer



(Source: Placebrands, www.placebrands.com)

5. Case Study: Serbia

The aim of exporting the final product is becoming the basis of all the activities in research, development, production, financing and marketing of domestic manufacturers. This particularly relates to the domestic food industry. The existing experience of all the exporters has shown that with increased processing of agricultural products', the problems of placing these products has also increased especially in the competitive export market which is characterised by the sophisticated and demanding tastes of the customers whose needs have to be met. According to research by foreign marketing agencies, Serbia lacks the necessary recognition and developed positive image which it needs to compete in the global market. Specifically, it is all about the old negative image in the minds of foreign consumers of Serbia as a rogue state, with associations to the wars, the Hague indictees, a devastated economy, etc. Only a small number of customers have favourable economic associations when Serbia is mentioned (e.g. food products that have not been genetically modified). Recently, with the recovery of the economy and more foreign investments, a series of initiatives and actions in branding have been started (Brand Fair, foundation of the National Branding Agency) concerning tourism, agriculture, science, etc.

Successful branding should have as its result, a better image of Serbia. That is, anything made in Serbia should arouse positive associations, especially with people who make decisions at a corporate or federal level. These results are measured not only by public surveys and analysis of what foreign media write about Serbia, but also by a specifically defined relationship towards Serbia's products, services, politics and culture. In any case, complete branding cannot be reached just by placing commercials and posters showing the natural beauties of our mountains and spas, by the victories of our sportsmen/women, or by successes in fairs and exhibitions, etc. All these are welcome as pieces in the branding mosaic, but the country and the nation will not have many benefits without an organised, systematic and strategic execution of the complex process, or without engaging a branding expert. Unfortunately, the image, i.e. the brand of Serbia, is at present being established by the goodwill of a few individuals who are not interconnected, such as prominent business people, designers, photographers, architects, journalists or people with recognised patents, but without targeted promotion. The image of Serbia is built mostly on stereotypes, partial information, or even disinformation.

Foreign surveys confirm that branding is much more than a short-term project. Creating *a brand of a specific production sector* of a country is a big and complex venture. For any Serbian product, the biggest obstacle remains the international image of the Republic of Serbia. Those countries with the strongest brand greatly influence brands in every other sphere, so we come to the notion of *brand of a product*. Based on the above, the main hypothesis of this chapter might be the following: the higher the level of the image of a country, i.e. the more positive the perception of the country in the minds of the consumers, the better the position of domestic companies and their products on the international market. We will try to prove this in the simplest possible way, and we will describe the basic meanings, characteristics and dimensions of national branding (branding of a country).

To explain the creation and strengthening of a brand of a country in more detail, we will define *Brand Mind Space* (according to T. Gad, 2005). Let us pose a question: Why do consumers buy specific brands? The answer is that brands primarily, if not totally, exist in the *consumers' minds*, and that they are the result of personal experience. In order to understand the process of establishing a brand in consumers' minds, we will present a systematic model of establishing a brand, consisting of four categories or dimensions. This model represents a basis of *4-D branding*, i.e. four dimensional branding (T. Gad, 2005). According to this model, the four basic branding dimensions are the following:

1. Functional dimension
2. Social dimension
3. Mental dimension
4. Spiritual (ethical, idealistic) dimension

Functional dimension of a brand is the simplest to follow, and it represents and describes the visible advantage of a product that is connected to a brand, and the advantage experienced by a consumer. Anything linked to the physical characteristics of a product: quality, design, style, name of the product, etc. is the functional category of a brand.

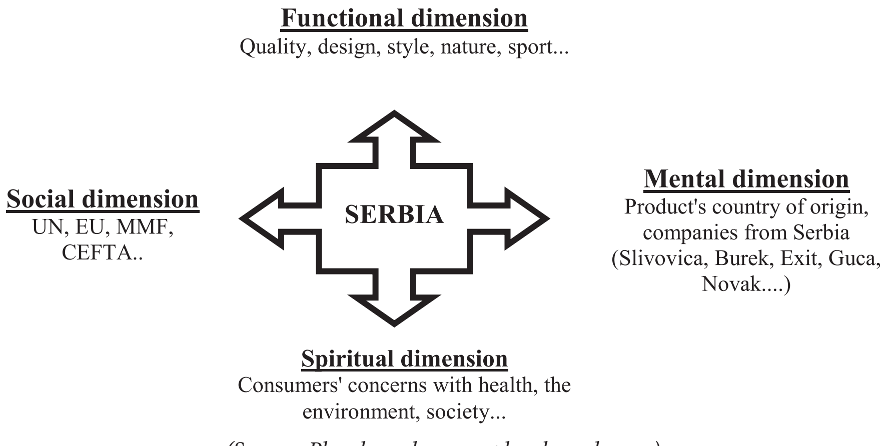
Social dimension implies the relationship between the consumers and the group of people to which they want to belong. The point is in the social identity, or the need to be socially accepted by a group. Consumers make decisions about shopping subjectively, based on what they feel best suits their social identity. A brand, seen through this dimension, creates a cult of its own and becomes a social symbol of an individual's lifestyle. The symbol of a social cult a brand creates, reflects in a trademark or logotype (e.g. Nike with its logo, Armani, BMW, Harley Davidson, etc.). If we see a person wearing a T-shirt of the same brand as ours, or getting out of a car the same as ours, we shall feel a certain connection. It may happen that we like somebody at the first glance just because of his or her choice of a brand.

Mental dimension of a brand penetrates deeply into the personality of a consumer and, so to speak, touches their soul. This dimension is tightly connected to the consumer's self-image: personal education, experience, and so forth. The focus is on changing, as well as on gaining new knowledge about the consumer. Every individual should have role models for forming their lives and behaviour. Today, when the traditional society is slowly turning into a so-called brand society, the mental dimension of a brand serves this purpose. The experiences we have gained from earliest childhood to the present, greatly define our personality, behaviour and reactions. Sometimes there are cases of low self-esteem in certain spheres of life. In such cases there is a need to re-build self esteem which is an opportunity for brand creators (*brand builders* according to T. Gad), as noted by a majority of authors on branding. The personal mental images of consumers are highly individual; but the bigger part of re-creation is shared with other people.

Spiritual (ethical, idealistic) dimension represents a connection between a brand, product or company, on the one hand, and a social system on the other. The spiritual or ethical dimension of a brand represents everything that a brand, product or a company give to the overall system, that is, to the consumers who are part of that system. The spiritual dimensions of a brand are most often reflected in highly standardised products and benefit the whole society. We can take, as an example, high ecological standards for certain products whose spiritual dimension is based on the protection of the environment, e.g. leatherette manufacturers build their brands on animal protection.

A brand cannot be based on a single dimension. The most demanding task of a company's brand manager is planning how to overlap and coordinate these dimensions. What one must not do is to intensify one dimension at the expense of any or all of the other three. The expression *Brand Mind Space* (BMS), (T. Gad, 2005) serves this purpose. What is brand mind space? We can say that this is space where a brand is represented in all of its four dimensions. If we apply the abovementioned to establishing a brand of a certain country (e.g. Serbia), we get a BMS as shown in Figure 7.

Figure 7. Brand Mind Space for Serbian brands



(Source: Placebrands, www.placebrands.com)

In reality, every consumer has his or her own brand space. Every consumer, or every specific consumer segment, can understand a brand or read its messages in different ways. This is why the objective of branding is to create a well-defined and recognisable brand, which is different from that of its competitors. This difference is the result of successful differentiation and focus. We stress that without effective national branding, you cannot successfully realise company branding (II level) or product branding (III level).

This has been proved in research done by the Serbia Investment and Export Promotion Agency (SIEPA) in Serbia last year. It states that most exporters think the bad reputation and poor image of Serbia, significantly contribute to the weak position of domestic products in international markets (Najbolje robne marke Srbije 2006).

Figure 8. BMS for Serbian's brand VODA VODA

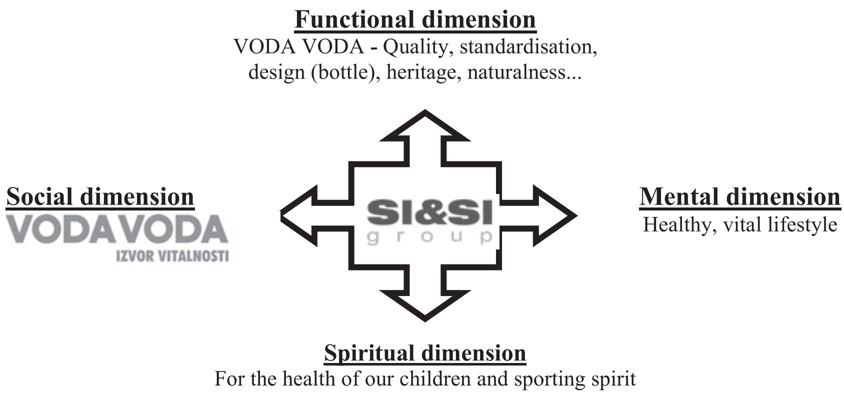
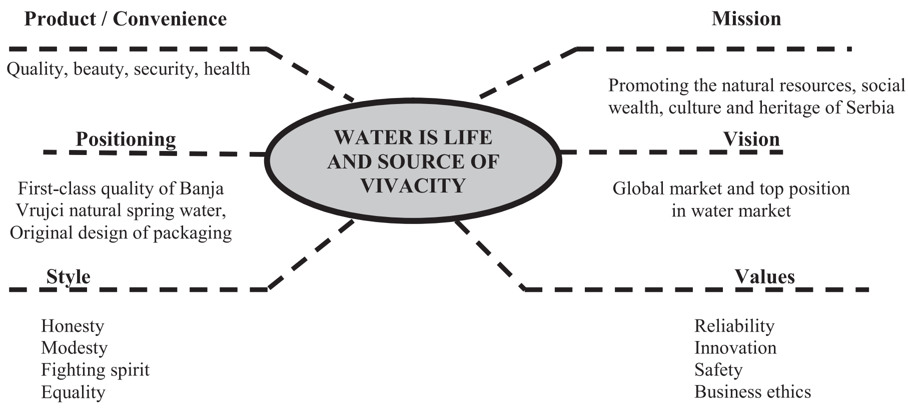


Figure 9. Brand code VODA VODA ("Spider model")



(Source: redone by T.Gad, 2005, p. 137.)

6. Conclusion

Brand equity is the reflection of how powerful and influential a certain brand is in the public eye. It refers, among other things, to the associations that occur between two brands, which work to strengthen each other. Since the national background is part of the essence of any corporate brand, we believe that brand equity increases when associated with a strong country brand.

The Value-Transfer Window shows the nature of the value-transfer between a strong country brand and corporate brands: from a hidden relationship to an obvious one, going through underdeveloped and instinctive phases. The model allows companies to discover the bond their corporate brands have with the all-embracing country brand. It establishes the foundations for future strategic brand decisions, and opens new perspectives on how to achieve sustainable competitive advantage. The stronger the country brand, the more companies are placed in the 1st quadrant, with obvious value-transfer. Conversly, the stronger the country brand, the more companies would like to be associated with it.

As for the limitations of the model, they result precisely from its dependence on the consistency between the identity and image of the country brand. We have previously mentioned that such consistency is the attribute of strong country brands. A subsequent limitation is that we have only considered values, and not other cultural labels generated through subjective judgements. This can be explained by referring to the starting point we chose: strong country brand values and the way audiences perceive them in correlation with corporate ones. The Swedish value list we have exclusively referred to in our analysis might be considered a limitation. The relevance of the paper resides in bringing forward the concept of country brand. Within this broader context, it informs both academics and practitioners about the positive economic outcomes generated by the relationship between strong country brands and their corporate ones. The issue of co-positioning country and corporate brands has rarely been discussed in specialised literature, and therefore, our work is a source of inspiration for those managers who desire to consolidate corporate brands by capitalising more on the brand national background. Further effects of the paper include raising understanding with respect to issues such as the following:

- The transition from the concept of country-of-origin to that of the country-of-brand. Many companies shift their production lines to other countries, therefore the distinction between these two concepts is relevant since the brand remains the only reference to national origin;

- In the case of strong country brands, national origins are not an impediment for globalisation. On the contrary, in a world where products and companies are more and more alike, and simultaneously consumers' awareness and involvement increase, brand origins may turn into one of the few means of differentiation. Provided that the associated country brand induces favourable public reactions, the corporate and brand globalisation will not be jeopardised by marketing national origin;
- Irrespective of the global character of the companies, associations with their national background in terms of either values or stereotypes are inevitable (Goodchild, Callow, 2001). It is better to capitalise on values, than to leave room for negative stereotypes and preconceived ideas to flourish;
- Within the post-modern economy, soft capital in terms of values is necessary. Country brands can provide corporations with such resources;
- Country and corporate brand co-positioning is a matter of mutual growth.

Just as corporations capitalise on those national features that suit their case, country brands may also be enhanced by adopting and/or adapting values embodied in commercial brands. The mechanism of value-transfer was incorporated in our general research model, but not analysed in the present paper. We consider it of great significance because a country brand and its corporate subordinates form a self-perpetuating and mutually supporting cycle.

As international travellers are ambassadors of their native countries, companies and their commercial outputs have the same role within the international business arena. It is primarily a matter of enhancing reputation. Moreover, in certain cases, it has been proved that corporate performance initiates the development of a country brand in the minds of consumers. In this process, corporations can provide governments with the marketing know-how to take the correct first steps in branding issues.

In the case of Serbia, it is evident that the national brand is weak. The government of the Republic of Serbia has realised this, and taken certain praiseworthy steps, namely the Brand Fair and the foundation of the Branding Agency. These initial marketing and organisational steps must be supported by certain strategic and operational actions at the international level, in order to create a strong national brand. The following are the key factors of success in national brand management:

- International cooperation and involvement of government representatives, companies, eminent artists, scientists, sportsmen/women and the media. We

can mention the success of Emir Kusturica's films, Eurovision winner Marija Serifovic, and tennis player Novak Djokovic as examples of the successful recent branding of Serbia. The media play a significant role in strengthening/weakening the brand of a country, e.g. the systematic destruction of Serbia's reputation on CNN during the 1990s. Media (TV, radio, press, Internet) must have a dominant role in any promotional campaign within *state marketing*.
- Increased international economic cooperation through investment incentives, alliances, joint ventures, export promotion, etc.
- Promotion of the most successful companies and best quality products through participation in fairs, exhibitions, presentations, seminars, etc. Carried out by economic diplomacy, trade missions, lobbying agencies and similar organisations.
- Highlighting the tradition, history, cultural values and customs of the Serbian people. The natural beauty and wealth of the countryside with its mountains, spas, architecture and traditional products.

In general, for a country to succeed with national branding, the above elements must be combined with the four basic branding dimensions. The dimensions must overlap and support one another, and not conflict. Successful differentiation and focus in relation to competitors is the essence of branding. The more successfully a country differentiates and focuses in relation to others, or offers something new and creative, the more easily the companies and products from that country achieve success on the international market.

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