Country equity and country branding: Problems and prospects

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Abstract
This paper surveys and reviews the voluminous research on product-country images and their effects, with the objectives of discussing the multi-faceted nature of country equity and its importance, and identifying knowledge gaps and misconceptions that often impede the development of successful business or national strategies based on effective country branding. The paper concludes that country-based marketing is often underused or misdirected due to inadequate understanding of the meaning of 'country branding', and suggests approaches for strategy development as well as pointing to knowledge gaps that call for additional research.

INTRODUCTION
As early as 1987, Tan and Farley called a product's 'country of origin', or its product-country image (PCI), and its potential effects the 'most-researched' issue in international buyer behaviour. Recent estimates have placed the number of published journal and conference papers in this area at 'just below' or 'over' 200, which would be considered sizeable in any case — but in fact these figures understate reality by a significant margin. As will be discussed below in more detail, a comprehensive and exhaustive database, developed systematically by the authors' research group, shows that research in this area is formidable indeed: it consists of over 750 major publications, by more than 780 authors, over the past 40 years or so.

However, research volume does not necessarily bring understanding and, especially, know-how that can be operationalised. The opening paragraph of the call for papers for this special issue of the Journal of Brand Management is rightly cautious when it states (emphasis added):

'The idea that countries behave rather like brands is by now fairly familiar to most marketers, and to many economists and politicians ... [it] is now gaining broader acceptance, and its value ... is pretty well understood ... International marketers, too, are at last beginning to understand just how much equity can be added to their brands through the judicious leveraging of their ... country of origin.'

In other words, both familiarity and acceptance are at relatively low levels, particularly among non-marketers. What is 'understood' is the value of the
idea but not necessarily the specifics of what its application might entail. This is not surprising since many of those who are involved in country branding, especially in investment-atraction programmes in the public sector, adopted the marketing approach by necessity rather than choice because their countries or cities were on the economic ‘sick list’ and in dire need of exports, tourism, and foreign investment — while at the same time ‘... bewailing [the] commodification [of the] traditional multi-dimensional meanings of place’. Stated differently, marketing a country or place is often a little-understood panacea.

The main purpose of this paper is to consider a multi-dimensional view of countries as brands by looking at their various parts (eg, as investment destinations, producers, exporters, or tourism destinations) and the interactions between them. The central organising concept is ‘country (or other place) equity’, or the value that may be embedded in perceptions by various target markets about the country, and the ways in which these perceptions may be used to advance its interests and those of its constituents. This paper has four main sections. The first attempts to place the notions of ‘country images’ and ‘country equity’ in context. The second provides an overview of published studies, focusing mostly on the role of country images in relation to product marketing, which accounts for the bulk of research in this field. The third section focuses on the special case of country branding for investment attraction. Lastly, the concluding section draws from the previous ones to discuss the problems and opportunities inherent in the concept of country equity.

PLACE IMAGE IN CONTEXT

From Greek mythology to French panache and Russian roulette, from German engineering and Japanese technology to British rock and Brazilian soccer, and from Brussels lace to Hollywood movies, references to countries and places are everywhere around us in our daily life, social interaction and work. We use them as much in discussions of history (Soviet expansionism), war (Spanish Armada), and political or social phenomena (Balkanisation) as in describing an impasse at negotiations (Mexican stand-off) or referring to our trenchcoat (London Fog).

Therein lies the power (or lack of same) of place equity: Whether positive or negative, focused or diffuse, held widely or by only a few, developed deliberately or by default, and formed from education, the media, travel, immigration, product purchases, business experiences or any combination of sources, every place has an image. More importantly from the marketing perspective, unlike brand or corporate images, those of nations and other places are not directly under the marketer’s control. Formed from a myriad of sources, they are readily available and we routinely use them to make sense of the world around us: we associate them with objects, events, experiences, products and so on, in order to understand them better, categorise them, symbolise them, or process new information we receive about them.

Since they are in the eye of the beholder, the formation of images relies heavily on perception, and both are intertwined with stereotyping, the process of generalising to an entire class of objects from a limited number of observations. Stereotypes develop over
time as one classifies repeated observations into schemata which are then correlated to form one’s view of the world. Therefore, if one first heard of Canada in a geography class while a primary school pupil, learned to associate it with ‘snow’, ‘wheat’ and other similar images, and then consolidated this image with repeated reports on the same theme in the media, the probability is that later in life, as a consumer considering the country’s products or a businessperson planning an investment, this person already has a rather set image of Canada as a country. Just like a product’s brand name, a country’s image is multifaceted and may carry large amounts of both factual and affective information.

The use of PCI-based marketing is increasing in parallel with the growth in global competition and market complexity. Since products today can be made almost anywhere and have increasingly standardised core features, marketers often turn to country associations to differentiate their brands. Consumers, on the other hand, who need to cope with information overload in complex markets, also use such origin images to ‘chunk’ information, reduce perceived risk and assess the social acceptability of their purchases. The use of stereotyped country associations is further accentuated by the proliferation of ‘buy domestic’ campaigns, which serve to highlight PCI as a purchase criterion, and by higher consumer awareness of foreign countries and their products through the media, education, travel and, of course, growing imports.

In fact, the traditional ‘made-in’ or ‘country-of-origin’ concept has moved to a new level well beyond its required use on product labels, as broader place associations that rarely connote just the place of manufacture, and are often borrowed, have become commonplace. Examples range from ‘New York fries’ and ‘Persian carpets’ to ‘Australian hair recipe’ (made in the USA) and Daewoo cars that are advertised as combining ‘British handling, Italian style, and German engineering’ (while retaining the Korean brand name to suggest low price also). The recent growth of place branding for the purpose of attracting foreign investment, which will be discussed later in this paper, coupled with the traditional emphasis on place marketing in tourism have recently served to focus attention on ‘countries as brands’ and to make country equity an issue of central interest in business and government alike. As will be seen below, however, national images and their effects have been the subject of considerable research for quite some time.

AN OVERVIEW OF PAST RESEARCH

The first 25 or so PCI studies were examined in a seminal literature review by Bilkey and Nes in 1982, which identified several problem areas at that time but also served to awaken broad research interest in the field. Several integrative works have been published more recently, including four books that deal expressly with the PCI issue (as well as three additional books focusing on individual countries, specifically Germany, Australia and Canada).

Inventory and taxonomy of PCI research

A brief review of the comprehensive database of studies that was mentioned
in the introduction can help to portray the scope and depth of research in this field and provide background for the summary of research findings that follows. The database was designed to catalogue, as exhaustively as possible, the mainstream publications (ie, all PCI works except minor magazine or newspaper papers and unpublished proprietary studies by business and government). As of this writing it contains a total of 766 works, including seven books, 39 chapters in edited books, 361 journal papers, 326 conference papers and 33 other reports, published between 1952–2001.

Fifteen journals account for 219 (61 per cent) of all journal papers, while the remaining 142 (39 per cent) were published in 86 other journals. This suggests both a high concentration in the major marketing and business journals (eg, International Marketing Review, Journal of International Business Studies) as well as broad interest both within business (eg, Journal of East-West Business) and in other related disciplines (eg Revue de Politique Economique). Similarly, the annual conferences of six major professional associations account for 261 (80 per cent) of the conference papers, and 38 other annual or ad hoc conferences for the remaining 65 (20 per cent).

Of particular interest is the large number of authors involved in these studies, which totals 789, when contrasted with the concentration of contributions to a relatively small number of researchers. As is standard practice, a score was developed to account for co-authorships by assigning a weight of 1.0 for single-authored works and 0.50, 0.33 and so on for those with two, three or more co-authors. The top 15 authors account for 21 per cent of the total (from nine to 67 publications each), the next group of 62 accounts for an additional 23 per cent (two to ten each), and, lastly, 712 authors with fewer than six publications each make up the remaining 60 per cent. Coupled with the statistics in the previous paragraph, this suggests a manifestation of the ‘80/20’ rule — a small number of authors, journals and conferences predominate in terms of intensity, perhaps reflecting particular points of view and raising the possibility that issues beyond the interests of the main contributors may not be receiving sufficient attention. Conversely, large numbers of authors and publication venues account for only a small handful of publications each, reflecting both the broad interest in this field as well as, potentially, a lower level of familiarity with it and a potential tendency to write and publish research on it ad hoc rather than systematically.

These observations also hold when considering the specific themes covered, which are coded in the database to represent six main groups and 25 sub-categories. Only five of the latter account for 50 or more publications. The most popular theme (191 publications, 25 per cent of the total), though also potentially one of the least useful given its inherent lack of generalisability, consists mostly of descriptive studies examining the image of a particular country(countries) from the point of view of respondents in another country(countries). Ethnocentrism studies and research into views about domestic goods versus imports are next, accounting for 108 publications (14 per cent) and reflecting the perceived threat that successful exporting nations pose for
local producers in the importing countries. Studies looking at the PCI phenomenon from various consumer behaviour perspectives account for another 75 (10 per cent) publications, those attempting to measure the importance of PCI effects in relation to such other factors as brand name and price for 67 (9 per cent) and those focusing on the role of national images in industrial purchase decisions for another 55 studies (7 per cent).

Conversely, a number of important issues "shine" by their relative absence. For example, only 15 studies have attempted to examine the stability (or lack of same) of PCI phenomena and effects across multiple countries, and only eight have dealt with PCI sub-nationally (cross-regions within a country). Compared to the 55 studies that deal with industrial buying, only 21 deal with the role of national images in foreign direct investment (FDI) decisions, notwithstanding the similar, if not greater, importance of the latter. Last but not least, while most studies do discuss the strategic implications of their findings, only a relative few have expressly dealt with PCI-related strategy in advertising (11), other specific elements of the marketing mix (ten) or marketing overall (37). This suggests that the area is still largely in an exploratory phase, and that researchers feel the need to understand the relevant consumer behaviour issues better before embarking in more prescriptive studies focusing on the application of their findings.

A summary of key findings
Against the above background, the main findings from this large body of research can be summarised into nine important conclusions about the nature and role of PCI.

**National and other place images are powerful stereotypes that influence behaviour in all types of target markets**
This includes not only consumers and, of course, tourists, but also industrial and retail buyers as well as foreign investors when they consider countries for expansion (in which case the country is the product and the investor the buyer). For example, one study of purchasing managers found that "[the] explanatory power of brand name was much smaller than that of [the] country of origin cue." Similarly, a more recent study found that PCI effects for industrial and consumer goods were highly similar, helping to debunk the belief that "industrial buyers are more 'rational' … than the average consumer.

**The effects of national images vary depending on the situation**
Multiple-cue studies that assessed the relative importance of origin versus other cues have found that it varies depending on the strengths of the cues studied in each case, and is often more influential than price, dealer reputation or even brand name.

**Origin images affect price expectations**
Nebenzahl and Jaffe and others have reported that the lower the image of a country, the greater the price discount that buyers expect compared with an identical product from an origin with a stronger image. This helps to explain Volkswagen's "German-engineered" and Suzuki Nitara's "Born in Japan" claims,
aimed to disguise manufacturing in countries with a weaker image and thus to reduce discount expectations.

**PCIs appear to consist of seven key constructs**

Drawing from a study of 6,094 consumers in 20 cities in 15 countries, the authors recently confirmed earlier results from a sample of 2,247 in eight of these countries concerning the structure of product-related country images. This consists of three country constructs (comprising 16 variables) representing a nation’s level of advancement, feelings about its people, and the respondents’ desire for closer links with the country; and, four product constructs (20 variables) representing assessments of the products themselves, their price, their market presence, and the respondents’ level of satisfaction with them.

**In the case of hybrid products, buyers may distinguish between a product’s country of design, manufacture, assembly and/or the producer’s home country**

For example, a study of industrial buyers found that they evaluate developed countries higher than developing ones as design locations, while the reverse is true for the products’ manufacturing and assembly; and, the more complex the product technology (e.g., computers versus pens), the greater the perceived importance of design skills.

**PCIs of specific product classes are related to a country’s global product image**

The images of specific products may be weaker or stronger than the ‘global’ image of their country of origin, but they move in tandem with it. That is, one may think more highly of French than of Japanese fashion — but the higher one thinks of Japan, the higher one thinks of its fashion products.

**Buyers distinguish between national and product images, and between major, niche and less developed countries as producers**

Developing countries are rated lower than developed ones. At the same time, consumers clearly distinguish between their views of a country’s products and those of the country itself. Table 1 summarises both concepts based on the images of 18 origins across the 15 countries in the multinational study mentioned above. The ratings are on a seven-point scale and are based on four key variables (‘products overall’ and ‘willingness to buy’ for products, and ‘ideal country’ and ‘want closer ties with’ for the countries themselves) selected to represent both cognitive and conative elements of attitudes.

Table 1 shows a clear delineation along a development dimension. The first 11 origins comprise an ‘advanced’ group and the next seven a ‘developing’ group, with summary means above and below 4.5, respectively. The distinction between the two groups holds for each of the four individual variables. On the other hand, there are significant differences in the product versus country evaluations within each group. Germany is ranked first on both product scales and overall, but is ninth on the ‘ideal country’ variable. Likewise, Japan is ranked second overall but is 12th as an ‘ideal country’. Conversely, Australia and Canada are near the bottom of the advanced
countries on the ‘products overall’ variable but are tied in first place on both of the country items.

This type of finding suggests both problems and opportunities for various countries, and points to the halo effects of their image on their products. For instance, countries with stronger product than country images may be faced with weaker demand if suitable alternatives become available to buyers at some future point, while those in the reverse situation may be able to leverage their country image to achieve greater penetration of foreign markets. Canada illustrates the latter scenario well. In the detailed evaluations based on the full scales (not shown here due to lack of space), its ‘market presence’ is often rated very low (2.0 to 3.0 on a seven-point scale), yet its products are rated considerably higher (approximately 4.0 to 4.5), reflecting the positive halo from even higher country ratings (5.0 or higher). In other words, respondents admit that they know very little about the country’s products, but transpose their positive views of the country itself to infer that these products must be of at least reasonable quality.

PCIs may shift slowly over time or quickly as a result of intervening events

Some studies have researched the influence of events on the images of countries. Of these, two that focused on the effect of the Olympic Games on the image of South Korea (1988) and of Tiananmen Square on China (1989) found corresponding, and major and immediate, positive and negative influences on these countries’ images. A small number of longitudinal studies also suggest that origin images may shift over time, albeit very slowly in the absence of such major events. This suggests that PCIs are very strong stereotypes that are not easy to change. Combining the experiences of such countries as Japan, which moved ‘from trinkets to technology’ in about two decades, and South Korea, which followed Japan’s example but was also helped by the Olympics, one may draw at least four main conclusions:

— images change over time, but slowly;
— penetration pricing and other incentives can help to overcome initial consumer resistance;
— events can help to speed up (or hinder) the process;
— a focused overall plan for market development is a must (this is particularly relevant to such emerging economies as those of Eastern Europe, which appear to have put more emphasis on ‘promotion’ than systematic marketing — eg, the ‘Czech Made’ campaign — and whose national images have not changed significantly in spite of the time elapsed since the fall of communism).

The effectiveness of ‘buy domestic’ campaigns is unclear

Product-country images are of obvious interest not only to exporters but also to domestic producers whose local market dominance is being challenged. There appears to be a research consensus that patriotic appeals may generate positive feelings but will not necessarily lead to purchases if superior foreign products are available, suggesting that domestic producers do not necessarily have a de facto edge over
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<tr>
<th>Origins assessed</th>
<th>Summary mean</th>
<th>Products overall</th>
<th>Willing to buy</th>
<th>Ideal country</th>
<th>Closer ties</th>
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Note: To prevent clutter, significant differences between the means are not shown; most differences of 0.2 or more are significant at alpha = 0.01 based on pairwise t-tests.

Origins are listed by rank based on the summary mean and then on the two product variables.
imported products; and that many, if not most, government or industry-sponsored campaigns do not appear to be very effective, and their design often suggests a lack of concrete marketing know-how.\textsuperscript{24}

The studies highlighted above have made many significant contributions, but a variety of methodological weaknesses often make their findings difficult to generalise (e.g., research into different country sets from study to study, use of small or non-random samples, lack of longitudinal tracking, etc.).\textsuperscript{25} Research by private sector firms or government shares similar problems and also has tended to be sporadic and \textit{ad hoc}, rarely building on the existing base of known findings and often ‘reinventing the wheel’ rather than helping to enhance understanding of the PCI phenomenon overall. A further key limitation is that, except for the authors’ research (cited above) and a small handful of other studies,\textsuperscript{26} the image of the \textit{origin countries themselves}, as distinct from their products, has not been measured explicitly. That is, the vast majority of PCI studies have asked respondents to assess the \textit{products} of various \textit{countries}, equating the results with the countries’ images — which, of course, they do not.

**COUNTRIES AS BRANDS: THE SPECIAL CASE OF FDI**

Globalisation, the growth of new technologies and other contemporary forces have brought about major economic and social transformations worldwide, including the unprecedented growth of foreign direct investment (FDI) in both volume and importance. While some continue to view FDI with scepticism, primarily on social grounds, the fierce debate of earlier decades on its economic merits in and among government, business and academia appears to have been settled and its benefits, to both the home and host countries, are being widely recognised.

One outcome of this new environment has been the growing number of countries that undertake proactive programmes to attract foreign investors. Competition for the finite global investment pool is fierce, and investors now often find themselves being courted by various jurisdictions rather than being kept at bay or subjected to controls favouring domestic industry, as before. It is not surprising, therefore, that branding a place as a choice destination for investment has emerged as a key strategy used by a growing number of governments — and this was a major catalyst in catapulting the notion of ‘countries as brands’ to the forefront.

A key problem with FDI-related country branding, however, is that too little is known about it. Most of the researchers who focus on FDI itself do not consider ‘soft’ perceptual factors such as the images of target countries, in spite of the evidence from studies of industrial buyers (as outlined above) which shows that business decision makers are influenced by such factors. Conversely, FDI research from the PCI angle is very limited (see above) and generally does not consider ‘harder’ factors such as the characteristics of alternative destinations. Lastly, government-sponsored research tends to be \textit{ad hoc} and descriptive (“what investors in country X think about us’), and rarely tries to understand the intricacies of FDI decision making, whether from the PCI or other perspectives.
In this light, the following sections attempt to summarise key elements of FDI decision making as they relate to country branding for investment attraction.

**FDI in industrial development**

At base, FDI attraction is a matter of industrial development whose requirements have been well known and generally agreed on by economists for some time. The contemporary environment, however, challenges traditional assumptions, especially given the global interest in attracting technology-intensive industries which differ substantially from others. Economists such as Kondratieff, Schumpeter and Kuznets have stressed that changes in cycles of industrial development (such as the present one) are marked by major economic upheavals, the replacement of dominant industries and shifts in the economic pre-eminence of nations. Strategies to attract FDI, then, are likely to be developed in a climate of great uncertainty and to be subject to a variety of often conflicting interests within any country.

**Choice of mode of expansion**

A common misconception which the authors have observed in their research, and which appears to affect the thinking and strategies of investment promotion agencies, is that FDI decision making is a matter of choosing among alternative locations, rather than also, and in many cases primarily, choosing among alternative modes of operation. As this distinction suggests, location choice for FDI often follows a firm’s decision to invest abroad, and the mode-of-entry (MOE) decision is viewed as far more critical by international executives than the decision of where to invest. The importance of MOE choice arises largely from the reason why a firm decides to ‘go abroad’ in the first place. This may include gaining access to foreign markets, new technology, skilled human resources and capital or natural resources, and/or obtaining the known benefits from operating in various jurisdictions (eg. enhanced tax base, operational flexibility or avoidance of domestic controls).

It logically follows that, depending on the reason why a company wants to expand, it may or may not consider FDI as an MOE option. For instance, mining firms needing to access natural resources must by necessity invest in countries that have such resources. Likewise, service firms (eg. consulting companies) have limited options, usually having to choose between investment or some form of licensing. By contrast, other companies (eg. product manufacturers) have the complete range of MOE options available to them, from indirect exports via home-based distributors to greenfield FDI. For those firms, the principal question may not be ‘where should we invest?’, but ‘how can we best service this market?’

Therefore, country marketing for FDI typically must, but rarely does, target two different markets, each with distinct needs and decision making processes: firms which must invest, and whose only question therefore is ‘where to go’, versus those which may invest, whose question is twofold — ‘how to go where’. For the first target, much of the attractiveness of a country depends on the resources it can offer and is therefore a relative ‘given’. For
the second, past studies show that many firms adopt sequential entry modes, beginning with exports and gradually moving to investment if the market warrants it. Therefore, while the first market consists of the population of resource-seeking firms, the second often includes large numbers of companies that already operate in the country in question with some non-investment mode. This means that a critical target for promotion efforts must be companies that already bring their products into the country that wishes to attract their investment.

FDI decision-making

Assuming a company has decided to invest, what are the base factors that lead to such a decision and to the choice of a location for investment? Studies from the PCI perspective make it clear that the decision maker's personal views of target countries, and related influences from personal contacts with competitors, customers, suppliers, distributors and others, play a pivotal role in target country selection. For example, research has found that the images that executives hold of various countries are significantly different from objective descriptors of these countries, and yet influence their actions.39 Another study showed that American executives are largely driven by perceptions in assessing potential locations for investment in South-East Asia.40 And various studies by the IKON Research Group41 between 1993 and 2000 in North America, Greece and Poland found that subjective considerations by the executives involved play a major role in investment decisions and limit the available alternatives to a 'biased' set of pre-selected countries. Unfortunately, as noted above, PCI research on FDI behaviour (e.g. the transaction cost, internalisation and eclectic models) point to a large variety of factors that influence FDI decisions but do not account for the influence of national (or other 'place') images. As a result, country marketers are called to develop FDI promotion strategies without sufficient background knowledge on the factors that affect their target market's behaviour.

The role of incentives and operating costs

Of the two main parties in an FDI transaction, investors have much more leverage than countries. The latter are place-bound, while companies are able to relocate, often with little difficulty, to the country that best satisfies their needs. This, coupled with the lack of background knowledge described in the previous paragraph, leads countries to base much of their marketing strategy on incentives intended to make them more competitive than alternative destinations (e.g. tax holidays, grants and showcasing of low business operating costs). However, the effectiveness of such factors depends largely on how they compare against similar policies offered by competing jurisdictions, and as more and more places enter the competitive arena for FDI, it actually tends to decline.42 Further, a study by a Canadian consulting firm suggests that incentives and tax credits work more to retain present investors and help them to expand their operations and
less to attract new ones. Generally, incentives and operating costs are more likely to come into the picture in FDI decisions after a shortlist of otherwise desirable destinations has been selected. Therefore, in designing investment promotion strategies it is important to recognise that the criteria used by investors in creating a location shortlist are different from those used in selecting the final location from it.

**Differences in FDI behaviour by type of business**

While most of the above comments are applicable to practically any firm, newer research suggests additional or different factors for consideration when examining FDI decisions by technology-intensive firms. Researchers stress that the advent of technology-intensive firms is shifting attention from the need to cluster around factors of production to the need for effective networks of interconnected organisations including producers, their suppliers and contractors, R&D institutions, and highly skilled labour that can foster innovation and market responsiveness. Given these specialised needs, traditional location research cannot adequately account for the behaviour of technology firms, which must be treated differently from others in the country-branding context.

**Differences in FDI behaviour by investor nationality**

Several studies have reported consistent results to the effect that there are nationality-related differences in FDI decisions. For example, one study researched investments into the USA from 23 countries and showed that the level of exports from the investors’ home country to the USA is a significant positive influence on the total amount of investment there. This provides further evidence on a comment made earlier, that the market servicing mode is a sequential process, and therefore that present exporters are good targets for potential future investments. Research has also shown that the investor’s origin culture makes a significant difference to whether the investments were made by acquisition, new venture or joint venture, and to the type and amount of information about potential locations that they seek to obtain prior to a decision to invest.

**Differences in FDI behaviour by type of FDI**

Another key difference in investor behaviour derives from the particular FDI mode chosen for expansion. Of those investors who choose the acquisition route, many decide on which company to acquire with little or no regard to the country where it is located. As an executive in one of the authors’ studies put it, in referring to his company’s acquisition of a Canadian firm, ‘We liked the company — Canada came as a packaged deal’. This suggests yet another class of potential investors who represent a substantive segment that needs to be targeted, and marketed to, differently than others. These investors are less interested in ‘what companies are available for acquisition in country X?’, and more in ‘which is a good company to acquire?’. Thus promotion targeted to such investors would be more effective if it focused on the quality of existing firms than in the country’s investment climate in general.
Countries versus cities and other regions as FDI destinations

An additional and significant challenge confronting marketers attempting to market a country for FDI is the potential conflict between different levels of government within the country that is being marketed. Sub-national governments at the state/province or city levels may have goals and programmes that diverge from those of the national government. The ability of different levels of government to coordinate efforts is often plagued by regional self-interest and conflicts over jurisdiction. Most discussions related to the FDI location choice tend to focus on the ‘country’ as the unit of analysis — in spite of the fact that many investors simply do not think this way. Does ‘Germany’ compete against ‘France’ or against ‘Lyon’ for investor attention? Such questions appear obvious, but the specific strategies employed most often suggest that attention to the specification of ‘place’ may be superficial at best, and/or that national and sub-national strategies are often not in accord with each other. Researchers who have dealt with this issue have shown that, depending on the situation, investors think of ‘places’ other than countries more often than is commonly thought.

The need for careful specification of competitive boundaries has become particularly important as a result of the growth of ‘world cities’, or areas with a high percentage of global economic activity, a desirable physical and social infrastructure and advanced services. These have emerged as leading economic actors globally at the same time as the relative power of nation-states has tended to decline. Several studies have shown that world cities can compete effectively against much larger units, such as countries, for the limited pool of FDI capital (eg, New York, Paris and London have larger populations than many countries). Therefore, any jurisdiction needs to be well aware of its competitors not only at the same level (eg, country-country or city-city) but also at smaller or larger units of analysis.

PLACE BRANDING AND MARKETING STRATEGIES

As they are understood today, branding and, more generally, marketing and promotion evolved in the private sector as a result of certain key characteristics of its members, including the unity of purpose and the decision-making authority that are available to corporate decision makers. PCI-based marketing by exporters who try to leverage their origin country’s equity abroad is a relatively straightforward proposition, since they are private firms that meet these characteristics. But when branding is implemented in the public sector, two assumptions appear to be made — either that the organisations involved (governments and quasi-government agencies) can act like corporations, or, if they cannot, that the branding effort may not succeed. This logic is inherent in the calls by various researchers for ‘cooperation of effort’ by various government departments or agencies, and the elimination, to the extent possible, of conflicting messages issued by them (eg, Austria being branded both as a ‘scenic’ country for tourists and as a ‘hi-tech’ country for investors). This section examines the notions of country equity and country branding based on the above outline of main research findings.
Is branding appropriate to countries?

This question has been discussed extensively by researchers who have dealt with issues of economic development based on the theory that a common need for growth can motivate various agents/actors in a community towards the adoption of more short-term and personal interest. One researcher, for example, has stated that because cities have a unique character in that they can be implemented in spite of the ordinary that it is not necessary to adapt to them.

One study in this field explores places to add the nature of the branding and marketing. The following needs of the public sector suggest that it is not necessary to adapt either of these strategies in the nature of branding, as the competition among governments for FDI to that end if they are not adapted for their use. The following section considers how this might be achieved.
does the same for products as diverse as major telecoms installations and hearing aids. In all these cases, the statements are correct but still too broad and not actionable at the branding or marketing level.

In the GM case, the company markets a large variety of brands even within the single category ‘cars’, ranging from the Chevy to the Cadillac. Likewise, a country needs to market its large variety of outputs individually. In both cases, the key is in developing and marketing distinct ‘brands’ for identifiable ‘products’ that can be differentiated from others which are produced both by competitors and by the organisation itself. In other words, a country is a ‘corporation’ that produces many products, not a unitary ‘product’. As such, it needs a corporate positioning strategy based on its core competencies, which today arise not from raw materials or low business operating costs per se, but largely from people, ideas, approaches, and styles of doing business. The competencies of Switzerland, for example (accuracy, trustworthiness, etc.) are transferable and actionable in unique ways to the different ‘product lines’ of the country, such as tourism, banking or the exporting of watches and premium dairy products.

Therefore, the issue is not so much one of needing to develop ‘a single strategy’ but one of developing distinct strategies for each of several outputs that can be meaningfully distinguished from each other and coordinated so that they do not conflict. To return to the above analogy, this is not much unlike the strategy of General Motors, which has an overall corporate identity as a major industrial concern, several vastly different divisions at the product category level (e.g., cars, defence), ‘family brands’ within divisions (e.g., Chevrolet, Pontiac, Buick and Cadillac cars), and several model-level ‘brands’ within each family (e.g., Pontiac’s Sunbird and GrandAm).

This line of reasoning introduces a degree of flexibility in country marketing, also available to business corporations, in that products at the brand level are often mutually exclusive (e.g., one rarely buys both Tide and Cheer detergent from Procter & Gamble), while this is not necessarily the case at the product line level (one may buy a P&G detergent as well as P&G tissue paper or toothpaste). Likewise, one may buy French wines, explore Parisian culture as a tourist, and also decide to invest in France’s southern technology belt — each decision vastly different from the other, yet without invoking conflict given the distinct ‘branding’ of each product.

For FDI, in particular, the research that was reviewed above suggests at least three ways in which a country’s image can be distinguished.

**Target companies’ MOE choices**

As noted, different firms expand abroad for different reasons and therefore have different options available to them. Clearly, strong present exporters to the country being marketed may be seeking a distinctly different product (how best to service a market that is important to them) compared to companies that are resource seekers (where best to find the needed resources). Each of these and other types of firms is confronted with a different type of decision — the choice among market-servicing options in the first case, versus the choice among locations in...
the second. The product offered in each case may (and must) be branded, and marketed, differently from the other.

**Type of company/sector**
As also discussed, different firms have different needs depending on a large variety of factors. The research reviewed above points to such criteria as traditional versus technology sectors, firms interested in acquisitions versus greenfield ventures, or firms from various different countries as being key determinants of the type of investment product that individual firms may be looking for. Therefore, this points to different target markets, each of which may (and must) be approached with a different marketing mix.

**Level of ‘place’ definition**
Lastly, also as noted, the level of ‘place’ that is being branded must be decided upon. There are two key issues here, one related to the place’s strategy against its external competitors and one to the need to coordinate the approaches of individually marketed regions or cities within a country. Concerning the first, place branding presents a daunting task indeed, if only because of the numerous jurisdictions involved. The international competition for tourists, which involves all levels from country to region, city and specific accommodation establishments or destination resorts, provides a good example of the difficulties involved in establishing and maintaining a consistent image. Concerning the second, the GM analogy is again relevant: in FDI promotion, for example, individual cities, regions and the various types into which they may be classified (eg, technology-intensive versus resource-rich parts of a country) are to a country what models, brands and product lines are to a car maker. Therefore, much like a firm in the private sector, the unity of purpose that is necessary to achieve a distinct brand image needs to exist only at the lowest level of specification, with progressively higher levels containing a variety of both related and unrelated outputs.

**Strategy development**
A brief overview of the multitude of PCI-based promotional campaigns by governments and business associations today (eg, ‘Crafted With Pride in America’, ‘Think Canadian’, ‘Scotland: The Brand’, ‘Support British Industry’, ‘Invest in Britain’, ‘Czech Made’ and ‘CzechInvest’, ‘Buy Greek — You Win’, ‘Italian Leather’, ‘Swiss Timing’), not to mention those by private firms, would easily show that country marketing is widely used, and that any country is facing a steep uphill battle to differentiate itself given the heavy expenditures on PCI campaigns by jurisdictions and firms around the world. In this environment, failing to develop an attractive country image would essentially leave target markets free to create whatever stereotype they wish. As noted earlier, country images exist and will continue to evolve one way or another, but without attention by the countries themselves they will often be based on misconceptions with potential negative short- and long-term consequences.

In this regard, it is vital for places to measure their existing image and use this knowledge as the base for taking steps to enhance or improve it. As
stressed by researchers who have dealt in depth with image-based marketing, organisations that develop image tracking systems are better able to monitor the perceptions of various target markets and act upon them. This obviously refers to systematic, long-term tracking systems rather than one-shot, ad hoc studies that are more common in most countries that undertake this type of research.

A study that looked at FDI promotion in 50 countries was able to identify three relevant activities: image building, aimed at improving a country’s image among foreign investors; investment generation, aimed directly at enlarging the inflow of capital; and investment servicing activities, concerned with facilitating investors after an investment is made. The authors drew parallels between these activities and industrial marketing, arguing that country marketers can manipulate marketing mix elements to promote their countries to buyers/investors. Another important finding of this study, and one that supports the conclusions of the preceding review, was that different promotional strategies are effective at different stages of the investment decision process. Impersonal techniques, such as advertising and image building, are more effective in influencing investors who are in the early stage of the investment decision making process (such as companies that may not yet have decided to invest, as in the MOE discussion above), while personal techniques (ie, visits, presentations and feasibility studies), much like personal selling, are most effective for companies that are in the later stages of the decision (ie, they have already decided to invest in a region, or are considering two or three different locations).

In this regard, a potentially useful perspective to country marketing may be gleaned when one examines the actors (governments, industry associations and individual firms) that are typically involved in developing and executing various strategies, and how their composition and actions vary depending on the country output involved.

— Tourism marketing typically involves ‘mass-marketing’ approaches (eg, media advertising) by government and industry associations, and both mass and more focused approaches (such as personal selling and incentives to travel agents) by associations and individual firms. The tourism image of many (if not most) nations tends to be well coordinated across various place levels and consistent among its three main sponsors.

— Similarly, all three groups tend to engage in a variety of coordinated efforts to protect domestic producers against imports, with campaigns that involve both government- or association-sponsored generic messages (‘buy domestic’) and ‘made at home’ themes in advertising by individual firms.

— By contrast, the vast majority of mass marketing in the case of exports is left to individual exporters, with government and industry groups limiting themselves to efforts directed largely at intermediaries (eg, arranging a ‘country week’ at a major department store in a target market, or encouraging participation at trade fairs). There-
fore, the export image of most countries tends to be less consistent than that of their tourism industries, suggesting a potential opportunity for a greater role by government and trade associations in helping to coordinate and promote the country’s export brand(s).

— Lastly, promotion activities for investment by all three groups tend to be of the personal-selling rather than mass-marketing type (eg. investment missions and handling of individual investors by government agencies). In fact, various government studies that the authors reviewed as part of a country-branding assignment included recommendations to ‘avoid advertising’ for FDI, on the rationale that foreign investors are too ‘rational’ to be influenced by it. However, as shown by the research reviewed above (and as has been made abundantly clear in the literature on advertising itself), this view reflects a misunderstanding of the functions of advertising. While neither business executives nor end consumers may readily admit to being influenced by advertising, the evidence is that it has a significant influence providing it is properly used (ie. with clear objectives as to whether it is intended to create awareness, generate leads, persuade target markets to act in a particular way, reassure markets or offer to them third-party source credibility and so on) and, of course, properly executed. Considering the point made earlier, that by the time potential investors open themselves to personalised approaches they have already excluded several countries from their shortlist, some form of at least limited mass marketing may in fact be an effective vehicle for establishing a well-recognised national (or other place) investment brand.

SUMMARY AND CONCLUSION

The research that was reviewed in this paper clearly suggests that there is a need to think very carefully before deciding on any particular strategy for country branding and positioning. The research leaves no doubt that country brands have built-in equity that individuals in various target markets develop over their lifetimes. In some cases, such as those of Germany and Japan, this equity represents an asset of enormous value. In all cases, country image plays an important role in buyer decision making. And in the absence of an effective branding strategy, target markets are likely to continue inferring a country’s image from inappropriate or irrelevant associations, often carried from childhood onwards, thus weakening its international position.

The frequent use of origin images in marketing suggests that many producers believe that their target buyers share their enthusiasm about the images used. Ascertaining whether this is actually so is a key challenge, but an even greater issue lies in identifying the specific attributes or dimensions which may strengthen, or weaken, an country’s overall image. As discussed, there are significant differences in how different origins are perceived on various attributes by different types of buyers. Therefore, generic national campaigns may not work as well as those that capitalise on specific and detailed research findings.
Another central theme found in virtually all the studies is that buyers are rarely influenced by the long and detailed lists of ‘advantages’ which some sellers, particularly national FDI promotion agencies, present in their promotion (some derisively call them ‘laundry lists’). These may be useful in supporting a place’s USP, but they lack credibility (since buyers know that marketers always ‘put their best foot forward’) and, when used alone, they are unable to portray the overarching and distinct ‘umbrella’ concept that a successful brand image is all about. To return to the car analogy, the overall image which a car maker carefully builds for its brands is more important to its target markets than the cars’ specific features. Likewise, the overall hi-tech image of the USA is more important to investors than the utility costs or tax incentives of one or another of its cities. This line of reasoning follows the FAB approach, in which unique features are used to support a brand’s advantages over competitors, and they in turn support the key benefit(s) that the brand offers its market. Clearly, it is only this key benefit, the unitary image built around a carefully decided central concept, that can play the major role in expressing a country brand’s personality that will be attractive to its target markets.

In conclusion, depending on the situation investors and various other types of buyers may ignore, be influenced by, or actively seek information on, product-place associations when making purchase decisions. But one way or another, the pervasive presence of origin cues in the market begs for a better understanding of product-country images and a concerted effort for more effective country branding.

References

(6) Jaffe and Nebenzahl, ref. 3 above.


(16) Ahmed et al., ref. 1 above.


(19) Papadopoulos et al., ref. 15 above.


(23) Papadopoulos et al., ref. 17 above.

(24) For example, see Jaffe and Nebenzahl, ref. 3 above.


(38) Papadopoulos et al., ref. 27 above.


(41) See, for example, Peterson, P. E. (1981) ‘City Limits’, University of Chicago Press); Chicago, and Kotler et al., ref 4 above.


(47) Wells and Wint, ref. 42 above.