Simon Anholt
Earthspeak

Brands beyond business

British Brands Group

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The fact that there have been so many attempts to define brands suggests there is a fundamental problem, and perhaps part of that problem is a failure to understand that branding isn't a technique, it is a field.

Good evening. My theme this evening is branding and development – two words which we don't often hear in the same sentence.

First, some definitions.

I think we all know what a brand is, so I won't waste our time by trying to define brands or branding – we have definitions coming out of our ears. The fact that there have been so many attempts to define brands suggests there is a fundamental problem, and perhaps part of that problem is a failure to understand that branding isn't a technique, it is a field.

A great many of the definitions try to define branding as if it were a technique, like root canal surgery. Now, you can define root canal surgery in a sentence or two if you know what you are talking about because it is simply a technique. What you cannot do is define dentistry or medicine in a sentence or two because these are fields of study and practice. Just like medicine or dentistry, you can begin to understand what branding actually is by studying the substantial literature which surrounds it. Exhaustive definitions in a couple of sentences are entirely out of the question.

So I will avoid the risks of attempting to define the field of branding, but I would like to make two points about the nature of branding which are relevant to what I am talking about tonight. My first point concerns some common mistakes about what brands are.

There are three common understandings of what the word 'brand' means; I call them the Stupid, the Simple and the Interesting.

The stupid definition is the one we would get if we went out into the street and asked, "what is a brand?" The response would probably be, "Oh, it's advertising, isn't it?" or "It's marketing isn't it?" In other words, branding is seen as a modern buzz-word for some kind of promotional activity. This definition is obviously incorrect, but this wouldn't be a problem were it not for the fact that most politicians, in my experience, subscribe to the view. We hear a great deal from governments these days about the need to brand this and brand that, and most of the time they are simply bandying the word around as if it meant nothing more than marketing or promotion. That is the stupid definition and it is a dangerous one.

Then there is the simple definition, which is not wrong but only tells part of the story: it is the definition you would get if you spoke to a branding agency of the old fashioned type. They would say "Oh, brand is the visual form by which the company's name is immediately recognised". In other words, the clothes that the brand is dressed in. Of course that is not wrong but it is only part of the story. I am going to be talking about the branding of countries later on and in that context this particular definition is wholly inadequate and in many respects inaccurate.

So onto the interesting one: the one that people vainly struggle to define. It is something like 'the spirit of the organisation', or 'the common purpose which unites the organisation, the place, the company', or 'the reputation which results from our behaviour or from our product, or from people's experience with our product or service'. All that is absolutely right even if not very succinct. It seems to me the simplest and most worthwhile thing to say about the true definition of branding (and it is far from being an exhaustive definition, merely an illuminating observation), is that brand is the context in which a message is received. It is not the message.

To explain what I mean, let me pre-empt what I am going to say about countries for a moment. Let's take a country with a poor brand, like Russia. If the government of Russia makes a wise policy decision, the reaction is likely to be "yeah, but it's fundamentally flawed". On the other hand, take a country that has a very good reputation, a popular country like Sweden.

I have just launched a new quarterly survey, recently published in the *Financial Times*, called the Anholt-GMI Nation Brands Index, which measures the brand strength of countries. The one which scores top is Sweden and it is up there basically because it is a reassuring brand in troubled times.

So, if a good country like Sweden makes a stupid policy decision, everybody will say "Oh how true, how wise" –

and that is the brand at work. It is the context in which the message is received. It is the filter through which you receive messages. That is categorically different from the stupid definition of branding.

How important are brands? Are they not rather superficial? Well, I refer you to Interbrand's annual survey of the top 100 Global Brands published by *Business Week* with which I am sure you are familiar. The authors have devised a methodology for calculating the value of the goodwill in a brand name – and it generates some staggering figures. One in particular leaps out: the brand value of Bacardi is comfortably greater than the gross national product of the country which produces the brand – a really extraordinary phenomenon. Looking at the survey, you might find yourself adding up on the back of an envelope all the brand values of those 100 companies, just to see what they come to. I did this, and it comes to the surprising figure of $988,287,000,000. That almost unimaginably large number, a fraction under a trillion dollars, is just about the same as the combined gross national product of all the 63 countries defined by the World Bank as 'low income'. So there's a thought: 100 companies, whose names alone – their intangible value, not their products, factories, real estate, staff, or materials – are equivalent to the annual output of 63 whole countries, where incidentally nearly half the world's population lives.

That is staggering, even though we hear surprising numbers like this all the time. But it does suggest that brands might be more important than people think they are. In fact, I asked Rita Clifton of Interbrand if it was possible to extrapolate from these figures an estimate of brand value as a proportion of the world's wealth. Because if you have such a huge figure coming from just 100 brands, think of the value of the tens of thousands of brands there are in the world. Rita thinks about a third, which is surprising too. A third of all the wealth on the planet comes from branding. Now of course you can challenge the maths in all kinds of different ways, but it does suggest, if nothing else, that if we want to have a serious think about the distribution of wealth on the planet then brands are something you should not exclude.

Brands are the crown jewels of capitalism, one of our star turns in the developed world. Of course it isn't cheap and it isn't easy to make a brand. Contrary to what Naomi Klein and many of her supporters think, it isn't just a trick to hoodwink dumb consumers into parting with money they can't afford for products they neither want nor need. We all know how difficult and expensive it is to build a brand and how expensive it is to maintain it. We all know that a famous brand is as much an invitation to complain as a promise of quality. We all know that a brand is a promise to the marketplace which must be religiously kept if we don't want to lose the business. All these factors make a brand a huge responsibility for its owner.

So you might well say to yourself, if it is that important how come it doesn't feature in the development conversations? I have spent a lot of time talking to development bodies around the world about what brands are and what they do, saying, "Brands are an important part of economic development so shouldn't we be helping poor countries to do branding?" And their reaction is usually something like, "That sounds like a good idea, but we're not doing it. If it was a good idea we would be doing it, and we're not, so it can't be". That is a disappointing reaction.

The other good thing that brands do is spread wealth. Wherever a brand is produced, it tends to create wealth around itself. There is some research from the USA that suggests that wherever big brand name companies are based, they tend to generate anywhere between $2\frac{1}{2}$ and 3 times as many jobs as actually appear on their payroll. As they expand, they hire more people and that increases the service businesses around them. They need more suppliers, they sell more products, the retail businesses do better, everybody pays more taxes, they hire more people, and so it goes on.

Powerful brands are very good for the economy because of this wealth-spreading ability they have. If you don't have brands – and most of the developing and poor countries don't – you don't get that effect. Most of the producers there are in the unbranded primary commodity business, which these days is a risky business to be in. We live in an increasingly connected and globalised

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world where business decisions happen rapidly, decisions which can be almost instantaneously fatal to a producer. Primary commodities are unbranded and highly price sensitive: everything depends on the quality that you can produce at the lowest possible price. If you are a company in the first world buying raw materials from the third world and you suddenly find the stuff you have been buying from Kenya is now 5 cents a ton less in Peru, with a click of a mouse you can switch suppliers. Overnight somebody has gone out of business. There are many, many examples of this happening and it is scary. To be a producer of basic raw materials or unfinished manufactured goods is no business to be in.

There is a company called Elcoteq which makes unbranded mobile phone handsets for other companies. It is a Finnish-owned company but their factory was in Estonia, a relatively cheap place to make such things. They were doing well in about 2001, except that almost all of their business came from two customers, Nokia and Ericsson, a risky situation for any business to be in. There was a dip in the mobile phone market worldwide and Ericsson decided to merge its handset business with Sony, selling off all their manufacturing facilities to Elcoteq's main competitor. So Elcoteq shut down their manufacturing facility in Estonia and moved to China. That single act, that single decision taken in an Ericsson boardroom one Thursday afternoon, wiped 25% off the export earnings of the entire nation of Estonia that year. That story illustrates the vulnerability – the exposure – of developing countries and the vulnerability of firms without brands.

Branding is so many things. Branding, if you do it well, does indeed give the ability to charge more for your product, but there is more to it than that. It is true that the owners of branded goods may enjoy margins which are perhaps 15 or 20% greater than their unbranded competitors but that is not the point. The point is that they have an open channel of communication with an audience, with a target market. They have a sustainable business. It means that they can launch new products and nobody will question their ability to do so – of course they have to be the right products but that is part of the skill of managing your brand. I wouldn't buy Toshiba soup because that is an illogical brand extension, but I might well buy a Boeing suitcase. Being able to extend in this way – and consumers' ready acceptance of your brand extension – is one of the great strengths of a powerful brand.

The advantage lies in the fact that consumers have a predilection for your brand. You can keep their loyalty and always have a margin of error, something unbranded companies don't have. In that sense a brand is like a diesel generator outside your office: if something goes wrong and the lights go out, the generator will keep the lights on long enough for you to reorganise yourselves and get the show back on the road. So if the chairman has been caught doing something naughty in the boardroom, the strength of your brand might keep you in business just long enough to replace him. That aspect of brand – the moment's grace to sort yourself out when things go wrong – is one of the many things that unbranded producers in developing countries don't have and most need.

Well, it is all a bit odd, isn't it? If you were a Martian and you heard all this you might well ask, "If brands are power and strength and a moment's grace and the key to sustainable business, why don't poor countries do branding too?" And perhaps the Martian also sees the hundreds of millions of dollars in aid being poured into developing countries by rich countries. It is clearly not that rich countries don't want poor countries to be richer. They don't just say it, they genuinely appear to mean it, and they are pouring in aid, technology and skills all the time.

Everything, you might say, except the ability to brand.

Why is that? If you were a conspiracy theorist you might conclude that they do it on purpose. We don't want poor countries to learn the real secret of our success, you might say, because we know that if they found out they would catch up, and deep down inside we don't want them to catch up. I don't think that's the real reason, though. I think it is because we ourselves in the first world don't fully appreciate the value of branding and how fundamentally important it is to our economies. I don't think we have yet figured out that branding is the way in which, in this post-imperial age, rich countries have managed to stay rich and get steadily richer.

So of course if the Martian came down and said all this, we would chortle and say there are all kinds of reasons why that couldn't, shouldn't and won't work. The Martian, being persistent and literal minded, just answers "give me the reasons", and these are the reasons that would come up.

People will say first of all that a brand is only built because there is a great product behind it and we are really good at quality manufacturing in the West, producing to the very high standards that today's consumers require. If you are a producer in Malaysia you probably can't do it. That is objection number one.

Secondly, consumers, particularly rich consumers, wouldn't want them. They wouldn't want stuff that was made in those countries because half the reason people buy Nikes is because they are American, or Mercedes because it is German and so on. You have a brand from Tanzania and people wouldn't want it.

The third reason it wouldn't work is that companies in these countries can't do branding – they don't know how to do it.

The fourth reason is that even if they did succeed, it wouldn't actually do them any good because all those poor countries are totally corrupt. The one person producing the brand would become extremely rich and that would be the end of it. It wouldn't benefit the economy of the country.

Finally, they can't afford it. These are poor countries so they can't afford to advertise. In order to build a brand, you need tens of millions of dollars a year of advertising. It is simply unaffordable for them, so they just stay where they are.

So I would like to go through those arguments and find out whether they are any good.

First, they can't manufacture to the quality required. Well, that is obviously untrue because as everybody knows, a great many product brands, and increasingly also service brands with Western labels, are actually made in the developing world. And it is not as if people don't know that. If you stop people in the street and say "I see you are wearing a pair of Nikes. Where are they made?" they will answer "Oh, they're made in Puerto Rico or somewhere like that". People know that companies like Nike have spent years training manufacturers in those countries to produce to the very high standards that we fastidious Western consumers require and imposing all kinds of international quality standards. They have done an incredibly good job of it. So we can tell the Martian that this objection is fundamentally incorrect. Developing countries are already the manufacturers of global brands.

So what is that second problem? That rich consumers, people like us, wouldn't want third world brands because they come from the wrong places. This is an interesting objection but I don't think it is valid and I will explain why.

There is a concept which marketing academics call 'country-of-origin effect'. It is what the 'made in' label does for the product and in some sectors like cars, airlines, food, beer, wine, cosmetics and fashion, the country of origin is a significant part of the brand's equity. So if you go into a supermarket anywhere in the world, you will find that quite a few of the brands have a distinct country of origin. So much so that the brands are often the primary vector of our perception of that country – think about how brands like Mercedes and Bosch have created our mental picture of Germany, or Toyota and Sony have created our mental picture of Japan.

So, I was talking a moment ago about what sort of product we expect from what kind of company, and exactly the same principle applies to country of origin. You might not want a Peruvian mobile phone but you certainly would buy an American one, or possibly a Finnish one. Well, I say a Finnish one, except that not many people outside Northern Europe know that Nokia is Finnish and Nokia don't do much to correct that perception. This is because the Finns, like a lot of people in small countries, suffer from Groucho Marx syndrome –

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they'd never belong to a club that would have them as a member – and they cannot believe that anybody would actually want to buy a product from little old Finland.

Of course they are quite wrong, but it is certainly true that Nokia is a stronger brand than Finland, which is perhaps a better reason for disguising the country of origin. I suspect that the main reason why people in America buy Nokia phones is because they think they are Japanese. Mistaken country-of-origin can be an important factor. There is an electronics company in North America called Nashua. I am sure that a lot of people bought that product because they thought it was Japanese. Actually the word is Algonquin and it is the name of a town – Nashua, New Hampshire – a misunderstanding that probably helped make their fortune.

And of course a lot of companies play around with the country-of-origin effect and lie about it deliberately. I always use the example of Italy's leading chewing gum brand, Brooklyn, which has a picture of the Brooklyn Bridge on the packet but has never been anywhere near America. It is made by the Perfetti company in Milan and is thoroughly Italian. Of course, the reason it pretends to be American is because that is the mandatory country-of-origin for chewing gum. Italian gum would have seemed to the Italians like a stupid idea. There are many deliberate country-of-origin fibs like Brooklyn Gum around and I call them cuckoo brands. They are the brands that lay their eggs in other countries' nests.

It occurs to me when I look at the current state of brand America and the rise of brand China, that if brand China should ever rise to prominence, we will know it when large numbers of American companies deliberately adopt Chinese sounding names in order to sell more products. That particular miracle happened a long time ago with Japan. Japan is the greatest country-of-origin miracle of them all. If you cast your minds back 30 years, none of us would have bought a Japanese product on principle because we knew it would break, even if it were cheaper than everything else. Thirty years later we will happily pay substantially more for a product we have never heard of just because it sounds Japanese. The classic example is Dixons which called its own brand products Matsui, the name of a Japanese baseball player, for the simple reason that if they called them Dixons nobody would have bought them. Made in Japan has become mandatory country-of-origin for a wide range of expensive, highly profitable lines: consumer electronics, cars, musical instruments, children's games, computer games, motorbikes, even fashion. The value to the Japanese economy of that change in perception can scarcely be calculated. From third-world to five trillion dollar economy in a few decades. I can think of a few developing countries that could use that kind of performance.

So clearly, in order to answer the Martian's question, we would have to find a way for some of these countries to change their COO effect in the way that Japan did. And it is not just something that happened once in the past. South Korea followed much the same route and now Samsung is in the list of top 100 brands. China could be next, if they figure out how to make the products properly, and I am sure they will. The difference between Japan and China is that China is spending more money on this than Japan ever could, and they are doing it deliberately and consciously as a brand-building exercise. The Chinese are well aware of the importance of branding and they make it perfectly explicit. The reason why Legend bought IBM's PC division is simple: they know they have to have global brands if they are to be a global player.

So consumers don't want third world brands? Well, it depends on whether we can change the country-of-origin effect and it also depends on whether consumers in the first world are prepared to have their minds changed. I suspect this is quite possible because deep down inside we are a bit fed up with the same old brands from the same old countries. Go into any shop and you will find them – they all come from about ten countries. Look at Interbrand's list and apart from the one brand from South Korea they are all from the usual suspects. Most of them are from America (57 out of 100) and all the rest from places like Britain, Germany and Japan.

But isn't that a bit boring? The stories behind those countries-of-origin are so well rehearsed and so familiar that they hold little magic any more. If it is a chic product it has to be French. If it is a handcrafted product, it has to come from Britain. If it is about sex and joie de vivre then it has to come from Italy. And of course practically anything else has to come from America.

How did America become so good at the country-of-origin effect? Brand America enjoys unparalleled power partly because it has the world's greatest advertising agency, and it is called Hollywood. For the last 100 years or so it has been pumping out $1^1/_2$ hour cinema commercials for brand America for which people all around the world will happily queue up in the rain and pay money to watch. It also has the world's greatest sales promotion agency, called NASA, which sends rockets into space for the sole purpose of demonstrating the supremacy of American technology. The question I asked in my last book, *Brand America*, was "how can a country that's spent 350 years quite deliberately creating the biggest, best, most wonderful brand that the world has ever seen, trash it in $4^1/_2$ years?"

I think that something could be done about this because there is a certain tediousness about those old branding stories. I could imagine a different palette with which we could paint brands, one that is considerably more exciting than what we have at the moment. If instead of fitness from America and heritage from Britain we had, I don't know, a sincerity brand from Kenya or a danger brand from Lithuania.

Look at Brazil. What a fabulous brand that is. It is powerful because it has this incredible homogeneity of meaning. You go to anybody, anywhere in the world and say "talk to me about Brazil", and they will yodel fluently about what Brazil stands for – beaches, sex, football, Copacabana, Samba, ecology, jungles, poverty, music. In short it is a fantastic brand but no matter how much you love the idea of the country you can't buy any brands from Brazil. The only brand that appears to come from Brazil is a swimwear brand called Reef Brazil which is made by two Argentinian brothers in California. Cuckoo brand.

So there appears to be plenty of opportunity. Of course there are all kinds of other reasons why consumers in countries like ours might be interested in some new country-of-origin stories, not least our growing desire to buy a little more ethically than before. We have begun to understand at last that there is a long chain of connection between the thing you pick from the shelf and the person who made it somewhere on the other side of the world. So, the fact that some of these brands might one day be carrying a label that says Made in Kenya or Made in Peru could be an added bonus. In fact it is not hard to imagine a situation where brands from poorer countries become exciting and interesting.

In the bit of the world that we live in, we really do spend almost all our time either buying things or thinking about what things to buy, and we need a little variety, a little excitement in our lives. So I am with the Martian on this one. I reject the objection that consumers in the first world wouldn't want those brands, as long as we communicate the fact that they are well made, and that shouldn't be too difficult because we know it already.

If we believe in the quality, if we know the stuff is well made and if we also believe that it comes from an exciting and appropriate country, we have the beginning of some genuine marketability.

So I am beginning to suspect that this Martian's questions are less dumb than they seemed at first glance.

Let me jump for a moment to objection number five – that companies in poor countries can't afford to build brands. But the fact is that there is a lot of money floating around developing countries. The one thing we do give is money. The thing I have often noticed about developing countries is not that they don't have enough money but they don't spend it very wisely. They don't seem to share our love of metrics and accountability.

I recently met the commercial attaché from a developing country who was in charge of exports – mostly fruit and seafood – and who was spending a large sum of money promoting them. When I asked him how he justified this to his minister, what metrics he used, he showed me a fat scrapbook full of press clippings and advertisements that he'd run during the year. He argued, "We can't measure the effectiveness of advertising. It just goes out, it doesn't come back.

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There's this interesting quote about 50% of the money I spend on advertising being wasted…" He was unaware of the ability we have today to track advertising, brand power and things like that, to tell whether the money is being spent wisely.

So that is part of the problem: there is not the rigour, the discipline, to ensure that the money isn't going to waste. But there is another respect in which marketing has come on in the past few years, and that is in making our money go further. It is not like the old days where you had to spend a billion dollars a year if you wanted to build a global brand. In fact if you do your brand strategy well, it has surprisingly little to do with money.

I always think that good brand strategy is like the Red Indian tracker who puts his ear to the ground, sniffs the air, looks around and says "I think the buffalo are going to go that way". That is what good brand strategy is about. What makes a global mega brand, what gets you into that top 100 list, is not promotion: it is being a brand which finds itself, by accident or by design, in the path of major social change. Nike did that when the world discovered getting fit and IBM when the world discovered computers. So if you are clever at your strategy and know how to sniff the air to tell where the bison will stampede, money becomes relatively less important. Suddenly you are not splurging it but carefully putting yourself in the path of the bison, and not getting trampled.

'Viral marketing'. Now there is a phrase that surprises me every time I hear it. People talk these days about viral marketing as if it were some entirely new technique. I think all good marketing is viral, surely. Does anybody believe that you can actually sell a product with an advertisement to your entire audience? It doesn't work like that. The advertising is to get the message across to a handful of influential people who are going to talk to hundreds of other people, who will talk to thousands of other people, who will talk to millions of other people. That is how it works. Malcolm Gladwell described it beautifully in *The Tipping Point*. So the brand is not a message which says "Buy this, it is good" and eight million people immediately buy it. The brand is a little persuasion formula, a tiny portable travelling salesman kit which you give to a few chosen people who then can go off and do your selling for you. And if they like your brand and it reflects well on them, they will do that entirely for free. All really effective marketing works like this and always has done, and if you know what you are doing it doesn't need to cost a huge amount, just enough to prime the pump.

Back to our Martian. We expressed this other objection that even if somehow we did overcome all these consumer objections and money problems, in the end it wouldn't benefit the country's economy because some villain would pocket all the money. Well I am not going to go into too much detail now because it would take more time than I have but let me just say that some degree of trickle-down is unavoidable – the fabled notion of economic trickle-down is that if somebody does well, the economy unfailingly benefits. I have previously mentioned the statistic about US brand manufacturers generating 2½ to 3 times as many jobs as are actually on their payroll. That does tend to happen, as long as the rule of law and society is ordered to some degree. No matter how much of a villain the business owner is, he simply cannot prevent it. He has got to hire people, to pay them something, to buy in supplies and to pay for them. If it is well clustered it all starts to coalesce and accrete and there will be an economic benefit. It is unavoidable. It is certainly going to be more effective than no brands at all because even if the economic benefits are restricted, nobody can stifle the psychological benefits. Just showing that it is possible to sell branded goods direct to rich consumers in the first world will be an absolute inspiration to other producers in the region.

Which leaves us with the remaining objection, that companies in the third world don't know how to 'do' branding. Actually they are probably right and it is the objection I would like to come back to because it is best left till last.

There doesn't seem to be any question that if some of the producers in some of these countries who already produce good stuff were to brand their produce instead of leaving it to others to finish, then that would do well for them and would produce more money.

Brand is the key. All economic power lies in the hands of the consumer but it is fragmented and must be accumulated before it can be harnessed. Brand is the only reliable way to gather that power and plug into it. Each of us has a small amount of money to spend, but there are billions of us. Getting us to spend in a concerted way is like herding cats, and can only be achieved by coercion (taxes) or by brands (shopping). The first world understands and creates brands and thus plugs directly into the economic power of the consumer. The second and third worlds don't do branding and anyway are separated from the power of the market by middlemen – importers, distributors, brand owners and, especially, retailers. The further you are away from the consumer, the less you will benefit from their economic power. So the best way to create wealth in the third world is to short-circuit that model.

The good news is that it is already happening. When I was researching *Brand New Justice*, my book which deals with this topic, I found about 300 examples of brands from developing, and sometimes even very poor, countries that were enjoying some degree of success in overseas markets. A number of them are doing very well: they range in size from big corporations to some interesting little mom and pop businesses doing quite nicely in a handful of overseas markets.

Here is a quick sketch of what is going on. An example of the big corporation is the mighty Tata Corporation of India which produces a large number of branded goods around the world and makes huge amounts of money from it. A couple of years ago it bought a Western brand, Tetley Tea, an interesting turnaround as the model always used to be that the produce, the tea leaves, were grown in the third world country while the brand was owned by the Western company who also made all the money. Tata is a good parable for the kind of reversal that could occur – turning the tide on the global model of capitalism. Globalisation is a phenomenon that can and should work in both directions.

At the smaller, but in some ways more significant, end of the scale I found the most surprising example of the lot. A man called Assefa Dagne from Addis Ababa, Ethiopia – one of the poorest countries on earth – started a software company called Cybersoft which sells big software projects to companies in Sweden and the USA. It is doing extraordinarily well. Now there is a country-of-origin puzzle – would you buy corporate software written in Ethiopia? It is certainly an unconventional idea but then again people's perceptions can and do change in the face of evidence to the contrary. We all of us now buy software products from India, an odd idea a few years ago. Ten years ago, who would have thought that today we would be buying more Danish than Italian mozzarella, or buying Malaysian cars or flying in a Brazilian jet? But we are and we do.

Then in the middle, between the mom and pop businesses and the great big corporations, there are some other interesting stories of brand reversal. One of my favourites is this extraordinary man called Deepak Kanegaonkar, a chemist by training, living in Mumbai. For 30 years ran his own business manufacturing chemicals – glycol's, brake and clutch fluids and stuff like that – when one morning he woke up and decided that he didn't want to be in brake fluid any more but in perfume. His first few attempts didn't work – when tested in Switzerland the unanimous response was that it smelt like wet dogs. He went back to the drawing board but there was always something missing. Perfumes that are meant to smell Eastern have sandalwood in them but synthetic sandal essence is used because of an old and arcane Indian government statute that prevents the export of real sandalwood oil. Deepak, that determined young man, lobbied the government mercilessly until they agreed to grant him India's first ever export licence for true sandalwood oil.

He then needed somebody to help him sell it in other countries. He identified an impressive woman called Anne Faure-Sailly, Calvin Klein's European Marketing Director, who was impressed by his determination and thought he might just succeed. She agreed to work with him on a French launch of his new perfume, Urvâshi, which by this time was smelling very good. Now, you will know from your Hindu mythology that Urvashi is the celestial dancer who came down from heaven and gave the gift of theatre to mankind. It is a touching story because Urvashi falls in love with a mortal in an earthly garden and is punished by being made to stay

All economic power lies in the hands of the consumer but it is fragmented and must be accumulated before it can be harnessed. Brand is the only reliable way to gather that power and plug into it.

there. It is the classic story of the divine who becomes mortal and suffers as a result of love. A beautiful story attached to a beautiful product.

Then there was the packaging. Deepak wanted hand-made silver flacons made by craftsmen in Rajasthan, but this caused problems in Paris because there was no import tariff for perfume packed in silver. So his new marketing director suggested a crystal bottle with a silver sleeve. Deepak found the two companies which make the best flacons in France, one of them of course being Lalique, a scary name if you are working to a budget. He asked them to produce some designs, both of which were so beautiful that Deepak ended up commissioning them both which was ruinously expensive. Then the cardboard packaging was rubbish. It also emerged at this point that he had booked space in *Vogue*, *Elle* and *Cosmopolitan* without an advertising agency or an advertisement or any idea of what he was going to say. Despite all of this Anne managed to get a few bottles onto the shelves of Samaritaine just in time for the Christmas season and do you know what? The shelves were cleared!

Third world countries aren't doomed forever to be the marketplace for first-world products. The tide can be turned.

There was no advertising, no support, no point of sale, nothing – Urvâshi just sold like hot cakes. The women in Paris couldn't get enough of it and do you know why? Because it was unmistakably authentic. It just smelt of India. If you look at the other oriental stuff that is available, you will find it is all made by French companies – Opium by Yves Saint Laurent is French Chinoiserie while Shalimar, Samsara, Mirabai and Jaipur are French Indianerie. None of it is remotely authentic. It is just French fashion designers putting on an Indian accent.

Of course the retail industry in Paris told Deepak that he didn't stand a chance because perfume has to be French, a strange idea because perfume of course comes from the East and always has done. All the essences and the attars come from the East. What has happened to our culture that we now believe these things should be French and pretend to be Indian?

So Deepak was the man who decided this was all wrong and he was going to change it. I wish the story had a happy ending but it doesn't – as far as I know Gandh Sugandh is no longer trading. In the end, Deepak couldn't get the funding or the distribution and the European industry squeezed him out. Well, there is a saying that 'the pioneers get shot and the camp followers make the money', so perhaps Deepak was the necessary sacrificial victim for something that is going to happen anyway. He is a wonderful inspiration to others because he showed that with determination miracles can be achieved. Third world countries aren't doomed forever to be the marketplace for first-world products. The tide can be turned.

There are hundreds more where these stories came from.

Whether you believe in trickle-down or not, the effect of a few brands becoming successful in the first world and persuading people to part with a bit more salary for something slightly more unusual is not going to make a substantial difference to the fortunes of these countries.

Branding has another role to play, a far more important one, and that is the branding of the nations themselves. Now I have spoken about nation as brand in the sense that country-of-origin effect is a primary component of a lot of brands. Nike wouldn't be half the brand it is today if it wasn't American. Burberry wouldn't be half the brand if it wasn't British. What is perhaps less obvious is that country-of-origin effect applies to everything the nation does, not just to everything it sells. Country-of-origin effect applies to the government of each country and the way we perceive and judge its policies. It applies to the way that we consume, share or enjoy the culture of that country. It affects the way that we consider people from that country, whether they are ordinary or famous people.

The brand of a country has such a wide effect that I find it helpful to draw a diagram to illustrate it – a hexagon, to remind me that there are six areas where the brand of a country impacts, and through which the brand of a country is built.

So in no particular order, on the first point of the hexagon you have the country's brands themselves. As I said before, brands are increasingly the primary vector of national identity, whether we like it or not.

If you ask me what I think about Japan, I will try to talk (probably not very convincingly) about Japanese culture, history, the 26 views of Mount Fuji and the rest of it. If you ask my children, they will immediately say Sony, Nintendo, Hello Kitty, Playstation, Sailor Moon and so on.

Next you have governance. The decisions of the government brand the country, both domestic and foreign policy, because increasingly there is no difference between the two. Domestic decisions affect the international brand because they get reported in the international media. The power of governance to change the brand is of course almost unlimited, the best example of that being America. Some foreign policy decisions can ultimately risk destroying the whole national brand.

Point three of the hexagon is culture. Culture is the way in which our picture of the country becomes deeper, more distinctive. Soap powder has the problem that it is ultimately not all that different from other soap powders. Countries have the great advantage that they all have different cultures, different histories, different geographies. That is the thing that stops this model becoming too trite and superficial, so culture is an important component. Culture is also an easier way for countries to make friends with each other. If you go to Iraq and talk to people there about being British, the reaction will depend very much on whether you come from the British Council or the Foreign Office. The British Council is still extremely popular in Iraq and indeed everywhere in the world because it is relatively easy to make friends with culture. Cultural diplomacy is the quintessential example of soft power and we do it rather well in this country. The Americans used to, during the Cold War, but unfortunately they appear to have stopped bothering these days.

Next on the hexagon we have the people. The people are the brand – the genius of the people is what the nation brand is primarily composed of. The people are also the only medium by which countries can actively brand themselves because when people feel good about their country, they become the best viral marketers. Italy is the best example of this: it has the most wonderful nation brand and scores extremely well on the Anholt-GMI Nation Brands Index. Why? Well of course Italy has an abundance of history, culture, products, landscape and food but it also has a population that is extremely good at being Italian.

The population is the way to market the country, of course, because it is 100% free. It is also 100% effective. Also, the population is the only medium of communication that is actually big enough to cope with the unimaginably gigantic task of selling something as big and complex as a country to a marketplace as big and complex as the rest of the world. If you somehow galvanise your population you can do it.

Next on the hexagon is the business-to-business channel – investment promotion, recruitment of talent, and so forth. One of the most interesting things about promoting for investment is the problem of reconciling it harmoniously with the other points of the hexagon – and in nation branding, harmony is everything. Only if all the stakeholders, all the points of the hexagon, have their behaviours and their messages roughly aligned do you stand a chance of actually building a powerful and positive reputation for your country.

What is perhaps less obvious is that country-of-origin effect applies to everything the nation does, not just to everything it sells.

The classic dilemma is investment promotion conflicting with tourism promotion – the final point of the hexagon. Scotland is a good example – the Scottish Tourist Board has always presented a picture of Scotland which is charmingly retrograde (and if it has any sense always will). This is one of the last wild areas of Europe, the advertising seems to say. It is a place of gorgeous windswept hills where there aren't too many roads, railways, telephones, cars or even really people. It is a lovely picture for tourism and is exactly the picture you don't want to communicate if you are trying to persuade Samsung to build their next semiconductor factory there. It is a classic dilemma and it indicates how complex the whole thing is. I would need another lecture to cover country branding to do the subject some justice.

The art of branding a country is about having a strategy in the middle of the hexagon which says "Who are we? What is our genius?" It has to be true of course but it also has to be original and surprising and daring and inspiring enough to draw people in. Once a country has this strategy, it is mainly a matter of aligning the existing behaviours and communications of those stakeholders around that message. Communications won't do it on their own because a reputation can only be earned. It is about creating enough synergy of behaviour - innovative behaviour - between stakeholders so that ultimately the indifferent consumer – Mabel in Wisconsin or whoever she might be – hears about it and gradually starts to form a picture of this place.

Branding is the crown jewels of capitalism and we have clasped it tightly to ourselves.

For a moment, let us leave aside the connection between branding and branded products. If you look at the discipline itself, it has a number of basic similarities to other strategic disciplines. In fact the closer you look at nation branding, the closer it resembles conventional statecraft. Branding is good strategy but the one quality it has and which conventional statecraft and economic development and other conventional disciplines don't have, is that branding also remembers Mabel in Wisconsin. It remembers the consumer and it understands the importance of reputation – always important but critically important in the modern age. As I said before, brand is how you accumulate and plug into the economic power of the marketplace.

I am often asked what is the difference between nation branding and propaganda. Here is my answer: propaganda is the deliberate manipulation of public opinion in order to achieve a political end; nation branding is the consequence of the recognition that you cannot achieve a political end without public support.

So this discipline of branding that we understand so well is actually of much greater value to the developing countries than we think. It is so much more than a trick to help them get more margin and more sustainable profitability from their exports. It is actually the way that they will emerge.

And this is where I finish. You remember the last objection we offered to the Martian's question? It was that poor countries can't do branding. Well to an extent it is true, they can't. Branding is the crown jewels of capitalism and we have clasped it tightly to ourselves. There is a lot of very poor marketing going on in second and third world countries and almost no understanding of brand strategy at all.

Now here in London and in a thousand rich cities around the world there are a lot of people who are very good at this stuff. They are good at strategy, good at understanding marketplaces, good at understanding how to galvanise public opinion to achieve big movement. They know Mabel in Wisconsin and know what makes her tick.

What are they doing? Not a lot. Take for example the cleverest people in advertising agencies, the planners, the ones who know about brand strategy. They are very useful when you are pitching for a piece of business, then they sit around monitoring research groups for most of the rest of the year. Those mighty brains could be doing this kind of thing exceptionally well.

If we stick with the advertising industry for a moment, it is clear that it has something of a branding problem. I was speaking to the boss of a big ad agency the other day about recruitment and he was complaining that they can't get the quality of graduates they used to. I asked him what the problem was and he answered "Well, what they say is rather sad. They say: look, if I wanted to make a lot of money I'd go and work for a merchant bank, and if I was worried about my soul I'd go and work for Greenpeace. If I come and work for an advertising agency I am not going to make any money and people won't talk to me at parties."

So it occurred to me at this point that possibly there is a connection here. Were he to say to those graduates, "OK, part of the deal is that if you come and work here, you must spend six weeks every year working in a glove factory in Sri Lanka helping them develop a global brand", would those graduates jump at the job?

I suspect it would make a bit of a difference, and thereby do something to rebrand branding. Now that is something we all need to think about.

This is the fifth in the Brands Lecture series.
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Posh Spice and Persil

Delivered by Jeremy Bullmore – WPP Group

100% Marketing

Delivered by Rob Malcolm –
President of global marketing, sales and innovation, Diageo

Hybrids, the Heavenly Bed and Purple Ketchup

Delivered by David Aaker – Prophet

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