



Opinion Piece

Positioning the nation-state

Received (in revised form): 22nd December, 2004

John Quelch

is a marketing professor at the Harvard Business School and former Dean of the London Business School. He is a non-executive director of WPP Group plc and Chairman of the Massachusetts Port Authority. His latest books are 'The New Global Brands' (2005) and 'The Global Market' (2004).

Katherine Jocz

is a researcher at the Harvard Business School. Previously she was Senior Thought Leader at Marketspace, a Monitor Group company, and Vice President of research operations at the Marketing Science Institute.

Abstract Having a clear, differentiated positioning gives a country an advantage in attracting investment, business and tourism, and in building markets for its exports. Countries like Greece, Spain and Chile are successfully repositioning themselves using coordinated marketing and highly visible events like the Olympics. Positioning and national image also matter greatly in public diplomacy and cannot be taken for granted. Recommendations are given for positioning a nation-state based on a frank appraisal of perceptions and realities.

Keywords: *Country image, positioning strategy, public diplomacy, image management*

POSITIONING THE NATION-STATE: INVESTMENTS AND BENEFITS

Over 10,000 athletes from nearly 200 countries came to the 2004 Olympic Games in Athens to compete to the best of their abilities. At the end of the Games, 929 individual athletes and national teams left with medals and enormous pride in their accomplishments. If medals were also awarded to the host, Greece would surely have won one. Widely praised for carrying off a smoothly run Olympics, the nation defied the expectations of the sceptics — internal and external — who said it could not manage such a large, complex and expensive undertaking (*The Economist*, 2004a, 2004b). The multinational corporations that had invested millions in sponsoring athletes

and teams and in television advertising went away satisfied. Also, the Karamanlis government possibly earned enough political capital to push through overdue economic reforms that will cut bureaucracy and encourage entrepreneurship.

The costs of hosting the Games approached \$10bn, or about 5–6 per cent of GDP — an enormous sum for a small country of 11 million people. Many in Greece questioned the wisdom of playing host on this scale (Vecsey, 2004). Yet the prevailing sentiment among Greeks and outside observers is that the investment was justified. First, in successfully bidding to host the Olympics, Greece committed itself to an aggressive improvement in infrastructure by a fixed date. The government constructed a sorely needed

John Quelch
Harvard Business School,
Morgan Hall 185,
Soldiers Field,
Boston MA 02163, USA.
Tel: 617 495 6325
Fax: 617 496 5853
e-mail: jquelch@hbs.edu

new transportation system around Athens, including a new airport, roads, trams and an expanded subway, that could have taken 20 years to build otherwise (Cambanis, 2004). Private sector investment updated the cellphone network. Container shipping through the port of Piraeus increased due to facility improvements made for the Olympics (Pangalos, 2004). Such improvements in infrastructure, along with planned legal and administrative reforms, will spur business development. Additionally, Greece plans to stimulate the economy by redeploing the sporting venues and housing built for the Olympics, under a mix of public and private ownership.

Secondly, in hosting the Olympics, Greece drew the world's attention to itself as an attractive tourist destination. Television networks broadcast spectacular images of its scenery and classical antiquities to 4 billion viewers internationally. Favourable press coverage depicted the nation and its people as cosmopolitan, safe, friendly and capable.

Thirdly, and more elusively, by rising to the occasion, Greece captured the world's confidence and respect. For instance, by installing a sophisticated security system, at a cost of \$1.2bn, and cooperating with NATO partners to patrol airspace and seaways, the nation joined ranks in the fight against terrorism, acquired skills that would serve it later on (*Agence France Presse*, 2004) and countered the long-standing reputation of the old Athens international airport for lax security. Further, national pride soared as Greek athletes won six gold medals — two more than in the previous Games — and the country ranked 17th among all countries in terms of total medals won.

Greece is not alone in benefiting from the Olympics. Spain built on the success of the Barcelona Games to reinforce its ongoing repositioning programme.

Relatively obscure countries which 'punch above their weight' in the competition — that is, whose athletic performance exceeds expectations based on their size, wealth and previous sports record — likewise boost their public image around the world. China, host of the 2008 summer Games, has already announced building projects exceeding \$30bn, and is busy meeting with Olympic corporate sponsors (Kahn *et al.*, 2004). No doubt China will be working hard to surpass the USA in gold medals and total medals won when it holds the Games on its own turf.

The intense competition to host the Olympics and other international sporting events increasingly requires nation-states to understand and practise good marketing. But marketing for a nation-state covers much more than competing to be selected as the one-time venue for a cultural or sports event such as the Olympic Games, however significant that is. For Greece the challenge is to build on the foundation of its updated infrastructure and the favourable awareness created by the Olympics to promote itself as a unique place for tourism and business. For nations in general, successful marketing involves a long-term commitment to consistent and comprehensive execution of a positioning strategy that sets forth the distinctive strengths and benefits the nation offers to the people and businesses it wishes to attract.

THE MARKETING CHALLENGES

While managing a national image is similar in principle to managing a corporate brand, the marketing challenges facing nation-states and corporations do differ in several respects. First, the chief executive of a company is more likely than a political leader to view him/herself as the chief marketing

officer. The CEO is ultimately responsible for developing and retaining the customer relationships upon which the cashflow of the corporation depends. The CEO sets a marketing strategy that targets the likeliest customer prospects and ignores the rest. In contrast, the political leader of a nation cannot pursue a clear-cut strategy so easily. A democratically elected leader cannot pick and choose which citizens to serve. He or she has to negotiate policies with legislatures and key constituencies and must make compromises among competing interests in order to be re-elected.

Secondly, when undertaking global marketing campaigns to position or reposition a national or corporate brand image, it is easier for the corporate CEO to enlist the support of employees than for the national leader to enlist the support of the public, civil servants and other stakeholder groups. The CEO pays employees to follow the strategy; if they cannot in conscience do so, they are invited to leave. But the national political leader in a democracy has only the power of persuasion to rely on in trying to motivate a broad coalition of citizenry and stakeholder groups to follow the marketing programme. If the vast majority of citizens do not buy into or are cynical about the marketing proposition, it simply will not work. Visitors to the country will discover that the reality does not reflect the promise; such a disconnection can only lead to disappointment, low repeat purchase rates and negative word of mouth.

A third difference is that power is often more diffuse in a nation than a corporation. Local governors and mayors, along with their bureaucracies, will not necessarily pull in the same direction as the national leadership. For example, they will often want to promote their regions and cities more than the nation as a

whole, especially when the nation, as in the case of the UK, is identified overseas with a single world-class city like London. In this case it becomes difficult for the central government to rally resources behind a single, integrated national campaign. The CEO of a company is better able to develop a joined-up marketing programme; he or she sets the compensation of other managers in the company and that compensation, including the value of bonuses and stock options, depends on all of them striving to enhance shareholder value.

Fourthly, in the age of the internet, 24-hour-a-day news and easy international travel for the masses, it is perhaps harder than ever for a government to control the information flows that help shape its national image. Not only is information harder to control, but national images have deep roots. As John Ruskin, the 19th century British writer stated: 'Great nations write their autobiographies in three manuscripts — the book of their deeds, the book of their words, and the book of their arts' (Ruskin, 1885).

To illustrate these challenges for nation-states, consider two examples. Spain was reborn as a vibrant emerging democracy in the 1980s, a transformation marked by its entry into the European Union in 1986. Business and political leaders jointly worked to restore national pride and economic performance, in part by leveraging Joan Miro's sun image as a visual symbol of Spain's rebirth. The 1992 Barcelona Olympics successfully showcased the new Spain to the world in the same year that the European Union implemented the single-market programme to reduce non-tariff barriers and boost intra-European trade. Spain backed up its new image with public sector reforms and improved infrastructure; Spanish GDP accelerated

throughout the 1990s (Gilmore, 2002; Olins, 1999).

More problematic was the Blair government's 'Cool Britannia' marketing programme (as it was dubbed by the press), launched in the late 1990s, to update perceptions of Britain. The designers of post-Franco Spain's marketing effort started with a clear break with the past. Britain, however, was widely known for things traditional (the monarchy, the museums, the Merchant Ivory movies) that brought in substantial tourism dollars each year. Britain's policy makers wanted the world to learn about British creativity, adventurousness and entrepreneurship in science, technology and business — a positioning presumably intended to accord with the emergence of a new knowledge economy where Britain has competitive advantages. The resulting campaign was widely derided in the media, particularly outside London. Cynical media commentators also poked fun at the very idea of 'rebranding' a country like a packaged consumer product (Bagehot, 1998; Midgley, 1999). Any expectations that the campaign would produce quick results were dispelled by a survey published by the British Council two years into the effort (British Council, 1999). Not surprisingly, the research showed that people in other countries continued to see Britain as highly traditional (but favourably so). The campaign lasted around three years before being dropped (Gill, 2001; *The Economist*, 2002).

These examples show that it is often harder to unfreeze an existing, perhaps outdated, image and build a new one than to start with a clean slate. Equally challenging, though, is repositioning small countries that, in the absence of positive impressions, have become, rightly or wrongly, tarnished with a negative image (Kotler and Gertner,

2002). Colombia's association with drug production, for example, makes image building almost impossible until this problem is corrected. No amount of good marketing can make up for negative product perceptions. Austria, on the other hand, was able to ride out the negative image impact from the rise to power of Jorg Haider, thanks to positive associations with Mozart, Salzburg and the Vienna waltz.

NATIONAL IMAGE MATTERS FOR THE POWERFUL AS WELL AS THE WEAK

Marketing may be relevant to small nations trying to build awareness and break through the clutter on the world stage, but does it have any relevance to a dominant commercial and military power like the USA? Each of the 50 states in the USA markets itself internally and externally to tourists and investors, but the USA as a whole does not. Local and regional marketing, such as the marketing around the hosting of the Olympics by the cities of Los Angeles, Atlanta and Salt Lake City, can spill over to affect the US national image, but probably not to the extent that the images of much smaller countries like Greece and Spain were affected by the Athens and Barcelona Games, respectively.

In the world of commerce, no brand, however long established and well known, can afford to take its image for granted. A brand that is widely recognised but not liked is poised for a downward slide, because esteem drives consumer preference.¹ (For example, British Airways — whose corporate name was changed to BA plc — has long sought to promote itself not as the world's largest airline but as 'the world's favourite airline'.)

When US government policy is unpopular, there is an effect on America's

national image. The effect is not seen immediately because most of the world's citizens do not let opposition to current US government policy diminish their respect for individual Americans or American brands. The cumulative goodwill that the USA — and the values it historically stands for — has built up over generations helps inoculate individual Americans against an immediate backlash. In addition, American multinationals from McDonald's to IBM have worked hard during the past five years to localise their brands, adapting product offerings to take account of national cultural preferences, promoting local managers to senior positions in overseas subsidiaries and contributing to local community development in host countries (Holt *et al.*, 2004). Coca-Cola cans in China, for example, recently carried portraits of the country's leading Olympic athletes.

While some in the USA argue that foreign policy should not be concerned with matters of image, others contend that a sustained decline in positive attitudes, as tracked in Pew Research Center surveys, will eventually spill over to affect every American citizen and brand travelling and selling itself overseas (Pew Research Center, 2004). In Europe the undercurrent of anti-American-business resentment articulated by Jean-Jacques Servan-Schreiber almost 40 years ago could rise to the surface (Servan-Schreiber, 1968).

A specific concern with the national image of the USA in the Muslim world in the aftermath of 11th September, 2001 led to several public diplomacy initiatives by the US State Department. These included a television advertising campaign showing American Muslims enjoying the tolerance and freedom of the American way of life; unfortunately, the timing coincided with tightened US visa and border-control policies for

visitors from Muslim countries. In addition, the campaign was underfunded at a mere \$15m, expectations of a quick fix were too high, many in the Arab world viewed the ads as patronising and irrelevant, the government-controlled media in many Muslim countries refused to run the ads and media images associated with real-time events, including the detention of terrorist suspects at Guantanamo Bay and the US invasion of Iraq, overpowered the campaign (Quelch, 2003).

Any future State Department campaign to reposition the USA in the Muslim world will be further complicated by the existence of a separate, uncoordinated Defense Department public affairs programme in the Middle East. The Defense Department's programme, whose purpose is to provide truthful information to the public and press, is, in turn, compromised both by the department's covert efforts to shape opinions abroad by planting news stories and misleading information in the press and other media, and by its combat information operations to deceive the enemy by spreading deliberate falsehoods. The danger, as critics inside and outside the department have pointed out, is that the government cannot confine information to its intended audiences; any false or misleading information that comes to light damages the credibility of the USA as a country that stands for truth and freedom (Shanker and Schmitt, 2004).

The lessons here are that a country's positioning and image must be congruent with readily observable reality. Marketing a nation cannot be successful if conflicting messages are sent out from different information programmes and if the programmes are not coordinated at the highest level of government. Further, good marketing cannot make up for a product that the world's consumers do not want to buy, and certainly cannot be

successful overnight and on an inadequate budget.

RECOMMENDATIONS TO NATION-STATES

It is axiomatic that a country will benefit from possessing a favourable image at home or abroad. What may be less evident is that compared to larger, better-known countries, smaller nations actually have several advantages they can leverage. Effective nation-state marketing depends on stakeholders having a common cause and rallying around the chosen positioning. In smaller nations, there is often more homogeneity of the citizenry, and consequently more convergence of views (Alesina and Spolaore, 2003). In addition, the political and business elites know each other and can more easily formulate a common policy. They may be better able to come to agreement on what constitutes the nation's competitive advantage, which leads to clear, consistent positioning. In newly independent states, such as Slovenia or Croatia, a sense of national purpose can underpin a worldwide marketing effort, particularly when a country is, in economic development terms, ahead of others in the same region and therefore keen to develop a distinct identity.

Another factor contributing to effective marketing is sustained commitment. A political leader of a smaller country — or a city-state like Singapore or Dubai — who understands the potential power of global marketing can make significant strides, particularly if the leader is not subject to periodic elections and can therefore pursue consistently a ten- or 20-year vision. But even in smaller democracies it is possible to build long-term commitment. Favourable global awareness of a country can propel it to wield influence greater

than its population or economic muscle would predict. Securing membership in important international clubs, such as the World Trade Organization, European Union and NATO, or better yet, supplying the leaders of these organisations, ratifies a country's new-found status (Van Ham, 2001). By leveraging its commitment to democracy and rejection of a standing army, Costa Rica, for example, has positioned itself successfully as a peaceful haven for ecotourism and American retirees.

As mentioned earlier, changing a long-established, well-known national image is often more difficult than starting with a clean slate. A small country that is not a major player on the world stage is less apt to face the problem of revising a strongly held image.

For national political leaders interested in nation-state marketing, especially those in charge of small countries, the following five recommendations are offered.

Develop a clear positioning

With 191 members of the United Nations, the world stage resembles the cluttered breakfast cereal aisle of a supermarket. Nations are jostling to gain notice and favourable attention. A clear positioning strategy sets out, for each stakeholder group (tourists, overseas consumers, foreign direct investors, etc) a superiority claim (how the nation is better) and the reason why the superiority claim should be believed. As a rule of thumb, a clear positioning can be articulated in 20 words or less. Singapore, for example, traditionally positioned itself as the best entry point to Asia for Western multinationals — a position backed up by the reality that its laws, institutions and educated English-speaking workforce made doing business from there safe and easy. One

advantage of a clear positioning is that it helps nations avoid competing on price. Offering nothing but excess tax credits and discounts to attract new factories and jobs ends up being counterproductive. It is also not the primary criterion serious corporations use in selecting countries in which to invest (Farrell, 2004). The money attracted by price competition is prone to leave as quickly as it arrived, chasing the next hot deal.

Measure progress

It may be painful for anyone marketing a nation to discover that only 1 per cent of the world's population has any awareness of the country. But it is important to measure awareness and to understand perceptions — both favourable and unfavourable — held by target audiences. Market research should benchmark awareness, knowledge and perceptions of what the nation stands for among key stakeholder groups both at home and abroad. In order to know what corrective actions to take, it is essential to analyse the gaps between perception and reality (both current and intended) for each target group. As the marketing programme progresses, performance should be tracked over time and compared to nations that are similarly sized or trying to attract the same targets. Working towards strong rankings on international scorecards, such as the World Economic Forum National Competitiveness Report and the European Commission's Innovation Scorecard, can also be valuable. Chile, for instance, has highlighted its jump from number 28 in 2003 to number 22 in 2004 on the WEF Competitiveness Index. Whether targeting a prospective foreign tourist or a foreign direct investor, a nation needs to achieve the top-of-mind awareness necessary to get at least on the buyer's shortlist, and for

the right reasons. But not at all costs: it is essential to track the economic results of marketing investments and to adjust the allocations against different target groups accordingly. The UK found, for example, during the 1990s that £1m promoting foreign direct investment had much greater economic impact than the same amount spent promoting British exports (HM Treasury, 1998).

Work with the private sector

The most successful initiatives to secure international sports events, promote exports and attract foreign investment usually involve public-private partnerships. The costs of holding the Olympic Games would be all but prohibitive without private sponsorships. ProChile, an agency co-funded by the Chilean government and the private sector, has for 30 years worked closely with businesses to develop export markets and attract foreign investment. In selling Chile to new foreign direct investors, the agency has leveraged word-of-mouth endorsements from foreign companies which have invested there already — satisfied customers are often the best salespeople. In rebuilding the brand name of Chile in the post-Pinochet era, ProChile has additionally leveraged the quality reputation developed by its own exporters, including Chilean vintners and fruit growers, in much the same way as the national images of France and Germany are grounded in the worldwide reputations of their manufacturers for superb fashion and engineering excellence, respectively.

Connect the dots

If the whole of a nation's marketing efforts is to be greater than the sum of the parts, the national airline must work

with the tourism board, those promoting exports must work with those promoting inward investment and national marketing must be coordinated with city and regional marketing. For example, in addition to working closely with the private sector, ProChile has helped Chile enter into six regional trade pacts, including the European Union, and was instrumental in negotiating many additional bilateral agreements. Messages reaching different target audiences should be coordinated and consistent, for these various audiences are distinct but not separate: tourists at today's Olympic Games may be tomorrow's foreign direct investors. Conceivably, a cabinet minister could be charged with developing a consistent umbrella communications strategy under which campaigns by individual departments reinforce rather than contradict each other. Because people tend to combine their various exposures and interactions with a country into one overall impression — good, bad or indifferent — paying attention to as many aspects of the customer experience as possible can be an important source of differential advantage (Kotler and Gertner, 2002). The speed and ease with which a foreigner can enter the country, the welcome given by an immigration officer and the modernity of the airport can all make a powerful positive impression on the first-time visitor.

Involve the nation's top leader

There are three benefits to having the head of a country consciously invest (without publicly announcing this) time and political capital behind the chief marketing role. First, it underscores the importance to government agencies of connecting the marketing dots. Secondly, this personal involvement in selling the country impresses the heads of multinational companies contemplating

foreign direct investments. Through countless one-on-one meetings at World Economic Forum events and other venues over a decade, Prime Minister Mahathir Mohamed elevated the visibility of Malaysia in this way. Similarly, Prime Minister José Manuel Durão Barroso's appointment as president of the European Commission promises to do the same for Portugal. Thirdly, this high level of commitment is needed to motivate the citizenry — including the business, arts and sports communities — to walk the talk, to deliver on the promise that the country's chosen positioning strategy makes to the outside world. Despite the potency of electronic communications in the global village, it is, in the final analysis, the quality of personal one-on-one interactions that forms the most lasting perceptions of the country. A nation that can persuade its own citizens to live, breathe and project an authentic national image, consistent with its desired positioning, will maximise the impact of its marketing efforts. China's leaders will doubtless work hard to ensure its citizens deliver in this way at the Beijing Olympics in 2008.

Note

- 1 Young and Rubicam Inc.'s brand asset valuator database of consumer attitudes towards brands shows that esteem and knowledge drive current brand stature; the database includes opinions on more than 20,000 brands collected from over 230,000 respondents in 40 countries since 1993.

References

- Agence France Presse* (2004) 'Greek police draw on Olympic experience in hostage crisis', *Agence France Presse*, 16th December.
- Alesina, A. and Spolaore, E. (2003) 'The Size of Nations', MIT Press, Cambridge, MA.
- Bagehot (1998) 'Cognitive dissonance', *The Economist*, 4th April, p. 66.
- British Council (1999) 'Through Other Eyes: How the World Sees the United Kingdom', British Council, London, UK.
- Cambanis, T. (2004) 'Athens hopes to parlay

- Olympics glory', *Boston Globe*, 30th August, p. A1.
- The Economist* (2002) 'Selling Britain; the shock of the old; at last, Britain seems to have given up trying to be hip', *The Economist*, 13th July, p. 49.
- The Economist* (2004a) 'Europe: Torch-bearers; Greece and the Olympics', *The Economist*, Vol. 372, 10th July, p. 44.
- The Economist* (2004b) 'Europe: What price euphoria?', *The Economist*, Vol. 372, 3rd July, p. 45.
- Farrell, D. (2004) 'The case for globalization: The results of McKinsey's latest study of the pros and cons of emerging market foreign investment', *International Economy*, Vol. 18, No. 1, p. 52.
- Gill, A. A. (2001) 'It's official ... Cool Britannia has finally been canned', *Sunday Times*, 25th March.
- Gilmore, F. (2002) 'A country — Can it be repositioned? Spain — The success story of country branding', *Journal of Brand Management*, Vol. 9, Nos 4/5, pp. 281–293.
- HM Treasury (1998) 'Comprehensive Spending Review', available at www.hm-treasury.gov.uk/spending_review/spend_csr98/spend_csr98_index.cfm.
- Holt, D. B., Quelch, J. A. and Taylor, E. L. (2004) 'How global brands compete', *Harvard Business Review*, Vol. 82, No. 9, pp. 68–74.
- Kahn, G., Thurow, R. and Waldman, P. (2004) 'Prospecting for Chinese gold; Athens already a memory for companies aiming to score bigger in Beijing', *Wall Street Journal*, 27th August, p. A8.
- Kotler, P. and Gertner, D. (2002) 'Country as brand, product and beyond: A place marketing and brand management perspective', *Journal of Brand Management*, Vol. 9, Nos 4/5, pp. 249–261.
- Midgley, C. (1999) 'Getting to grips with branding Britain; the ad agency that helped to bring Labour to power is now intent on making Britain a winner', *The Times*, 19th November, p. 46.
- Olins, W. (1999) 'Trading Identities: Why Countries and Companies are Taking on Each Others' Roles', Foreign Policy Centre, London, UK.
- Pangalos, P. (2004) 'Olympic Games boost keeps Piraeus in top slot', *Lloyd's List*, 6th December, p. 11.
- Pew Research Center (2004) 'A year after Iraq war: Mistrust of America in Europe ever higher, Muslim anger persists', Pew Research Center for the People and the Press, Washington, DC.
- Quelch, J. (2003) 'Against the grain: Why Uncle Sam's touch of the Uncle Ben's left the Arab street cold', *The Independent*, 27th July, available at www.independent.co.uk.
- Ruskin, J. (1885) 'St Mark's Rest: The History of Venice Written for the Help of the Few Travellers Who Care for Her Monuments', Alden, New York, NY, Preface, p. 1.
- Servan-Schreiber, J. J. (1968) 'The American Challenge' (translated by R. Steel), Atheneum, New York, NY.
- Shanker, T. and Schmitt, E. (2004) 'Hearts and minds: Pentagon weighs use of deception in a broad arena', *New York Times*, 13th December.
- Van Ham, P. (2001) 'The rise of the brand state', *Foreign Affairs*, Vol. 80, No. 5, pp. 2–6.
- Vecsey, G. (2004) 'At Games end, waiting for sticker shock to set in', *New York Times*, 31st August.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.