GENERAL ISSUES CONSIDERING BRAND EQUITY WITHIN THE NATION BRANDING PROCESS

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Abstract: *The present work-paper was written in order to provide an overview of the intangible values that actively contribute to brand capital formation within the nation branding process; through this article, the author tried to emphasize the differences existent between brand capital and brand equity within the context of the nation branding process, which has became a widely approached subject both in the national and international literature. Also, the evolution of brand capital and brand equity was approached, in order to identify and explain their components and their role, by highlighting the entire process of their evolution under a sequence of steps scheme. The results of this paper are focused on the identification of a structured flowchart through which the process of nation branding -and the brand capital itself- are to be perceived as holistic concepts, integrator and inter-correlated ones, easily understood.The methodology used in order to write the present article resumes to all appropriate methods and techniques used for collecting and processing empirical data and information, respectively to observing, sorting, correlating, categorizing, comparing and analyzing data, so that the addressed theoretical elements could have been founded; in the center of the qualitative thematic research addressed in the present article lie general elements belonging to Romania's image and identity promotion.*

Keywords: *nation branding, brand capital, brand equity*

JEL Classification: M31, M30, Z19

1. Introduction

The geopolitical context and, implicitly, the current geo-cultural context require a redefinition – or a more complex circumscription – of the "national branding" concept.

Globalization has bound nations in a complex interdependent system of which no nation, however powerful it would be, cannot realistically exclude itself. Therefore, recent decades have brought prosperity to several nations and complex problems to others. (Tinbergen et. all, 1976).

It is already known that the process of branding helps a nation to define its identity, to promote itself, to draw attention and to differentiate from others. Is, within this context, the brand of a nation -and, consequently, its brand capital- the loophole that facilitates economic growth and turns, in this way, to a driver of increased wealth?

If we assume that the central role of nation branding is to homogenize and organize public perceptions of the world - both for financial and social gain, the response to the above question should be a positive one. This idea is holistic explained by Wally Olins: "Nations are struggling to consolidate their political power, but now they also have to answer a challenge within a difficult competition, which involves quantifiable factors: export, inward investment and tourism. World states seek to promote their individual personality, their own culture, history and values, presenting themselves as idealized and easily recognizable entities".

But which is the process that hides behind the brand capital of the nation and what does it involve? The present article tries to answer to several simple questions behind which lies a complex and lengthy process.

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2. Methodology

In the centre of the present qualitative thematic research lie general elements belonging to brand capital within the nation branding process. Information base of the present paper work is represented by the research results, by the performed studies and by other editorial sources exhibited in periodicals and in foreign and local authors' works.

"Nation branding: concepts, issues, practices" written by Dinnie Keith and „*Competitive identity: the new brand management for nations, cities and regions"* written by Simon Anholt represent two of the main references of the present article. Also, worth mentioning is the work written by Kapferer, entitled "*The strategic brand management: creating and sustaining brand equity long term*", where are drawn some guidelines regarding the brand capital and brand equity.

Useful to its elaboration were also the interviews given by specialists in the field and published over time in online media. From all connoisseurs of the branding process, Wally Olins stands out through creativity, cheerfulness, efficiency and success.

Taking into account the various approaches regarding nation branding and brand capital, for writing the present paper the author reviewed the literature in the field, among which books situated at the confluence between marketing, accountancy, public relations and economy.

All these have been said, the research methodology is mainly summarized to all appropriate methods and techniques used for collecting and processing empirical data and information, respectively to observing, sorting, correlating, categorizing, comparing and analysing data so that it can be founded the addressed theoretical elements.

3. Brand capital within nation brand

The term "branding" has only recently been used in order to describe a process – more commonly were used the terms of "place selling" or "place promotion"; on one hand, describing place branding as an unclear concept and suggesting that "almost nobody agrees on what, exactly, branding means" Simon Anholt sustains the idea that there is a lack of consistency in defining which the constituents of the place branding are. He defines the process of branding as being "[…] the process of designing, planning and communicating the name and identity, in order to manage the reputation" (Anholt, 2004).

A nation branding or rebranding campaign begins, first of all, through the identification of an opportunity: the possibility of exploiting relevant internal resources, which provides competitive advantage and differentiation, which draws attention, instigate desires and sell. The whole process gravitates, thus, around the "zero kilometer" identified, among whose attributes are included: the reliability, relevance, differentiation, uniqueness, creativity, focus and simplicity of the brand.

Considering this, the nation brand must be *credible* in order to attract and sell, in order to provide safety and satisfaction - the credibility consisting in constantly giving what is promised. *Differentiation* means to provide experiences, products and outstanding services that arouse admiration and constant concern for the brand, being characterized by high quality and helping to overcome consumer expectations. Moreover, the brand must be *relevant* both on internal and external plan - is necessary to ensure a balance regarding the way of addressing both internal and external publics. The *uniqueness* attribute should characterize any nation brand, the truth meaning of this concept involving credibility, relevant differentiation and competitive advantage. The brand itself must be characterized by *creativity*, reflected into that particular way through which public sympathy can be gained; boosting the senses of the target group, a nation brand differ through the way it attracts and captures – thus, becoming memorable. It is considered that "a clip and a well-executed and even creative slogan will not be enough in order to change the image of a country, but creatively highlighting an unique aspect of the country is likely" (Nicolaescu, 2008). *Focusing* shows interest in a certain direction, on a certain idea, highlighting a specific aspect relevant to the brand and country - but always, in order to have the expected impact, it must be characterized by *simplicity*.

These have been said, we truly believe that "creating, implementing and communicating a vision regarding the image of a country -that has to be, at the same time, unique to differentiate from others, competitive to attract and realistic to reflect the truth actually represents the essence of branding country" (Nicolaescu, 2008).

Exploiting the existing opportunity materializes, above all, into a **brand portfolio**. This includes, in addition to the stated mission, vision, values and positioning strategy (which, in turn, contains elements of differentiation, the addressed target groups, the reference framework and several arguments regarding the choices that have been made): the brand architecture, pathways/channels/means of communication, managerial and marketing strategies and, last but not least, the concept itself – the visual design and the slogan (Fig. 1). It is easy to understand that the success and reputation which the nation brand will acquire in the future depends on the way through which the promised experiences are "delivered" and the competitive advantages are highlighted. Furthermore, knowledge regarding the consumers and their desires, the trends and marketing strategies successfully applied in similar processes significantly contribute to a positive visiting decision.

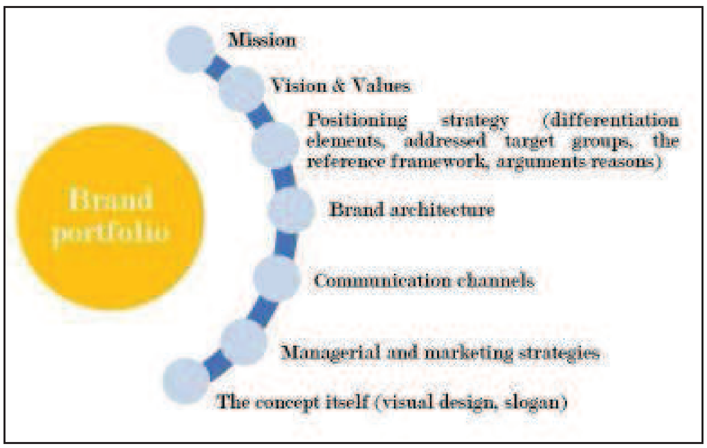

Fig. 1. Brand portfolio's main components

A starting framework that leads to the brand portfolio formation can be shaped only by optimizing and developing specific resources and issues - such as the human capital, the existing heritage, the specific culture and traditions of the concerned nation, the infrastructure and quality of life –overall-, the domestic policy and the interest shown by investors -both internal and external ones-. However, measures taken in order to reduce brain drain phenomenon, careful management of the image that the exported products give to their origin country and the constant image analysis of Romanian citizens and foreigners regarding the country in question provides objectivity in building brand portfolio. To these are added, however, the exploitation of the cultural, historical, religious and tourist heritage.

It is easy to understand that the developing of a brand portfolio represents a long, comprehensive and complex process. Also, we need to note that the final result (and thus, the quality of the brand portfolio itself) is influenced by the branding micro-processes existent within a regional/city/destination's level. With a well-managed brand portfolio and with a process that points out the expectations of the target group, the purchase decision will be influenced not only by the perceived quality and perceived price-quality ratio, but also by the importance of the country of destination and its influence, together with the familiarity that the tourist has in relation to that specific country.

By brand personality itself (characterized by essence, uniqueness and differentiating elements) the attitude towards the brand is created. This is formed based on the differences between brand image and brand identity.

Relating to **brand identity**, this lays at the confluence of researches made in several distinct fields such as sociology, ethnography and anthropology, consisting of "the heritage and the origins of the brand, its values, the stated scope and ambitions, but also of its visual identity" (Gelder, 2005). According to Kapferer, the brand identity is the one that creates a brand-consumer relationship, proposing a value consisting of both functional and emotional benefits. Items related to brand identity include, among others, elements related to positioning and presentation, to relationships and personality, to culture and vision. Based on the brand identity is built a cyclical process that leads to brand's image building - through marketing and communication programs, through associations and by analyzing the mix of elements belonging to branding process. We include here the emotional and attitudinal components, but also the other components that build the brand's image (Fig. 2).

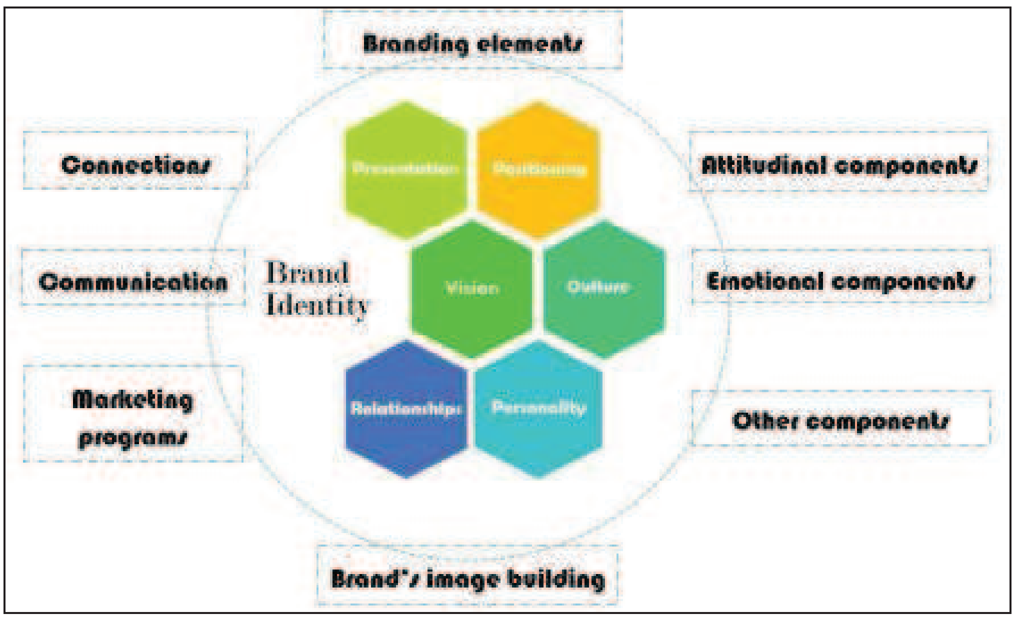

Fig. 2. From brand identity to brand's image

Brand image represents the mental projections –belonging to consumers- concerned about the brand itself. Are included here the expectations, thoughts, feelings, meanings, significances, importance and relevance of the brand to and for consumers - all these being filtered through their own experiences and interpretations.

It is necessary to understand that a country's image is formed, generally, without directed actions to this intent; it appears "spontaneous, in a natural manner in the world's consciousness", while the country brand represents "the image of the country in consumers' mind, formed as a result of efforts made for this purpose, which is consciously influenced and pointed in a favorable direction for the country [...], materialized in a historical and cultural product" (Nicolaescu, 2008).

Along with the modification of a single element of the above, the process of building the brand image is resumed, considering that the image itself will suffer small changes – that, over time, can lead to changes in purchasing behavior. Thus, for a strategic management of a country's image, is necessary to consider:

- what truly determines the country's image;
- which are the guiding principles for the creation of that specific image;
- which tools can be used to broadcast it;
- how can it be evaluated.

The experience one had with the brand plays an extremely important role being situated at the confluence of human interactions: tourists-locals, visitors-human capital, received satisfaction-offered quality. Given that the level of satisfaction obtained from an experience is as expected, the confidence in the nation brand will increase and it will easier be associated, on the one hand, with the self and, on the other hand, with the social image of the self. Is formed, in this way, the attachment to the brand, which is based on two major components: tourist-brand relationships and loyalty. Of these, tourist-brand relationships are those that generate word-of-mouth and the willingness of revisiting – which, in time, leads to familiarity; loyalty increases brand value, while reducing competitors' success.

The whole process, summarized above, involves the formation of associations regarding the brand, the awareness of its strengths and weaknesses, the identification of the perceived quality of the received experience, the existence of a certain degree of trust, attachment and/or loyalty regarding the brand.

All these "intangible assets" form the **brand equity**, without which the nation branding process itself could not exist. It consists, according to Kapferer, in "the assets and liabilities related to that brand and which form its value". (Kapferer, 2008)

4. Brand capital vs. brand equity within the context of nation branding process

"The authentic globalization involves a subject that can only be the international community. Which is the identity of this community and which are the institutions that are able to represent and express it? Since it promotes the idea of freedom -in its various forms-, globalization must itself be a subject under this requirement: it has to be accepted, assumed and not required". Therefore, nation branding process became so important in the current context. It reveals a country's competitive advantage and helps it to differentiate from others; basically, it tries to harmoniously combine and preserve the identity and values of a nation with the characteristics of globalization, which tends to erode both the general inter-ethnic climate and the national identity through the intense "regionalization and ethnicization processes of social problems" (Ciobanu-Băcanu, 2010)

Perceived as being one of the most important and sustainable assets that assures continuous development, the subject of nation branding became a widely approached one; thus, due to its complexity, the process that gravitates around the brand capital has to be simplified in order to be deeply understood. Also, considering that there exists a slight difference between the concept of "brand capital" and "brand equity", we decided to approach these two concepts, in order to identify their main characteristics.

The brand capital within the nation branding process represents the commercial value that derives from consumer perception of the brand name of a particular product or service, rather than from the product or service itself. Summarizing, it refers mainly to the assets of the brand, being constituted by the qualitative values that form the brand equity; it can be said that it includes all the key-elements that will support the imminent growth trajectory of an iconic nation brand.

Together with the strength of the brand, it forms the brand equity, translated into "the added profits created by the brand now and in the future" (Kapferer J., 2008). The brand strength itself is given by the uniqueness, essence and differentiation elements or competitive advantages of a particular nation in order to portray brand's personality on which tourists' future attitude will be based on. Wally Ollins talks about nation branding by attaching an emotional dimension concretized in the deliberate actions of a nation for building prestige and reputation by designing national identity in a consistent manner, respecting a certain ideology.

Considering this, and taking into account what Kapferer states, the brand capital has as starting point the salience - the mind share and heart share among the population and trade (awareness, image, values, consideration, conviction) and is more connected to the qualitative associations with a brand –framing the consumer's perspective-, while brand equity also involves the financial perspective (Fig. 3).

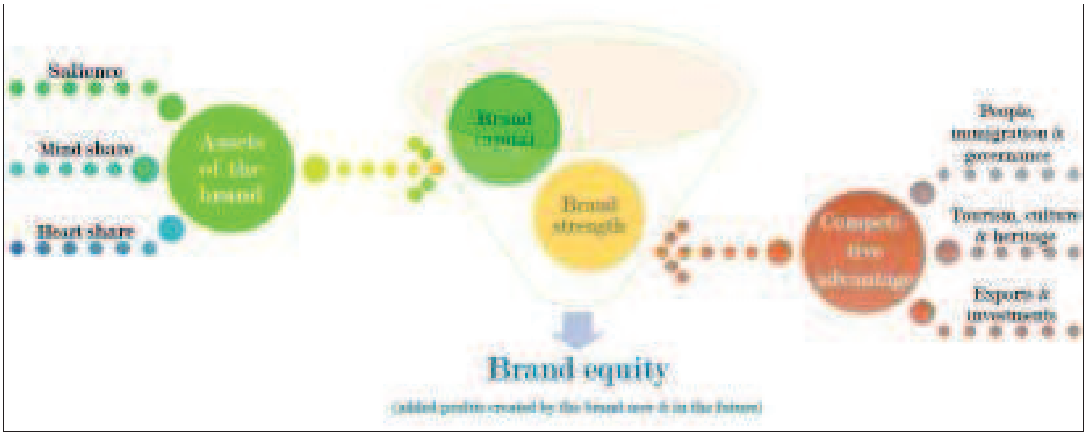

Fig. 3. Brand capital and brand equity

Source: composed by author according to Kapferer J., *The strategic brand management: creating and sustaining brand equity long term*, Kogan Page Publishers, 2008, p. 143;

Brand equity represents an important driver of consumer's preferences and captures the value of the amount of brands originating from a particular country. Factors that contribute to brand equity are:

- brand associations (which are deep seated in consumer's mind in connection with the brand and come first into the mind of consumer when the brand is talked about),
- brand loyalty (can be defined as relative possibility of customer shifting to another brand in case there is a change in product's features, price or quality),
- brand awareness (the probability that consumers are familiar about the life and availability of the product; includes both brand recognition and brand recall),
- perceived quality (refers to the customer's perception about the total quality of the brand)
- other properties (those assets which prevent competitors attack on the organization and help in maintaining customer loyalty as well as nation's competitive advantage).

As Chiranjeev Kohli and Lance Leuthesser stated in their article in 2001, „brand equity rests on a solid foundation of brand vision and brand identity. Given a strong foundation, brand knowledge can be built. Important dimensions of brand knowledge include brand awareness and brand image. Finally, brand equity results in superior performance, that is, the ability to earn long-term economic profits. Two key indicators of a brand's ability to earn economic profits over the long run are brand loyalty and the ability to command a price premium" (Fig. 4)

Even if, during time, many authors tried to emphasize a specific tool used in order to measure brand equity, there has not been universally accepted yet a method for measuring it. This is given to the fact that both tangible assets –measured through the quantitative equity values- and intangible ones –measured through the qualitative equity values, emphasized by the consumer's perspective- need to be counted. As being expected, the qualitative elements (brand capital) –such as mental associations, awareness, differentiation, customer loyalty- are difficult to measure. Because of this, both authors and practitioners tend to take a more qualitative approach regarding brand equity.

Fig. 4. Managing brand equity

Source: Chiranjeev Kohli and Lance Leuthesser, *Brand equity: capitalizing on intellectual capital*, available online at http://iveybusinessjournal.com/topics/the-organization/brand-equity-capitalizing-on-intellectual-capital#.VASP-6MasYs

Also, brand equity is widely described as being the value of the brand; what we need to know is that it has two different perspectives, given by the internal and external assets that form it (Fig. 5).

Perceived from two different perspectives, brand equity requires a holistic view: from *customer perspective* (individual of different and multiple audiences, like potential tourists, investors, employees, students, domestic and international consumers), we need to take into account: the awareness of that specific brand, the image, quality and uniqueness that characterize the specific country, the differential effect that the brand itself has on tourists and investors, their insights and feelings, the ideas and thoughts generated by the brand itself, visitors' visual manifestations and the representative constituents of what is being branded: imagery, iconography, culture, heritage, landscape etc., the nation's flag and/or anthem, the inhabitants' standard of living, the currency and the attachment towards nation brand loyalty. From *financial perspective*, practitioners in the field need to attach a financial value to the brand using methods based on brand's historic costs (investments that have been made until the present time), replacement costs (the cost of creating an equivalent brand) and on future earnings – future cash flows associated with the nation brand (Keith, 2008).

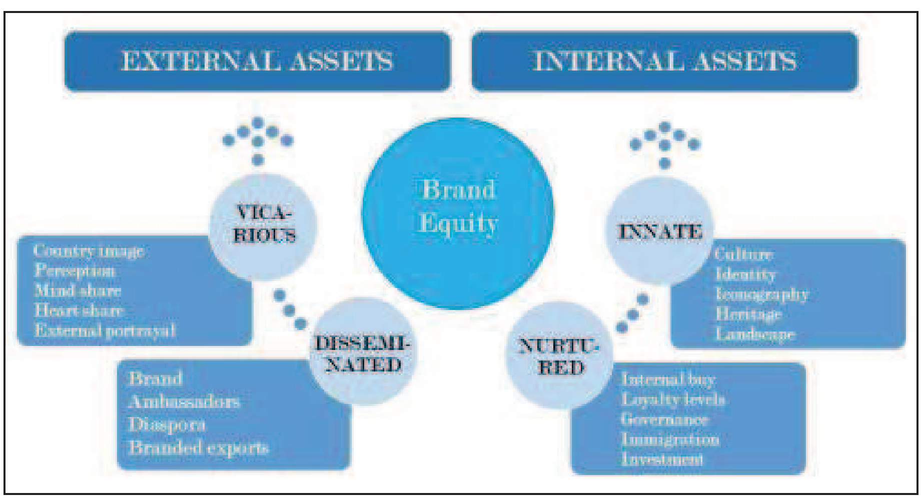

Fig. 5. Brand equity within nation branding process: internal and external assets

Source: composed by author according to Lahili R., *An effort to understand Nation Branding*, available online at http://www.slideshare.net/RupaLahiri1/thesis-on-national-branding

These being said, is quite easy to understand why there is so difficult for authors/practitioners to find a general accepted formula in order to calculate the value of brand equity in nation brands. Even so, specialists like Branding Consultancy Interbrand (100 Top Brands published by Business Week magazine) or Simon Anholt use different methods for identifying the financial value of a nation brand. For instance, Interbrand uses a method based on the future cash flow technique, while S. Anholt uses the Royalty Relief Method, helping the governments to cultivate their nation-brands in an increasingly globalized economy. Considering this, National Brands Index gives "a sense of the real contribution of the brand to the nation's economy" (Anholt, 2007).

Based on this, he developed the *Good Country Index*, which, as the author states on his website, intends to "measure what each country on earth contributes to the common good of humanity, and what it takes away. Using a wide range of data from the U.N. and other international organisations, we have given each country a balance-sheet to show at a glance whether it is a net creditor to mankind, a burden on the planet, or something in between. It is important to explain that we are not making any moral judgments about countries. What I mean by a *Good Country* is something much simpler: it is a country that contributes to the greater good" (Anholt, http://www.goodcountry.org/overall).

Given all this, it is easy to understand why, over time, practitioners and scientists have not reached to a consensus regarding the nation brand's objective financial assessment. However, extensive research in the field of nation branding allows evaluation from different perspectives, but it is certain that complex researches need to be done before establishing an universally accepted valuation method.

5. Conclusion

Considering all the above, for understanding, managing and evaluating a nation brand's capital as good as possible, the slight difference between brand equity and brand capital needs to be emphasized. Being focused on the identification of a structured flowchart through which the process of nation branding -and the brand capital itself- are to be perceived as holistic concepts, integrator and inter-correlated ones, easily understood, the authors tried to resume the entire process of revealing nation brand's capital in Fig. 6.

Considering that the brand capital refers mainly to the assets of the brand, being constituted by the qualitative values that form the brand equity and, together with the strength of the brand, it forms the brand equity (translated into the present and future added profits created by the brand), it now seems easier to understand why practitioners in the field could not agree regarding a single method of measuring/evaluating a nation brand's value.

Even within this context, the difference between the two approached concepts ("brand capital" and "brand equity") needed to be emphasized, considering the fact that, usually, there is some confusion about their meaning and interpretation - either based on the translation/language conversion, either based on misinterpretation. Regardless of reason, is to be noted that the analyzed terms construct only a partial synonyms pair.

6. Acknowledgement

This work was co-financed from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/142115 „Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain"

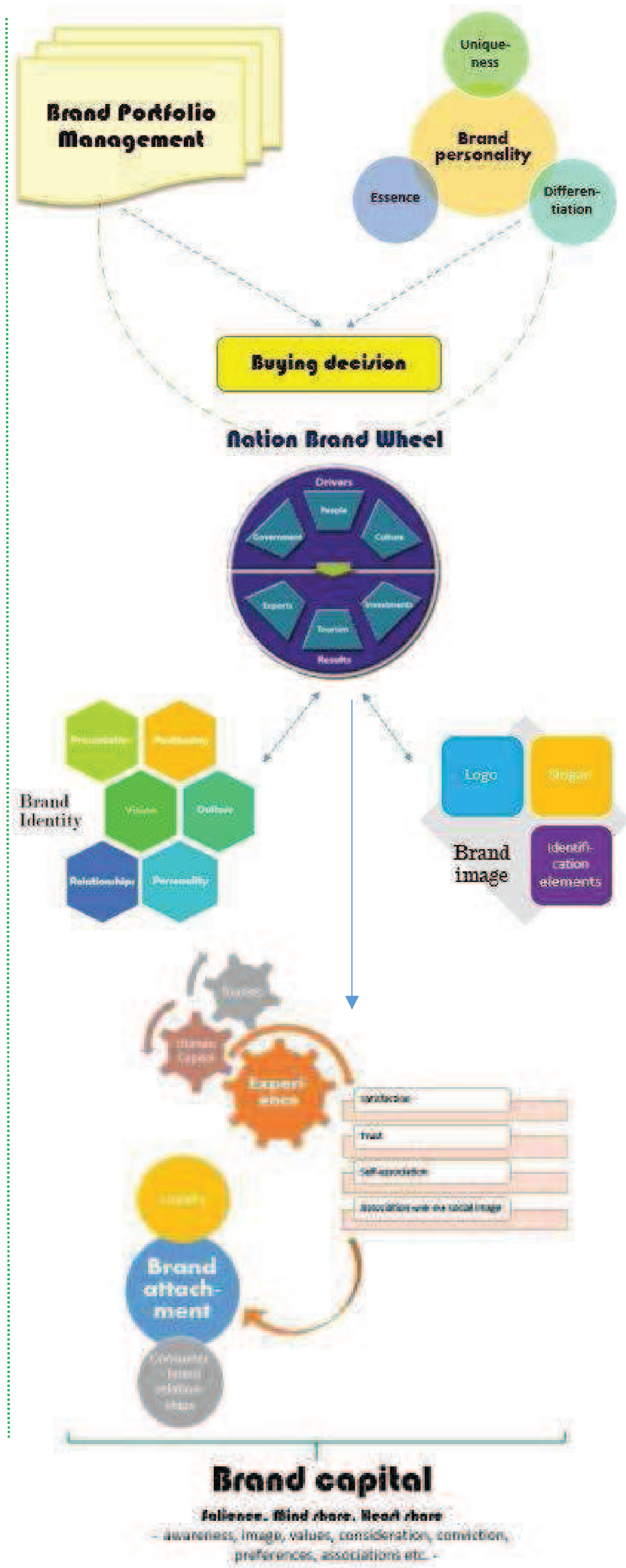

Fig. 6 – Brand capital within the nation branding process

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