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Branding Cities and Clusters for Economic Development

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Abstract: This paper analyzes branding as it pertains to a nation, city or cluster. For economic development, clusters have been accepted as the key in the last few decades, more important than nations. This paper argues that branding a community or cluster is key to attracting economic development, and to creating the needed social structure and rallying cry that will spawn entrepreneurial activity, innovation and growth.

This paper will first review the idea of branding a nation or a city to provide a basic understanding of how it is different from more traditional branding. The paper will then apply the ideas of nation branding to the branding of a cluster, the importance of clusters and address some implications of cluster branding on the social capital in a cluster. Finally, the paper will conclude on some ideas for how to brand a city or cluster, and look at one that I am actively involved in, Mississauga, Canada, and by extension provide some suggestions for how to brand other economic clusters. A city brand gives a voice or a name to its culture and social capital, the glue that defines and creates a cluster and brings a community together. To be successful, and foster economic development, clusters need to identify what they stand for, what their brand is, and be able to voice it in a clear, compelling message.

Keywords: branding, clusters, economic development


Biographical Notes: Brian Crombie is a DBA candidate at ISM. He has a 20 year corporate career including CFO of a specialty pharmaceutical company, Managing Director of a private equity company and has worked in Canada and the United States for major corporations. He has an MBA from Harvard Business School and an HBA from the University of Western Ontario Business School. He is currently Principal of Crombie Capital Partners, a venture capital investor and consultant in Finance/Strategy/M&A.
Introduction

“Grow, dammit, grow!” shouts the front cover of the Economist (2010) almost in desperation after the Great Recession and several years of an anemic recovery.

How nations, regional economies and cities can grow and create more jobs and prosperity, given the Great Recession of 2008-2009 and now the lackluster recovery, is unquestionably the number one issue for governments, business practitioners and people themselves today. Obama has his “Jobs Agenda”, Bob Rae’s top three priorities are “Jobs, Jobs and Jobs” and New York Times columnist and Nobel price winning economist Paul Krugman continues to proclaim that we need a jobs stimulus immediately - “it’s all about the jobs, stupid”.

The economic development of cities, and the development of clusters, has been a focus for economists and other academics, public policy practitioners and business people for decades starting with Marshall in the 1920’s discussing the importance of scale or agglomeration, Porter (1990) argued for industrial clusters and cluster competition like industrial competition, Krugman’s economic geography positioned skills, education and unique benefits as key and Florida (2008, 2009) stated that creative clusters that could attract gays, bohemians and creative knowledge workers would be the most successful. While these academics have focused on many different factors there has not been as much attention on the important role branding a city or cluster has in fostering and accelerating economic development, entrepreneurial activity and innovation. Cities and clusters need a vision and a brand to market it and to rally people around it, just like companies or products do. Cities need a brand if we want them to be in demand, attract tourism, economic development, and to be prosperous and grow? Historically, city branding has been important from a tourism promotion standpoint, but increasingly it is also important to promote a city for economic development in an increasing competitive market to attract relocating companies and innovative entrepreneurs. More importantly, in order to create a cluster or a community where diverse people will feel included and part of a whole that is greater than just them and their firm, then they in that community will need to be part of a vision or an image for that area, and be able to identify with the brand for that city or cluster?

Last September, I sat in on the presentation of the Mississauga Economic Development Strategic Plan titled “Building on Success” (Mississauga 2010). I was invited to this session in my capacity as co-chair of the Mississauga Summit, a civic engagement organization made up of community leaders from business, government, the not-for-profit sector and residents, all together focused on improving Mississauga, the sixth largest city in Canada. The presentation was a comprehensive plan focused on growth. But it was far from unique. Three objectives were laid out to achieve the vision of Mississauga becoming a global business magnet:
1. Target opportunities in high growth sectors: the Life Sciences, High Tech, Green Tech, Financial Services and Advanced Manufacturing

2. Ensure a supportive business environment.

3. Provide a compelling global brand to attract business, investment and jobs:
   a. Create marketing tools to emphasize the City’s attractive local assets, quality of place, and the strengths of its business community and support infrastructure.
   b. Develop and implement an international marketing strategy to recruit entrepreneurial companies involved in emerging areas of innovation.
   c. Explore opportunities to co-market the City with Mississauga-based companies internationally.

Source: Mississauga 2010

Two other visions and their objectives were also laid out: building a culture of innovation, and building a knowledge economy. I wonder how many different cities, regions and nations have almost the exact same buzzwords in their economic development strategies: business magnet, innovation and knowledge economy. Probably too many. How could Mississauga be unique? How would Mississauga develop that compelling brand when everything they were trying to do dozens of other cities are trying to accomplish at the exact same time; high tech, green tech, life sciences and knowledge economy and innovation?

At the front of the room was a banner with about 50 words describing what Mississauga wanted to be around the theme of “Building on Success”, including: “Move, Belong, Connect, Prosper and Green” (Mississauga 2010). For the launch session, the City had invited a keynote speaker to speak on “Exploiting Chaos to Spark Innovation”. His message was that for any message to be successful, to spark innovation, it had to adhere to three rules, be “simple, direct and compelling” (Gutsche 2010). I asked the keynote speaker if Mississauga’s banner and Economic Development strategic plan met his objective, and if not what he would suggest. His embarrassed response was that the current banner was confusing and unfocused, and then, without a lot of thought, he suggested that a better one might be “Mississauga - young, innovative, and dynamic” (Gutsche 2010). Mississauga believes in the importance of a new compelling global brand, wants to create marketing tools, and launch an international marketing strategy, but the best they could come up with so far was “Building on Success”. Really? I wasn’t impressed with either of the suggestions given that the first was blandly bromidic and the second was a more generic slogan than specific to Mississauga.

This paper will analyse branding as it pertains to a nation, city or cluster. Most of the academic and practitioner literature on geographical branding is for products or tourism, and is rarely applied to a nation or a city. For economic development, clusters have been
accepted as the key in the last few decades, more important than nations, and this paper will argue that branding a cluster is similar to branding a nation or a city, and it will make some suggestions on how to do so. This paper will argue that branding a community or cluster is key to attracting economic development, and to creating the needed social structure and rallying cry that will spawn entrepreneurial activity, innovation and growth. If Silicon Valley, or Route 128, or even Hollywood, hadn’t been given their brand names and associated brand slogans or identities, they wouldn’t have been nearly as successful as they have become. Florida (2009), in his many articles and books on the creative class, says that a place needs to become like a scene, a music scene or an art scene, before it becomes a creative cluster. I think that when a place has become a scene it has probably been given and adopted a brand name with an associated identity that resonates with people such as the Queen Street West district (a fashionable edgy downtown neighbourhood in Toronto), the City, Hollywood or Silicon Valley North.

This paper will first review the idea of branding a nation or a city to provide a basic understanding of how it is different from more traditional branding. The paper will then apply the ideas of nation branding to the branding of a cluster, the importance of clusters and address some implications of cluster branding on the social capital in a cluster. Finally, the paper will conclude on some ideas for how to brand a city or cluster, and look at one that I am actively involved in, Mississauga, Canada, and by extension provide some suggestions for how to brand other economic clusters.

A city brand gives a voice or a name to its culture and social capital, the glue that defines and creates a cluster and brings a community together. The Big Apple, Silicon Valley, Hollywood, The Left Bank and some tag lines such as “The City that Never Sleeps”, “I Love New York” or “What goes on in Vegas, Stays in Vegas”, all evoke images and perceptions of a place and what it stands for, just like branding works for companies as diverse as Coke or McDonalds or Disney or Nike with catch-phrases such as “The real thing”, “You deserve a break today”, “The happiest place on earth” or “Just do it”. To be successful, and foster economic development, clusters need to identify what they stand for, what their brand is, and be able to voice it in a clear, compelling message.

**The Nation, City or Cluster as a Brand**

A nation or a region can be a brand. Think of Swiss chocolate, French perfumes, Italian sports cars, California wines, Silicon Valley venture capitalists, Hollywood movie tycoons, Paris waiters and Upper West Side brownstones. Nation, city and neighbourhood branding has captured the attention and financial resources of numerous governments including Poland, New Zealand, Taiwan and Botswana, who have all hired marketing gurus and launched programs to create and communicate a particular version of national identity (Aronczyk 2008). The national or regional brand describes a cultural history and identity for both the
area and the products it is modifying. O’Shaughnessy (2000) argues that branding can apply to any mass communications including products, companies, nations and even political parties where some think that party leaders need to be brand managers of their parties and their nations to be successful. Voters need to identify with the vision and image of the country that the leader intends to lead – they need to buy into the brand for the country that the political leader is selling.

Branding, the idea that one product is made more valuable, or has more equity, than an alternative because it is attached to a recognizable name and promise of authenticity, probably began two centuries ago when Wedgwood put his name on his dinnerware (Winfield-Pfefferkorn 2005). In the 1930s, Procter & Gamble first established the brand management system as an organizational structure. By the ‘70s, companies had brand managers, and by the ‘80s, brands were applied to retailers and entire companies such as Apple and Disney (Winfield-Pfefferkorn 2005). Since 2000, cities and countries (such as Tony Blair attempting to rebrand Britain as cool Britannia) worldwide have been looking to branding as a way to spur economic development. “Creating a distinctive brand that captures the spirit of a city must be able to inspire – the travelers, the industry, and the general populace itself” (Winfield-Pfefferkorn 2005, page 13). Brands are so valuable now that companies value them on their balance sheets. Brands are a personality that triggers an emotional response and delivers sustainable competitive advantage (Schiffman 2010):

“A brand is a product or service made distinctive by its positioning relative to the competition, and by its personality, which comprises a unique combination of functional attributes and symbolic values.” (Kavarvztiz 2004, page 65)

In, The Global Brand: How to create and develop lasting brand value in the world market, Hollis (2008) describes the real reason for enduring market leadership – vision and will. “Enduring market leaders have a revolutionary and inspiring vision of the mass market, and they exhibit an indomitable will to realize that vision. They persist under adversity, innovate relentlessly, commit financial resources and leverage assets to realize their vision” (Hollis 2008, page 53). He goes on to say that strong brand experience is built on clarity of positioning, dynamism and innovation, authenticity, and a strong culture with genuine belief in and commitment to the brand. I have always thought of the marketing process as awareness, trial, purchase and repeat purchase, but Hollis (2008) describes how to maximize a brand based on achieving the following:

- Stronger presence than the competition.
- Stronger conversion from presence to bonding.
- Stronger attitudinal loyalty about satisfying consumer desires.
- Loyalty.

Source: Hollis 2008, pages 35-65
As a communications strategy, branding allows governments to control their area’s image and to attract investment, tourism, and human talent. According to Aronczyk (2008), in an environment where “a wealth of information creates a poverty of attention”, attracting positive recognition by “breaking through the clutter” with a distinctive image is critical. A nation-branding strategy is a public good that unites the people in understanding and reflecting the image and brand they want to in a competitive world for international recognition and domestic loyalty:

“Interestingly there is nothing particularly novel about the concept of branding the nation. Only the word ‘brand’ is new. National image, national identity, national reputation, are all words traditionally used in this arena and they don’t seem to provoke the same visceral hostility as the word ‘brand.’ Although the technologies are new and infinitely more powerful and pervasive than ever before, and the word ‘brand’ is also new, the concepts which it encompasses are as old as the nation itself.” (Aronczyk 2008, page 49)

Frost (2004) believes that product and place branding are the same. “It’s all about identifying, developing and communicating the parts of the identity that are favourable to some specified target groups….But the analysis of identity and of target group perceptions, coupled with brand building activities are much more complex for places than for products. It is far more difficult to obtain a fully integrated communication mix in place of branding. Products can be discontinued, modified, withdrawn from the market, re-launched and re-positioned or replaced by improved products. Places do not have most of these choices. Their image problems may be founded in structural problems that can take years to fix.” (Frost 2004, page 1)

The brand of a nation or a region really gives a name to or an image to the social system or social capital within a geographical area (O’Shaughnessy 2000). Social capital has been described as key to economic development in clusters and in nations, but it is a difficult concept to understand and describe. Social capital is the bonds between people that produce trust, camaraderie, a sense of team and togetherness (World Bank 1998). “Even if we accept that the concept of a brand has applicability to a nation, a nation is not a product, and the national image is very much bound up with the social concept of the nation. The concept of a nation consists of a people inhabiting a fixed territory, sharing key elements of a common culture (values, beliefs, norms, institutions), and possessing a sense of common interests.” (O’Shaughnessy 2000, page 56)

Sometimes a country’s image or brand is a stereotype. “Stereotype means a biased (usually prejudicial) view of a group or class of people—a view that is resistant to change or correction from countervailing evidence” (O’Shaughnessy 2000, page 57). Stereotypes are either helpful and positive, or negative and unhelpful. They can be based on racism or media
or historical attitudes. Different regions of a nation can have very different images – think of Rome or Sicily or Tuscany with all giving different impressions of Italy. Images of nations also change over time. Japan was once a brand for cheap shoddy quality, not luxury brands. But national images and brands are based on history, and established prejudices and are hard to change. “Journalists noted how in the final soccer match of the 1998 World Cup, the multi-racial French team triumphed over a German team that was entirely white and rather older. Bad images from the past sleep lightly and are easily awakened” (O'Shaughnessy 2000, page 58). Nations can have contradictory images or brands, and for different people. For example, for the U.S., some might think of it as hedonistic and others as puritanical, focused conversely on the “pursuit of happiness” but also Prohibition and religious conservatism, or embodying McCarthy’s Red Scare and Woodstock’s free love.

While numerous images can exist, there is often a dominant one. For the U.S. it’s probably freedom, progress and hedonism, while some might argue its consumerism or materialism. Products, tourism and the culture of the society itself use and take after the national image or brand. People around the globe buy American products to feel American; they must be buying a brand or an image. O'Shaughnessy (2000) refers to this as reputational capital which is beliefs in addition to image. In The Competitive Advantage of Nations, Porter (1990) argued that the home base was critical to the success of a firm globally. Porter (1999) argues that the paradox of today is that while we may think local is less important in a time of globalization it is local things such as reputation, trust, and social capital that are increasingly important. Porter (1990) describes national competitiveness as being based on four conditions including:

1. Factor conditions: the nation’s position in factors of production, such as having the skilled labour or infrastructure;
2. Demand conditions: the nature of the home market demand for the industry’s product or service;
3. Related and supporting industries: supplier industries and other related industries that are internationally competitive;
4. Company strategy, its structure, and industry rivalry: the conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry.

Source: Porter 1990

These four factors are similar to the original Porter five forces of industry competitiveness: barriers to entry, rivalry, substitutes, and the bargaining power of buyers, and of suppliers (Porter 1990) but applied to the country rather than the firm.

A nation’s reputational capital is its core competencies, or the factor conditions that are strong or unique. Once nations figure this out they will work to maintain it such as French
and their wine, Scotland and their scotch, Japan and its cars, Italy and its fashion. O'Shaughnessy (2000) suggests that there are several keys to doing this successfully including:

1. Link to the social norms of the target audience, or its values or valued images through symbols.
2. Link to a feeling of solidarity with others.
3. Link to position and prestige such as those with higher social status or celebrities.

Source: O'Shaughnessy 2000.

“While all the above ways of making an association compelling are used, the focus by governments is usually on an association with core values. Governments think in terms of what the country stands for, on the grounds that this alone can act as a unifying theme. There is obviously some logic here. But some such themes can represent wishful thinking or at least a normative goal rather than something realizable.” (O'Shaughnessy 2000, page 62)

Aronczyk (2008) presents four stages for the establishment of a brand that need to be executed. The key, which is maybe different than in product brand building, is to base the creation of the brand on current perception because any nation brand has to be authentic, build upon it, and then communicate it repeatedly to ensure that, both internally and externally, people accept and understand the brand. The stages she suggests are:

1. Evaluation: Public Opinion as Marketing Research — you need to understand what people’s current image of the place is, and then build on it.
2. Training: How to improve on the existing images and focus them on that which is critical and attractive.
3. Identifying the “Core Idea”: Focus on the essential elements of a brand and a marketing plan.
4. “Living the Brand”: Communication as Implementation.

Source: Aronczyk 2008.

According to Frost (2004) the challenges with place branding are significant, and include the lack of unity over purpose and objectives, the lack of control over inputs and outputs, restrictions on flexibility, and the lack of marketing know-how. He provides the following examples:

- Place marketing involves multiple stakeholders, often with competing interests such as tourism versus industrial development.
- Measuring the effectiveness of place marketing is fraught with difficulties.
Place branding is seldom under the control of a central authority. Marketers have far less control over place brands. People learn about a country in school; from media; from purchases; and from trips or friends / relatives that live there. Few in government have the skill sets required to design major marketing campaigns.

Some nations develop a national brand in a formal manner, but sometimes it happens almost spontaneously. Promoting a country can include identifying spokespeople and events that can influence public opinion globally (Frost 2004). Citizens gain the most from a successful national or regional branding campaign. “Just as corporate branding campaigns can raise the morale, team spirit, and sense of purpose of a company’s employees, national branding campaigns can provide a country with a common sense of purpose and national pride – not to mention a higher standard of living” (Frost 2004, page 3). Community engagement and buy-in is critical to the success of any branding program. “To deliver, everyone must believe in the brand. Just as companies must solicit the trust of consumers by behaving transparently and accountably, so will country brands have to work at maintaining credible reputations.” (Frost 2004, page 3)

Risen (2005) in a provocative article, “Re-branding America: Marketing gurus think they can help ‘reposition’ the United States – and save American foreign policy” argues that America needs to rebrand itself and recommended as a start a better appreciation for what their current national image was, internally and globally, and then align a new brand with domestic and foreign policies that allow the U.S. to “live the brand”. “The United States might brand itself as a nation of personal freedom, risk-taking, and cultural tolerance, and then coordinate policy around the promotion of that brand (by, say, expanding market-friendly foreign aid programs)” (Risen 2005, page 1).” He also recommended that countries appoint cabinet ministers for branding, and exclaimed that he’s seen numerous ministers of far less important areas. Risen (2005) interestingly did reference a quote by left wing activist Naomi Klein, “who warned of authoritarian undertones in nation-branding strategies” but who also wrote that “America’s problem is not with its brand – which could scarcely be stronger – but with its product.” (Risen 2005, page 2)

Clusters and Branding

In a supposedly “Flat World” economic development is surprisingly “spiky” in its location. Florida (2008) wrote a fascinating book about this spikiness called, Who’s Your City? How the Creative Economy is Making Where to Live The Most Important Decision of Your Life. Brugmann (2009) wrote a similar one called, Welcome to the Urban Revolution: How Cities are Changing The World. Both of these books have as their thesis how cities or clusters are now the focus for all economic development. They speak to city images and choosing one
that has the attributes that you’ll feel comfortable with and within. Florida (2008) suggest that choosing a City to live in is next in importance to the decision of who to marry and, more important, who to work for, because you’ll probably be in the city longer than in the job, but hopefully in the marriage longer than both others. Neither deals with city brand-building exactly, but the essence of both books is the importance of the city, who it is as a place, its buildings, its open spaces, its businesses, its diversity, its beliefs and norms, and its people. Collectively, I think that adds up to its brand, that is, what you understand the place or city to be.

With the publication of The Competitive Advantage of Nations (Porter 1990), clusters and national competitiveness have become key concerns of government and business. The World Bank (1999) says that clusters, and social capital in clusters, are the key to economic development. Developing clusters is on the mind of every Mayor and economic development practitioner, and, as an absurd example, supposedly 48 of 50 states in the U.S. say they are building a biotech cluster.

But according to Mihailovich (2006) “The branding of such clusters is often clumsy and badly structured, as it tends simply to slap generic brand names on a group of firms sharing the same industry within a nation-state...with little thought, if any, given to the architecture of the brand.” (Mihailovich 2006 page 230)

I have been involved for the last four years as co-chair of the Mississauga Summit, a civic organization of community leaders from business, the not-for-profit sector, government and residents who are working together to improve the well being of Mississauga. Mississauga is the sixth largest city in Canada, and the third largest city in Ontario, the largest province by population and GDP in Canada. It his home to many Fortune 500 Canadian subsidiary offices, and is known for its “Pill Hill” cluster where many of the multinational pharmaceutical companies are located in the shadow of the Niagara Escarpment, but also its growing high technology sector. Mississauga was created through the amalgamation of several villages over 25 years ago, and it has grown rapidly with suburban growth around Toronto and the economic development of the City. However, Mississauga is usually thought to be a ‘bedroom suburb’ of Toronto, and is generally not a known city. It’s best known for the Mayor of Mississauga, Her Worship Hazel McCallion, who has been Mayor ever since the City was created and is now in her twelfth term at the age of 90. Two years ago, she was runner up for Mayor of the World. New York has ‘I love New York’. Toronto has ‘Diversity is our Strength’. Waterloo is known as the ‘City of Innovation’. Ottawa is ‘Silicon Valley North’. What is the right brand for Mississauga? Given the force of nature that the 90-year-old ‘Eveready Bunny’ Mayor represents, maybe it could be “Mississauga endures!”

Marketing of urban places, primarily from a tourism standpoint, and only really for promotional purposes, has been practised since the 19th century. More intensive use of
typical marketing methods has only been used since about 1970 as cities initiated competition for tourism and investment. What has changed is entrepreneurial-oriented cities are engaging the entire marketing mix as a “philosophy of place management” (Kavaratzis 2004, page 59). Cities are being run with business characteristics such as risk taking, inventiveness, promotion and profit motivation (Kavaratzis 2004). Initially, city marketing was not very professional, characterized by “crudely defined and vaguely-targeted boosterism, widely, if inaccurately, spread by many public sector place promotion agencies, (which) barely counts as marketing at all” (Kavaratzis 2004, page 59). According to Kavaratzis (2004), three factors lead to more professional marketing by cities, the development of marketing for non-profit organizations, social marketing, and image marketing.

Marketing for cities then started becoming more professional, or more like product marketing, by establishing a framework and adopting branding. Kavaratzis (2004) reviews the importance to place improvement that establishes a competitive advantage including:

- design (place as character);
- infrastructure (place as fixed environment);
- basic services (place as service provider); and
- attractions (places as entertainment and recreation).

Source: Kavaratzis 2004.

He also recommends several ways to convert a good place into a spectacular one:

- advertising and promotion;
- large-scale physical redevelopment;
- public art and civic statuary;
- mega-events;
- cultural regeneration; and
- public–private partnerships.

Source: Kavaratzis 2004.

A friend running an architecture company tells me that a city is known by its iconic buildings, many on the waterfront, most for public gatherings. She believes a City defines itself by the design and location and surrounding of its municipally built main cultural centers, such as an Opera house on the waterfront surrounded by public places, or a Museum in a historic palace in a garden on a river with a pyramid lobby, or a football stadium, or a shopping mall built in a field surrounded by parking. It shapes and reflects the cultural values and psychology of its residents, and its uniqueness.
Kavarvtiz (2004) concludes with the importance of establishing a city image or brand, much like the need for successful marketing companies to establish a corporate brand typically thought to include image, identity and communications. An identity “is a holistic concept that articulates the corporate ethos, aims and values, and presents a sense of individuality that can help to differentiate the organisation within its competitive environment” (Kavarvtiz 2004, page 64). Kavarvtiz (2004) outlines a comprehensive framework for developing a city brand with the following investigational stages. This framework helps to put into context how everything that makes a city a community is important. It addresses the impact of buildings, density, the town council, the community organizations and social capital issues such as if people interact, are engaged and feel included in the city and social networks and interactions, including:

- understanding the existing city image and how it is communicated;
- how does landscape and public art contribute;
- how does the social and civic organizational and government structures contribute;
- how does the infrastructure and architecture contribute;
- how does social behaviour such as festivals and social capital contribute;
- what are the actual current marketing materials used and how; and
- what is the word of mouth and face to face communication about the city.

Source: Kavarvtiz 2004

“City branding provides, on the one hand, the basis for developing policy to pursue economic development and, at the same time, it serves as a conduit for city residents to identify with their city. In this sense, the relevance of and need for a framework describing, and clarifying the processes involved in city branding, are equally strong for facing increasing competition for resources, investment and tourism on the one hand, and for addressing urgent social issues like social exclusion and cultural diversity on the other.” (Kavarvtiz 2004, page 58)

Mihailovich (2006) explains that branding is important for the success of countries, domestically and internationally. “Altruistic goals such as sustainable, long-term employment and prosperity are primary objectives. A coherent place brand architecture is fundamental to an emerging nation’s growth strategy as it provides a structure for forging powerful alliances and driving the country’s overall development strategy” (Mihailovich 2006, page 229). Milhailovich (2006) describes the importance of attention to many aspects of branding; a place which he says includes a place’s commodities, citizens, industry, culture and any kind of cluster and social alliances.
According to Winfield-Pfefferkorn (2005): “In order for a city to be a good brand, it must possess defining and distinctive characteristics that can be readily identified. These are functional as well as non-functional qualities. These include city appearance, people’s experience of the city, people’s belief in the city, what the city stands for, and what kind of people inhabit the city” (Winfield-Pfefferkorn 2005, page 3). She analysed case studies on several cities, and concluded that some were successful: New York, Paris, and San Francisco, “because they had the qualities that strong brands do, and marketed their history, quality of place, lifestyle, culture, diversity, and formed cooperative partnerships between city municipalities and government in order to enhance their infrastructure. They were proactive in their approach” (Winfield-Pfefferkorn 2005, page 3). She also identified some cities in need of re-branding: Rochester and Berlin, because they had confusing non-unique brands with economic challenges. The brands lacked awareness and couldn’t be identified. She concludes that cities do need to be branded to be economically successful. “It is possible for a city to have a brand and an image that evolves into a ‘quality of place’. This in turn establishes brand loyalty, which is essential to a city’s survival” (Winfield-Pfefferkorn 2005, page 4). She believes that cooperative efforts between residents and governments are key in determining the brand of a city. Weaknesses as well as strengths must be explored. To market a brand, the brand needs to deliver, and in order for a brand to deliver, it needs actual support within the reality of the city. According to Winfield-Pfefferkorn (2005), the support for a city brand comes from the following:

- The city’s equivalent of a brand’s functional properties. What does the city deliver?
- The demographics of the city’s population.
- The wisdom and long-sightedness of the city government.
- The creative climate.
- How all this is projected in terms of a brand.

Source: Winfield-Pfefferkorn 2005

“Cities should try and promote themselves in ways that their residents find believable. When branding a city, the personality of the people who live there needs to be an essential part of the brand, and if people are promoting the city from within, the word-of-mouth advertisement finds its way to potential customers.” (Winfield-Pfefferkorn 2005, page 15)

Branding a city has to start with its functionality just like you do with a product, it has to work. Then a brand needs added-value, often non-functional and emotional, but just as important. For a city, added-value comes from the four following factors:

1. People’s experience of the City?
2. Perception. How is the population perceived?
3. Belief in the City. Does it stand for something?

4. Appearance: What does the city look like?


According to Aronczyk (2008), national branding is a public good and what democracy is all about, deciding who we are. “The brand is meant to represent the nation’s distinct and unique value among diverse international publics: investors, tourists, migrants, workers, scholars, arts and sports franchises – anyone who might have cause to bring their economic, symbolic, or human capital to bear on one country instead of another, equally viable option” (Aronczyk 2009, page 292). She is concerned when we outsource this to professional brand management consultants rather than engage our citizens. She argues that by engaging in a national or community discussion of identity and allegiance we are strengthening our sense of that nation or community, particularly in a global modern world where there may be tendencies to be similar, not distinct and unique. She is very concerned however, if we take this important conversation away from elected officials or community leaders and hand it over to professional marketers then we are allowing professionals who are motivated by what will sell, to define us, who we are and what we stand for. “Nation branding affects the moral basis of national citizenship.” (Aronczyk 2008, page 43)

“A key dimension of the nation-branding process is to assemble, in the early stages, a number of different groups – business interests, government parties, civil society actors, and citizens – in a “grassroots”-style approach to the creation of the new national identity. The premise is that in order to be effective, the brand must be the conceptual product of all of its “owners” or “stakeholders,” as national constituents are called in this context. Moreover, implicating individuals from multiple levels of society in discussions about how to define the national self appeases those who would criticize the practice’s potential for elitism.” (Aronczyk 2009, page 293)

The movement to nation branding, is seen by Aronczyk (2008), as a reaction to the reduced importance of the nation-state in a globalized world. She worries that national identity is negatively impacted by cultural homogeneity, regional allegiances and global networks of travel, business, media and migration. Corporate branding has been able to brand unique identifications for products or corporations by highlighting certain attributes. National branding is now being used to establish a national identity and enhance economic development in our competitive globalizing world. “In its ability to assemble diverse motifs of heritage and modernization, domestic and foreign concerns, and economic and moral ideologies in the projection of national identity, nation branding appears to some as a benign way to communicate national interests, one that lacks the “chauvinistic” and “antagonistic” elements of more reactionary nationalisms” (Aronczyk 2008, page 43). Nation branding is a “soft” power national promotion not the “hard” power alternative of
military expansion – America has conquered the world many times over with their ubiquitous cultural dominance in movies, music and television generated by the dream factory of Hollywood. Aronczyk (2008) describes the critical difference between branding a product and branding a place, “you don’t have to ask the beans in the can how they feel about the label” (Aronczyk 2008, page 57).

“Put simply, nation branding purports to be about what it means to call oneself a national citizen.” (Aronczyk 2009, page 294)

In a second article, which is even more critical of professional branding consultants, Aronczyk (2009) argues that the current economic and moral crises have caused resurgence in interest in the nation and disillusionment with the globe. National leaders have taken advantage of that, used their cultural identities, developed a national brand, and with their good reputation, have tried to gain diplomatic, economic, internal political and other benefits. Governments have turned to marketing professionals in reputational value to help them create and market their brands:

“These experts are nation-branding consultants, and their self-styled raison d’être, is to create and communicate a particular version of national identity that will make the nation matter to a wide range of audiences. With their quasi-academic journals and textbooks, proprietary indices and rankings of metrological effectiveness, and an acute awareness of the power of the press release, nation branders purport to offer national leaders the “robust” identity they require to retain both their own and their jurisdiction’s relevance in the context of global transformation.” (Aronczyk 2009, page 291)

Several of the articles above have excellent case studies of New York, Paris, etc., and also failed ones such as Rochester and the Research Triangle. But I came across one of the best, a very fun case study on city branding in a blog about Atlanta, “Laura’s blog on the business of branding” that points out a few important aspects to city branding extremely well: involve the people, base the brand in reality, and make the brand statement distinctive and memorable:

“Finally the silly slogan for my hometown of Atlanta “Every day is an opening day” has been benched...Not only is it a generic, meaningless idea, but a better idea is already out there in the hearts of minds of consumers. An idea that is powerful, credible and motivating...Summarizing the attributes of a city/state/country brand with one word or phrase is extremely difficult. Unlike a toothpaste, soft drink or an automobile, places have an incredible amount of diversity. Volvo is safe. Coke is the real thing. Crest fights cavities. But what is Atlanta? A southern metropolitan city with a variety of leading industries? Not exactly catchy...The mission of a slogan is not just to define your brand, but more importantly to differentiate it from other brands.
“This is New York City” is not powerful, memorable or unique. It doesn’t say anything about the city that distinguishes it from any other city. You could easily substitute any city name in the world into the campaign. Paris, London, Rome, San Francisco, or even Atlanta. New York City is the most exciting city in the world. It is home of the financial, media, theatrical and fashion centers of the world. New York needs a verbalization that reinforces that idea in the mind. The reason to visit New York is because it is the Big Apple. The biggest, most exciting city in the world. One of the best city slogans in recent years is the Las Vegas campaign “What happens here, stays here.” Brilliant!

“How should Atlanta be positioned? Let’s look at some of the facts: Busiest airport, fastest growing housing, residential and TV market, attracts young professionals, best travel index… When we arrived in the city back in 1997, a friend called us and his first words were “Welcome to Hot-land.”…“Hot-land,” is a slogan that deals with the negative, and turns it into a positive. It is the hottest-growing metro area in the country. Who doesn’t want to live in the hot place, eat at the hot restaurant, or work at the hot company? (Ries, 2010)

City, cluster or nation branding needs to involve the people, reflect reality, and be simple, direct and compelling. Mississauga doesn’t have a brand today and the ideas currently being floated are as bad as Atlanta’s or New York’s. Maybe we should be “Cool Mississauga”! Who doesn’t want to live in a cool place? Or, “The best place to raise a family” because it speaks to recreation, educations, jobs and community. Or as the keynote speaker suggested, “young, dynamic and innovative”. However, none of these are compelling or unique. We have a lot of work to do. The most important factor in the communications of a city or cluster brand is that the brand must deliver and be consistent and cohesive. The city has to offer the things its brand claims to offer; otherwise, like any other brand – it will be doomed.

Conclusion

Clusters are the key to economic development. One of the criteria I believe defines a successful cluster is when it has a recognized brand. A recognized brand indicates it has an image, it has become a scene in its particular chosen industry, and it has social capital, a people network that work together, trust one another and have built a community that will spur entrepreneurial activity, innovation and economic development. These brands can’t be wishful thinking, and can’t be lies just like you can’t try to brand a product as quality when its not. But assuming a brand for a city or cluster grows out of the history of the place is authentic, then its use and repetition will dramatically assist in the growth of the cluster and the identification with it both internally and externally. Hollywood represents the center of the movie business which is far bigger than just the City of Hollywood. Wall Street is something different than just the street, as is Madison Avenue, and Bay and King in Toronto.
Silicon Valley wouldn’t have been the magnet it has become if it hadn’t been given the name.

That Mississauga launch keynote speaker said it best I think when he said, “Relentlessly, obsess about your story” (Gutsche 2009, page 260). His recipe for exploiting chaos is to follow a methodological approach with four steps:

1. Have a culture of revolution – it breaks down structure and liberates your organization, and allows you to obsess about your customer.
2. Hunt trends to fuel creativity and innovation.
3. Adapt your innovation, then define, brainstorm, synthesize, prototype, test and optimize it.
4. Infectious messaging enables your message to break through all the clutter and go viral. Tell a story, create a narrative, and articulate a mantra in seven words or less. Have a message or a brand that is simple, direct and compelling.

Source: Gutsche 2009.

To ensure our communities grow and remain dynamic, they must be places where people want to live, volunteer, worship and play, as well as work. Cities need to have a strong brand identity, a positive image, a vibrant brand, that talks to who they really are and want to be – an aspirational image. The best branding campaigns are reliant on a good product to be authentic. “The brand MUST deliver” (Winfield-Pfefferkorn 2005, page 139). Brand development must be done through an engaged community, and the residents need to feel comfortable with and agree with the brand identity. Even in an era of global communication, people and face-to-face and word-of-mouth communication of a brand and its vitality are the best promotional vehicles. To execute a city or cluster branding, the community needs to go through the following analyses:

1. Understand both strengths and weaknesses, and leverage some and diminish others.
2. Obtaining facts about the city, population and economic growth, education, diversity, jobs, start-ups etc., to understand the starting point.
3. Obtaining qualitative research on the city – how do people feel about the city?
4. Create a focused brand marketing strategy.
5. Identify the public face of communications of the brand.

I believe it is critical for nations, regions, cities and clusters to understand their current image in the global marketplace, establish an identity that they are happy with, build a brand that describes that identity, and that resonates both with its own citizens and with the world’s tourists, investors, governments and other stakeholders. The first and most
important key to this is developing that “holistic and consistent brand” that “speaks to people” is authentic, compelling and memorable.

“Nation brand is national identity made tangible, robust, communicable and above all useful.” (Aronczyk 2009, page 291)

**Recommendation**

Mississauga, to achieve its goals of being the most prosperous, innovative, inclusive city and cluster in Canada needs to convene a City Summit including residents, business, not-for-profit and government to consider and decide on a brand and a brand strategy. This can not be left to consultants or media / advertising people, it needs to be done by the key stakeholders. This Summit needs to consider the following:

- Mississauga’s history and historical image based on facts and market research, strengths, weaknesses and opportunities to change them.
- Mississauga’s strategic plan, and where the residents want the city to go.
- Brainstorm several potential brands and marketing strategies.
- Market research on the several identified options.

Decide on one brand and formulate the communication and implementation plan.

The key is the brand needs to reflect the community, be decided on by the community and be implemented and embraced by the community, in order for it to be authentic and effective. And it must be memorable, direct, and compelling, and not a generic slogan.
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Abstract: Global brands are powerful and impose their rules in the market, reaching out millions of consumers. But how can firms be sure to design the right sensory mix in order to appeal to consumers locally? As we will see with the examples of Starbucks, KFC, Coca-Cola, or Marlboro, consumers can be global and local at the same time.

What are the explanatory factors for successful global brands?

With a focus on food, beverages, and tobacco industries, this paper explores the “ingredients” of truly successful global brands. Very different markets like the US, China, and France will be considered.

Keywords: Taste, Sensory Perception, Tobacco, Fast-Food, Global Brand, Food & Beverages, Consumer Preferences.


Introduction

Building a global brand offers large benefits but also huge challenges. Some firms, for example Coca-Cola and Marlboro, are very successful; some, such as Starbucks or KFC, are making dramatic changes to keep up; and others like Red Bull or Nespresso are rising stars. We will see how understanding consumer preferences, using the power of positioning and aiming for consistency across the markets can help global brands deliver the right sensory mix to their local or global consumers.

Consumers’ Preferences and Global Brands

Let’s identify some successful global brands, the winning elements in their marketing mix, and how they managed to become popular outside their home country.

Successful Global Brands

A brand could be defined as “a shortcut to decision making”, and a global brand as “from consistent to highly adapted” (Hollis, 2008). Furthermore, a brand is a signifier used “to
identify and differentiate a firm or product from its competitors”, according to the American Marketing Association (Keller, 2007).

The clear benefits of having a strong brand include “sales growth, bargaining power, competitive advantage, new categories creation, cost reductions, risk mitigation, and protection against downturn” (Hollis, 2008). Another key advantage is the “ability to leverage good ideas quickly and efficiently” (Keller, 2007). Challenges faced are mainly due to “differences in administrative procedures, marketing institutions, legal environment” and most importantly in “consumer needs, wants, and usage patterns for products” (Keller, 2007).

Various rankings identify the world’s top brands. The customer-based brand equity ranking Global Brand Power Score for instance puts Coca-Cola, Nescafé, McDonald’s, and Marlboro among the 25 most powerful global brands. The ranking is based on consumers’ evaluation of the relationship built with the brand. Among the Top 100 BrandZ most valuable brands in 2008, we find again Coca-Cola, McDonald’s, Marlboro, and this time Starbucks (Hollis, 2008). Even though this type of survey introduces a bias, as consumers must choose among proposed brands, most of the identified brands are often also leading the market in terms of turnover. Interestingly, these brands are admired but at the same time criticized for being “ugly American brands” (Schiffman, 2006).

Other indicators could be taken into account when identifying a global brand, like: the percent of the total turnover performed outside the home country, the number of countries where the brand is present and popular, and the margin. To broaden the perspective, we will include rising global brands like Red Bull and Nespresso in the analysis.

Marketing Mix: The Winning Ps

What are these global brands—converting millions of consumers—doing right? We might find some answer in the 4Ps of their marketing mix: Promotion, Price, Place, and Product (Keller, 2007).

Promotion is the key to converting the target consumers. Interacting at the right moment, especially when consumers are available and waiting, is a powerful technique. The Diet Coke campaign during the Saturday Night Fever festival is a good example of this Wait Marketing approach:

1. Mission: Get more consumers to try Diet Coke.
3. Message: Coke bonds with consumers while they enjoy their favorite Travolta movies.
4. Moment: When consumers are receptive and thirsty, enjoying the moment.
5. Media: The most convincing, a trial.
6. Measurement: Sales of Diet Coke increased by 25% during the festival.
When a product doesn't sell, often the price is not the real problem. It's probably just that we talk to the wrong target, for which the product is not a "must have". On the contrary, companies often lose sales because they set a price that is too low. Each product has a psychological price and if you propose a product that is too cheap it might seem suspicious to the customers (think of the impact of a cheap Porsche, for instance). The idea is to study the price elasticity in order to find the best combination between the number of customers and the margin by customer. Starbucks for instance offers a full range of prices. A simple coffee is affordable and it is easy to pay a premium price by adding syrups and other toppings.

Place stands for distribution. This P is probably the make-or-break one. Nespresso didn't hesitate to open its own flagship stores to sell its winning single-serve coffee machines, capsules, and espresso accessories. From Paris to Amsterdam, people are queuing in front of the Louis Vuitton store and at the Nespresso shop, to get a refill of their exclusive coffee—a great achievement for the Swiss mother firm Nestlé. On another note, what contributed to the success of the Austrian brand Red Bull now available in 160 countries is how they smartly placed their cans in strategic places like fitness centers, providing even the fridges.

It is obviously risky and a waste of money to develop a Product that is not needed by customers. Understanding which set of features is expected and which one will delight the customer helps beat the competition. A “Looking-in” research consisting in observing consumers in newsgroups for instance can help make the right decisions (Leon G. Schiffman, 2008).

The critical P is in fact the Positioning: “Positioning is more important to the ultimate success of a product than are its actual characteristics” (Schiffman L., Consumer Perception, 2010). And its consistency: “A global brand has a clear consistent equity across geographies: same positioning, same benefits plus local tailoring if needed” (Keller, 2007).

The Country of Origin Myth

When a product is a total failure abroad, firms tend to believe that it is mainly because they are not local and as “consumers take into account the country of origin (COO) of the product they evaluate” this has a negative impact on the purchasing decision (Schiffman L., Cross-cultural Consumer Behavior, 2010). On the other hand, consumers often think the brands they like are local: who knew at launch that Red Bull was Austrian or Winston Japanese or Absolut Vodka not even Russian? When Sara Lee decided to launch its successful Belgium coffee brand Douwe Egberts in Germany, it didn’t go so well—the brand’s COO was first suspected. It appeared that the German coffee taste is different from the Belgian one and as soon as the product had been adapted, the sales took off (Derval, 2010).

Subcultures and Taste Perception

In the food, beverage, and tobacco industries we consider, taste plays a central role because “consumers act and react on the basis of their perceptions, not on the basis of objective
reality” (Schiffman L., Consumer Perception, 2010). And there is no objective reality. Let’s see why traditional segmentation tools fail to account for the variations in perception of taste and how brands can use taste profiles to predict product preferences and develop the right sensory mix.

**Limits of Traditional Segmentations Tools**

Most of the segmentation tools are based on status or revenues. Even detailed segmentations like Claritas’ PRIZM segments—including *midlife success, accumulated wealth, affluent empty nests, or sustaining seniors*—account for the location, the way of life, and the budget but fail to acknowledge different sensory perception (Schiffman L., The Family and its Social Class Standing, 2010).

Does the Weber’s law of just noticeable difference (JND), which enables us to easily sell a product for $4.90 instead of $4.50 also apply to our taste buds? (Schiffman L., Consumer Perception, 2010) Or are the variations in taste perception worth a closer look?

**Variations in Taste Perception**

“Aesthetics, religion, education and value system are shared items within a given culture” (Kotabe & Helsen, 2010). When talking about taste, we can even observe variations between subcultures, gender, and location.

Take as an illustration the variations between Hispanic, African, and Caucasian Americans. The Hispanic subculture represents 44 million consumers in the US. Two-thirds of them are concentrated in the following states where they constitute up to half of the population: California (48.1% of the Los Angeles population), Texas (25.9% of Dallas), New York (21.1%), Florida (Orlando 14.8%), Illinois (Chicago 20.3%), Arizona (Tucson 38.3%, Phoenix 27.4%), and New Mexico (Albuquerque 45.0%) (Schiffman L., Subcultures and Consumer Behavior, 2010).
African American, the second subgroup in the US with 40 million consumers, represent 13% of the population on average with high concentrations in Washington D.C. (55%), Mississippi (37%), Louisiana (33%), Maryland and Georgia (30%), South Carolina (29%). Male African Americans consume more potato chips than their peers (41% against 35.3%) and female African Americans more soda (60.3% against 55.6%). They are also more likely (index 149) than Hispanic (index 121) and Anglo-White Americans (index 90) to consume ready-to-drink ice-tea (Schiffman L., Subcultures and Consumer Behavior, 2010). How can we explain those variations?

Taste Profiles and Product Preferences

The answer is on the tip of our tongue!

Depending on our gender, subculture, and age, consumers have 11 to 1,100 taste buds per cm² (Derval, 2010).
Exhibit 2: Taste Buds

Each taste bud helps to perceive bitter, sweet, salt, sour, and umami (or “savory”). Three taste profiles have been identified (Bartoshuk, 1994):

- **Super-tasters.** Super-tasters are picky with food. They are very sensitive to alcohol, strong coffee, bitter vegetables, fatty, spicy and sweet meals. They perceive sugar as twice as sweet.
- **Medium-tasters.** Medium-tasters are easy-going. They prefer sweet to bitter food. They perceive saccharin with a bitter after-taste.
- **Non-tasters.** Non-tasters can eat and drink almost anything: fatty, spicy, very sweet.

In Europe on average 25% of the population can be considered as non-tasters, 50% as medium-tasters and 25% as super-tasters. In Asia, there are on average more super-tasters and only 10% of non-tasters (Guo SW, 1998). If we go back to our subcultures, African Americans drinking more soda are likely to have fewer taste buds than Hispanics who are likely to have fewer taste buds than Caucasian Americans. All this on average, as strong disparities can be observed among individuals.

Taste profiles have a direct impact on food product preferences. *High-risk perceivers*, also described as *narrow categorizers*, who limit their product choices to safe options in order to avoid a bad pick are very likely to be super or medium-tasters. Whereas *low-risk perceivers*, also called *broad categorizers*, who make their choice from a wider range as they take the risk of a bad pick in order not to limit the number of alternatives are typically non-tasters (Schiffman L., Consumer Perception, 2010).

The Power of Positioning

Let’s see how successful global brands like Coca-Cola or Red Bull took into consideration (or not!) consumers’ taste profiles. This will give clear hints on how to achieve world market domination.
Coca-Cola is the global brand par excellence. It seems though that the sustained leading position is more due to a strong established distribution network of aggressive bottlers and overwhelming advertising than to targeted new product development. We have at least two examples of product development gambling and one big missed opportunity.

The new Coca-Cola recipe failure was a strong indication that the brand doesn’t exactly know who the consumers are. We received the confirmation a couple of years ago with the surprising positioning of Coke Zero. The Atlanta firm decided to revolutionize the market with a sugar-free Coke for men. The marketing mix is consistent and men-focused with a black and sober packaging, a website promoting races, and sexy advertising spots featuring girls. The huge advertising budget—$76 million the first year—didn’t really help convert as many males as planned and Coca-Cola admitted that Coke Zero was in fact equally consumed by men and women (Howard, 2007).

The reason is simple: Coke Zero is sweetened with a mix between aspartame and acesulfame potassium whereas Diet Coke is sweetened with aspartame only, and has therefore a bitter after-taste (Feldman, 2008). Women happen to be, on average, more sensitive to bitterness than men. So, as soon as women tried Coke Zero, they adopted it. And this in spite of the male-oriented advertising and non optimal positioning! Zero will probably soon be repositioned as the official Diet Coke, for men and women, or let’s say for taste buds-conscious consumers (Derval, 2010).

The missed opportunity is the energy-drink category. While the brand was busy launching products targeted at existing consumers, they totally missed the blue ocean of energy drinks (Kim & Mauborgne, 2001). No brand could have been more legitimate than Coca-Cola on this market: as a reminder, Coca-Cola started as a “medicine” giving you a boost. We could easily call it an energy drink. An Austrian entrepreneur grabbed this missed opportunity and launched a new global brand: Red Bull.

The Red Bull Way of Life

How did Red Bull become the leading energy-drink brand, selling billions of cans worldwide every year? The firm focused on consumers looking for a handy energy boost: mainly drivers, club-goers, and sports people. They perfectly positioned their drink, creating a new category.

Let’s build a Red Bull positioning map. Positioning is critical because it is the step, once the target consumers are clear, that helps identify the unique selling proposition of the product, decide on the strategy, and—then only—design the 4Ps of the marketing mix (Kotler, 2003).

Both axes ‘refreshing’ and ‘keeping awake’ are characteristics of Red Bull—‘refreshing’ helps to best differentiate the target consumer groups.
Designing the Right Sensory Mix: Global Brand, Local Taste?

Exhibit 3: Red Bull Positioning Map

The positioning is based on following hypotheses:

- **h1.** Red Bull is less strong than some competitors (like V)
- **h2.** Students need to be less awake than truck drivers or nurses, who have to successfully do some maneuvers at work
- **h3.** Nurses and truck drivers need more a warm drink because they are working in the cold or at night
- **h4.** Students, sports people, and clubbers need more to be refreshed and are therefore the ideal target for Red Bull

Coca-Cola, with or without sugar, could be a perfect substitution product to Red Bull on those segments. So what can explain Red Bull’s success? The taste, of course.

Interestingly, Red Bull was almost condemned by the research company CEO Dietrich Mateschitz hired as they judged the product as ‘disgusting’. The point is that some consumers find the Haribo-gold-bears-candy-taste to be perfectly fine (Wipperfurth, 2005). And those consumers happen to be the ones in Red Bull’s target: people involved in extreme sports.

The firm dedicates most of its sales and marketing budget sponsoring extreme sports. In 2009, Red Bull was official sponsor of the X-Fighters, a freestyle motocross event, with a budget of $5 million. Smart investments: they sold 36 million cans during the 2008 Red Bull
Air Race (Robyn, 2009). Extreme sports players have fewer taste buds than average consumers. Therefore, the very sweet taste of Red Bull is perfectly fine for them (Derval, 2010).

Red Bull announced on its website that they were willing to expand to markets like Africa and Russia, mainly populated with non-tasters. It sounds like Red Bull management has a better understanding of consumers’ perception than Coca-Cola.

_How to Achieve World Domination?_ 

In spite of this vision, Coca-Cola is clearly dominating, why? The answer is quite mathematical: on average there are twice as many medium-tasters as non-tasters. This means that Red Bull, with such a sweet drink, or Nespresso, with such a bitter coffee, can never become a mainstream player and achieve world domination.

Coca-Cola is mainstream from the start and tries to maintain its position by taking into consideration the obesity issue with products like Coke Zero. What has been underestimated is the sensitivity of medium-tasters to sweeteners and the fact that non-tasters wouldn’t mind even sweeter products.

_The Consistency Issue_ 

Together with positioning, consistency is the other secret ‘ingredient’ to successful global brands. _The Popularity Issue_, based on sales data from Nielsen, Euromonitor but also country statistics, highlights strong disparities in brands’ local performances. For instance, it gives KFC more popularity than McDonald’s in China, and Winston (JTI) more popular than Marlboro in Russia (The Popularity Issue, 2010).

_Marlboro Taste and Silent Blends_ 

If we look at the tobacco atlas published ten years ago, we notice almost the same players configuration as today, with some mergers here and there: global brands also succeed “because they buy up the local competition” (Hollis, 2008).
Exhibit 4: Tobacco Market

Source: World Health Organization, 1999

British American Tobacco (BAT), with star brands Kent and Pall Mall, is leading the market in Canada, Brazil, Chile, India, Australia, Philippines, Nigeria, Congo, South Africa, Netherlands, Denmark, and Norway.

Reemstma, with leading brands like JPS and West, was performing in Germany and leading the market in Ukraine and Cameroon. Altadis, with star brand Fortuna was leading in Spain. Both firms are now part of Imperial Tobacco.

Local brands are leading in China and North Africa, where cigarettes are very cheap (World Health Organization, 1999).

Japan Tobacco International (JTI), with star brand Winston, is still leading the market in Russia, Japan, Lithuania, and Tanzania. Gallaher, leading in the UK with Benson & Hedges, is now also part of JTI.
It is fascinating that consumers prefer Winston to Marlboro in Russia, target market of Red Bull. Some brands have spotted the non-tasters nest. The following bad viral piece of advertising found during a blitz “looking-in” session confirms by itself that Winston is known for having a stronger taste: “I am a smoker, yup bad me. I decided to buy cigarettes last night and the freaking sidewalk vendor fooled me. I smoke Marlboro and I decided to buy 10 pesos worth of cigarettes. The sidewalk vendor gave me a pack of Marlboro and I didn’t bother to check if it was really Marlboro. I already smoked a couple of cigarettes last night and now, early this morning, I smoked again. After playing with a dying cigarette I noticed it was WINSTON. I was so angry, I really didn’t like to smoke Winston because of its "stronger" taste. I realized I smoked a couple already and I didn’t notice that it was not Marlboro at all. Their difference is nothing, except for the fact that Winston is cheaper than Marlboro. Therefore, taste is all in the mind...” (Difference between Marlboro and Winston, 2010).

Philip Morris, with star brand Marlboro, is leading the market in the US, Mexico, Argentina, Ecuador, Saudi Arabia, UAE, Kazakhstan, Pakistan, and Western Europe (France, Switzerland, Poland, Italy, Greece).

Some more ‘looking-in’ reveals also the disappointment of some American consumers by the different taste of Marlboro in Mexico, and how they switch to another brand: “I finally went and bought a carton of Parliament Lights for 16 bucks, I think they’re one of the only ones not made in Mexico, because the Marlboro Lights are kinda nasty, and have the government warning in Spanish, all the Parliaments say is Made for Central and Latin America. It also says Made In Neuchatel, Switzerland and they taste the same just with a different packaging.” (Are cigarettes in Mexico all that different from cigarettes in the U.S.?, 2010).

You have three main types of tobacco blends: Burley leaves (that give almost a cigar taste), Virginia leaves, and Oriental leaves (BAT, 2010). In fact, Marlboro commercializes different blends in each country. Sometimes it is visible like the Virginia Blend for Canadians, sometimes it’s a silent blend, a bit like a silent update for software.

**Fried Squids at Pizza Hut!**

*The Popularity Issue* shows KFC with more popularity than McDonald’s in China. This is quite an achievement, as McDonald’s maintains a consistent logo but does not hesitate to dramatically vary the menu locally: “in Brazil home delivery is possible and in Germany McCafés are more popular than Starbucks” (Hollis, 2008).

With bilingual menus adapted to the Chinese taste, Yum!—mother brand of Pizza Hut and Kentucky Fried Chicken—is now running 500 restaurants in China, its most profitable market worldwide. They went even further than McDonald’s: Chinese consumers can eat “crispy fried squids” at their Pizza Hut and enjoy a wide variety of small Chinese dishes at the KFC (Weninchina, 2010).
At what point does the local transformation confuse the target consumers from other countries? For instance, loyal Muslim KFC clients in Europe were horrified to hear about KFC serving pork in China. Is there a way to adapt but stay consistent?

*How to design a Global Sensory Mix?*

Yes, brands can design an adapted and sustainable global sensory mix. Starbucks illustrates this very well even if the firm learned how to do it the hard way.

Starbucks just celebrated its 10 years of business in China. When they opened their first coffee shop, they ignored Chinese consumers’ taste profile and tried to apply a “one-size-fits-all” rule. Starbucks finally gave up and decided to serve the local drink: tea! Smart move: the brand is the hot drinks leader in China with 700 outlets (Tianyu, 2010).

The Starbucks crowd in China is very different from the one in the US. Cindy for instance is student at Fudan University in Shanghai. She enjoys running and reads a lot. Cindy has a lunch appointment at Starbucks with her BFF (best friend forever). She orders an Americano and her friend a tea. They enjoy a piece of black sesame cake and are proudly exhibiting their latest LouisVuitton bags.

**Exhibit 5: Starbucks China Client**

Starbucks soon realized that tea might be appealing to other Cindys around the globe and included it in their global offering. A smart step in direction of super-tasters. Another smart move is to propose ‘one, two, or three shots of espresso’ and Starbucks Via instant coffee: consumers can adapt for themselves their Starbucks coffee to their taste profile.

Modularity is the secret ‘ingredient’. Nespresso integrated it up front by designing a range of capsules for different taste profiles. For now, they do not have an appealing blend for super-tasters, but that might come soon.

**Targeting Global Consumers**

As we saw in the Starbucks tea example, we can find the same taste profile of consumers in different countries. The challenge for the brands is to be able to put on a map taste profiles, in order to predict the best potential geographic market for their product, or identify the most profitable consumer segments at a global level.

**Mapping Taste Profiles**

Food preferences vary across the USA. Consumers in Los Angeles, mainly Hispanic, are not fans of artificial sweetener—often bitter—and New Yorkers clearly prefer frozen yogurt to
energy drinks. Chicago is the energy drinks city—I would guess due to the high number of hospitals and nurses (Schiffman L., Subcultures and Consumer Behavior, 2010).

In the West, “people will drink a mug of black coffee”, whereas in the East, “they will add milk and sugar” in it to accommodate their taste buds. In the same way, “Americans on the East and West coast eat French or Italian breads” with Skippy peanut butter while consumers “in the South and Midwest eat soft white bread” with respectively Peter Pan and Jif peanut butter (Schiffman L., Subcultures and Consumer Behavior, 2010).

Midwest taste profiles seem representative of the US—at the national level, Jif is the favorite brand of peanut butter, outperforming, for instance, Skippy (The Popularity Issue, 2010). Why? Regardless from distribution and promotion efforts, the main difference between both products is that Jif is ‘creamy’ and Skippy ‘crunchy’. According to sensory tests, texture is supposed to be the main driver in peanut butter preferences. Unfortunately, the many tastings done that gave ‘crunchy’ as a favorite must have been performed on samples not representative of the population (YOUNG, 1985). Another aspect to consider is probably the bitterness, as peanuts are roasted during the process similarly to coffee beans. A short “looking-in” in different newsgroups clearly indicates Skippy slightly more salty, Peter Pan too sweet, and Jif sweet and more bitter, ‘over-roasted’. The conclusion would be that Midwest and Southern Americans are lacking taste buds. And as peanut butter is by definition rather fatty, sweet, and bitter, it appeals more to non-tasters. This explains Jif’s success.

Exhibit 6: U.S. Map with Regions
If we make the same analysis for cigarettes, the highest concentration of daily smokers can be found in Indiana, West Virginia, and Kentucky—the homeland of the fried chicken!

Exhibit 7: U.S. Map of Daily Smokers

As smoking is more addictive for people who have fewer taste buds, this seems to confirm the stronger presence of non-tasters in the Western and the Southern part of the country.

Clear consumption patterns appear also at global level.

Daily smokers are concentrated in Eastern Europe (Russia), Asia (China), and Mediterranean countries, where over 42% of the males 15 and older smoke on a daily basis.

So for Winston leading the Russian market is a great opportunity. They might be in the best place to conquer the Chinese market, too.
Exhibit 8: World Map of Daily Smokers

Identifying Opportunities with Sensory GeoMaps™

Mapping the taste profiles is the best way to see consumption patterns and identify potential geographic markets or profitable catchment areas.

Based on the daily consumption of strong alcohol, here’s the map of non-tasters in France. The coastal area counts more non-tasters and is an ideal place to open fast-food outlets, for instance. In Haute Normandie, for instance, you have 22% of non-tasters against 11% in Lorraine.
In China, Guangdong province in the South of the country—hosting major cities like Guangzhou and Shenzhen—is known for its Cantonese cuisine, which is exported worldwide. Cantonese cuisine is spicier and fattier than the Shandong cuisine practiced in Beijing (Frommer's, 2010).

The stronger presence of non-tasters or medium-tasters on the east-coast turned it into the ideal catchment area for KFC and Pizza Hut—who opened their first outlets there and quickly attracted Chinese consumers or expats who are less sensitive to fatty food (Tianyu, 2010).
Designing the Right Sensory Mix: Global Brand, Local Taste?

Exhibit 10: Catchment Area

Firms tend to go international using a Waterfall model. The Waterfall model consists in starting in the home country, then expanding to country A, then to country B, and so on. By using Sensory GeoMaps™, brands can easily apply the Sprinkler model instead and expand simultaneously to many countries—A, B, C, D, and more (Kotabe & Helsen, 2010) because they know in advance what the reaction of the local consumers will be.

How to Be “Glocal”?

In the same way that we have global brands, each taste profile is somehow a global consumer. You have super-tasters in every country. The question is just how many and where. And ultimately, is the market size of the super-tasters in this area large enough to be profitable?

Recent scientific breakthroughs showed that exposure to prenatal hormones not only has a great influence on consumers’ physical and personality traits (Manning, 2002), but also on their sensory perception (Derval, 2010). For instance, measurements conducted on 102 Caucasian women in their thirties, with various vocations, like entrepreneurs, housewives, and nurses, show huge differences in perception of taste (Derval D., Hormonal Fingerprint and Taste Perception, 2008). All tested women entrepreneurs were super-tasters and all nurses were non-tasters. Maybe that’s why complaints about hospital food are never taken seriously?

Other measurements done on 300 sales and marketing people, men and women, from over 25 countries, revealed that 80% of them were non-tasters (Derval, 2010). To be compared with 25% of non-tasters on the whole population (Bartoshuk, 1994).

So a powerful way to be at the same time global and local (“Glocal”?) is to identify the target consumers—based on their taste profile—by geographic area and by occupation.
Conclusion

Global brands are firms performing outside their home country, in a consistent way. The challenge in order to design locally the right sensory mix for food, beverage, and tobacco brands is to study the target consumers in a scientific way. In this paper, we saw that consumers are rational. They just have different perceptions of taste. Progresses in neuroendocrinology enable firms to understand and predict consumers’ behavior and product preferences and evaluate expansion opportunities.

Recommendations

As we saw, the ‘ingredients’ of successful and sustainable global brands are positioning, consistency, and modularity.

In order to design the right sensory mix, food, beverage, and tobacco brands must:

1. Segment consumers per taste profile
2. Target markets with high potential for the product
3. Shape a global and modular offering (another alternative is to have several local brands)

A market can be a geographic/catchment area or a group of consumers with the same occupation and taste profile.
References:


Abstract: With an unprecedentedly volatile economic outlook influencing markets across the United States, the New York Metropolitan Area is no exception to these challenging dynamics. These economic pressures have caused newspapers across the country to reconsider their business models with some even filing bankruptcy to start anew with a fresh business model. In the Metropolitan New York NDM (Newspaper Designated Market), the now common social acceptance of multiple delivery methods of information in the form of print (i.e., newspaper and magazines), the Internet, cable, and TV has reconfigured everyone’s assumptions about market penetration and trends. Add the development to have on demand information driven to consumer mobile devices, cell phones, and computers, and the market challenges constitute new approaches and vocabularies. The consumer can have information and the engagement that comes with this information when it is relevant and convenient for him or her. Offline businesses must combine all of their tangible and intangible assets in an effort to offer the customers/consumers every capability to engage with their products in a more interactive approach at the moment when customer demand dictates it. The objective then is to offer a 360-degree approach to customers/consumers that enables them to participate in that engagement at every possible moment.

Keywords: customer relationship management, print media, U.S. newspapers, New York City newspapers, New York Daily News, newspaper readership, newspaper circulation, readership retention, newspaper promotions and advertising


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Introduction
Throughout this paper, I will develop a methodology to provide the 360-experience for the customer who is willing to be engaged for the purposes of building retention, frequency, and loyalty. Offline (or traditional) print media persistently have seen readership and circulation decline over the past several decades. At the same time, revenues have been impacted significantly in print media on both sides of the revenue equation: advertising and circulation. To counter the trend, developing promotional and value-building programs can help enhance a customer’s perception of the value proposition being offered by the product. Likewise, building frequency of readership can have an equally significant impact upon the circulation and revenue generated. As documented in Table 1, the movement of only a point in improvement of the frequency of readership by readers for a specific print media publication would result in an increase in the average circulation by more than 15,000 copies per day or 105,000 copies a week.

Table 1: The Impact on Daily and Weekly Circulation Averages.

<table>
<thead>
<tr>
<th>Weekly Circulation</th>
<th>7-Day Average</th>
<th>Avg. # of Days Read</th>
<th>Avg. # of Individual Readers Per Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,530,000</td>
<td>504,286</td>
<td>3.2</td>
<td>1,103,125</td>
</tr>
<tr>
<td>3,640,313</td>
<td>520,045</td>
<td>3.3</td>
<td>1,103,125</td>
</tr>
<tr>
<td>3,750,625</td>
<td>535,804</td>
<td>3.4</td>
<td>1,103,125</td>
</tr>
<tr>
<td>3,860,938</td>
<td>551,563</td>
<td>3.5</td>
<td>1,103,125</td>
</tr>
<tr>
<td>3,971,250</td>
<td>567,321</td>
<td>3.6</td>
<td>1,103,125</td>
</tr>
</tbody>
</table>

Based on the outlined impacts given in Table 1, based strictly on the circulation revenue from the additional sales, the following revenue numbers can be applied to the revenue picture (Table 2).

Table 2: Summary of Annualized Impact on Revenue from Circulation and Sales.

<table>
<thead>
<tr>
<th>Weekly Circulation</th>
<th>7-Day Avg.</th>
<th>Avg. # of Days Read</th>
<th>Based on an Avg. rate of 41 cents/day</th>
<th>Difference based on change</th>
<th>Annualized Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,530,000</td>
<td>504,286</td>
<td>3.2</td>
<td>$206,757</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,640,313</td>
<td>520,045</td>
<td>3.3</td>
<td>$213,218</td>
<td>$6,461</td>
<td>$2,358,323.66</td>
</tr>
<tr>
<td>3,750,625</td>
<td>535,804</td>
<td>3.4</td>
<td>$219,679</td>
<td>$12,922</td>
<td>$4,716,647.32</td>
</tr>
<tr>
<td>3,860,938</td>
<td>551,563</td>
<td>3.5</td>
<td>$226,141</td>
<td>$19,383</td>
<td>$7,074,970.98</td>
</tr>
<tr>
<td>3,971,250</td>
<td>567,321</td>
<td>3.6</td>
<td>$232,602</td>
<td>$25,845</td>
<td>$9,433,294.64</td>
</tr>
</tbody>
</table>

Any proposed program should be predicated on the assumption that not all customers are created equally. We need to identify most profitable customers we have; leverage them into an advantage for advertisers. The plan also will need to consider the insert revenue generated by the added circulation copies. We need to understand fully how advertisers perceive the impact of circulation in the marketplace and how it affects their sales.
At the same time, we also must look to the newspaper circulation by zip code, which should be coupled with the retention numbers of home delivery customers to provide a complete overall customer profile. By combining the attributes arising from each of these items, we can then identify both current and potential customers and their value to the organization. Based on the ability to differentiate between the value of different types of customers, we gain the ability to better understand the cost of acquisition and the net revenue that each segment represents to the business.

The next step is to calculate the economic value of each customer, representing a continuous cyclical interaction with the marketplace that should be done on a regular basis. The iterative process of identifying, differentiating, and customizing should continue in order to see whether the company measures up to customer expectations and how specific customer traits respond to a volatile, uncertain market. As the world becomes more complicated and cluttered, it becomes increasingly difficult to build engaging relationships with customers. At each point when the newspaper interacts with current or potential customers, it must engage them. With each encounter, it must offer relevancy to push through a seemingly endless stream of advertising that comes in all forms: network television, cable TV, direct mail, telemarketing, on-site events, the Internet, cellphone apps, social media and e-mail. Companies that achieve lofty scores in the areas of customer retention and engagement are those who will realize highly profitable positions. These are the companies that make their mission to offer consumers, “the right product (or service), to the right customer, at the right place, at the right time, to the right channel, to satisfy the customer’s needs or desire” (Swift, 2001).

Customer Relationship Management (CRM) provides the opportunity to develop engaging relationships and profitable opportunities for the company. It offers managers the ability to define and analyze the consumer’s behavior; to improve their engagement for cultivating long- and short-term relationships.

The goal of this paper is to outline an evolutionary track for CRM initiatives at a specific newspaper that reflects the iterative dynamics of the experiences and outcomes associated with customer engagement and expectations. The plan needs to be agile and immediately responsive to the volatile trends, which affect today’s newspaper industry (as reflected in Charts 1 and 2).
Customer Analysis

Based on Scarborough Research data for the 12 months ending 2007 R1, The New York Daily News had the market-leading readership Monday through Friday in the New York Designated Market Area (DMA). The study shows a total readership of 2,525,100, with 1,397,500 of those readers being male, which represents 18.7 percent of the males in the market, and female readership is at 1,127,600, or 13.6 percent of the DMA population. With 553,500 readers in the age group of 18-34 in the Monday through Friday edition and 606,800 for the Sunday edition, the News clearly dominates the offline market.

Its advantages stretch to other key demographics. For example, The News’ readership holds the strongest comparative percentage in the 35-54 age group with the daily product, with a comp rate of 17.3 percent and 17.4 percent comp rate of the daily and Sunday products, which translates into a readership of 1,086,600 and 1,094,000, respectively. The News also
holds a big advantage in the 55+-age category with 17.9 percent coverage with the daily edition and 20.7 percent with the Sunday edition.

The News’ readership also shows strong resilience in median income groups up to $99,999 per annum with a little more than 1.8 million readers daily and 2.1 million Sunday. In addition, the daily news has more than 650,000 readers with greater than $100,000 in income for the daily edition and 604,000 for Sunday. The News’ real strength is consistent throughout the boroughs of New York City. In Brooklyn, there is 31.3% coverage with 576,200 readers in the daily and 37.8 percent coverage on Sunday. In the Bronx, the News indicates a coverage of 36.3 percent of the Monday through Friday editions and on Sunday with 38.3 percent coverage.

The research also offers additional data about consumer’s purchasing behavior both for essential and discretionary items as outlined in Table 3.

Table 3: New York Daily News Readers’ Purchasing and Consumer Behavior.

<table>
<thead>
<tr>
<th>Item</th>
<th>Daily Readership</th>
<th>Sunday Readership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop Macy’s</td>
<td>1,094,500</td>
<td>1,215,800</td>
</tr>
<tr>
<td>Cell Phone Subscribers</td>
<td>1,729,000</td>
<td>1,808,000</td>
</tr>
<tr>
<td>Own Computer</td>
<td>1,747,100</td>
<td>1,793,100</td>
</tr>
<tr>
<td>Visit Atlantic City Casino</td>
<td>889,400</td>
<td>953,700</td>
</tr>
<tr>
<td>Foreign / Personal Travel in Past 3 years</td>
<td>1,125,000</td>
<td>1,236,600</td>
</tr>
<tr>
<td>Household with any Investment</td>
<td>1,411,700</td>
<td>1,478,300</td>
</tr>
<tr>
<td>Attended Sporting Event</td>
<td>1,152,700</td>
<td>1,206,900</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Table 4 summarizes the readership of the top nine newspapers in the market, arguably the nation’s most competitive market for newspaper readers. The Daily News shows a commanding lead in readership for the New York DMA and even builds on that dominant position in the New York City market.
Market Environment Analysis

The New York metro media market remains one of the most competitive in the world with more than 500 digital television channels calling it home. In addition, there are three paid and two free tabloids as well as five other broadsheet newspapers that call the Metropolitan area their home, so the competition for advertisers and readers is among the most intense to be observed in the United States. This is the largest single copy market in the country with more than 900,000 people making a daily decision to buy one of the area newspapers, with an additional 700,000 customers who pick up one or both of the two free tabloids each day.

Competitive Analysis

The most direct competitor for The Daily News in terms of off-line readership and advertising dollars is the New York Post, owned at Rupert Murdoch’s News Corp., who purchased the newspaper to rescue it from bankruptcy in 1993. Since then, the newspaper has failed to turn a profit in any year since the purchase. It has shown tremendous circulation and readership growth over that period of time, while the Daily News was saddled with production problems and color limitations. The New York Post opened a state-of-the-art printing facility in the summer of 2001. At the time of its opening, the plant offered the best in class color with the most available color positions in the market. The plant gave the newspaper the ability to offer 60 color page positions in a 180-page paper versus 36-page capacity from the Daily News, which limited the paper’s configuration options.

The New York Post had one other advantage: the gossip pages known across the country as Page 6, which continue to have tremendous brand recognition. Page 6 seemed to be a perfect match for the new plant capabilities. As a branding mainstay, it enables the New York Post to attract a slightly younger readership, which is coupled with a slightly higher income base. The readership of the New York Post has an average readership that is four times higher than that of The Daily News.
years younger than that of the Daily News reader. The combination suggests the Post’sreadership will tend to be more upwardly mobile in terms of income potential, as suggested in Tables 5 and 6.

Table 5: Total Daily Readership

<table>
<thead>
<tr>
<th></th>
<th>Total Adults</th>
<th>Percent Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily News</td>
<td>2,525,200</td>
<td>16.0%</td>
</tr>
<tr>
<td>NY Times</td>
<td>1,711,300</td>
<td>10.9%</td>
</tr>
<tr>
<td>NY Post</td>
<td>1,931,200</td>
<td>12.2%</td>
</tr>
<tr>
<td>Newsday</td>
<td>1,363,500</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Table 6: Total Sunday Readership

<table>
<thead>
<tr>
<th></th>
<th>Total Adults</th>
<th>Percent Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily News</td>
<td>2,727,300</td>
<td>17.3%</td>
</tr>
<tr>
<td>NY Times</td>
<td>2,425,900</td>
<td>15.4%</td>
</tr>
<tr>
<td>NY Post</td>
<td>1,255,400</td>
<td>8.0%</td>
</tr>
<tr>
<td>Newsday</td>
<td>1,363,100</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

The third paid tabloid in a comparably competitive age demographic is owned by Cablevision, the cable company that maintains more than 80 percent market coverage in the affluent Long Island market area. The company also owns one of the two free tabloids (AM New York) in the market, while a European firm owns the other free tabloid in the metro city market. Newsday’s product mix is 70 percent home delivered and 30 percent single copy, which has seen three price changes in the last 18 months but a 30 percent loss in sales during that time. Newsday has more than hundred insert ad zones and six print zones in their designated market. The editorial product focuses on Long Island news but the company also owns a TMC (total market coverage) product that is delivered to every household not subscribing to home delivery of Newsday. This TMC offers Newsday as an outstanding community newspaper reaching more than 90 percent of the homes in Long Island.

These publications have 16 localized editorial editions giving advertisers and readers alike the ability to target or read about geographically specific stories. Combined, these localized editions reach 1.8 million households across Long Island. The data are richly specific including customer demographics as well as zip code or sub zip/carrier route penetration based on business market research. Tables 7 and 8 show gender comparison for the metro market newspapers based on Monday through Friday daily circulation as well as Sunday circulation.
Table 7: Gender Comparison for Metro Newspapers in Daily Circulation.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>7,482,000</td>
<td>1,397,500</td>
<td>883,000</td>
<td>1,132,400</td>
<td>698,000</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>18.7%</td>
<td>11.8%</td>
<td>15.1%</td>
<td>9.3%</td>
</tr>
<tr>
<td>% Comp</td>
<td>47.4%</td>
<td>55.3%</td>
<td>51.6%</td>
<td>58.6%</td>
<td>51.2%</td>
</tr>
<tr>
<td>Female</td>
<td>8,288,900</td>
<td>1,127,600</td>
<td>828,200</td>
<td>798,800</td>
<td>665,600</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>13.6%</td>
<td>10.0%</td>
<td>9.6%</td>
<td>8.0%</td>
</tr>
<tr>
<td>% Comp</td>
<td>52.6%</td>
<td>44.7%</td>
<td>48.4%</td>
<td>41.4%</td>
<td>48.8%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Table 8: Gender Comparison for The Metro Newspapers in Sunday circulation.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>7,482,000</td>
<td>1,333,000</td>
<td>1,166,600</td>
<td>706,900</td>
<td>639,400</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>17.8%</td>
<td>15.6%</td>
<td>9.4%</td>
<td>8.5%</td>
</tr>
<tr>
<td>% Comp</td>
<td>47.4%</td>
<td>48.9%</td>
<td>48.1%</td>
<td>56.3%</td>
<td>46.9%</td>
</tr>
<tr>
<td>Female</td>
<td>8,288,900</td>
<td>1,394,300</td>
<td>1,259,200</td>
<td>548,500</td>
<td>723,700</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>16.8%</td>
<td>15.2%</td>
<td>6.6%</td>
<td>8.7%</td>
</tr>
<tr>
<td>% Comp</td>
<td>52.6%</td>
<td>51.1%</td>
<td>51.9%</td>
<td>43.7%</td>
<td>53.1%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Based on the demographic breakdowns of the competition within the market there is overlap of their audiences but there are differences within the newspapers (Tables 9 and 10 below and Tables 11 through 20 in the Appendix).

Table 9: Exclusive Readership in Metro New York Newspapers (Daily Circulation).

<table>
<thead>
<tr>
<th>Daily Readers</th>
<th>Total Adults</th>
<th>Percent of newspaper readership that is exclusive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusive Daily News readers</td>
<td>1,343,100</td>
<td>53.2%</td>
</tr>
<tr>
<td>Exclusive New York Times readers</td>
<td>1,151,900</td>
<td>67.3%</td>
</tr>
<tr>
<td>Exclusive New York Post readers</td>
<td>808,300</td>
<td>41.9%</td>
</tr>
<tr>
<td>Exclusive Newsday readers</td>
<td>867,700</td>
<td>63.6%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Table 10: Exclusive Readership in Metro New York Newspapers (Sunday Circulation).

<table>
<thead>
<tr>
<th>Sunday Readers</th>
<th>Total adults</th>
<th>Percentage of newspaper readership that is exclusive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusive daily news readers</td>
<td>1,678,500</td>
<td>61.5%</td>
</tr>
<tr>
<td>Exclusive New York Times readers</td>
<td>1,678,800</td>
<td>69.2%</td>
</tr>
<tr>
<td>Exclusive New York Post readers</td>
<td>441,300</td>
<td>35.2%</td>
</tr>
<tr>
<td>Exclusive Newsday readers</td>
<td>965,700</td>
<td>70.8%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

The Audit Bureau of Circulations rule changes and the economic climate also have influenced the revenue flows and have forced a reevaluation of circulation sales numbers as well as the
revenue contribution to the total organization they represent. However, it hasn’t changed the fact that two years henceforth a few of these tabloids/newspapers may not exist.

For example, beginning in 2000, The New York Post went through an overall change in the executive staff at the paper that continued until the end of 2002. Throughout 2001, the Post product saw major changes to its look and content. The changes were generated by two substantial changes with a new editor-in-chief and the opening of a new production plant. The change in editorial executive leadership led to a revamping of the newspaper’s layout, which provided a shorter, quicker read that was more ideally matched to the target commuter market. One change was to reduce the word count in stories conducive to matching more closely the average time for commuters, especially on the metro subways and rail lines. The number of stories in a New York Post edition rose as a result, offering a greater variety of topics, which opened opportunities for a wider audience to discover content that relates to their consumer interests. The impacts were unmistakably positive in terms of circulation and the market between 2001 and 2007 as Charts 3 and 4 show.


![Chart 3: Individually Paid Daily Circulation for New York Post and Daily News.](image)

Source: Audit Bureau of Circulations
The charts, which show the individually paid circulation by the individual consumer at least 25 percent higher than the newsstand price, tell an interesting story regarding price elasticity, content development, and market place competition. In using September 1997 audit statements as a base for the two-paper market (i.e., New York Daily News and New York Post) individually paid circulation was at 713,392 copies per day. The overall market in the next three cycles lost a combined 27,492 copies a day based on the audit statement ending in September of 2000.

As the Post began to shorten its stories and reduce the issue price in New York City from $0.50 to $0.25, the market indicated shifting patterns that were manifested in the next audit cycle when the combined circulation went up 2.8 percent to 705,365. This growth continued through the 2003 audit year, when totals reached a high of 789,362. Afterward, the shifts were reversed as the two free tabloids entered the market, first being AM New York on October 10, 2003 and Then Metro on May 5, 2004.

The Daily News absorbed the initial impact, losing 29,460 copies in just one year, according to the 2004 audit. Meanwhile, in that same period, the Post showed excellent growth, gaining 21,423 copies or a 6.1 percent increase. This was fueled by some outstanding
programs: a 10-part Yankees series magazine, a CD from the Dave Matthews band released in conjunction with AOL, a Yankee Medallion collectible series, and a collector’s comic book series, each proving to be solid circulation builders. The growth extended beyond the city, where the product was being sold at an equal price footing with the Post.

Ultimately, the free tabloids established a foothold in the market, and the Post finally showed its first annual loss in six years when it dropped 18,300 readers on the year-over-year comparison in the period ending September 30, 2006. At the same time, the Daily News lost 28,641 copies. In 2007, this loss accelerated with the Daily News losing 51,315 copies, while the Post only lost 9,224 copies. This difference arose from the Post’s push to increase availability by opening additional outlets and adding papers to coffee wagons, which represented more than 600 point-of-sale locations.

In the Post’s quest to reach consumers in its traffic patterns and provide convenient access, the effect lessened the impact of the free dailies. In late 2007 the Daily News overhauled its circulation department in attempting to reverse the persistent trends of lost circulation. The Daily News reversed the trend in 2008 and 2009 with moves that also impacted the exclusive availability in some outlets that the Post had enjoyed. In addition, field sampling allowed the editorial staff to gauge directly dynamics of consumer acceptance and relevance of the Daily News each day. Thus, the Daily News could capitalize upon how to cover current events using the data from its field intelligence efforts. These impacts can be seen in Charts 5, 6 and 7.
Chart 5: Based Individually Paid Circulation Monday-Friday for Daily News and NY Post.

Source: Audit Bureau of Circulations

Chart 6: Based Individually and Scarborough Readership for Daily News and NY Post.

Source: Audit Bureau of Circulations and Source: 2007 Research 12 months ending 2007 R1
Chart 7: Based Individually Paid Circulation Sunday for Daily News and NY Post

Audit Bureau of Circulations and Source: 2007 Research 12 months ending 2007 R1

Data Mining and Profiling

Newspapers have broad, expansive capabilities to develop consumer involvement on many levels of engagement and to measure it accordingly. The problem has been that even though the Daily News has been data rich none of the data were captured effectively or used in concert to produce meaningful increases in sales or revenue. We need to sharpen the ability to identify, capture, categorize, and cross reference the data, which will enable decision makers to address newspaper customers much more productively not only for building relationships with readers and advertisers but also for realizing meaningful returns on investment. Over the last six months, we have developed two applications that now allow us to capture, sort, and select a tremendously varied range of data in targeting key demographics – such as age groups – in engagement building initiatives. We have begun to identify which promotions and events are appropriate for key demographic segments, especially those defined by age. These are still works in progress but data are being collected on these efforts.

Targeting

The Daily News readership can be broadly defined as representing the blue-collar worker along with the ethnic reader, and who tend to be in their middle to late forties. Once the new presses were installed in December 2009, which made offering full color on every page possible, the paper introduced two sections for the Sunday edition (Your New York and Your Eats) to highlight new production capabilities. However, the new sections were targeted at a younger more affluent readership that tended to be non-ethnic in makeup, which, in turn, would hopefully bring new advertisers to the Daily News. The expectations were high but new target markets did not match the benchmarks and circulation sales were significantly...
impacted. At the same time, the Daily News ran its first ski promotion giveaway that produced entries from a much younger demographic – on average, at least 10 years younger than observed with participants in other contests from the most recent years.

**Positioning and Differentiating**

The Daily News delivers what has been described as the authentic New York experience reflecting distinct personality characteristics of New Yorkers as well as the common middle-class worker. The paper’s voice can be generally described as gritty, insightful, and genuine, occasionally bold and brash in its urban community coverage. Occasionally, the newspaper’s tone reflects a mission of advocacy within a frame of empowerment but, in general, it hews closely to the historically popular perceptions of the typical New Yorker’s can-do attitude. The paper’s staff, acutely aware of the city’s phenomenally diverse cosmopolitan nature, adheres quite passionately to the following statement: “There are many ways to speak “New York” but all New Yorkers speak the same language.”

Broadly speaking, the major metro dailies can be defined in terms of their positioning where The New York Times owns the boardroom, the Post owns the water cooler, and the Daily News owns the streets of New York. The Daily News offers the intensity, the ability to energize, and to bring people to the greatest heights and to inform them of the lowest lows, all while bringing an air of lightness in tone that echoes the city’s constant mood swings and simultaneously occurring. Plainly, this is a paper for the people, the ones who go to work daily to ensure the city’s massive infrastructure hums along with the minimal of interruptions. Understandably, readers want to hear about things that directly impact their life – a newspaper with a hands-on utilitarian approach. This essential positioning enables the Daily News to differentiate itself from its larger competitors.

**Unique Selling Proposition**

The newspaper’s unique selling proposition arises in its capacity to build strong emotional connections with its readers in all sections of the paper, which motivates more than 350,000 people a day to purchase the Daily News each day. Even in this digitized age, few other products or services have the capacity to move customers so viscera as the daily newspaper – whether it is in a story asking readers to name lion cubs at the Bronx Zoo or in volunteering or contributing to help victims of natural disasters.

**Creative Marketing Communications**

The most effective marketing tool for the newspaper remains the daily front page, which is displayed prominently in point-of-sale locations next to the front pages of its competitors.
Communication on this front page must be correct, relevant, and timely every day in order to mitigate the probabilities that consumers will sample a competitor’s product. This communication needs to have the widest appeal possible to stand out; to offer distinctive marks of engagement and relevancy that differentiate one newspaper from another.

**Direct Marketing Channels**

The challenge for an off-line product is to create relevant and engaging touch points in various channels and platforms: newspaper editorial and business departments, website, Facebook, Twitter, other social media platforms, contests, e-mail, blogs, opinion pages and letters to the editor and/or reader’s representative. Each point of engagement, whether it originates from a positive, negative or neutral point of initiation – translates automatically into an opportunity to enhance (or to rehabilitate) the relationship with the customer. Likewise, reader-focused programs and contests enhance opportunities to capture information and data from readers regarding their reactions, interests, and concerns about newspaper coverage and advocacy. The community-building relationship dynamic is absolutely essential to the objective of cultivating reader loyalty.

**Fulfillment and Service**

Customer churns remain among the most costly items from the circulation side of the ledger. For example, The New York Post offers tiered pricing for the home delivery customer through discount incentives related to payment by credit card and length of subscription. Credit card customers churn at a rate of 67 percent less than those who receive a bill each month. This gives the consumer a chance to make that conscious decision each month about whether or not to continue the subscription.

Tiered pricing led to a growth in the Post’s home delivery circulation from 17,000 copies in 1998 to 85,382, according to the 2007 circulation audit statement. The churn of the home delivery customers, based on the number of discounted orders purchased during the relevant publisher statement period, averaged 60 percent per annum during this time. During that same time, the price of home delivery was increased by 59.6 percent, with each hike used to build the newspaper’s credit card base. As a result, the Post built advanced payments to more than $3 million during this period. All of this was accomplished while charging a 91 percent premium to have home delivery of the New York Post in the city as compared to the single copy price at the time.

Meanwhile, home delivery circulation for The Daily News was down 670 copies with no price increase during the same period. The churn for the Daily News averaged 154 percent per
annum, based on discounted orders purchased for this time period. The major difference lay in credit card payments with the Post having 75 percent of its home delivery billing paid by credit card versus only 17 percent at the Daily News.

In the last two years, the Daily News has changed the process for collection by offering options for extending subscriptions and securing credit cards. The Daily News is poised to develop a marketing plan to gain a greater percentage of credit card payments and reduce churn percentages that will produce a cost-effective home delivery operation.

**Measurement and Assessment**

The Daily News need to leverage its information gathering expertise by developing a well coordinated system of customer and client communications in which data can be used to develop timely, effective responses to a diverse spectrum of customer and client concerns. However, the Daily News also needs to capitalize upon the potential applications of the data for establishing empirically sound bases to support cause-and-effect explanations in formulating marketing strategies. This will be an iterative process because the market dynamics and customer expectations that follow those forces, continue to be locked in unprecedentedly volatile cycles.

**Adaptation and Innovation**

Filling in the critical gaps of knowing who customers are as well as their preferences, motivations, and attitudes about editorial and advertising content ensures that the newspaper decision makers confidently move forward with engagement strategies that do not leave any particular target customer segment unattended or isolated. We need to be able to predict what they will buy, and their motivations and attitudes when they actually buy it (Swift, 2001).

**Conclusion**

Arthur Sulzberger Jr., the publisher of The New York Times as well as other major media industry players, believes the immersive convergence of print with broadcast and online media will help to drive successful, profitable journalism as an enterprise of the future. In the yet-to-be-fully-understood digital age, companies such as the Times bank on this theoretically supported assumption that they can reach audiences they have lost to a variety of media channels and strengthen their profit positions (Cristol, 2002). The problem for newspapers is that an individual’s tendency to purchase ceases when the distance between the product and his or her relevancy to that product widens.
A shift in market dynamics triggers a correlating movement in the paper’s approach to coverage or availability – a change, for example, in what is relevant to the consumers, external changes of opinion, or a reconfigured concept of what constitutes relevant content (George, 2001). Given the volatility of economic and other factors affecting market demand and consumption patterns, no one can safely assume that even originally loyal customers are willing to stick with one product through these tectonic shifts. The newspaper industry must overcome its inherent nature of limited packaging options, a concern not necessarily an issue for many of its alternate forms of media competitors. Therefore, newspapers must be vigilant about the distributional impacts of availability upon the tendencies across various and diverse demographic segments of readers. A change in content might increase readership in one segment while reducing it in another. Because newspapers remain essential to providing widespread engagement in our national political, social, and cultural discourse, they must be fully equipped to gauge these shifts and their corresponding impacts and to respond satisfactorily to all of their existing customer bases.

Admittedly, newspapers have a formidable challenge as the preference externality mechanism differs between radio and newspaper markets. The top 250 markets in the United States have an average of roughly 20 radio stations in contrast to an average of less than three newspapers per market so the impact is second to none (George, 2001). This is based on the core cost structure of the different channels. Take into account the millennial shifts in demographics and newspapers cannot hesitate one further moment to consider just how well or poorly they keep up with market changes. Undoubtedly, a primary question especially for many racial and ethnic consumers in a single copy market such as New York City becomes just how close are the few mainstream dailies targeted to the individual’s preferences (George, 2001).

For newspapers, the revelation that racial and ethnic groups have dramatically different tastes in what they expect in terms of content and editorial focus can be especially challenging because of the potential for stronger negative cross-group preference. In a study that demonstrated that blacks and whites have substantially different preferences in newspapers, there was strong evidence of positive preference externalities within the groups and striking evidence of negative preference externalities across groups (George, 2001). In other words, the tendency for blacks to purchase a daily paper increases with the number of blacks in the market but decreases if whites constitute a majority of the market population. On the other hand, while the tendency for whites to purchase a newspaper increases in marketers where the number of whites is increased, their purchasing behavior is unaffected by the number of blacks.
The 2001 study incorporated data about the distribution of reporters across beats at papers in the study sample. Among the findings were that whites and blacks prefer differently positioned products and product position is sensitively responsive to the proportional representation of blacks in the population (George, 2001). The study follows similar findings in others (Spitzer, 1991; Dubin and Spitzer, 1995; Karamamis and Wildma, 1997), all of which have looked at these impacts on newspapers and radio.

The bottom line strategic response to these studies is that the organization should acknowledge “[t]he right product (or service), to the right customer, at the right price, at the right time, through the right channel, to satisfy the customer’s need or desire” (Swift, 2001). Regardless of digital technology or the ubiquitous nature of immediately available forms of media communication, the challenge remains an essentially fundamental one of engagement that supersedes the notion that technology alone will suffice to prime the relationship. Newspapers need to constantly monitor current and potential readers for how they respond to content considered as relevant to their specific needs. At the same time, newspaper executives must take advantage of partners in a way that increases the value proposition for all readers represented in the market’s coverage area. The value proposition, therefore, will ensure that if a reader knows that if he or she misses just one issue of the publication, then that reader will have missed a day’s worth of information that unquestionably is of significant value.
References:


Appendix:

Table 11: Income Demographics: Daily Readership of Metro NYC Newspapers.

<table>
<thead>
<tr>
<th>Income</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Income</td>
<td>$68,145</td>
<td>$65,746</td>
<td>$97,550</td>
<td>$73,324</td>
<td>$86,103</td>
</tr>
<tr>
<td>Less than $50,000</td>
<td>6,064,200</td>
<td>1,001,900</td>
<td>360,100</td>
<td>675,200</td>
<td>$333,300</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>16.5%</td>
<td>9.7%</td>
<td>11.1%</td>
<td>4.4%</td>
</tr>
<tr>
<td>% Comp</td>
<td>38.5%</td>
<td>39.7%</td>
<td>21.0%</td>
<td>35.0%</td>
<td>24.4%</td>
</tr>
<tr>
<td>$50,000-$99,999</td>
<td>5,012,200</td>
<td>872,700</td>
<td>520,100</td>
<td>639,000</td>
<td>496,800</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>17.4%</td>
<td>10.4%</td>
<td>12.7%</td>
<td>9.9%</td>
</tr>
<tr>
<td>% Comp</td>
<td>34.6%</td>
<td>30.4%</td>
<td>33.1%</td>
<td>36.4%</td>
<td>36.4%</td>
</tr>
<tr>
<td>$100,000-$149,999</td>
<td>2,388,200</td>
<td>377,000</td>
<td>315,500</td>
<td>322,400</td>
<td>249,200</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>15.8%</td>
<td>13.2%</td>
<td>13.5%</td>
<td>10.4%</td>
</tr>
<tr>
<td>% Comp</td>
<td>14.9%</td>
<td>18.4%</td>
<td>16.7%</td>
<td>18.3%</td>
<td>18.3%</td>
</tr>
<tr>
<td>$150,000 +</td>
<td>2,306,300</td>
<td>273,500</td>
<td>515,500</td>
<td>294,700</td>
<td>284,200</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>11.9%</td>
<td>22.3%</td>
<td>12.8%</td>
<td>12.3%</td>
</tr>
<tr>
<td>% Comp</td>
<td>10.8%</td>
<td>30.1%</td>
<td>15.3%</td>
<td>20.8%</td>
<td>20.8%</td>
</tr>
<tr>
<td>$100,000 +</td>
<td>4,694,600</td>
<td>650,500</td>
<td>831,000</td>
<td>617,100</td>
<td>533,500</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>13.9%</td>
<td>17.7%</td>
<td>13.1%</td>
<td>11.4%</td>
</tr>
<tr>
<td>% Comp</td>
<td>25.8%</td>
<td>48.6%</td>
<td>32.0%</td>
<td>39.1%</td>
<td>39.1%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Table 12: Education Demographics: Daily Readership of Metro NYC Newspapers.

<table>
<thead>
<tr>
<th>Education</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School Grad</td>
<td>5,421,700</td>
<td>964,100</td>
<td>273,300</td>
<td>710,100</td>
<td>500,700</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100%</td>
<td>17.8%</td>
<td>5.0%</td>
<td>13.1%</td>
<td>9.2%</td>
</tr>
<tr>
<td>% Comp</td>
<td>34.4%</td>
<td>38.2%</td>
<td>16.0%</td>
<td>36.8%</td>
<td>36.7%</td>
</tr>
<tr>
<td>Some College</td>
<td>3,768,200</td>
<td>726,200</td>
<td>300,500</td>
<td>520,000</td>
<td>378,500</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100%</td>
<td>19.3%</td>
<td>8.0%</td>
<td>13.8%</td>
<td>10.0%</td>
</tr>
<tr>
<td>% Comp</td>
<td>23.9%</td>
<td>28.8%</td>
<td>17.6%</td>
<td>26.9%</td>
<td>27.8%</td>
</tr>
<tr>
<td>College Graduate +</td>
<td>4,767,100</td>
<td>583,900</td>
<td>1,069,100</td>
<td>534,300</td>
<td>415,100</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100%</td>
<td>12.2%</td>
<td>22.4%</td>
<td>11.2%</td>
<td>8.7%</td>
</tr>
<tr>
<td>% Comp</td>
<td>30.2%</td>
<td>23.1%</td>
<td>62.5%</td>
<td>27.7%</td>
<td>30.4%</td>
</tr>
</tbody>
</table>
### Table 13: Racial/Ethnic Demographics: Daily Readership of Metro NYC Newspapers.

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>12,031,500</td>
<td>1,702,800</td>
<td>1,362,200</td>
<td>1,440,500</td>
<td>1,151,000</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>14.2%</td>
<td>11.3%</td>
<td>12.0%</td>
<td>9.6%</td>
</tr>
<tr>
<td>% Comp</td>
<td>76.3%</td>
<td>67.4%</td>
<td>79.6%</td>
<td>74.6%</td>
<td>84.4%</td>
</tr>
<tr>
<td>African-American</td>
<td>2,481,800</td>
<td>623,500</td>
<td>167,500</td>
<td>342,100</td>
<td>146,000</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>25.1%</td>
<td>6.7%</td>
<td>13.8%</td>
<td>5.9%</td>
</tr>
<tr>
<td>% Comp</td>
<td>15.7%</td>
<td>24.7%</td>
<td>9.8%</td>
<td>17.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Asian</td>
<td>687,700</td>
<td>60,700</td>
<td>95,400</td>
<td>72,200</td>
<td>24,600</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>8.8%</td>
<td>13.9%</td>
<td>10.5%</td>
<td>3.6%</td>
</tr>
<tr>
<td>% Comp</td>
<td>4.4%</td>
<td>2.4%</td>
<td>5.6%</td>
<td>3.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>3,007,700</td>
<td>468,200</td>
<td>154,100</td>
<td>293,300</td>
<td>102,200</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>15.6%</td>
<td>5.1%</td>
<td>9.8%</td>
<td>3.4%</td>
</tr>
<tr>
<td>% Comp</td>
<td>19.1%</td>
<td>18.5%</td>
<td>9.0%</td>
<td>15.2%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

### Table 14: Residency Demographics: Daily Readership of Metro NYC Newspapers.

<table>
<thead>
<tr>
<th>Residence</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>6,217,300</td>
<td>1,671,700</td>
<td>864,300</td>
<td>1,194,000</td>
<td>262,500</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>26.9%</td>
<td>13.9%</td>
<td>19.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>% Comp</td>
<td>39.4%</td>
<td>66.2%</td>
<td>50.5%</td>
<td>61.8%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Suburbs</td>
<td>9,553,600</td>
<td>853,400</td>
<td>847,000</td>
<td>737,300</td>
<td>1,101,000</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>8.9%</td>
<td>8.9%</td>
<td>7.7%</td>
<td>11.5%</td>
</tr>
<tr>
<td>% Comp</td>
<td>60.6%</td>
<td>33.8%</td>
<td>49.5%</td>
<td>38.2%</td>
<td>80.7%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1
Table 15: Age Demographics: Daily Readership of Metro NYC Newspapers.

<table>
<thead>
<tr>
<th>Age</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Age</td>
<td>45.4</td>
<td>48.1</td>
<td>48.8</td>
<td>47.1</td>
<td>49.8</td>
</tr>
<tr>
<td>18-34</td>
<td>4,543,300</td>
<td>553,500</td>
<td>397,000</td>
<td>461,300</td>
<td>253,200</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>12.2%</td>
<td>8.7%</td>
<td>10.2%</td>
<td>5.6%</td>
</tr>
<tr>
<td>% Comp</td>
<td>28.8%</td>
<td>21.9%</td>
<td>23.2%</td>
<td>23.9%</td>
<td>18.6%</td>
</tr>
<tr>
<td>35-54</td>
<td>6,272,900</td>
<td>1,086,600</td>
<td>712,400</td>
<td>833,500</td>
<td>578,500</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>17.3%</td>
<td>11.4%</td>
<td>13.3%</td>
<td>9.2%</td>
</tr>
<tr>
<td>% Comp</td>
<td>39.8%</td>
<td>43.0%</td>
<td>41.6%</td>
<td>43.2%</td>
<td>42.4%</td>
</tr>
<tr>
<td>55+</td>
<td>4,954,700</td>
<td>885,100</td>
<td>601,800</td>
<td>636,400</td>
<td>531,800</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>17.9%</td>
<td>12.1%</td>
<td>12.8%</td>
<td>10.7%</td>
</tr>
<tr>
<td>% Comp</td>
<td>31.4%</td>
<td>35.1%</td>
<td>35.2%</td>
<td>33.0%</td>
<td>39.0%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Table 16: Income Demographics: Sunday Readership of Metro NYC Newspapers.

<table>
<thead>
<tr>
<th>Income</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Income</td>
<td>$68,145</td>
<td>$58,486</td>
<td>$97,633</td>
<td>$67,123</td>
<td>$84,409</td>
</tr>
<tr>
<td>Less than $50,000</td>
<td>6,064,200</td>
<td>1,207,400</td>
<td>516,800</td>
<td>495,100</td>
<td>336,400</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>19.9%</td>
<td>8.5%</td>
<td>8.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>% Comp</td>
<td>38.5%</td>
<td>44.3%</td>
<td>21.3%</td>
<td>39.4%</td>
<td>24.7%</td>
</tr>
<tr>
<td>$50,000-$99,999</td>
<td>5,012,200</td>
<td>915,700</td>
<td>732,900</td>
<td>401,600</td>
<td>495,900</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>18.3%</td>
<td>14.6%</td>
<td>8.0%</td>
<td>9.9%</td>
</tr>
<tr>
<td>% Comp</td>
<td>33.6%</td>
<td>30.2%</td>
<td>32.0%</td>
<td>36.4%</td>
<td></td>
</tr>
<tr>
<td>$100,000-$149,999</td>
<td>2,388,200</td>
<td>356,200</td>
<td>446,200</td>
<td>185,200</td>
<td>256,800</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>14.9%</td>
<td>18.7%</td>
<td>7.8%</td>
<td>14.7%</td>
</tr>
<tr>
<td>% Comp</td>
<td>15.1%</td>
<td>13.1%</td>
<td>18.4%</td>
<td></td>
<td>10.8%</td>
</tr>
<tr>
<td>$150,000 +</td>
<td>2,306,300</td>
<td>247,900</td>
<td>730,000</td>
<td>173,500</td>
<td>274,000</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>10.8%</td>
<td>31.7%</td>
<td>7.5%</td>
<td>11.9%</td>
</tr>
<tr>
<td>% Comp</td>
<td>14.6%</td>
<td>9.1%</td>
<td>30.1%</td>
<td>13.8%</td>
<td>20.1%</td>
</tr>
<tr>
<td>$100,000 +</td>
<td>4,694,600</td>
<td>604,000</td>
<td>1,176,200</td>
<td>358,600</td>
<td>530,800</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>12.9%</td>
<td>25.1%</td>
<td>7.6%</td>
<td>11.3%</td>
</tr>
<tr>
<td>% Comp</td>
<td>29.8%</td>
<td>22.2%</td>
<td>48.5%</td>
<td>28.6%</td>
<td>38.9%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1
Table 17: Education Demographics: Sunday Readership of Metro NYC Newspapers

<table>
<thead>
<tr>
<th>Education</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School Graduate</td>
<td>5,421,700</td>
<td>1,091,900</td>
<td>370,400</td>
<td>491,100</td>
<td>463,400</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100%</td>
<td>20.1%</td>
<td>6.8%</td>
<td>9.1%</td>
<td>8.5%</td>
</tr>
<tr>
<td>% Comp</td>
<td>34.4%</td>
<td>40.0%</td>
<td>15.3%</td>
<td>39.1%</td>
<td>34.0%</td>
</tr>
<tr>
<td>Some College</td>
<td>3,768,200</td>
<td>716,000</td>
<td>498,800</td>
<td>336,600</td>
<td>412,000</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100%</td>
<td>19.0%</td>
<td>13.2%</td>
<td>8.9%</td>
<td>10.9%</td>
</tr>
<tr>
<td>% Comp</td>
<td>23.9%</td>
<td>26.3%</td>
<td>20.6%</td>
<td>26.8%</td>
<td>30.2%</td>
</tr>
<tr>
<td>College Graduate +</td>
<td>4,767,100</td>
<td>570,500</td>
<td>1,467,500</td>
<td>306,200</td>
<td>424,500</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100%</td>
<td>12.0%</td>
<td>30.8%</td>
<td>6.4%</td>
<td>8.9%</td>
</tr>
<tr>
<td>% Comp</td>
<td>30.2%</td>
<td>20.9%</td>
<td>60.5%</td>
<td>24.4%</td>
<td>31.1%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Table 18: Racial/Ethnic Demographics: Sunday Readership of Metro NYC Newspaper

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>12,031,500</td>
<td>1,794,700</td>
<td>1,969,500</td>
<td>985,300</td>
<td>1,187,400</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>14.9%</td>
<td>16.4%</td>
<td>8.2%</td>
<td>9.9%</td>
</tr>
<tr>
<td>% Comp</td>
<td>76.3%</td>
<td>65.8%</td>
<td>81.2%</td>
<td>78.5%</td>
<td>87.1%</td>
</tr>
<tr>
<td>African-American</td>
<td>2,481,800</td>
<td>744,200</td>
<td>257,500</td>
<td>184,400</td>
<td>124,600</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>30.0%</td>
<td>10.4%</td>
<td>7.4%</td>
<td>5.0%</td>
</tr>
<tr>
<td>% Comp</td>
<td>15.7%</td>
<td>27.3%</td>
<td>10.6%</td>
<td>14.7%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Asian</td>
<td>687,700</td>
<td>65,900</td>
<td>96,000</td>
<td>49,400</td>
<td>8,900</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>9.6%</td>
<td>14.0%</td>
<td>7.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td>% Comp</td>
<td>4.4%</td>
<td>2.4%</td>
<td>4.0%</td>
<td>3.9%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>3,007,700</td>
<td>510,200</td>
<td>223,800</td>
<td>187,400</td>
<td>69,600</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>17.0%</td>
<td>7.4%</td>
<td>6.2%</td>
<td>2.3%</td>
</tr>
<tr>
<td>% Comp</td>
<td>19.1%</td>
<td>18.7%</td>
<td>9.2%</td>
<td>14.9%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1
Table 19: Residency Demographics: Sunday Readership of Metro NYC Newspapers.

<table>
<thead>
<tr>
<th>Residence</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>6,217,300</td>
<td>1,933,000</td>
<td>1,172,700</td>
<td>717,400</td>
<td>91,500</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>31.1%</td>
<td>18.9%</td>
<td>11.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>% Comp</td>
<td>39.4%</td>
<td>70.9%</td>
<td>48.3%</td>
<td>57.1%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Suburbs</td>
<td>9,553,600</td>
<td>794,300</td>
<td>1,253,200</td>
<td>538,000</td>
<td>1,271,600</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>8.3%</td>
<td>13.1%</td>
<td>5.6%</td>
<td>13.3%</td>
</tr>
<tr>
<td>% Comp</td>
<td>60.6%</td>
<td>29.1%</td>
<td>51.7%</td>
<td>42.9%</td>
<td>93.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Residence</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brooklyn</td>
<td>1,839,900</td>
<td>696,300</td>
<td>254,900</td>
<td>216,000</td>
<td>7,300</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>37.8%</td>
<td>13.9%</td>
<td>11.7%</td>
<td>0.4%</td>
</tr>
<tr>
<td>% Comp</td>
<td>11.7%</td>
<td>25.5%</td>
<td>10.5%</td>
<td>17.2%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Queens</td>
<td>1,742,500</td>
<td>535,800</td>
<td>245,900</td>
<td>209,900</td>
<td>72,400</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>30.7%</td>
<td>14.1%</td>
<td>12.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>% Comp</td>
<td>11.0%</td>
<td>19.6%</td>
<td>10.1%</td>
<td>16.7%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Manhattan</td>
<td>1,304,400</td>
<td>243,400</td>
<td>528,700</td>
<td>132,100</td>
<td>7,100</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>18.7%</td>
<td>40.5%</td>
<td>10.1%</td>
<td>0.5%</td>
</tr>
<tr>
<td>% Comp</td>
<td>8.3%</td>
<td>8.9%</td>
<td>21.8%</td>
<td>10.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Bronx</td>
<td>971,800</td>
<td>372,100</td>
<td>108,600</td>
<td>108,300</td>
<td>3,600</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>38.3%</td>
<td>11.2%</td>
<td>11.1%</td>
<td>0.4%</td>
</tr>
<tr>
<td>% Comp</td>
<td>6.2%</td>
<td>13.6%</td>
<td>4.5%</td>
<td>8.6%</td>
<td>0.3%</td>
</tr>
<tr>
<td>SI</td>
<td>358,800</td>
<td>84,500</td>
<td>34,700</td>
<td>51,100</td>
<td>1,100</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>23.8%</td>
<td>9.7%</td>
<td>14.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>% Comp</td>
<td>2.3%</td>
<td>3.1%</td>
<td>1.4%</td>
<td>4.1%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1

Table 20: Age Demographics: Sunday Readership of Metro NYC Newspapers.

<table>
<thead>
<tr>
<th>Age</th>
<th>Total Adults</th>
<th>Daily News</th>
<th>NY Times</th>
<th>NY Post</th>
<th>Newsday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Age</td>
<td>45.4</td>
<td>49.4</td>
<td>48.6</td>
<td>47.8</td>
<td>50.1</td>
</tr>
<tr>
<td>18-34</td>
<td>4,543,300</td>
<td>606,800</td>
<td>536,600</td>
<td>329,500</td>
<td>258,800</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>13.4%</td>
<td>11.8%</td>
<td>7.3%</td>
<td>5.7%</td>
</tr>
<tr>
<td>% Comp</td>
<td>28.8%</td>
<td>22.3%</td>
<td>22.1%</td>
<td>26.2%</td>
<td>19.0%</td>
</tr>
<tr>
<td>35-54</td>
<td>6,272,900</td>
<td>1,094,000</td>
<td>1,039,200</td>
<td>480,400</td>
<td>569,100</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>17.4%</td>
<td>16.6%</td>
<td>7.7%</td>
<td>9.1%</td>
</tr>
<tr>
<td>% Comp</td>
<td>39.8%</td>
<td>40.1%</td>
<td>42.8%</td>
<td>38.3%</td>
<td>41.7%</td>
</tr>
<tr>
<td>55+</td>
<td>4,954,700</td>
<td>1,026,400</td>
<td>850,100</td>
<td>445,400</td>
<td>535,300</td>
</tr>
<tr>
<td>% Coverage</td>
<td>100.0%</td>
<td>20.7%</td>
<td>17.2%</td>
<td>9.0%</td>
<td>10.8%</td>
</tr>
<tr>
<td>% Comp</td>
<td>31.4%</td>
<td>37.6%</td>
<td>35.0%</td>
<td>35.5%</td>
<td>39.3%</td>
</tr>
</tbody>
</table>

Source: 2007 Research 12 months ending 2007 R1
Table 21: Exclusive Readership.

<table>
<thead>
<tr>
<th>Daily Readers</th>
<th>Total Adults</th>
<th>Percent Exclusive*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily News</td>
<td>1,343,100</td>
<td>53.2%</td>
</tr>
<tr>
<td>NY Times</td>
<td>1,151,900</td>
<td>67.3%</td>
</tr>
<tr>
<td>NY Post</td>
<td>808,300</td>
<td>41.9%</td>
</tr>
<tr>
<td>Newsday</td>
<td>867,700</td>
<td>63.6%</td>
</tr>
</tbody>
</table>

*Exclusive: Do not read the other three papers

<table>
<thead>
<tr>
<th>Sunday Readers</th>
<th>Total Adults</th>
<th>Percent Exclusive*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily News</td>
<td>1,678,500</td>
<td>61.5%</td>
</tr>
<tr>
<td>NY Times</td>
<td>1,678,800</td>
<td>69.2%</td>
</tr>
<tr>
<td>NY Post</td>
<td>441,300</td>
<td>35.2%</td>
</tr>
<tr>
<td>Newsday</td>
<td>965,700</td>
<td>70.8%</td>
</tr>
</tbody>
</table>

*Exclusive: Do not read the other three papers

Source: 2007 Research 12 months ending 2007 R1
Frank Chikezie
e-mail: fchikezie60@yahoo.co.uk

Abstract: Today, more people own a mobile phone than a computer and there is good a chance the phone is made by Nokia. This paper examines the critical success factors of a truly successful global brand and the driving force behind global imperative, using Nokia as a case study.

It notes also that innovation has been at the core of Nokia’s success; the company provides a great example of how vision and will can transform a company’s fortune.

Keywords: Brand Equity, Brand Promise, Brand Advantage, Brand Positioning, Branding Strategy, Brand Proposition, Brand Value, Brand Protection

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1.0 Introduction

A company’s brand or portfolio of its brands is its most valuable asset. Because of this, organizations are encouraged to make brands their central guiding principle, which guides every decision and every action. According to Nigel Hollis (2003), a brand consists of a set of enduring and shared perceptions in the minds of consumers about a product. Such perceptions make the product or service more salient, more interesting, more compelling and more valuable to potential buyers, thus inspiring them to choose it over alternatives. Based on this, Nigel Hollis (2003) defines a global brand as one that has transcended its cultural origin to develop strong relationships with consumers across different countries and cultures. In his description, Patrick Barwise (2003), brand is all about caring, measuring, and understanding how others see you, and adapting what you do to take account of it, without abandoning what you stand for.

The promise of a brand provides the structure that creates and focuses the brand impressions towards an emotional connection between the brand and the targeted buyer. In this sense, a brand is more than a mark of quality. The equity of a brand has to be something a consumer finds inspirational with the result of a strong attitudinal bond with the brand. The challenge, therefore, of global firms is to maximize the potential of the brand to create this attitudinal bond with the brand across countries and cultures on a profitable basis.

This paper examines the strategies that have made Nokia one of the leading brands in the world and the number one brand in the global mobile phone industry, having displaced Motorola from that position. In 2008, Nokia was ranked the 9th top leading brand in the world according to Millward Brown Optimor Brand Top 100 Most Valuable Brand Ranking. Based on this ranking, its brand value was $43.975 Billion which represent a 39% increase from 2007 value and an upward shift in ranking from the 12th position. How did a company which began partly as a forestry business, inevitably a fairly slow-moving trade, and partly as a cable manufacturer become the number one mobile phone brand in the world and how can this position be sustained? What lesson(s) in strategic brand management does this Nokia example present to the marketing strategists?

The paper is divided into five sections. Section one introduces the conceptual understanding of branding and what character makes Nokia to qualify for this assessment. The introduction is followed in section two by a review of the brand pyramid framework used in analysing Nokia’s brand performance. Section three examines Nokia’s rise to the top world leading brand league while section four discusses the future challenges for global brands and the implications for Nokia. Finally, section five summarizes and concludes the paper with recommendations of a branding strategy and marketing programs that show a promise of sustained success for global brands.
1.3 What Makes Nokia Different?

The world of parity has hit the mobile phone market just as it has many other technology categories. The product ranges from the simple to the complex, but every manufacturer offers, of course, the latest features. Leap-froging in sales between brands frequently occur based on design. But overall, the market is predictable, with Nokia, Motorola, and Ericsson, fighting it out at the top and other less successful brands like Samsung, Philips, Siemens and Panasonic trying hard to make inroads into their top competitor’s market share. So, what makes the difference between the most successful and the less successful brands? It certainly is not what product features are offered. How, then, do consumers choose? The answer seems to be what the name means to them!

Nokia has been steadily working on its corporate brand name and the management of consumer perceptions over the last few years. Its efforts have paid off, because it is now the number one brand in many markets around the world, effectively dislodging Motorola from that position. The brand has been built and consistently managed across all markets. Nokia has succeeded in lending personality to its products, without even giving names to them. In other words, it has not created any sub-brands but has concentrated on the corporate brand, giving individual products a generic brand personality. Only numeric descriptors are used for the products, which appears on the products themselves. Such is the strength of the brand.

Indeed, Nokia has succeeded where other big brand names have failed. It achieved this chiefly by putting across the human face technology-talk and dominating the emotional high ground. But will the company sustain this fit? The desire to see Nokia remain a powerful, socio-economic influence in the global mobile phone industry is the motivation for this paper.

2.0 The Brand Pyramid Framework

As noted above, branding is basically about developing strong relationships with consumers. In particular, global branding is about developing strong relationship with consumers in multiple countries and cultures. Every relationship starts at some point and progresses in its degree of intimacy overtime until it gets to a point where the parties can feel a very strong bonding, such that one party feels a sense of loss or emptiness if the other party is absent either by distance, loss of contact or any other cause. In a similar way, relationship between a consumer and a brand start at some point and progresses in the degree of intimacy or affinity overtime through brand experience until it gets to a point of very strong bonding. At this point, or degree of intimacy, there exists a high level of attitudinal loyalty between the brand and the consumer which underpin purchasing behaviour.

The Brand Pyramid is a framework for understanding the various levels of progression in the stages of development of the affinity between brand and consumer which constitute the brand strength. Indeed, the measure of every brand’s equity and, in turn, brand value, is a
measure of the level of affinity which the brand has with its consumers. The framework identifies five key levels of increasing attitudinal loyalty of a consumer with a brand, namely, Presence, Relevance, Performance, Advantage and Bonding.

2.1 Presence refers to the level of familiarity between the Brand and the target consumers. This is based on how many people know about the brand and their knowledge of what they have to offer before they will consider it for purchase.

2.2 Relevance refers to the brands price, availability, its ability to meet the consumer’s needs and the identity and status that it conveys. Once the brand is not rejected based on any of these components, the consumers have reached the level of relevance with the brand.

2.3 Performance refers to the people’s believe that the brand can fulfill their basic expectations of product performance. Based on this, people will try the brand before making a judgment if the cost and perceived risks are low, otherwise, they will check out the offering before making a purchase.

2.4 Advantage refers to the people’s believe that the brand offers some advantage over the competition. This could be in the form of physical product benefits or emotional benefits, popularity (safe choice), uniqueness, dynamism and price. The last element is bonding.

2.5 Bonding refers to the people’s believe that the brand is the one that delivers the best on the most important criteria in the category.

A successful brand is one in which its consumers have gone through these levels of brand experience and have arrived at the bonding level. We use this framework to analyse the strength of Nokia brand to establish its status as a truly successful brand. The focus of the analysis is on the sources of Nokia’s brand strength.

The Brand Pyramid Framework

![Brand Pyramid Framework](image)

Source: Nigel Hollis (2010)
3.0 Nokia: The Triumph of a Global Corporate Brand

3.1 Company Background, Vision and Strategy; and Organizational Development

Nokia is the world’s largest manufacturer of mobile phones, serving customers in more than 150 countries with over 123,000 employees. Its global annual revenue was Euros 41 billion and operating profit of Euros 1.2 billion as of 2009. Its global device market share was about 33% in Q2 2010 (down from 35% in Q2 of 2009) while its converged device market share was about 41% in Q2 of 2010. Nokia produces mobile devices for every major market segment and protocol, including GSM, CDMA and W-CDMA (UMTS). Nokia is divided into four business groups: Mobile Phones, Multimedia, Enterprise Solutions, and Networks. The mobile phone group markets wireless voice and data products in the consumer and corporate markets. The multimedia segment sells mobile gaming devices, home satellite systems, and cable television set – top boxes. The Enterprise Solutions group develops wireless systems for use in the corporate sector. Wireless switching and transmission equipment is sold through the company’s network division. Nokia operates 15 manufacturing facilities in nine countries and maintains research and development facilities in 16 countries and employed 37,020 people in R & D, representing approximately 30 percent of the group’s workforce. The company is listed on the Frankfurt, Helsinki, London, New York, Paris and Stockholm stock exchanges.

Nokia’s involvement with telecommunications commenced in the 1960s when in the competitive national context, it began to invest in research and innovation. By the 1980, the company had emerged as a significant international player, being Europe’s third largest television manufacturer as well as a major Scandinavia Information Technology company. In the recessionary years of the 1990s, the company focused on its telecommunications and mobile phones divisions, as a strategic aspect of its corporate policy. Innovation played a key role in Nokia’s success, building on its electronic expertise and the development of semiconductor technology in the 1960’s. The company was also quick to move into digital transmission systems and mobile networks for car phones. The Nordic countries collaborations in the establishment of a common mobile telephone was another breakthrough for Nokia. The company was at the forefront of this development and in 1991, Nokia supplied the standardized Global System for Mobile Telecommunication (GSM) to nine other European countries, expanding globally over the ensuing years.

Nokia’s Rise as a Global Brand

It has already been noted that Nokia was at forefront of the development of the GSM. Nokia delivered its first GSM network to the Finnish Operator Radiolinja in 1989. In 2007 Nokia was 6th most respected brand in Finland. The Nokia brand valued at Euros 29.5 billion is listed as the eight most valuable global brand in the Interbrand / business week Best Global Brands List of 2010 (first non-US company to achieve this fit).
It is the number one brand in Asia (as of 2007) and Europe (as of 2009), the 41st most admirable company worldwide in Fortune’s World Best Admired Companies list of 2010 (third in Network and Other Communications Equipment and the world’s 120th largest company as measured by revenue in Fortune Global 500 list of 2010. As of 2010, AMR Research ranks Nokia’s global supply chain number nineteen in the world. It is also believed to have recently overtaken Kodak in camera production, making it the largest in the world. Nokia is now also the leading supplier of digital audio players (MP3 Players), out spacing sales of devices such as the iPod from Apple.

Over the years, the company has produced a string of technology firsts: the first mobile phone to feature text messaging, the first to access internet-based information services, and the first to include an integrated camera. The world’s first commercial GSM call was made on July 1, 1991 in Helsinki, Finland over a Nokia supplied-network (by the then Prime Minister of Finland, Ham Holkeri), using prototype Nokia GSM phone, the Nokia 1011.

Nokia has evolved to meet changing consumer needs and desires. The company focused on leading-edge consumers in the cultural hot spots in order to anticipate the next big thing. Nokia has committed itself to a faster design cycle as part of its commitment to innovation. For example, as far back as the late 1990s, Nokia was pumping out new models every 35 days. And these are phones with easy-to-use operating system and a recognizable design aesthetics that created competitive advantage, while amortization of the costs across models and countries allowed the company to improve profitability. Nokia is careful to steer a timeline between the two worlds of technology-led innovation and customer-led innovation.

3.3 Nokia’s Vision and Strategy

The real causes of enduring market leadership are vision and will. Enduring market leaders have a revolutionary and inspiring vision of the mass market, and they exhibit indomitable will to realize that vision. They persist under adversity, innovate relentlessly, commit financial resources and leverage assets to realize their vision.

As a visionary company, Nokia envisions a world where connecting people to what matters, empowers them to make the most of every moment. Thus, it is driven by the need to empower everyone to share and make the most of their life by offering irresistible personal experiences. For example, Nokia envisions that by 2015, all people will experience the full power of being connected everywhere, anytime. So their strategic objective in this direction is “to enable people to be wherever they want to be, whenever they want.” In this regard, they produce highly personalized and contextually relevant solutions that free people from the physical constraint of time and place, making life vastly more experiential, flexible and spontaneous for their target audience.

Much of Nokia’s success is indeed attributed to its vision and strategy - Its vision is to become the leading provider of mobile solution. This vision is anchored on four directional
strategic objectives, namely, energy, efficiency, materials management, environmental services and Take-back and recycling. In implementing these strategies, Nokia uses its scale to offer sustainable products and solutions across the whole portfolio, advocating sustainable choices with mobile services and ensuring a world-class global take-back program. By demonstrating responsibility through their own action, sharing their knowledge and inviting others to get on the journey, the company really makes a difference.

Today, more people own a mobile phone than a computer and there is good chance that that phone is made by Nokia. Innovation has been at the core of Nokia’s success; thus, the company provides a great example of how vision can transform a company’s fortunes. Nokia’s ability to exceed people’s expectation through the sale of innovative phones has helped it leverage peoples’ worldwide dependence on the personal connectivity that mobile phones provide. Nokia has strong relationships with consumers in many countries (average binding score being 40 percent). According to Tellis and Golder: ‘You do not need to be the first in a category, but you do need the vision and will to make tough decision and stick with them. This is exactly what Nokia has done. Naqi Jeffery, a wireless industry analyst for Data quest, said: “Nokia’s advantage is that it has been involved with technology innovation from the beginning. The company is all over the world, it learns what is good in every culture it works in, and combines it all”.

Nokia understands that in the mobile converged internet space consumers expect seamlessly integrated solutions, and to deliver these solutions requires continuous relationships with consumers and vibrant ecosystem. Therefore, its strategy and clear priority is to create irresistible solutions through vibrant ecosystems with its partners. It makes user experience the heart of all it executes. In its continuous transformation efforts, Nokia continues to focus on intensifying pulse on customer needs, and bringing the best devices to all markets as well as a smart context aware service with people and places. The company’s perspective of its business is that, by connecting people, it helps to fulfil a fundamental human need for social connections and contact. Nokia sees its business beyond manufacturing and distributing high quality mobile phones but a business that builds bridges between people – both when they are far apart and face-to-face and also bridges the gap between people and the information they need.

Elements of Nokia’s Brand

3.4.1 Nokia’s Brand Promise

One of Nokia’s critical success factors is its ability to identify a globally appealing promise of the brand. Nokia identified something that works across countries and cultures in a way that differentiates the brand and motivates people to buy its products. It has established a strong, consistent emotional connection across cultures by tapping into one fundamental human truth: the need to relate. People around the world have this great need to relate with one another in many diverse ways. This commonality that unites rather than divides people is a platform that has opened up real opportunities to Nokia. Nokia’s brand promise
is to: “Connect people to what matters to them and to who matters to them and enable people to be wherever they want, whenever they want”.

Based on this promise, Nokia’s perspective of its business is that by connecting people, it helps to fulfill a fundamental human need for social connections and contact. Thus, Nokia sees its business beyond manufacturing and distributing high quality mobile phones but a business that builds bridges.

3.4.2 Nokia’s Brand Personality

As Jayanta Sengupta puts it, the personality of a brand is like a nice girlfriend next door with a big smile on her face. Nokia has detailed many personality characteristics for its brand. The characteristics help the consumers as well as the employees to remember the overall impression of the list of attributes as one would when thinking about someone one has met. As the focus is on customer relationship, the Nokia personality is like a trusted friend. Trust is a fundamental enabling condition for the development of productive and authentic relationships and bonding. With trust, consumers believe that the brand will deliver its promise, respect them, and be open and honest with them. With trust follows commitment. Consumers feel some longer term emotional attachment to their relationship with the brand. This leads to alignment and mutuality, a two-way affinity between consumers and the brand which results in continually rewarding experience. Building relationship and trust is at the heart of the Nokia brand. And the human dimension created by the brand personality carries over into the positioning strategy for the brand.

3.4.3 Nokia’s Visual and Verbal Identity

Unlike pure science, identity is triumph of opinion backed up by assertion (Clifton and Simmons: 2003). Its subjectivity is the very property that allows you to be bold and get away with it. Combining the visual and the verbal identities provides the means to make brands that really work. The tactics and strategy of Nokia’s identity, beginning with its name, logo and ringtone, tagline and other market communication, all combine to make the brand work. The logo –“Nokia: connecting people” is simple and easy to relate. The visual advertisement which is basically a reflection of relationship amongst people is designed to be customer-friendly. The ringtone is simple but engaging so that many want to hear it many more times.

3.4.4 Nokia’s Product Design

Nokia is a great brand because it knows that the essence of the brand needs to be reflected in everything the company does, especially those that impact the consumer. Product design is clearly critical to the success of the brand, but how does Nokia manage to inject personality into product design? The answer is that it gives a great deal of thought to how the user of its phones will experience the brand, and how it can make that experience reflect its brand character.
The large display screen, for example, is the “face” of the phone. *Nokia* designers describe it as the “eye into the soul of the product”. The shape of phones is curvy and easy to hold. The faceplates and their different colors can be changed to fit the personality, lifestyle, and mood of the user. The soft key touch pads also add to the feeling of friendliness, expressing the brand personality. Product design focuses on the consumer and his needs, and is summed up in the slogan, “human technology.”

The other product features that stand *Nokia* mobile phones out include:

- High quality voice calls
- Easy international roaming
- Easy-to-use operating system
- Recognizable design aesthetics and other streams of new features that address the desires shared by consumers around the world: *A mobile phone that satisfies their lifestyle.*

The design of Nokia products has proved attractive to its consumers, with a premium on functions, size and aesthetics. Nokia’s design meets most mobile phone industry standards such as **large graphic displays, personalized ringtones, and colored covers for cellular phones**, following up such thinking with **richly patterned and textured casings**. The idea of mobile phone as fashion accessory was taken to greater extremes with the launch of new ranges of colored covers for the Nokia 8210 fashion phone at the Nokia Design Gala during Paris Fashion Week in 2000. The phone covers were shown in the context of wearable fashion accessories designed by Nokia young Designers. Like many other successful companies involved in the manufacture of “life style” cultural resonance, in 1998, for example, the company had launched the Nokia 252 Art Edition mobile phone for exclusive sales in the museum shop of the Solomon R. Guggenheim Museum.

### 3.5 Analysis of Nokia’s Brand Strength using the Brand Pyramid Framework

According to Steve Ballmer, the President of Microsoft, “The strength of the brand is the only differentiator in a world of connected and knowledgeable customers. In most product and services categories, there exists a close relationship between brand strength and market share. When a brand deviates from the basic category relationship, selling more or less than its equity might suggest, a structural issue may deserve more investigation. In this section, we consider what constitutes brand strength and, in particular, the sources of the strength of Nokia as a successful global brand.

#### 3.5.1 Sources of Nokia’s Brand Strength

The two major sources of brand strength are a strong, scalable business model and continuing innovation. But, on their own, these characteristics cannot create a strong brand. Strong consumer relationship further depends on five additional factors, namely, a great brand experience, clarity of positioning, a sense of dynamism, a sense of authenticity and a strong corporate culture.
3.5.1.1 Nokia’s Business Model and Innovative Culture

Top-ranked brands draw on a variety of business models which are all adapted to serve the needs of the local consumer, the local retail infrastructure, and the business economy. These varying platforms help the brand to deliver on peoples’ expectations which is the fundamental requirement of a brand. Nokia’s business model is anchored on seamless user experience and direct and continuous consumer relationships. Nokia devices strive to initiate all consumers to the rich world of services. Thus, its major focus is on understanding the consumer in order to maximize its value to the consumer. Innovation, of course, plays important role in the creation of value for the consumer. Nokia gained market leadership by bringing innovative products to market quickly with particular focus on ever smaller and easier-to-use phones featuring sleek designs.

A brand creates a reason for the consumer to choose one product over another, and, ideally, consumers will pay a price premium for the privilege of doing so. The more intangible differentiation a brand can create, the more valuable it becomes to the buyer and, in turn, the owner. Nokia’s ascendancy to the top of the wireless world by the end of the 1990s could be traced to the company being able to consistently, over and over again, come out with high-margin products superior to those of competitors and in tune with market demands. Although, Nokia would count on a substantial share of the end of the market, the company’s greatest strength is in the lower end of the market. In countries such as China, Brazil, and India, there are tremendous demands for inexpensive mobile phones. Industry observers believe there are only two companies in the market that could meet this demand: Motorola and Nokia. Nokia’s challenge is contending with Motorola for the low end of the market and beating back competitors for control of the high end of the market.

3.5.1.2 Nokia’s Brand Experience

Brand experience drives customer loyalty. It is the key differentiator. Customers experience the brand in many ways – through the people who sell it, the product itself, the people who provide after-sales service, the reactions to it of friends and colleagues etc. Thus, the successful brand experience covers the entire brand scope – including brand extensions, to channels of communication, customer interaction points, direct as well as indirect. Hence, it is designed to deliver across all the interaction points to sustain consistently the values that belong to a brand.

Nokia’s success is with its ability to design products in line with the promise and values of the corporate brand. Its product ensures high quality deliveries across huge range of interaction points. Brands are about relationships. Therefore, consumers can experience the brand outside the product context. Nokia’s Connecting People strategy is such that the brand experiences affect its brand perception more strongly than even product performance.
3.5.1.3 Nokia’s Brand Positioning

When Nokia positions its brand in the crowded mobile phone marketplace, its message must clearly bring together the technology and human side of its offer in a powerful way. The specific message that is conveyed to consumers in every advertisement and market communication (though not necessarily in these words) is “Only Nokia Human Technology enables you to get more out of life”.

In many cases, this is represented by the tag line, “We call this human technology”. This gives consumers a sense of trust and consideration by the company, as though to say that Nokia understand what they want in life, and how it can help. And it knows that technology is really only an enabler so that you-the customer-can enjoy a better life. Nokia thus uses a combination of inspirational, benefit-based, emotional features, and competition-driven positioning strategies. It owns the “human” dimension of mobile communications, leaving its competitors wondering what to own (or how to position themselves), having taken the best position for itself.

3.5.1.4 A sense of dynamism:

People always want to be part of a success story. So, they like winners, and tend to judge the success of brands by how many other people they see using them. They like to be part of the latest fashion. Ideally, a brand creates perceptions of leadership not just by producing trend-setting products, but also by acting and communicating like a leader. By doing so, a brand can create a sense of dynamism that attracts and holds people to it, making them less likely to chase off after the next new thing.

As the world’s number one mobile phone brand, Nokia has not only provided the world with innovative products, its current focus is on building global brand leadership. Today, most phone users look forward to a new leading product from Nokia. It is a status symbol to use Nokia mobile phone. There is a feeling of fulfilment and accomplishment created in Nokia consumers for following a market leader. And this feeling is so dynamic that those who do not use Nokia products sometimes feel a sense of inferiority. Nokia conveys a unique message that it is not simply an advertised product but a brand that stands for something, an entity that people can really connect with. Nokia feel a responsibility as a multi-billion dollar brand in the mobile phone industry to direct the way the industry communicates with the world. No wonder its vision is to be the leading provider of not just mobile phones, but mobile solutions.

3.5.1.5 A Sense of Authenticity:

Despite the prevalence of pirate copies of identities, people still recognise and respect an authentic brand which has stood the test of time. Nokia is an example of a brand that has successfully leveraged its origin and authenticity to become a global brand. A review of Nokia’s history shows that focused strategy has played a significant role in building its brand.
as a major industry player. Starting out as a paper and rubber company, and later cable works, the company strategically diverse from these early operations and focused on developing design and manufacturing capabilities in data processing, industry automation and communication systems. The single element that most insured Nokia’s name is its innovative skills. It used this skill, combined with the vision and will of its leaders to make great impression and score many firsts in its chosen market. Today, Nokia stands out as an authenticated brand not only in the mobile phone industry, but in the world.

3.5.1.6 A Strong Corporate Culture:

In their book, “Uncommon Practice: People who deliver a great brand experience”, Andy Milligan and Shaun Smith (2002) states that companies succeed because their cultures are uniquely developed to meet the needs of their customers in a distinctive way. Critical to the development of that culture is a genuine belief in and commitment to the people in the business that has engendered a loyalty uncommon amongst many organizations. This also translates into a genuine passion for their customers. In summary, many successful global brands have very strong global corporate cultures.

Nokia has a strong corporate culture, known as the Nokia Way which emphasizes the speed, and flexibility of decision making in flat, networked organization, although the corporate size necessarily imposes a certain amount of bureaucracy. The basic values of the company are: customer satisfaction, respect for the individual achievement and continuous learning. This value-base makes it possible for the company to communicate fast and transparently globally. After an extensive process involving all staff from all around the company, Nokia’s values have been restated in this way:

“Engaging you, Achieved Together, Passion for Innovation and Very Human”.

The culture is built to bring values to life and motivate employees and delight customers. This is the source of real competitive advantage enjoyed by the company. There is a strong belief and desire by Nokia staff to see the company succeed. The staff are known to focus on the company’s best interests in all their dealings.

3.6 Nokia’s Critical Success Factors

Critical to the success of any global brand are four core aspects of the brand which the literature (Clifton & Simmons) calls the pillars of a brand. They constitute the values of the brand. These are a cross category factors that captures how consumers respond to brands, not to category-specific situations, but purely to the connection that the brand makes with their lives. In this section, we analyze the Nokia brand using these pillars to establish its success as a global brand:

- **Customer-driven**: Every decision is made based on customer needs. Nokia’s success depends on consistently providing value for its customers. Consequently, employees need to be attentive listeners, able to respond passionately, quickly and decisively.
Trust: “The greatest quality is to be considered dependable”. Trust is earned through the consistent display of attentive consideration and delivery of effective solutions. By listening to customers, employees demonstrate they care, and by responding to what they hear, they show they are dependable.

Innovation: To be considered innovative, Nokia needs to be one step ahead of the high-tech revolution. Through an intuitive understanding of what is needed, the company anticipates new developments and problems before they arise.

Action: Success flows from the effectiveness of products and services. But effectiveness stems from the provision of appropriate, intelligent, responsive, and proactive solutions.

These critical success factors have positioning enabled Nokia to think ambitiously about its current and future market, and about what it needs to provide for its audiences in the world, both practically and emotionally.

3.8 Nokia’s Environmental Record

Its record in environmental impact concerns is very commendable. For example, all Nokia’s new models of chargers meet or exceed the Energy Star requirements. Nokia aims to reduce its carbon dioxide emission by at least 18 percent in 2010 from a baseline year of 2006 and cover 50 percent of its energy needs through renewable energy sources. Nokia is researching the use of recycled plastics in its products, which are currently used only in packaging but not yet in mobile phones. Since 2001, Nokia has provided eco declarations of all its products and by May 2010, provides Eco profiles for all its products.

In an effort to further reduce their environmental impact in the future, Nokia released a new phone concept, Remade, in February 2008. The phone has been constructed of solely recyclable materials. The outer part of the phone is made from recycled materials such as aluminium cans, plastic bottles, and used car tires. The screen is constructed of recycled glass and the hinges have been created from rubber tires. The interior of the phone is entirely constructed with refurbished phone parts, and there is a feature that encourages energy saving habits by reducing the backlight to the ideal level, which then allows the battery to last longer without frequent charges.

All these efforts are part of what stands Nokia out as a brand.

4.0 Sustainable Brand Growth Strategies for the Future

Growth is critical to both brand and corporate success. It is also essential for corporate survival and value creation. According to Nigel Holis, a brand can maximize its growth potential:
• By creating stronger presence compared to the competition, thus maximizing the likelihood that people will consider it for purchase.

• By encouraging stronger conversion from presence to bonding compared to competitive brands, which will ensure that an increase in trial will ultimately produce more loyal customers.

• By maximizing the likelihood that people will think the brand is the only one that satisfies important category drivers. The more attitudinal loyalty a brand enjoys versus its competitors, the more likely people will be to stick to it over time.

• By securing the loyalty of the more valuable consumers in the category, that is, those who do not buy on price and who buy more than others.

4.1 Dealing with the Changing Competitive Environment

The competitive environment is changing. Traditional competitors are making effort to increase their volume share in the low end of the market. Also, as the mobile telecom, internet and personal computer industries converge the industry ecosystem is expanding, and new entrants like Apple, RIM and Google are creating value with mobile solutions. Global Brands, including Nokia should therefore strengthen their competitive edge by leveraging on their following core strengths:

- Leading brand
- Scale
- Distribution capability
- Product portfolio excellence
- Leading market position in most markets

The company is also developing new strengths to address future competition. These new strengths include:

- Seamless, delightful and effortless user experiences
- Vibrant partner ecosystem
- People and places enriched solutions
- Direct and continuous consumer relationships
- Regain market position in all markets.

If Nokia moves deeper into the world of internet services it will have a head-on competition with Microsoft, Google and Apple is inevitable.

4.2 Future Challenges of Global Brand Management: Implications for Nokia

The future of brands is inextricably linked to the future of business. And because the future of business is linked to the future of society, the future of brands is also inextricably linked to the future of society. Therefore, it is important to examine the future trends and prediction,
both in business and in broader society and how brands, particularly, Nokia brand, may affect and be affected by those changes.

- **Fast pace of change**

Available information points out that over half of the 50 most valuable brands have been around for more than 50 years. However, it is difficult to see how past performance will give quite so much reassurance in the face of the extraordinary changes that are likely to be seen in the world of power and economics in the next ten years. The result of a global survey by Millward Brown show the world is changing so fast that it is difficult to keep up. This is evident from development in some product categories. For example, the most successful technology and telecommunications brands, including Nokia, are showing how quickly they can progress if they read and act on consumer and business trends in the right way. So, the challenge is to maintain their position and sustain their value. To do this, they will have to continue to innovate and, critically, to deepen and extend their brand relationships with customers well beyond the level of technological process; for long-term value, brands need emotional as well as technological appeal. Indeed, these companies will have to invest in their brands as their major sustainable competitive advantage.

- More and more companies are beginning to learn the global brand game. According to Clifton and Simmdas(2003), it is not unreasonable, for instance, to imagine that a new killer application will emerge from somewhere like Bangalore in the near future. Nor is it unreasonable to suppose that the service and branding skills required to build that proposition into a sustainable brand will have developed to such a degree in India itself where global brand status is within reach. Thus, established brands will need to keep on reflecting their sensitivity to local cultures and habits in their management and marketing approaches. Established brands will indeed have to continue to leverage on their trust and heritage to contain the onslaught of new and upcoming brands.

- In the future, engagement is going to mean more than creating an engaging brand experience. For many brands, engagement will come to mean standing for something – a belief or a set of values – and inviting customers to stand with you. Brands need to declare their beliefs and act on them. People definitely know which brand are really committed to something and which one, are just trying to sell more of their stuff. In fact, people pay more attention to what companies do than what they say. So, brands that will sustain their customers are those that will engage in meaningful social responsibility activities.

- Brands with ‘Leaping’ ability: In the future, no brand will be sacred in its market place any more. Many trusted brands are likely to transcend markets from airlines to cosmetics and from financial services to mobile telephony and many more. This leap into other categories may not require previous product or service track record; all that is needed is that it is a brand that is trusted by people in whatever area it is operating. This ability of a strong brand to transcend categories, and to be trusted by consumers in
whichever category it chooses to involve itself, would seem to be an important property of the world’s greatest brands in the future.

- Co-branding is also likely to increase in the future, although the challenge in this is how to generate clarity about the joint brand proposition.

- Young brands are going west. Although the world economy may be shifting from West to East the young brands of the East are eyeing the developed markets for them to become truly global brands. Indeed, many Chinese brands will need the world-class branding skills of the West if their global ambitions are to be realized. It is believed that in the near term, a Chinese brand with a proposition based on quality and value could prove very attractive to price-sensitive westerners. The western match of Asian brands will only add to the pressure on existing western brands. Thus, western brands, including Nokia will have two options: fight fire with fire and lower process or continue to build their own value proposition through innovation and brand building.

- Impact of fragmentation: Consumers are suffering from attention deficit disorder brought on by too much choice. Given this diversity of interests, many brands will need to align themselves with ever-narrower communities. There may be need for brands which cannot maintain broad, mass-market appeal to focus on the needs of specific segments of consumers, which may be defined more by shared attitudes than by demographics.

- The Impacts of the Chinese and Asian Markets: China with 1.3 billion population is the world’s biggest potential consumer market. A study by the Engineering Employers Federation in the UK suggested that one-third of manufacturing firms are shifting production to China. This is because of the skill cost difference between the Asia and America and Europe. In particular, China is the largest mobile phone market in the world and increasingly becoming a centre for mobile phone design and manufacturing. Many western companies are outsourcing their services to the subcontinent which means that price differentials will make their brands even more attractive. With respect to service expertise, a study by Delatte Research concluded that 2m jobs in the western financial institutions moved overseas which translates to about $356billion worth of financial services activity moving away from the first world economies.

- In the future, the use of brand value (rather than just straight financials) as a key performance measure will become more crucial. As the CEO of Samsung puts it, “Competing successfully in the 21st Century will require more than just outstanding products and quality functions. Intangibles such as corporate brand and brand image will be crucial factors for achieving a competitive edge”.

- Global Warming: Global warming has big implications for brands. No industry or brand will go unaffected by global warming. Global warming will affect almost everything that consumers and businesses purchase. For example, the increased demand for the biofuel
ethanol in the United States has already caused corn prices to soar. The implication is that all things that use corn are going to have higher prices and higher costs, which to some extent, will be passed on to consumers. If prices rise as a result, consumers will respond by making trade-offs across all product categories, from cereals and cheese to cars and computers and mobile phones. In order to pay for the brands they really want, they will scrimp in other areas they feel less strongly about.

The impact of global warming will add a further moral, financial and legal imperative to the existing predisposition to act local. For example, a reduction in travel and outsourcing of production may slow down the cross-pollination of cultures and business practices that seem to make the world smaller. In the long-term global warming may bring a change in China’s status as the world’s factory. With more stringent environmental controls, higher taxes, and rising transport costs, the economics of outsourcing materials from the other side of the planet will change. Manufacturing products in energy-efficient factors in the West might seem a better bet than transporting goods thousands of miles.

Consumer concern over climate change is becoming very strong. More people are beginning to feel that government should be doing more to address the issue of climate change. Thus, brands that are not seen to be doing their part to offset global warming will be missing a trick. Green credentials will become one more heuristic people will use to make their brand choices easier.

5.0 Conclusions

This paper has examined the critical factors for a truly successful global brand and the driving force for global imperative, with particular reference to Nokia, and how to establish and maintain a unique branding identity in the face of strained consumer budgets and changing business environments. In considering the factors that make brands great, a recap of the main themes and arguments are as follows:

- All great brands such as Nokia are built on the bedrock of trust derived from customers’ experience of buying and using the products and services sold under the brand name. Thus, successful brand management goes beyond the cosmetics of branding such as brand name, packaging, advertising, and so on. Instead, every brand, if it must be successful, needs a clear positioning, expressed through name, identity and all aspects of products, services and behaviour.

- Every brand needs a strong creative idea to bring it to life through visual and verbal identity. This creative process needs not only innovation and imagination but also the courage and conviction to carry it through. Public relations for brands will succeed only if they are based on the brand promise and the internal reality of the company.
Well-managed brands have extraordinary economic value and are the most effective and efficient creators of sustainable wealth. Thus, understanding the value of a brand and how to create more value is an essential management responsibility.

Companies that sell high-ticket items – cars, durable goods and high-tech products find themselves at a disadvantage if they remain local. This is because these items have long innovation cycles, requiring major investment in research and development. A company that sells such products in many countries will thus recover its investments faster than one that is limited to a small number of markets.

The real causes of enduring market leadership are vision and will. Nokia’s success is traceable to its visionary leaders who had the courage to move the company ahead to achieve seemingly impossible goals, and brought unique uplifting to the brand.

Global brands have the ability to cross borders and potential to bind people and cultures together more quickly and effectively than even national governments, or the bureaucratic wheels of international law, ever could. Thus, Nokia’s strategy of connecting people confirms its emergence as inspirers and enabler of social change as well as social unifier.

The real power of successful brands is that they meet the expectations of those who buy or use them, that is, they represent a promise kept. Nokia understands this truth and therefore, makes exciting user experience the heart of all it executes.

Company’s brand or its portfolio of brands is its most valuable asset. On the average brands account for more than one-third of shareholder value. Thus, the recognition of the economic value of brands has increased the demand for effective management of the brand asset.

Leading brands have three attributes and two common characteristics that make them great. They have a compelling idea behind them, a resolute core purpose and supporting values and a central organizational principle. There are also entrepreneurial in nature and recognizes and rewards those successful in business, and encourages risk-taking and the kind of innovation that produces the big idea from which the leading brand develops.

Great brands have five distinct traits that make them leading brands. They have the ability to consistently deliver on their promise, superior products and processes, distinctive positioning and customer experience, internal and external commitment to the brand and the ability to stay continuously relevant.

Great brands can also lose their way and loose their leadership if the managers take the brand for granted. This can happen if the brand owners treat the asset as a
cashflow in which case the customer experience is marginalized, leading to erosion of the original brand idea and core values.

- Employees are the conduit through which all the careful product design, manufacturing, packaging and processing are finally delivered to customers, they are the means to bring the brand alive.

- A brand is a dynamic concept and therefore must be kept going. It is the responsibility of the firm to keep the brand currently relevant. It is impossible to create a strong, profitable global brand unless the organization is aligned to that purpose.

- Companies do not survive because they necessarily have good products. They survive because they have good customers who THINK the company has good products.

- The brand cannot relate with the individual because it is intangible and inanimate. But it can arouse a feeling in the individual to relate with it. There is some bonding that goes on between people and branding. Nokia’s success has in its ability to dominate this emotional high ground and this must be sustained at all cost by all brands which desires to succeed because it is the fabric of the brand.

Successfully riding the wave of the future in brand management will require anticipations, poise, and agility. It will require brands to become far better at understanding its target audience and anticipating their needs. Marketers will need to find ways to make their brand stand up and stand out by going beyond functional benefits to create a sense of purpose and identity.
References:


Global Brand Management – Nike’s Global Brand

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Abstract: The purpose of this paper is to outline and analyze the ingredients of a successful global brand which has and can continue to sustain its global marketing goals. The brand analyzed in this paper is Nike, one of the top sporting goods manufacturers in the world. As part of the analysis of Nike’s global brand, a proposed brand strategy and supporting marketing program will be recommended using the components of Interbrand’s rating and ranking evaluation. The analysis will use components of Interbrand’s approach as the basis of understanding Nike’s current strategy and standing and be used as input into the recommended brand and marketing strategy.

Keywords: Interbrand, brand market strategy, global marketing, brand association, global brand management


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Introduction – Global Brand Management and Nike

Hollis (2008) outlined that few people understand what a brand is. Hollis explained branding beginning with what it is not. A brand is not a business, trademark, corporate identity or a veneer to be supplied to or ignored by the business. A definition supplied by Feldwick (2002) defines a brand as a collection of perceptions in the mind of a consumer. If a brand is a collection of perceptions, then one could logically say that brand management is perception management. Managing perception is not considered an easy task, thus brand management can be considered a challenging aspect of growing and maintaining a business.

To further understand brand management, eight associations are analyzed (Hollis, 2008). Product characteristics, places and events where the product was used, product price, product characteristics, the type of people who use it, and a product’s perceived value all contribute to defining a brand. Brand association tends to be related to the rational and emotional benefits consumers have; positive associations with brands influence consumers to buy and become loyal consumers. Positive associations come from creative and ingenious marketing, which strengthens the brand and reinforces positive associations.

Hollis (2008) extends Feldwick’s (2002) definition of brand by adding that a brand is not just a collection of perceptions, but a set of perceptions that are shared and enduring in the minds of customers. In order to build and maintain a strong brand, organizations must invest in marketing that creates a unifying theme, creates and repeats positive associations, and identifies the right touch-points with the consumer. Hollis outlined that ultimately, consumers do not over think their brand choices and to create brand value, organizations need to create clear, concise, and positive associations at all consumer touch-points to influence buying behavior.

Another aspect of brand management is global brand management. Having a global brand is more than having a wide geographical footprint (Hollis, 2008). Experts once believed that to take a brand global it must be standardized; however, standardization has not proved to be a factor in global brands. Coca-Cola, for example, has focused on a balanced strategy that recognizes differences between markets but takes into account opportunities for economies of scale. Hollis outlined that there is no single recipe for global brand success.

Hollis (2008) defined a global brand as, “one that has transcended its cultural origins to develop strong relationships with consumers across different countries and cultures” (p.26). With this definition of a global brand, global brand management would focus on not only creating a set of shared and enduring perceptions but also managing those perceptions to transcend cultural origins and develop strong customer relationships.
Nike started out as Blue Ribbon Sports (BRS) launched by founders Phil Knight and Bill Bowerman in 1968. In 1972, BRS changed its name to Nike, the Greek goddess of victory. Nike, located in Beaverton, Oregon, United States, is a manufacturer of sportswear and equipment and the leader in athletic shoes and apparel. Nike had $19.2 billion in revenue in 2009, which was a 3% increase over 2008. Nike launched its widely recognized and successful logo in the 1980s, referred to as the “Swoosh”, and has used it consistently on all of its products and apparel (Nike, 2010).

Nike owns other brands as well including Converse, Cole Haan, Hurley International, and Umbro. These brands contributed $2.5 billion to Nike’s $19.2 billion 2009 revenue. Nike plans to grow these brands as well as invest in Nike as a global brand (Nike, 2010).

Building a Successful Global Brand

Hollis (2008) used the BrandDynamics™ Pyramid to describe a customer’s relationship with a brand. The pyramid has five levels: presence, relevance, performance, advantage, and bonding. An understanding of the pyramid provides context when analyzing the history, growth, and sustainment of a brand.

The first level, presence, refers to the customer awareness of the brand through use of the products, someone they know has used the products, or the customer has achieved awareness through other means. The second level of the pyramid is relevance; customers reach this level because they believe the brand provides value. The third level of the pyramid is performance; customers at the performance level believe the brand is delivering on its promises. The fourth level is advantage; at this level customers believe in a rational or emotional benefit derived from the brand. The last level is bonding where customers believe that the brand is the best one for them (Hollis, 2008).

Hollis (2008) provided five steps that can be used to evaluate the ingredients in building a successful global brand. However, before an organization can focus on the five steps of building a successful global brand, Hollis outlined foundational aspects that need to be in place first. An organization must have a scalable and efficient business model, meaning that an organization must be able to produce, distribute, and sell its products or services efficiently. Another foundational aspect is innovation; not that an organization has to be first at a new product or service, but to stay in touch with the latest trends and create products and services accordingly.

Once an organization has its foundational aspects in place, Hollis (2008) outlined five components required for a successful global brand: a great brand experience, clear and consistent positioning, dynamism, authenticity, and a strong corporate culture. A great
brand experience refers to a customer’s perception of service and value. Clear and consistent positioning refers to the messaging of the brand; organizations are consistent with the marketing messages and stay away from confusing the customer base. Dynamism refers to producing trend-setting products and being a leader through communication and actions. Authenticity refers to a brand’s origins; customers respect a brand that has stood the test of time. A strong corporate culture refers to one that has a passion for its customers and meets the needs of its customers.

The McKinsey Quarterly reported on Nike’s brand power in 1997, “Nike raced ahead of the pack by exploiting its brand power to move from sports footwear into athletics clothing, turning itself into a symbol of fitness and well-being. It then went several steps further, positioning itself as an athletic lifestyle company which, by using celebrities such as the basketball star Michael Jordan and the golfer Tiger Woods to endorse its goods, enabled customers to identify with the lives of their sporting heroes. Today, the company offers innovative and stylish products, backed by marketing that combines traditional advertising with imaginative schemes to build basketball courts in inner cities and donate free Nike gear to high schools” (p. 24).

Court, et al. (1997) combined the attributes of Hollis’ (2008) pyramid and five steps in building a successful brand and outlined that to build global brand power, a brand needs three basics – alignment between communication and delivery, consistent delivery, and distinctive product – and personality and presence. Court, et al posited, “Nike brings together celebrity endorsements, creative advertising, and innovative local marketing to build a complex personality that couples an aspirational overachiever ethic with a notion of community service” (p.33). Clearly Nike has been working at investing and growing its brand for many years.

**Interbrand**

To propose a branding strategy and related marketing program that shows promise of sustained success, an understanding of the brand rating and ranking approach used by a major global branding report is required. Interbrand is an organization focused on creating and managing brand value. According to its website, “Interbrand started in 1974 when the world still thought of brands as just another word for logo. We have changed the world’s view of branding and brand management by creating and managing brands as valuable business assets” (Interbrand, 2010).

Interbrand’s rating and ranking approaches analyzes the ongoing investment and management of the brand as a business asset. This method considers several ways in which a brand touches and provides an organization with benefits. The results of the methodology
are used to guide brand management, thus organizations use these results to make business decisions. There are three components of Interbrand’s assessment: the branded products or services’ financial performance, the role of brand in the purchase decision process, and the strength of the brand (Interbrand, 2010).

Interbrand focuses on economic profit to determine financial performance. To determine economic profit, taxes are removed from net operating profit. From the economic profit, a capital charge is removed to account for the capital used to generate the brand’s revenues; the capital charge rate is set by an industry weighted average cost of capital (WACC). Once the economic profit is determined, it is analyzed for a forecasted five-year period and for a terminal value. According to Interbrand’s Best Global Brands Report, “The terminal value represents the brand’s expected performance beyond the forecast period. The economic profit that is calculated is then multiplied against the role of the brand to determine the branded earnings that contribute to the valuation total, as noted earlier” (p. 11).

The role of the brand focuses on the consumer’s decision to purchase because of the brand; this does not include other influencers such as price or product features. Interbrand analyzes the portion of the demand for a product or service that would be in excess of the demand of a similar unbranded product. Brand percentage is multiplied by the economic profit which results in the amount of branded earnings. Branded earnings are then applied to the brand valuation total. Brand value results are determined by Interbrand by establishing brand earnings, multiplying brand earnings by brand strength, and discounting the total to present value (Interbrand, 2010).

Brand strength is more complex than establishing economic profit and brand earnings. According to Interbrand (2010), “Brand strength measures the ability of the brand to secure the delivery of expected future earnings. Brand strength is reported on a 0 to 100 scale (where 100 is perfect) as determined by an evaluation across 10 dimensions of brand activation” (p.11). The 10 components of Interbrand’s brand strength score contribute equally to assessing the brand’s ability to generate value. The 10 dimensions focus on all aspects of the brand (products, people, partners, positioning) to create a holistic view of brand evaluation. An update has been made to these components to include corporate citizenship, audience fragmentation, product design, social media, and return on investment (ROI) (Interbrand, 2010).

Interbrand determines brand strength based on the following 10 dimensions: commitment, protection, clarity, responsiveness, authenticity, relevance, presence, understanding, consistency, and differentiation. These 10 dimensions will be used to establish an evaluation of Nike’s current marketing and brand strategy. According to Interbrand’s Best Global Brands Report (2010), the 10 dimensions are defined as follows:
Commitment: “A measure of an organization’s internal commitment or belief in its brand. Commitment is the extent to which the brand receives support in terms of time, influence and investment” (p.6). An example of a brand that did not demonstrate commitment in 2010 was British Petroleum (BP), when an oil well in the Gulf of Mexico continued to spew oil over a three month period damaging the economy and the environment.

Protection: “This component examines how secure a brand is across a number of dimensions – from legal protection and proprietary ingredients to design, scale or geographical spread” (p.6). An example of protection can be seen with Kleenex and Apple. Kleenex has become the name by which tissue is known and Apple polices its i-prefix names to ensure no use of like names are being used.

Clarity: “The brand’s values, positioning and proposition must be clearly articulated and shared across the organization, along with a clear view of its target audiences, customer insights and drivers” (p.7). Organizations such as Proctor and Gamble (P&G) and Unilever allocate budget to focus on research and invest in highly skilled resources.

Responsiveness: “The component looks at a brand’s ability to adapt to market changes, challenges, and opportunities. The brand should have a desire and ability to constantly evolve and renew itself” (p.7). In this dimension, many organizations have responded to customer concerns such as a desire to see sustainable products like fuel efficient cars.

Authenticity: “This component is about how soundly a brand is based on an internal capability. Authenticity asks if a brand has a defined heritage and a well-grounded value set, as well as if it can deliver against customer’s expectation” (p.8). An example of authenticity are those brands which have stayed the course on what differentiated them in the first place, brands such as Chanel and Gucci.

Relevance: “This component estimates how well a brand fits with customer needs, desires, and decision criteria across all appropriate demographics and geographies” (p.8). Organizations such as the Gap have integrated mobile into its brand experience by developing a mobile shopping platform that uses video interviews, Twitter, and provides the ability to purchase products via the mobile device.

Presence: “This measures the degree to which a brand feels omnipresent and how positively consumers, customers and opinion formers discuss it in both traditional and social media” (p.8). Starbucks is an example that integrates different elements of social media such as blogs, YouTube, Facebook, and Twitter to elevate its presence.
Understanding: “Not only must customers recognize the brand, but there must also be an in-depth understanding of its distinctive qualities and characteristics, as well as those of the brand owner (p.9)”. Apple is immediately recognized by consumers via its distinctive, clean, smooth lines of products. Apple’s product design communicates the innovative vision of the company.

Consistency: “This measures the degree to which a brand is experienced without fail across all touchpoints and formats” (p.9). Organizations such as McDonald’s have adapted to local markets by being consistent about inconsistency. McDonald’s adapts products to appeal to local markets.

Differentiation: “This is the degree to which customers perceive the brand to have a positioning that is distinct from competition” (p.9). An example would include the Apple iPhone and its third-party applications. Apple “apps” as they are called are created by third-parties for the iPhone device. Other smartphone brands such as Google and Blackberry have had to keep up with the innovation created by Apple.

The 10 dimensions that Interbrand uses to determine brand strength will be used in the analysis of Nike’s current marketing and brand strategy.

Nike’s Brand History

Stonehouse and Minocha (2008) posited that Nike has been a leader in management practice and business innovation; foundational practices that enabled it to grow from a specialist business in 1972 to a global brand. Nike is accepted as the sports apparel market leader based on its revenue, global penetration, and market share. The “swoosh” and Nike’s name (the Greek goddess of victory) are synonymous with high performance sports.

To understand how Nike as a brand has been developed, a review of its history is warranted. Hollis (2008), Court, et al (1997), and Interbrand (2010) identified common characteristics that contribute to brand strength such as commitment, consistency, authenticity, and clarity. Examining a brief history of Nike will provide an understanding of how a foundation was built that contributes to the strength of the Nike brand.

In 1972, when BRS (before Nike was Nike) was launched, the target audiences for its products were serious, young athletes. BRS focused on creating high performance running shoes. Founders Phil Knight and Bill Bowerman had in-depth knowledge on how athletes depended on shoes to aid performance. The knowledge and experience of Knight and Bowerman evolved into the product design and development core competencies practiced by Nike today. Packaging the design and development core competencies with a high-profile athlete contributed to growing sales (Stonehouse & Minocha, 2008).
Through the 1970s and 1980s, prominent athletes continued to wear Nike shoes with its swoosh logo; Nike shoes were constantly visible to sports fans. During this time period, young people exhibited a desire to dress casually and began to copy admired athletes. Nike recognized this trend and targeted its research to focus on young people in their teens and early 20s to gain insight into their behavior and thinking. Through this research, Nike established that young people tend to go through a rebellious streak and they identified with successful athletes that demonstrated the same streak. This discovery led Nike to make key decisions in design and development, marketing, sponsorship, and promotion (Stonehouse & Minocha, 2008).

One of the first decisions that Nike made was to expand its product range to cover a wider array of sports, including sports that were not popular in the United States. Another decision made by Nike was to extend its apparel to include not only sportswear but also apparel that was suitable for casual wear. Nike continued to build on its core competencies in design and development, incorporating customer insight, and using high performance materials to manufacture shoes and apparel. One significant design and development breakthrough was the invention of the “Air” characteristic which incorporated air cushion into a shoe’s sole and heel (Stonehouse & Minocha, 2008).

Nike had inherent core competencies that came from its founders; however, other competencies were needed to reinforce consistency and commitment in its operations. Nike’s leadership realized that they lacked the strategic knowledge to manufacture its own products. Nike’s leadership decided to keep some activities, such as design and development, in-house and outsource others such as manufacturing and logistics. Nike outsources to Taiwan, China, and Brazil, imposing strict quality control standards (Stonehouse & Minocha, 2008).

Supply chain tasks are considered important concerning the Nike brand. Nike focused on retailers that only sell its products. In addition, Nike has launched its own retail stores called Niketown. The benefits of Niketown stores enable Nike to deal directly with its customers. Dealing directly with customers allows Nike to protect its brand and learn from customers. Nike considers customer input strategic knowledge which is used as a competitive edge (Stonehouse & Minocha, 2008).

Although product design and development contributes to Nike’s competitive advantage, marketing and promotion contribute as well. Nike’s knowledge of its young customer base remains a critical success factor in marketing and promotion. Nike employs famous athletes to promote and endorse its products. The athletes which Nike works with are not only successful, but also tend to be controversial as well. The controversial nature of the athletes continues to appeal to the rebelliousness found in Nike’s young customer base. Nike has
worked with Michael Jordan from basketball, John McEnroe from tennis, and David Beckham from soccer (Stonehouse & Minocha, 2008). One of the most prominent athletes in the world, Tiger Woods from golf, recently went through a public scandal that resulted in his divorce; Nike continued to use Woods and even worked with him to try to repair his image (Interbrand, 2010).

**Nike’s Current Brand State**

Reviewing Nike’s history, several characteristics contribute to Nike’s brand strength, one of which is a strong customer relationship. To understand Nike’s relationship with its customers, the BrandDynamics™ Pyramid is used. The pyramid has five levels: presence, relevance, performance, advantage, and bonding.

Presence, customer awareness of the brand through use of the products, is a strong point of Nike’s. Nike was built on an association with those who know the product; athletes help design and actively use Nike’s products. Customers see experts using the products during sporting events and associate Nike’s products as high performance and quality. Relevance, customers believe the brand provides value, is inherent based on the athlete’s use and sponsorship of Nike products; athletes would not use the product if they did not believe the product provided value. Performance, customers believe the brand delivers on its promises, is reinforced by two practices of Nike – design and development core competencies and incorporating the input of athletes and customers into new products. Advantage, customers believe in a benefit from the brand, comes from relevance and performance; high quality, high performance products provide an advantage. Last, bonding, which occurs when customers believe that the brand is the best for them, is reinforced by Nike’s research into the thinking and behaviors of its customer base. Nike’s focus on its young customer base and discovering the rebellious connection of young people to athletes continues to bond young people to Nike products.

Foundational aspects are important components of an organization’s operational efficiency which contribute to customer service and product satisfaction. According to Hollis (2008), an organization must be able to produce, distribute, and sell its products or services efficiently. As mentioned previously, Nike outsourced the manufacturing of its products, developed a core competency in supply chain, and created retail stores to be closer to its customers. Another foundational aspect is innovation; staying in touch with the latest trends and creating products and services accordingly. According to Stonehouse and Minocha (2008), “Nike’s leaders encourage its employees to think creatively and there is a strong but informal team-based work ethic. Informality is used as a mechanism for promoting forward thinking and the sharing of ideas, which are essential to the creation of new strategic knowledge. Design teams work in informal and picturesque surroundings to develop new
concepts and products to keep the company in touch with its customers. Laboratories and test tracks to test out new products are also located on site” (p. 27). Nike’s leadership believes there is a seven year brand cycle and spends large sums on continuous innovation.

Using Hollis’ (2008) five components to evaluate the ingredients in building a successful global brand can further illustrate how Nike has developed brand strength. Hollis (2008) outlined five components required for a successful global brand: a great brand experience, clear and consistent positioning, dynamism, authenticity, and a strong corporate culture. Nike has a strong customer relationship (as demonstrated through the use of the BrandDynamics™ Pyramid), where customers have a high perception of service and value. Nike focuses on providing a consistent message to its customer base by sticking to its formula of partnering with famous athletes which reinforces its theme of producing high performing products and value. Dynamism, producing trend-setting products and leading through communication and actions, is a strong point for Nike as it focuses on product innovation as part of its product lifecycle. Authenticity refers to a brand’s origins; Nike’s continues practices that were established in 1972. To continue to illustrate a strong corporate culture, Nike has consistently increased its corporate citizenship to keep the “children in sweatshops” image from resurfacing (Interbrand, 2010).

Interbrand published its report on the Best Global Brands of 2010 and Nike placed 25th on the list. Based on financial performance, the role of the brand, and brand strength, Nike created a brand value of $13.7 billion, up 4% from 2009. Interbrand’s synopsis of the Nike brand for 2010 included strengths on providing clear brand messaging, staying true to its heritage and strong brand positioning. Nike continues to spend on endorsements but has not overspent on promotions and advertising. Nike created a return on investment on $2.35 billion spent in global marketing by creating content that attracts millions without advertising. Nike’s largest competitor is Adidas, which ranked 62nd on the Best Global Brands of 2010 list and has a brand value of $5.5 billion, an increase of 2% over 2009. Interbrand suggested Nike should invest more in social media as this is one area that Adidas does a better job. Nike received some negative criticism for standing by Tiger Woods during his marriage scandal; however, remained unscathed. Last, Interbrand cited Nike’s investment in corporate citizenship as an area that can continue to strengthen the brand.

**Recommended Brand and Marketing Strategy**

Based on Best Global Brands report of 2010 and Hollis (2008), Nike has strong brand value. Hollis (2008) lists Nike as 6th on the global brand power score list. Interbrand has listed Nike in its yearly report continuously since the 1990s as one of the top global brands (Interbrand, 2010). Clearly Nike’s strategy is working well.
The recommended brand and marketing strategy will include reuse of some of Nike’s current practices. Nike has focused on customer experience through maintaining true to its brand’s authenticity, relevance, understanding, and consistency. Keeping a focus on these areas is recommended as these practices have contributed to the brand strength, growth, and value over the years. New recommendations to Nike’s brand and marketing strategy are based on industry and markets trends. Interbrand provides analysis on trends that are currently happening or will be surfacing in 2010 and in subsequent years. Four areas should be considerations for Nike in adjusting its brand strategy: consumer packaged goods, retail, technology, and digital.

Nike is predominantly a wholesale organization selling directly to its retail partners; however, has a retail component as well with its own Nike retail stores. Within the last few years, Nike has also focused more on its Internet presence with its online Nike stores, NikeiD, which allows consumers to customize products online, and individual performance tracking for athletes. For these reasons, a closer scrutiny on trends in consumer packaged goods; retail, technology, and digital are warranted.

Trends in consumer packaged goods (CPG) tend to be impacted by the global economy and with the global economy struggling, price point and differentiation are immediate considerations of consumers. Interbrand (2010) outlined that the principles for CPG success are investing in customization and consumer connection. NikeiD is a good start to offering consumers an opportunity to customize and personalize products, which strengthens the consumer connection.

Retail trends have shifted from new brick and mortar store expansion to growth through e-commerce (Interbrand, 2010). Organizations need to recognize that consumers are interacting with brands through technology and wireless touchpoints. Nike has invested more in its online presence and has partnered with Apple, Inc to integrate capturing athlete performance metrics via the iPod or iPhone. Interbrand outlined that organizations need to “act like a brand” through incorporating innovative products and value-add features. Brand spaces, both virtual and physical, need to be personal and meaningful.

Technology and digital trends should be considered together. Technology enables the digital trends that are emerging. According to Interbrand (2010), “consumers are embracing technology at an unprecedented rate and interacting in new and different ways” (p.51). Mobile web is the most popular form of access in emerging markets, where the economy is actually growing. Trends in technology are moving to more of a vertical experience for consumers. Apple, for instance, integrates its consumer experience across all of its technology. More collaboration is occurring through natural competitors enabling a trend toward allowing brands be present on any device or media.
Digital trends provide new marketing opportunities. Facebook, for example, is reaching consumers through all media and platforms and has led the trend in social networking (Interbrand, 2010). Social media provides marketing and brand positioning opportunities through leveraging social networking. Facebook allows consumers to provide feedback on products that is more likely to be valuable and sincere. With the trend of social networking rising, Nike needs to invest more in utilizing social media to interact with its consumer base. Interbrand outlined that Nike trails Adidas in this area.

Using Interband’s brand value dimensions and considering the industry trends impacting Nike, the following are the recommendations for Nike to consider in its marketing and brand strategy:

- **Commitment:** Nike continues to be strong in its commitment to its brand. Nike has become an icon in the brand management area (Holt, 2003). According to Holt, “Revered by their core customers, Nike has had the power to maintain a firm hold in the marketplace for many years. Few marketers, however, have any notion of how to turn their brands into icons, and that's because icons are built according to principles entirely different from those of conventional marketing” (p.43). Continuing the course in this area is recommended.

- **Protection:** Nike’s core competency of product design and development has historically contributed to the authenticity and consistency of its brand. Nike is secretive about upcoming product design and has a dedicated lab at its Beaverton, Oregon, world headquarters for product development. The edge in the design and development process is the input from the athletes into the design. While no specific change is recommended, Nike will need to stay close to the sport trends and identifying those athletes that its consumers value as role models or heroes. Athletes change as new ones become rising stars and older ones decide to retire.

- **Clarity:** Nike has dedicated itself to be a leader in market research in order to understand its customers. This is another strong point, especially since Nike incorporates the results of its market research into its product design. Market research allows Nike to gain insight into not only what its customers want, but also what they might want in the future. Nike will need to continue building its core competency of market research to understand trends. Nike forecasts its product demand based on trends, not much on past product sales.

- **Responsiveness:** Nike focuses on sponsorships of events and includes social-awareness programs. As part of the 2010 World Cup, Nike created an anti-AIDS campaign. Even though the World Cup event has ended, Nike has kept up the momentum and messaging with this campaign. Nike should incorporate the use
of more social media to understand what its consumers care about. Gaining this insight would help Nike target its campaigns that resonate with its consumers; this approach would strengthen its existing ties to consumers and gain new ones.

- **Authenticity and Relevance:** Due to core competencies of market research, product design and development, authenticity and relevance are strong points for Nike. Market research will remain an area that needs consistent investment and attention as markets tend to change and new ones emerge. Baby boomers, while not the most active consumer segment, are staying healthier and active longer. Nike may want to consider market research in this area; although some experts outline that this could contribute to brand inconsistency (Holt, 2003).

- **Presence:** As noted, Nike needs to step up its presence via social media. While Nike’s web site is interactive and activity is increasing with NikeID, Nike has yet to incorporate social media into its strategy. Nike’s top competitor, Adidas, is using social media to get a better understanding of consumer priorities. Presence could include focusing on increasing market penetration in emerging markets. Emerging markets such as China, Brazil, Russia, and India are predicted to be a large percentage of growth over the next 20 years (Interbrand, 2010).

- **Understanding and Consistency:** Nike has been very consistent in its branding approach. According to Interbrand (2010), “It would be hard to think of a brand that has a clearer, more consistent heritage than Nike. From its name to its positioning, victory is the thread that runs through the brand" (p.19). Victory is the context that helps Nike also understands its consumers (in addition to market research). Athletes inherently want to succeed, perform well, and win.

- **Differentiation:** Nike has increased its product offerings, initially focusing on running shoes, then apparel and then incorporating sports gear. Nike continues to expand its offerings across product categories and different sports. Nike could use social media to gain a better understanding of consumer preferences around customization and what product differentiation makes sense.

**Conclusion**

Nike has evolved into an icon (Holt, 2003) and evidently has had a successful marketing and brand strategy. Going forward, Nike will need to increase a focus on presence via the use of technology and social media. Additionally, to maintain a strong connection with its consumer base, Nike will need to stay close to market and industry trends as these are success factors in maintaining its product leadership. Nike could improve its presence by focusing on growth areas, such as emerging markets. Taking these recommendations into account, the Nike brand can sustain its position as a global brand leader.
References:


The Changing Business Model for Medical Devices Manufacturing

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Abstract: Contract manufacturing is highly competitive and has low profit margins. This paper outlines a process that a contract manufacturer can take to transform a company from a contract manufacturer to a developer and provider of its own healthcare products. For this transformation to be successful, the company has to consider external factors such as target market, business environment, distribution channels, and local regulatory requirements. Internal factors such as marketing strategy, product technology, resources, and company expectations have to be considered as well. The paper addresses these issues as well as the regulatory approval process as it applies specifically to the Chinese medical device market.

Keywords: Changing a business model, Medical devices, Healthcare in China, Chinese Medical Devices, Chinese medical device manufacturing, Contract manufacturing, Coagulation, SFDA regulation, Distribution channels in China, Healthcare reform in China, Medical device approval process, PT/INR, Coagulation meters, New business opportunities, Company transformation, Business model shift, Transforming a company


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Currently, Ms. Lum is in charge of Corporate Marketing at Automatic Manufacturing Limited. Her previous experience includes co-development of products with overseas customer and launching products in US, European, and Far East markets. Prior to pursuing a career in Marketing, she held a number of positions in Engineering and Manufacturing.
1.0 Introduction

The Chinese government is in the process of reforming its healthcare system. The healthcare system reform includes a plan to cover over 90% of China’s population under a universal healthcare system. The State Council announced the allocation of 850 billion RMB (US$ 123 billion) for the new Medical Reform Plan. The goal is to improve the health care system over a three year period through 2011 as has been reported by Knowledge Wharton (2009, July 22). The reform will support a high demand for medical devices and improve clinics as well as hospital facilities. Knowledge Wharton (2009, July 22) also indicated that the plan will create a solid and universal healthcare platform for the population through 2020. The government focuses on health coverage in urban as well as rural areas.

The medical device market in China has seen a double-digit growth rate of 15% to 18% due to increasing healthcare demands by its aging population and an increase of a wealthier population segment that seeks better health care. The demand for Medical devices has increased and along with it, the expectation for reliability, quality, and affordable price to the patient. Most families are willing to pay for high quality implants or home use devices. Undoubtedly, the medical device market has great potential growth.

Currently, HoTele *Note (HT) is a contract manufacturer with manufacturing facilities in China. Its core competence is the assembly of medical electronic devices and manufacturing of plastic injection molded components. The assemblies and plastic components are supplied to markets in the USA and Europe. HoTele (HT) maintains ISO 13485 (Medical device manufacturing quality system) registration, Food and Drug Administration (FDA) registration, as well as State Food and Drug Administration (SFDA) registration. HT carries out these activities efficiently and at low cost therefore making it attractive for other manufacturers to use HT as their Far East manufacturing arm. Growth depends on HT’s ability to keep its manufacturing costs low to attract customers. The business can be cyclical and depends on worldwide economic conditions and the willingness of other companies to subcontract their manufacturing to HT. It should be noted that contract manufacturing has a relatively low entry cost and the number of companies in that business activity is high. Since there are numerous competitors, the service currently provided is price sensitive, and the profit margin is low. Growth opportunities are somewhat limited and depend on numerous economic factors. The path to higher growth and robust profit margins is for HT to change its business model from a contract manufacturer to a developer and provider of its own healthcare products. HT can develop its own products by taking one or more of the following steps.

1. Establish its own research and development departments to design low cost devices.
2. Purchase one or more established companies that have established products and market segments.
3. Purchase one or more startup companies that are developing new products.
4. Invest in one or more newly established companies that are in the process of developing new products.
5. License patents, intellectual properties, and manufacturing rights from companies that successfully manufacture and sell products to local markets. The product that HT will develop will have to utilize HT’s current core competencies of injection molding and electronic circuits. HT has experience with manufacturing of glucose monitors and related medical diagnostic devices. A possibility is the manufacturing of a portable coagulation meter. Coagulation meters are known in the industry as PT/INR meters. PT stands for Prothrombin Time, and INR stands for International Normalized Ratio.

Blood thinners such as warfarin is used to treat a number of conditions such as pulmonary embolism (PE), cerebral venous sinus thrombosis (CVST), vertebral artery dissection (VAD), Venous Thrombosis, Atrial Fibrillation, Artificial Heart Valve replacement, and other diseases or for clot prevention after major surgery.

Coagulation (PT/INR) testing is done by laboratories that use large laboratory based diagnosing equipment. This process normally requires that a blood sample be drawn by a nurse, the sample is sent to the laboratory, the laboratory does the test, and then the results are forwarded to the doctor. This process can take from three to twenty-four hours. A more desirable way to verify the coagulation factor is to utilize a piece of portable equipment that can be used at the site of the patient, and provides the results in less than five minutes. Portable coagulation meters consist of an electronics module and a test strip where the blood sample is deposited. It should be noted that in some countries such as the US and Germany patients can test themselves. Health insurance companies cover the cost of equipment and test strips.

Patient side Coagulation (PT/INR) meters are used by healthcare providers and patients to monitor the blood coagulation factor. Coagulation range is difficult to maintain because the coagulation factor depends on the specific food the patient eats. Once stabilized, the patient normally checks the coagulation factor once or twice a month. Since blood needs to contact the measuring device, some portion of the device, for example a strip, is disposable and will be the main revenue source. The main users of coagulation monitors are hospitals, doctor’s offices, individual patients, clinics, and home visiting health care providers (nurses). The market is quite large; in the US alone, over 30 million prescriptions for warfarin (blood thinner) are filled out every year (Harriet Hall, 2010 Mar 30). It is estimated that 400 million PT/INR tests are conducted every year worldwide (website: Universal Biosensor.com). Currently there are several major players of patient side PT/INR meters:

- Roche Diagnostics
- Technidyne Corporation
- Alere
- Universal Biosensors
- CoaguSense / Abbott

Roche is the market leader. The other manufacturers serve mostly niche markets.
The recommended method for HT to enter the patient side coagulation testing market is to license the manufacturing rights from a company that has already developed a PT/INR meter and has obtained clearance from the FDA to market the meter for patient use. The company that is the best candidate to provide that license would be a small company that meets the following criteria:

- The company is not adequately capitalized to manufacture and market the product in its home country.
- The number of units sold or distributed is limited.
- The company has limited in house manufacturing capability and uses subcontractors for most manufacturing activities.
- Number of full time employees is small.

HT is well positioned to establish a partnership with such a company. HT has offices in Hong Kong and can take advantage of the territory’s special economic status as well as the favorable taxation system offered by the territory. Additionally, HT is well capitalized and has factories in China thus ensuring cost competitiveness.

HT has over 10 years of medical device manufacturing experience with engineering redesign services. HT’s business model will have to change from contract manufacturing to technical licensing and manufacturing of medical devices that will be marketed by HT within the Far East market and more specifically in the Chinese market. HT will also continue to be a contract manufacturer for US and European customers.

A company that transitioned successfully into the medical device market is Mindray Medical (NYSE:MR). Mindray Medical was initially a Chinese private-sector company and progressed from low cost contract manufacturing to designing and developing their own technology of patient monitoring devices. Initially they distributed their products to over 150 cities in China and currently they distribute them worldwide. Today, Mindray Medical is a leading developer, manufacturer and provider of medical devices for patient monitoring, in-vitro diagnostic instruments, biochemistry analyzers and medical imaging systems (Edward Tse 2010, p. 68).

By licensing the manufacturing, design, and distribution rights from a manufacturer that meets the above criteria, HT minimizes the risk associated with developing a new product and at the same time can bring to market a product quickly.

This report is focused on the Chinese Market channel for monitoring treatment devices (e.g. Coagulation) and what factors HT has to implement in order to change its business model successfully.
2.0 Market Outlook and Opportunities

2.1 China Medical Devices Industry

The prospects for the medical device market are excellent since the Chinese government has committed budgets to re-construct the thousands of hospitals, healthcare centers, clinics, as well as upgrade medical devices, equipment, and related infrastructure in a short period of time. Due to lifestyle changes and great economic growth, China has seen increased demand in diagnostic treatment and after treatment monitoring devices. China has committed to open the medical device market when she joined the WTO in 2001. There are in excess of 600 commodities, including medical products that qualify for lower import tariffs as of 1 Jan 2010. China provides numerous opportunities for importing medical devices and related products under a lower tariff. Meanwhile, the new health insurance coverage system includes urban and rural areas that will expand the growth rate of the health care market. In China, domestic demand for healthcare services is growing because the patients can have 50% of their healthcare costs covered by insurance companies.

According to the China Market Research Group (2009), the top three diseases that afflict its population are cancer (28.53%), cerebrovascular diseases (18.04%) and cardiovascular disease (16.29%). It is estimated that in China 2.6 million people die due to cardiovascular disease. Deaths due to cardiovascular diseases increase at a rate of 25% per year as published by Clearstate (2010). Patients demand advanced medical techniques to treat those diseases, and China has to rely heavily on Western medical devices technology to treat them.

The overall interventional cardiology products market in China has grown from approximately $770 million in 2008 to an estimated $1.8 billion in 2012 (Clearstate 2010). The demand will increase for treatment monitoring devices such as glucose meters and coagulation monitoring devices.

HT has the opportunity to refocus its business, penetrate the Chinese medical device market, and grow with the market. This action will provide new business and growth opportunities. Coagulation devices and a series of related heart treatment and monitoring devices will be the platform that HT will base future products that will grow its business with.

2.2 Market situation

In China, there are three main categories of medical device markets: hospital facility equipment, outpatient clinic equipment, and medical instruments used by households. From 1999 to 2008, the number of hospitals in China had increased from 13,489 to 19,712 (see table 1 for details).
Table 1: Number of Hospitals by Beds 1990-2008

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals (Total)</td>
<td>13489</td>
<td>15446</td>
<td>18393</td>
<td>18703</td>
<td>19246</td>
<td>19712</td>
</tr>
<tr>
<td>&lt;100 Beds</td>
<td>7787</td>
<td>7898</td>
<td>10867</td>
<td>11156</td>
<td>11516</td>
<td>1172</td>
</tr>
<tr>
<td>100-199 Beds</td>
<td>2872</td>
<td>3976</td>
<td>3811</td>
<td>3746</td>
<td>3803</td>
<td>3572</td>
</tr>
<tr>
<td>200-499 Beds</td>
<td>2389</td>
<td>2762</td>
<td>2757</td>
<td>2777</td>
<td>2832</td>
<td>3020</td>
</tr>
<tr>
<td>500-799 Beds</td>
<td>441</td>
<td>661</td>
<td>715</td>
<td>740</td>
<td>764</td>
<td>907</td>
</tr>
<tr>
<td>800 Beds</td>
<td>---</td>
<td>149</td>
<td>243</td>
<td>284</td>
<td>331</td>
<td>488</td>
</tr>
</tbody>
</table>

Sources: 2009 Health Statistics Abstract

By the end of 2006, China had to upgrade approximately 20,000 hospitals and over 40,000 health care clinics (MedicExchange.com, 2009). The Chinese government had to purchase mid- and high-technology medical devices such as X-ray machines, patient monitoring equipment, ultrasonic testing equipment and other treating and monitoring devices for these facilities. These purchases increased the demand for medical devices.

2.3 Product & Pricing Requirement

Quality and technology are important factors that influence purchasing decisions; however, due to government budgetary limitations, affordability is one of the criteria that require consideration. As urban cities are growing, premium products such as implants and cardiovascular devices increase in popularity due to the wealthier population found in large urban areas like Beijing, Shanghai, Shenzhen, Guangzhou and other second tier cities. Treating cardiovascular diseases with interventional or non-surgical procedures is expensive. Typically, these procedures cost between US$ 1,300 to US$ 11,000. The demand for these procedures continuously increase (Knowledge Wharton, 2009 July 22).

Paul Jansen, Global Head Medical Devices of Sanofi Aventis said Chinese medical devices market is not price driven and the patient is more concerned the quality of devices. So far, they have not reduced their price in China market as the group of patients can afford to pay the premium price.
2.4 Purchasing Process

In order to avoid corruption, the Chinese government has implemented the “Three high-tension lines” rules (John & Boris Naisbitt, 2010, p.50). No officer is allowed to decide on projects without open bidding; have a single supplier set the price of the project; or use his or her power to reap profits for relatives or friends. However, doctors and hospitals have a great deal of influence on medical device selection.

The three main categories of the medical device market are: hospital equipment, medical products, and household used medical instruments. At present, the decision-making process is implemented by the three entities given below.

1. The instrument and equipment department that is in charge of purchasing medical equipment for the hospital
2. Professors from a consulting institute who are members of the equipment management committee that evaluates the list of the equipment to be used.
3. The director of the hospital who authorizes the final purchasing decision.

During the purchasing process, doctors or the director of each specialty division provides a list of equipment to be purchased. That list has been approved by the equipment management department. For the purchase of facility level products and newer technology, the director of hospital division is the key decision maker. The doctors have the highest influence on deciding upon the brands and products.

Other factors that will be considered in selecting the equipment and diagnostic devices are:

- Product Technology
- Reliability and effectiveness
- Installation and User requirements with training
- After-sales services

It should be noted that the price might not be an important factor in state run hospitals because the price is controlled by Ministry of Health (MOH).

In China, the purchasing process of medical devices for hospitals depends on the purchase amount (see appendices A and B: Process of Direct Purchasing with Fund approval) and the nature of the medical devices. Generally, the two main methods in Mainland China are classified as direct purchase and biding.

2.4.1 Direct Purchasing with Fund Approval

The majority of hospitals is public, and is run by the Chinese government. These hospitals have to submit the list of equipment and devices in order to obtain Government funding approval every year.
2.4.2 Co-centralized bidding

Since 1999, the Chinese Government required a formal tendering process for all imported products. The Ministry of Health (MOH) is responsible for the procurement of medical equipment. Purchasing at the provincial level require a bidding and tendering process for medical devices sold to State hospitals. Eventually, these tendering schemes caused extra costs (tendering fees and bid bonds), and added bureaucracy.

2.4.3 NDRC Pricing Proposal

In January 2006, the National Development and Reform Commission (NDRC) released a new pricing structure proposal for medical devices. The new pricing for medical devices specifies the mark up formula from the factory price all the way to the final sale price that medical institutions and hospitals will pay. In July 2007, the government issued the “Notification on Further Strengthening the Management of Co-Centralized Bidding for Purchasing Medical Apparatus and Instruments” to make the purchase process transparent and reduce the price paid by end-user. Through this change in bidding and pricing structure, the Chinese government is planning to encourage co-centralized bidding for medical device purchasing. Per Jay Biggs (2009, July 28), a proposal has been drafted whereupon the bids are handled by the health department of local governments and all public hospitals must participate in this purchasing process.

2.5 Reimbursement

2.5.1 Urban Health Insurance

On November 13, 2005, the Ministry of Health announced the strengthening of the urban health insurance system. Eventually, 90 percent of the urban population will be covered by the insurance program. Urban patients will be reimbursed at least 50 percent of the basic medical fees; these patients will be able to afford high value medical devices.

2.5.2 Rural Health Insurance

Approximately 70% of China’s 1.3 billion population lives in rural areas yet only 25% of China’s rural population are covered by rural health insurance. According to Misha Cao (2006 May 18), most medical services are not covered by insurance and the patients have to pay for these services themselves. In 2000, the Ministry of Health estimated approximately 87% of rural patients paid the full cost of their medical treatment due to lack of insurance coverage (Espicom Business Intelligence, 2006). To improve the rural healthcare system, the New Cooperative Medical Scheme is set up to improve the insurance system; eventually the healthcare system will cover 50% of medical costs (World Bank Briefing Note 6, 2005 May).

Due to the limited coverage, that health insurance provides, especially in rural areas, China has to keep down medical device prices under the reimbursement scheme. HT has to consider the sale of its products in cities such as Beijing, Shanghai, Tianjin, Chongqing,
Guangdong, Hubei, Zhejiang, and Liaoning because the insurance system is well established in urban areas.

3.0 Regulatory Environment

3.1 SFDA Regulation and related issue

In China, medical devices are defined by three different classification levels based on the product risk registered by SFDA. Class I Medical Devices are low risk devices that do not require any pre-marketing testing and clinical investigation for approval; documentation is the only requirement. Class II and III Medical Devices require testing, investigation and registration as shown in the table below. Class III devices are implantable and are used for life support. These devices pose potential risk to human life; they are strictly controlled with respect to safety and effectiveness.

A device database can be found on the Internet at: [http://www.sda.gov.cn/gyx02302/flml.htm](http://www.sda.gov.cn/gyx02302/flml.htm).

<table>
<thead>
<tr>
<th>QS / GMP</th>
<th>Class I</th>
<th>Class II</th>
<th>Class III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premarket testing</td>
<td>Optional</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Clinical Investigation</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Product registration</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

All medical devices are required to have licenses before they are placed on the Chinese market. Quality system compliance, pre-market testing and clinical investigations are required for Class II and III devices.

Regulatory application, approval and registration is issued by municipal, provincial and, or national authorities. Approval depends on product risk as shown in the table below.

<table>
<thead>
<tr>
<th>Regulatory Application</th>
<th>Class I (low risk)</th>
<th>Class II a, b</th>
<th>Class III (high risk)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval</td>
<td>Municipal</td>
<td>Provincial</td>
<td>Provincial (National if imported)</td>
</tr>
<tr>
<td>Registration</td>
<td>Provincial</td>
<td>National</td>
<td>National</td>
</tr>
</tbody>
</table>

A coagulation measuring device is a class II medical device that requires review by province, autonomous district, and city government with premarket testing and technical review. The device will have to define applicable standards and industry standards for premarket testing. Clinical investigation has to be conducted after passing the premarket testing. All testing and clinical investigation has to be conducted by SFDA designated testing institutes that follow the process outlined below.
3.2 Registration Time Frame

SFDA product registration of Class II devices is estimated to take 9-12 months. This time is required to prepare the list of documents listed below in both Chinese and English versions.

This timeframe does not include the clinical trials or clinical data evaluation.

(http://www.sfda.gov.cn/WS01/CL0029/51998_1.html)

1. SFDA registration form
2. Manufacturer’s certification for legal production qualification (e.g., U.S. FDA registration) of medical device
3. Business license document of the Chinese agent or qualification of applicant registering the product
4. Product marketing approval by government of the country of origin (e.g., 510(k) premarket notification or pre-market approval for U.S.-made devices issued by FDA)
5. Product standards for product registration (e.g. certificate of the product in the manufacturer’s country issued by the Medical Device Administration Authority of this country)
6. Product’s operation manual and photographs
7. Clinical test report issued by SFDA-certified test center (applied only to Class II and Class III products)
8. Test and clinical trial implemented in accordance with Provisions for the Clinical Trial Management of Medical Devices’ Report (only required for certain types of devices; manufacturer may provide clinical reports that were submitted in the country of origin) issued within one year by SFDA appointed testing laboratories and centres
9. Conformity declaration, Product quality guarantee presented by the manufacturer certifying that the product being registered and sold in China has been confirmed in the producing country and is identical to the product approved in the country of origin
10. Letter of Entrustment from the manufacturer to the sales agent in China for after sales service of the product and the agent’s consent letter with its commercial license

11. Self-guarantee declaration of the truthfulness of submitted documents

Since HT will not develop a coagulation monitoring device and according to this proposal plans to license the device from a current manufacturer, HT can reduce the time to market by utilizing data that the device developer used to obtain from the US FDA clearance to market.

3.3 Product Liability and Risk / Insurance aspects

Product malfunction minimization and risk control is integrated in the design process. The US FDA (Food and Drug Administration) requires that the designers of medical devices analyze all possible design or user induced malfunctions, and take steps to eliminate potential malfunctions or minimize the hazards that the patient will be exposed to. Consequently, all medical devices are designed to test themselves prior to actual use and enable patient testing only if they function properly. At the same time, results are analyzed for validity prior to display. Furthermore, the design robustness and minimization of potential patient hazards are monitored for the life of the device by maintaining and analyzing a database of customer complaints. It is a US FDA requirement that all healthcare professionals report device malfunctions to the manufacturer and in turn the manufacturer is required to report device malfunctions to the US FDA.

Coagulation meters use well-understood technology and the risk to the patient is low. The liability is expected to be low given the fact that the device that will be licensed by, and will have US FDA approval.

In China, the Product license’s holder is liable to all activities (e.g. Legal license, liaison with SFDA, after sales services providers and liability compensation) that are related to the products.

Design of the coagulation-measuring device was proven in the US since FDA gave a 510K approval. Afterwards, HT licenses this technology and obtains SFDA approval in order to market the product in China. HT will have to purchase liability insurance for device manufacturing and liability compensation.

4.0 Marketing, Sales, and Distribution

Cardiovascular disease is one of the top three diseases that afflict the population. Heart valve replacement procedures, atrial fibrillation treatment and major surgery are expected to increase substantially. All of these conditions require treatment with blood thinners and monitoring of the coagulation factor. Consequently, the market for coagulation monitoring devices is substantial and growth opportunities for instrument providers are good.

In order for HT to develop this device for the Chinese Market successfully, there are several issues to be considered:
• Understand the details of the market situation and gather accurate information about China (e.g. SFDA regulatory requirement, legal, liability, investment, taxation, etc).
• Identify the proper distribution channels depending on location, end user population and market penetration by companies that dominate this industry.
• Establish warehousing and distribution networks.
• Consider direct distribution, utilization of independent distributors, partners for specific areas or partners that will be used for a specific period of time.
• Provide training to distributors and partners.
• Identify the geographic areas that have the highest density of heart and related diseases that are treated by blood thinners; and where the population has high enough income to afford the treatment and purchase of a coagulation meter.

4.1 Marketing Tools & Distribution Channels

In China, brand image is synonymous with quality. In order to establish solid branding through marketing events and promotion, most companies will actively participate in trade shows, seminars, advertising in industry trade magazines and specified training programs for doctors, nurses and other healthcare professionals. In addition, the companies have to provide the hospitals with after sales services including training, maintenance and repairs. The business model for HT has to shift form a company that provides contract manufacturing services to a company that builds its own devices under license. HT will have to change its marketing philosophy and strategy. Instead of marketing itself to other companies, HT will have to market itself to a much wider population. Its new customers will be hospitals, clinics, healthcare professionals, product distributors, and the general public.

China’s state Administration of Industry and Commerce (SAIC), the MOH, and the SFDA jointly issued two requirements for advertisement of Medical Devices.

• “Measures for the Examination of Medical Devices Advertisement”
• “Standards for the Examination and Release of Medical Device Advertisement”

Both requirements were effective on 20 May, 2009. These requirements apply to medical device manufacturers and distributors who advertise medical devices and diagnostic products within China. Advertisements (e.g. TV, magazine and web site) are required to be made by qualified medical device manufacturers or distributors. However, those advertisements cannot use the names or image of medical research entities, academic, medical organizations, experts, doctors or patients to promote the effectiveness of such devices.

In USA, coagulation measuring devices target two segments - the professional use (e.g. doctors, nurses, hospital, clinics and laboratories) and home-use (e.g. patients). In the Chinese market in order to launch new advanced medical devices, the companies have to arrange conferences, seminars and training sessions for professionals, doctors and nurses so that they can learn how to operate the devices and recommend them to patients.
Meanwhile, China has several magazines (e.g. Tech-ex weekly Medical devices) that can promote products and educate doctors. These magazines are distributed free of charge to doctors, buyers and distributors. Several medical devices exhibitions (e.g. Medical instrument and equipment exhibitions) can be used as a marketing channel.

### 4.2 Strategic licensing and Partnerships

In China, there are in excess of 161,000 medical distributors (e.g. Beijing with 7,700 and Shanghai with 5,700) (website: Emergogroup.com) covering all health care specialties and various geographic regions.

To directly distribute the coagulation devices in the Chinese market, HT will consider the use of one or more of the following options (Ames Gross, 2010):

1. **Use state owned Chinese distribution companies.** It should be noted that there are two types of Chinese state-owned distribution companies: Foreign trading companies (FTCs) and Industrial trading companies (ITCs).
2. **Use privately owned trading companies or local distributors**
3. **Partner with Hong Kong distributors**

**FTCs** have large, authorized, and experienced sales teams to cover the medical device market. They are capable of handling sales activities in multiple provinces. Their sales forces focus mostly on commodities of medical devices instead of developing new business networks. Their market channel and other forms of promotion may not be flexible for new technology products. FTCs are not expected to sell aggressively coagulation meters as a new technology device; however, they can expose their customers to the new device. By providing FTCs with a new product that complements their product line, they will offer it as a service to their customers. It should be noted that all distributors that HT will select will be exclusive distributors, in other words they will not distribute coagulation meters from HT competitors. To take advantage of their size, customer base, and market area that FTCs provide, HT has to offer them a lower price structure so that FTCs will have a favorable profit margin. The price structure will be on a sliding scale in other words per unit profit will increase for higher volumes to encourage high volume sales.

Privately owned trading companies and local distributors are more aggressive, entrepreneurial and market-oriented than state-owned enterprises. To select the right local distributors, HT should have to carefully screen each individual for their professional skill, geographical area, as well as financial stability. These distributors may not carry inventory of medical devices. Meanwhile, due to their weak financial situation, HT will have to handle the inventory, logistics and after-sales services. To take advantage of the aggressive style of these distributors, HT will provide them with units that they can lend them as testing samples to potential customers for some period of time. The per unit profit margin will be relatively fixed with price breaks given for larger quantities. However, this class of distributors will be given special bonuses for bringing on board a larger number of customers.
The last distributor option is for HT to find one or more Hong Kong partners to distribute the coagulation devices in the Chinese market. The communication can be more effective and the financial risk is reduced when compared with local Chinese distributors. Hong Kong distributors are expected to increase their profit margin that will result in an increase of the product’s selling price. Eventually, the price will not be competitive with the price of local distributors especially when it comes to bidding for hospital orders. To ensure that Hong Kong distributors are competitive, HT will establish strategic relationships with them. Some of the risk will be shared between the distributor and HT. For example, HT will minimize the number of units carried in inventory and will establish a just in time inventory replenishment system. Also, credit terms will be extended so that the overall carrying cost is reduced.

HT will concentrate on marketing directly to the consumer. The primary product that will be marketed to consumers will be test strips and accessories such as power supplies. HT will also offer to service and repair the meters (for a fee) after the warrantee expires. Once purchased, the meter can last for a number of years however, a new test strip has to be used each time a test is done therefore the real revenue generator is going to be the test strips.

Essentially HT will use the razor blade model as a basis for its marketing effort. HT will establish a customer care center. This center will have a professional section that will service hospitals and healthcare professionals and a consumer section that will service individual patients. Customers will be able to call in their orders where a customer representative will take the order. Alternatively, a website will be established so that those individuals who prefer can place their orders electronically. HT’s Marketing department will do a demographic study of individuals who suffer from conditions that require blood thinners and therefore monitor the coagulation factor. Television and radio programs as well as multi-media channels that fit that demographic will be used to run advertisements. Similar criteria will be used to select magazines and newspapers to advertise to individual consumers.

**Business Partners / Customers**

To develop long-term relationships with customers, HT will consider criteria such as primary interest, timeframe, relationship, demand, loyalty and customer needs. For preferred and strategic partners, HT will offer different levels of service to maintain the relationship.
### Marketing Strategy Summary

Today, HT is a contract manufacturer located in China and provides competitive priced medical device assembly services. In the past, China did not have qualified medical device manufacturers. As Chinese based contract manufactures improve their quality standard, HT will no longer sustain a high profit margin by providing only manufacturing services. HT’s present marketing strategy

Currently, HT relies primarily on local agents to bring contracts and by extension market the company. The agents market HT by visiting Purchasing Departments and communicating directly with purchasing agents. Additionally, HT participates in shows and exhibitions that focus on contract manufacturing. Advertisements are also placed in trade publications that cater to Purchasing professionals. In order to make a successful transition from contract manufacturer to a medical device manufacturer HT will have to radically change its marketing strategy.

The objective of the company is to provide the high value-added products to its customers, explore new market opportunities, and fulfill market needs.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Business Partners / customers</th>
<th>Criteria</th>
<th>How to maintain the customers?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional</td>
<td>Web site or Call in ordering</td>
<td>Customer may change to other brands due to cost issues. Little loyalty</td>
<td>Call centre or web site to provide enquiry only service. The call center and web will sell and support products for institutions and individual customers.</td>
</tr>
<tr>
<td></td>
<td>- Small order quantity,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- high margin per unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred</td>
<td>Hong Kong Distributors and</td>
<td>Develop long term relationship and partnership, more focus on the quality of products and technical services support</td>
<td>- Provide technical support</td>
</tr>
<tr>
<td></td>
<td>Private owned Distributors</td>
<td></td>
<td>- HT maintains the inventory</td>
</tr>
<tr>
<td></td>
<td>- Mid-volume sales,</td>
<td></td>
<td>- offer bonus for volume orders</td>
</tr>
<tr>
<td></td>
<td>- consider company financial situation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic</td>
<td>Hospital, clinics Government tender</td>
<td>Provide the best services to patients</td>
<td>- Provide technical support and after sales services</td>
</tr>
<tr>
<td></td>
<td>- High volume sales</td>
<td></td>
<td>- Offer favorable price</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Free training and samples to healthcare professionals, doctors, and nurses for testing</td>
</tr>
</tbody>
</table>
External factors that have to be taken into consideration are summarized below

<table>
<thead>
<tr>
<th>External factors</th>
<th>Today HT</th>
<th>Tomorrow HT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Country market</td>
<td>US and Europe</td>
<td>Develop New Market - China</td>
</tr>
<tr>
<td>Target country environment</td>
<td>Stable and well set up legal regulation</td>
<td>Underdeveloped country, the legal system is not well set up</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The government may change regulations often</td>
</tr>
<tr>
<td>Target Country distributors</td>
<td>Local agents get manufacturing contracts</td>
<td>Partners with distributors and sells to end-users</td>
</tr>
<tr>
<td></td>
<td>- Business to Business</td>
<td>- Business to Business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- and Business to Customers</td>
</tr>
<tr>
<td>Home Country</td>
<td>Contract Manufacturing of medical devices in</td>
<td>Product Import tax and other taxation around 22% added to product cost</td>
</tr>
<tr>
<td></td>
<td>China with favorable low tax rate rather than</td>
<td>Chinese market needs to have high technology medical devices to improve</td>
</tr>
<tr>
<td></td>
<td>low technology products (e.g. Shoes)</td>
<td>person’s lifestyle.</td>
</tr>
</tbody>
</table>
Marketing strategy, product, pricing, place, promotion, company resources, and company expectations have different approaches and are summarized in the table below for “HT Today” and “HT Tomorrow.”

<table>
<thead>
<tr>
<th>Internal factors</th>
<th>HT Today</th>
<th>HT Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Services /</td>
<td>Contract Manufacturer factory in China</td>
<td>Design, Manufacturing and distribution</td>
</tr>
<tr>
<td>Product strategy</td>
<td>Good quality system operation</td>
<td>License advanced technology product: coagulation devices. Develop HT owned product line platform</td>
</tr>
<tr>
<td></td>
<td>All products are owned by the customers</td>
<td></td>
</tr>
<tr>
<td>Pricing Strategy</td>
<td>Low margin to win high volume</td>
<td>Good margin because there are few competitors</td>
</tr>
<tr>
<td>Placing Strategy</td>
<td>US and Europe</td>
<td>Existing US and Europe</td>
</tr>
<tr>
<td></td>
<td>Existing US and Europe</td>
<td>Chinese market</td>
</tr>
<tr>
<td>Promoting Strategy</td>
<td>Local agents, magazines</td>
<td>Magazines, TV, Web Distributors</td>
</tr>
<tr>
<td></td>
<td>Contract manufacturing exhibitions (e.g. MD &amp; M)</td>
<td>Exhibitions (e.g. Medical) and conferences</td>
</tr>
<tr>
<td>Company resource</td>
<td>Service marketing</td>
<td>Product marketing: Increase Marketing resource and cost for promotion and training</td>
</tr>
<tr>
<td></td>
<td>Niche manufacturing – material control, manufacturing process control</td>
<td>Technological: Need to have product expertise and provide training to users</td>
</tr>
<tr>
<td></td>
<td>Customer pays for tooling, testing, and engineering cost</td>
<td>Company has to invest in development cost, tooling, and testing as well as pay the licensing fee</td>
</tr>
<tr>
<td>Company Expectation 1.</td>
<td>Low risk and less investment, all the tooling and development costs are</td>
<td>Medium risk. Investment and funding for product development by HT</td>
</tr>
<tr>
<td>2. Product / services</td>
<td>paid by the customer</td>
<td>Control offers of products to distributors or customers.</td>
</tr>
<tr>
<td>2. control,</td>
<td>Customer has great control over the price and supplier. Customer power</td>
<td></td>
</tr>
<tr>
<td></td>
<td>is higher than that of the supplier.</td>
<td></td>
</tr>
</tbody>
</table>

5.0 Conclusion

China has a looming problem due to an increasingly aging population and the one-child policy that limits population growth and consequently decreases future revenue required to sustain its population. Local governments have to tackle future problems with employment, education and health care (Edward Tse, 2010 p.102). In 2008, the Chinese Government put forth a three year plan to address these issues. The government allocated US$ 370 billion
for rural development, US$ 210 billion on sustainable development, and US$ 150 billion on educational and cultural projects including health care improvement (Edward Tse, 2010 p.200). Their target is to improve the quality of life, productivity, and maintain the economic momentum of the country.

HT has to take advantage of this opportunity to increase their profit margin and business outlook. In the past, HT provided contract-manufacturing services to US and European customers. With manufacturing facilities located in China the cost structure is lower than it would be in the US and Europe. Meanwhile, HT has in excess of 10 years in Medical device manufacturing experience and can provide high quality products. HT is in a very good position to market medical devices to China. HT can introduce Class II medical devices (e.g. Coagulation devices) that have been designed in the West, build the products cost effectively in China, and market them locally in China. China is looking for high quality performing medical devices and HT can sustain good margins in the Chinese market.

HT faces several difficult factors when the business model changes from contract manufacturing to design, manufacturing, and distribution. HT will have to hire personnel with medical device marketing expertise and consultants to help it implement the new business model.

Compliance with regulatory requirements for Medical devices is very complicated and some companies may hire consultants to speed up the process. After the legal entity qualifies the company, registration takes place, and a trading business license is issued, the company selects product distributors for a number of cities and trains them. Concurrently, distribution and service centers are established in each major urban city to support sales channels with technical support and warehousing for devices, test strips, and accessories. In order to drive sales, HT will have to restructure the marketing team or hire personnel experienced in product services instead of manufacturing services. The marketing team has to approach directly the end user (e.g. doctors, nurses, laboratory technicians, and analysts), hospitals, clinics, and government officials to bid the tenders. The business model changes from “Business to Business” to “Business to Customers and/or Business.” There are several medical device exhibitions (e.g. China International Medical Equipment Fair, China Med and other events), seminars, and conferences for professional doctors and nurses that HT will have to participate in.

A number of factors have acted as barriers for the importation of medical devices into China. Some of those factors can be attributed to Government policy and the SFDA (State Food and Drug Administration). They include:

- Lack of transparency and frequent changes of the purchasing process (e.g. bidding)
- Long processing time to get the SFDA approval
- Legal liability, responsibility, Chinese Laws, and Provision Laws (e.g. contracts and health care laws)
- Taxation
Several multi-national companies have set up manufacturing sites in China or formed partnerships with local manufacturers. Eventually they can market their products in China. Today, major medical devices players such as GE, Philips, and Medtronic have formed alliances or joint ventures with local companies so that they can enter the Chinese market quickly. Mindray is the number one Chinese company that provides medical devices to the local market. They developed their own product technology for patient monitoring devices and have continually improved their technology as well as product quality while reducing cost by more than 30% when compared with international competitors (Robert Hse, 2008 p.193). Mindray has over 1,950 distributors and 500 direct sales to support the domestic market. They also supply their devices to Europe and US.

HT is not a multi-national company but it can have a flexible business model with partners. HT has manufacturing experience in medical devices and can enter the niche market of coagulation measuring devices and related accessories easily. Eventually, HT will expand its marketing strategy to supply medical devices to Europe, US, and globally.
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*Note: HoTele is a pseudonym for the actual company that this paper pertains to. All other company names are as stated in this paper.
Appendix A:

Process of Direct Purchasing with Fund Approval (less than USD 2,444)

- Head nurse or director
- Approval from Equipment Management Diversion
- Approval from head of hospital
- Designate supplier
- Supply and stock into Housewares
- Check and Accept by Division
Appendix B:

Process of Direct Purchasing with Fund Approval (USD 2,444 to 12,222)

- Director of hospital division applies
- Equipment management division collects all applications once a year
- Equipment Management Committee (Head office)
- Approval from District Board of Health
- Approval from District Board of Finance
- Equipment Management Division arranges for purchasing plan
- Hospital monthly bidding purchase
- Decide on supplier
- Division check and accept
- Contract and install
Teaching Creative Social Responsibility

Jennifer Castoldi  
e-mail: jennifer@trendease.com

Abstract: The very foundation of Trendease has been to provide its clients with information about current and future design directions, which is predominantly focused on aesthetics and functionality; however, that is not all that today and tomorrow’s design professionals should focus on if they want to remain competitive. This is why Trendease has developed a new service wholly centered upon furnishing design professionals with the skills needed to be experts and participants in what we call Creative Social Responsibility. Targeted at design professionals, Creative Social Responsibility (CrSR) is a combination of Corporate Social Responsibility (CSR) and what is known as The Triple Bottom Line (TBL): People, Planet, Profit.

Keywords: Corporate Social Responsibility, Triple Bottom Line, Creative Social Responsibility, Design


Biographical Notes: Jennifer Castoldi is the founder of Trendease International. Ms. Castoldi also works as an industry consultant and contributes to various local and international publications. Ms. Castoldi is the author of the Market Edge Report, a cutting-edge review of emerging trends and future market intelligence. Another passion of hers is teaching. She also speaks at various industry events as well as private events delivering numerous customized Market Edge PowWows (lectures) throughout the year. She holds an MBA from the International School of Management, Paris, a BS in Home Products Development & Marketing, and an AAS in Fashion Merchandise Management from the Fashion Institute of Technology, New York, and is currently working towards her PhD focusing on Creative Social Responsibility.
Introduction:

The Trendease International mission is to help leading-edge people gain a definite competitive and strategic advantage through a combination of fast-breaking information, breakthrough thinking and applied creativity.

Trendease International LLC is a global multi-media company delivering cutting-edge design information to design professionals around the world via e-publishing & broadcasting, freelance journalism, speaking engagements, and creative support.

In order to stay competitive and ahead of the market shifts, the chief executive officer and advisory board are preparing to launch a new service: educating and training professionals and future professionals about creative social responsibility. Not only does this venture have a feel-good factor of making a positive contribution to the planet and its people, it is the direction that market leaders should take to maintain a sustainable business model meeting the wants and needs of the customer. To understand the opportunity for this forward-thinking service, one must first understand the business of Trendease and its five revenue streams Trendease.com, Trendease.TV, writing for print publications, giving lectures, and offering consulting services.

About Trendease.com:

Located throughout the world, the Trendease Team continues to deliver our subscribers around the globe must-know market information and inspiration straight to their computer screens.

The Trendease Team travels to over 100 international design events a year, reporting back to its readers the key trends and design directions. Our clients travel the world without ever leaving their offices!

Subscribers to Trendease.com have access to thousands of images and articles covering trade shows, exhibits, showrooms, retailers, lifestyle shifts, and market happenings within the field of design. Trendease is a one-stop resource featuring in-depth reviews of design categories ranging from textiles and decorative accents to a variety of furnishings, interiors, and a collection of inspiring products. The world is at the Trendease reader’s fingertips.

Since 2004, Trendease.com has been providing cutting-edge design information to readers now spanning 166 countries and 9,911 cities worldwide. At the beginning of August 2010 approximately 38,550 hand-selected images, and contact details for more than 5,300 featured companies, were included in excess of 1,435 vision-driven articles.

Trendease.com content grows with each monthly edition and the witty and informative weekly e-newsletter. More added value is found in the complete archives, the detailed
directory of all companies and designers published, and an interactive photo search allowing specific searches of the immense Trendease.com database. Photos can be searched by date, event, location, category, material, detail, color, and keyword. Plus, the dynamic scrapbook feature saves favorite images for later viewing.

With Trendease.com, design professionals stay in the know while saving time, money, and manpower. The subscription-based model offers three annual subscription rates: student, individual, and corporate.

About Trendease.TV and Trendease DesignVision
The Trendease Team is proud of its fresh online TV channel presenting the series Trendease DesignVision.

Trendease DesignVision is a co-production between Trendease International and WooW; each episode is sponsored by an outside firm, most often trade shows or industry associations.

The host of the show, Jennifer Castoldi, internationally acclaimed speaker and forward-thinking chief creative director, inspires audiences around the globe with innovative and cutting-edge designs that she and the Trendease Team discovered while visiting trade shows and design happenings worldwide. A new episode of Trendease DesignVision airs on Trendease TV every month.

Trendease International: More than Just a Website
The activities of Trendease International extend far beyond its websites. In addition to Trendease.com and Trendease.TV, the Trendease Team writes for various international publications. Magazines and trade associations syndicate the content of Trendease.com as well as contact the Trendease International experts for quotes. The Trendease Market Edge PowWows are lectures presented around the world. Creative support is also offered as a consulting service to professionals wishing for specific market research to cater to their business needs.

Why Creative Social Responsibility?

Corporate Social Responsibility + People Planet Profit = Creative Social Responsibility

The very foundation of Trendease has been to provide its clients with information about current and future design directions, which is predominantly focused on aesthetics and functionality; however, that is not all that today and tomorrow’s design professionals should focus on if they want to remain competitive. Over the years Trendease features have regularly covered “EcoChic” developments, “Responsible Design” reviews, “New Talent” discoveries, and materials advances. Sustainability, being “green” and ecologically-friendly
products has come to the forefront over the last few years. The team at Trendease believes that sustainability is more than a trend; it is a necessity. Many people are talking about it within the creative industries, but there is no single body of knowledge, or information, that provides design professionals, be it an individual or a large corporation, with the tools to be a socially responsible creative while realizing a profit.

This is why Trendease has developed a new service wholly centered upon furnishing design professionals with the skills needed to be experts and participants in what we call Creative Social Responsibility. Targeted at design professionals, Creative Social Responsibility (CrSR) is a combination of Corporate Social Responsibility (CSR) and what is known as The Triple Bottom Line (TBL): People, Planet, Profit.

Definitions of CSR and TBL vary between having distinct differences to having very clear overlapping commonalities. Frisk (2010, p.4) writes that “CSR (Corporate Social Responsibility) strategies were typically peripheral compensation for the damages already done, relieving the guilt of companies that couldn’t see the light. They were the clean caring icing on the big dirty cake. They sought to protect superficial and increasingly fragile reputations.” Whereas, he believes, “‘People and planet and profit’ is much more than that. It is about moving the issues of sustainability from the fringes to the heart of business. It demands that business leaders rethink fundamental strategic questions – why we exist, where we should focus, how we are different, and why people will choose it, want to work for us, and invest in our business.” Puthi (2009) believes that “CSR is essentially based on some kind of altruistic or charitable notion” and that “social relevance,” which is part of TBL, “is based on the belief that pursuing the common good of the stakeholder ecosystem will drive sustainable profitability.” The firm Neenan defines TBL as “an accounting system that goes beyond economics to also quantify the overlapping environmental and social aspects of doing business” and to “fully understand an organization’s performance, you must measure the impacts of the 3 Ps: profit, people and planet” (2010). The “People”, i.e. human capital, involves the just and favorable business practices toward labor, community, and region in which a corporation conducts its business; the “Planet”, i.e. natural capital, refers to sustainable environmental practices; the “Profit”, or economic value, created by the organization after deducting the operating expenses from the total sales (Business Improvement). Harvard University defines it most succinctly and all-inclusively in its definition of CSR (2008):
"Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm.

The term “corporate social responsibility” is often used interchangeably with corporate responsibility, corporate citizenship, social enterprise, sustainability, sustainable development, triple-bottom line, corporate ethics, and in some cases corporate governance. Though these terms are different, they all point in the same direction: throughout the industrialized world and in many developing countries there has been a sharp escalation in the social roles corporations are expected to play. Companies are facing new demands to engage in public-private partnerships and are under growing pressure to be accountable not only to shareholders, but also to stakeholders such as employees, consumers, suppliers, local communities, policymakers, and society-at-large.”

Essentially Creative Social Responsibility (CrSR) strives to make professionals working within the design field knowledgeable, and therefore accountable, in the production of their goods. By practicing CrSR, not only can it be sustainable for the business, it is all sustainable for the people and environment. It is win-win-win.

CrSR education and training teaches general information on CSR, TBL, Life Cycle Assessment (LCA), and alternative sustainable development, but its main differentiation and unique selling proposition lies in that it is catered directly to the creative industries. Market-specific topics such as Universal Design, Save Our Skills (SOS), the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, Oeko-Tex, Program for the Endorsement of Forest Certification (PEFC), etcetera will be taught and relevant case studies on the above-mentioned will be utilized as aspirations.

**Customer Analysis**

The National Marketing Institute approximates in a recent testimony that consumers with environmental concerns account for over $230 billion in spending power (Friel, 2008). An astounding 93% of consumers feel that a company's 'greenness' is to some extent important to their purchase decision, this is what the Grail Research Sustainability Survey (2009) cites. With figures like this, companies have started to reflect on the natural environment as a
potential source of competitive advantage that can generate win-win-win situations for society, the business world, and ecosystems (Fraj-Andres, Martinez, Salinas, Matute-Vallejo, 2008).

Eco-consciousness is becoming the norm. The environment could turn out to be as significant to consumers as quality, price and value. Brian Erdman, Brandweek, believes the mainstreaming of the green movement could be great news for our planet, but for marketers it means that going the sustainable route is really not anything more than a “me-too” approach. With today’s prevalence of greenness, can companies stand to not implement a strategy in to their business models? “Look, when you have a retailer the size of Wal-Mart pushing eco-friendly products, eco-friendly packaging -- that certainly makes a ripple effect in the market,” said Matusow, a textile supplier to Wal-Mart (Marks, 2007).

Fisk (2010, p.7) understands that the issues are complex, “Whilst we seek to reverse climate change, conserve water and relieve poverty, we also care about issues such as human rights, fair trade and supporting our local communities. Whilst we seek to act more ethically and responsibly, we also care about our own wellbeing and happiness...Green is not enough. It requires a more joined-up approach. It requires business to do more than improve, but to think differently, to change its game...it is not just about ‘reducing, recycling and reusing’, as the mantra goes. It is about rethinking.”

Today marks the emergence of the new conscience end-consumer. They have a fresh purchasing agenda, and are aware of products that do not pay heed to their fellow mankind and its environment. Put bluntly, companies stand to lose market share if they are not practicing CrSR.

Who are these companies? They are employing the design professionals who Trendease will target with its CrSR service package: retailers, buyers, marketers, merchandisers, furniture and accessory designers, textile and fashion designers, interior designers, decorators, architects, product developers, importers and exporters, manufacturers, trade associations, trade show organizers, top management, journalists / editors, professors / students, design innovators and leaders.

A blanket approach to CSR and TBL is not a competitive offering, but when the package is specialized to a niche market, a form of customized expertise is born. The spotlight will shine on products and categories that suit the interests of the Trendease customer: bath, bedding, children’s design, decorative accessories, home accents, furniture, floor coverings, lighting, office, tabletop / housewares, textiles, upholstery, wall treatments, window treatments, and all products as they relate to interiors.

These clients are motivated to enroll in the Trendease CrSR service because they are aware that the market is shifting, and that their customers are demanding such changes, but the
clients do not have a single place to turn that proposes to them this specialized offer catered specifically to their market needs. Industry organizations and continued education host courses on certain topics, but nowhere is there an all-encompassing program – until now!

**Environmental Analysis**

Scientists have documented data that global warming and climate change will cause serious disturbance to our lives in the next 30 years. As this reality settles into the minds of the consumers and they begin to comprehend that these events will happen in their lifetime, the environment will likely become just as important in purchasing decisions as quality, price, and value (Smith, 2008).

Environmental and social aspects are frequently ignored in the profitability equation because they’re just not as easy to quantify as financial figures (Neenan, 2010), but this is not always the case. Increased energy overheads have been passed on to the consumer on many levels. Electricity bills, transportation, and products are no exceptions. This poses an opportunity for sustainable goods that have been produced under alternative methods. This new price parity also gives an incentive to companies to look into alternative, more cost-effective, methods of manufacture (Dale 2008).

Adjoin to this, the environmental conflicts. According to Fisk (2010, p.7), each year we destroy 44 million acres of forest, creating a growing disparity in the way nature generates and absorbs carbon dioxide; we lose 100 million acres of farmland, via deforesting, redirecting natural irrigation, resulting in the production of 15 million acres of new desert around the globe; we discharge 8 billion tons of carbon into our air, only 3 billion tons of which can be reabsorbed; we use 160 billion tons more water each year than is being restocked by rain. Creative Social Responsibility is a necessity and those who get on board now will have the first-mover advantages.
As well, there is the human aspect to CrSR, and some groups are already practicing what they preach. SOS-Save Our Skills’ goal is to preserve mankind’s manual skills, creative independence, and cultural identity in addition to the planet’s energy resources and natural environment. ‘Connect to Japan’ looks to find witty answers to issues people face in their daily lives that are convenient and comfortable; usability is a key element, taking into consideration the rapidly aging population, children, left-handers, injured, pregnant women, and everyone who can benefit from Universal Design. The South African Handmade Collection is “celebrating the fusion of heritage with the future, tradition with the imagination, creativity with business know-how. As a brand this definitive collection represents the highest quality, design led, and well manufactured, environmentally friendly South African craft products, conforming to fair trade practices.”

Crisis is a catalyst for change. While some see change as a threat, the astute see it as an opportunity. Ministry of Economy, Trade and Industry, Japan stated during the consumer goods fair, Ambiente, this February, “The global economy has yet to break free from the current deep recession. In such challenging times, the business world demands innovation: new products, new partners, new business models. As consumers' modes of living diversify,
anticipating their needs and proactively bringing solutions to market is the surest path to business success.”

It is a global movement that is touching practically every sector. It is a growth opportunity. Look to some of the other services which have been launched. Listing thousands of environmentally and socially responsible businesses, Green America’s National Green Pages helps its users with their purchase decisions. Responsible Shopper provides internet surfers with the “real story” about maltreatment by well-known businesses, suggests actions to promote corporate responsibility, and helps one green his or her life and planet. The Sustainable Furnishings Council (SFC) is a membership-based industry group that provides a free search on its website to find a green manufacturer, retailer, or designer. SFC also has a GREENleaders program which will be discussed in a future chapter.

In his latest book People, Planet, Profit, Peter Fisk notes that venture capitalists and entrepreneurs have their eyes on these markets, “the costs and risks are already hitting balance sheets. Investors are penalizing ‘dirty’ companies for their vulnerable future cashflows, and finance managers are calculating their liabilities. The consequences of not changing are not just for the world we leave behind for our children, but more immediately through the liabilities of increasing financial penalties imposed by governments, by supply chains, and ultimately by consumers. (2010, p.4)”

Investors, retail buyers, and consumers are driving the necessity. ‘Choice editing’ is a perfect example of why companies need the Trendese CrSR service. This is a trend where retailers have started to remove non-eco-friendly options from their shelves, leaving only the green items behind. It may appear to go against a consumer’s right to choose; however, evidence illustrates that the public is willing to trade the freedom of this choice for the assurance that a merchant is making a conscious effort to put ecologically-friendly products on the floor (Czarnowski, 2009).

Competitive Analysis

Creative Social Responsibility, as Trendese presents it, does not exist as more than a concept in today’s marketplace. That by no means lays claim to no competition; as Professor Nathan Sambul says, if customers do not have a choice, they may doubt the value of the proposition—nobody likes a monopoly.

Google “Creative Social Responsibility”

“Creative Social Responsibility” as googled between June 20-August 15, 2010, only lists three semi-relevant results in its search: Very Ethical, Creators Inn, and TBWA. Before this date the only applicable result was Creators Inn, the owners which also happen to be acquaintances of the chief creative director of Trendese.
Very Ethical is an environmental and ethical consultancy and advertising/marketing firm based in Glasgow, declaring to “deliver a supply chain of businesses that have been approved as environmentally friendly and ethical.”

As Trendease.com reported in August 2009, the Creators Inn provides free, short-term accommodation for visiting artists during their stay in Stockholm or Gothenburg. Billed as the world’s first “hotel-in-hotel”, the Inn occupies a few rooms at their partner hotels, adding even more creative flair to the already trendy atmosphere. There are no strict guidelines for who gets to stay, other than you must be involved in a creative venture preferably with local creators or a project that incorporates the city. Local involvement is part of the founders’ commitment to their version of Creative Social Responsibility. By offering visiting creators free accommodation they hope to remind people of “a lovely little thing called hospitality,” while promoting up-and-coming artists and fueling creative cities. Guests are encouraged to share their artwork, projects and videos with a wider audience via the Creators Inn website, Facebook and Twitter.

TBWA is an international advertising and communications company with 258 offices in 75 countries. They have a “Creative Social Responsibility” tab on their Hong Kong webpage that states “We believe in using our talent and skills to give back to the community and to be socially responsible in a creative way for a changing world.” Employees participate in World Environment Day, the Room 13 project with underprivileged children, and other awareness programs.

Competition Exists
The Trendesease CrSR is about educating the industry and takes the principles and puts them into practice. The closest competition to the program Trendesease wishes to launch is the GREENleaders program managed by the Sustainable Furnishings Council.
GREENleaders is the most comprehensive training program currently available in the home furnishings industry, providing manufacturers, sales representatives, retailers, and designers with certified training to become experts in sustainability. For $299US participants take a six-hour course developed by the SFC and board members including ranking staff of World Wildlife Fund, Rainforest Alliance, and one of the co-founders of the USGBC, written by an accredited LEED-CI/AP. The six program modules include The Case for Sustainability, Knowing Green Consumers, Sourcing Green Products, Selling Green Solutions, Designing Green Interiors, and Operating Green Showrooms. Upon completion the participant receives certification and his/her name on the GREENleaders page of the SFC website.

Trendease views SFC’s GREENleaders program as an opportunity more than a threat. Since GREENleaders focuses purely on the green aspect, The CrSR service developed by Trendease could, in fact, be an added value to SFC, broadening the group’s educational offering to its members.

CrSR by Trendease is about business opportunity, operational improvement and competitive advantage. “Indeed, a positive impact on people and planet is increasingly becoming the best source of profitable growth,” writes Fisk, “it will be less about volume, more about profit; less materialistic production and more about supportive services, less self indulgent and more enabling people to live better lives. (2010, p. 3)”

Data Mining and Profiling
Developing a database of prospects is synergistic to what Trendease already does; therefore, targeting connections previously made gives Trendease the competitive advantage of time, leveraging further the first mover advantage.

As initially cited Trendease currently attends over 100 trade events annually and has a network of followers in 166 countries. The database of prospects is comprised of the current Trendease.com readers and subscribers, Trendease.TV viewers, trade show clients, schools where Jennifer Castoldi lectures, and publications for which Trendease freelances.

Targeting
Refining the database requires a look at these above-mentioned Trendease customers to determine which category they fall into: transactional, preferred, or strategic.

Immediately the few thousand readers of the Trendease.com free weekly newsletter will be put into the transactional selection since they have not actually spent any money, could be short-term supporters, and have no justifiable demands.

There are numerous preferred customers, but the ones that fall between the preferred and strategic groups will receive the first priority attention. Subscribers to Trendease.com who
have renewed two or more times, trade shows, associations, or schools that have invited
Jennifer Castoldi, CEO and chief creative director, to give lectures more than once, and
publications or Trendease.TV sponsors with more than a one-year ongoing relationship are
the preferred/strategic customers that will be targeted.

The apostles are the golden strategic customers who have a long-term mutual dependence. These future-thinking, loyal, and profitable alliances will jump-start the CrSR initiative. These are early adopters and key partners. There are a few who fall into this category, but one that stands out from the crowd. Trendease is a media partner at the company’s trade shows, the company is a long-term subscriber, Jennifer Castoldi has been lecturing at its most important event for three years, it has sponsored six episodes of Trendease DesignVision, and Ms. Castoldi sits on the company’s trend board. It also must not be neglected to mention that the company’s general manger has recommended Ms. Castoldi to industry associations to speak, for which they later hired Ms. Castoldi.

Leaders can be the catalyst of change. Trendease will come together to “break bread” with its preferred/strategic and strategic customers. These design professionals, trade shows, corporations and schools are innovators and market leaders who understand the importance of the CrSR program given their loyalty to Trendease spanning the years, which over the course of that time has delivered small quantities of CrSR education. Now is the time to expand upon it.

**Positioning and Differentiating**

**Attributes**

The points that make the Trendease CrSR training and education unique to what it currently available on the market is that Trendease caters specifically to the design-forward market leaders with a holistic approach bridging design, business, and the “do right” factor. Not only does it cover relevant topics to the industry, it is all inclusive, eliminating the need to look one place for green leadership, another for fair trade, and yet another for design trends. Trendease will be a one stop shop servicing the leading design professionals.

**Benefits**

The importance of design and aesthetics is still significant to the consumer, but there is a shift beginning to take place. The number one topic shared between the industry experts who participated in the latest ‘Meet only Original Design’ trend board meeting was “process.” Hands down the experts agreed that the consumer is now not simply regarding the design and the price before making a purchase, she is seeking transparency and understanding regarding the production process of her potential purchase. It is not just the raw materials used or the packaging, it is a desire to know about where the raw material
came from, who made the item, does the company use solar panels or employ skilled traditional artisans, did the production produce too much waste...? These concerns have been echoing within the circle of early adopters with which Trendease associates itself.

People who partake in CrSR will create differentiation by doing good. They will support the new business models for the changing world.

Claims
Design professionals who enlist themselves in the pursuit of knowledge about CrSR will enhance their position in the market, and practicing CrSR will help them to maintain a long-term competitive advantage in their wallets and the hearts of the people.

Unique Value Proposition
The Trendease Creative Social Responsibility education and training program will be a series of lectures offered at trade shows, a multi-day retreat for design professionals, a webinar series, and a full course for students. All participants have the option of purchasing the textbook that contains all of the material covered, or it can be including the overall package price. If an organization is only interested in a certain section, for example learning the workings of a Life Cycle Assessment, or discovering international programs that provide alternative sustainable development, or what resources a retail buyer can use to fill his/her shops with responsible products, custom packages are available.

The importance of CrSR is clear, but why can Trendease deliver it better than any other company? Trendease is distinctive in that it understands the market trends of its customers’ products; it can help these customers in understanding how to create an entire product concept to deliver to their own customers—design right and process right. This is the business model for the future of design. Trendease is global in its reach and its understanding, with an extensive network which is hard to duplicate without years of relationship building.

Remember CrSR benefits the planet and the people, including employees. The press is incessantly talking about how customers support the green movement, but there is a strong benefit that is rarely pointed out: people want to work for a responsible organization. In the article Launching and Communicating Successful CSR and Sustainability Strategies, one-third of employees surveyed were more inclined to work for a green company and 92% of young professionals on Monster Track assert they are more prone to work for an environmentally-friendly business.
Creative Marketing Communications

“If you think good design is all it takes to sell your product, think again.”

When Trendease launched its online subscription business in 2004 there were no other companies offering the same service. Since then one direct competitor and several indirect competitors have emerged. The word “trend” has become overused and ubiquitous if it is left standing alone. That is why Trendease diversified its offer to provide more than visual stimulation to the design community of things soon-to-come, but to also talk about market shifts in consumer behavior and other insights into the world affecting the sales of products beyond their aesthetic appeal.

However, the paddy wagon is still focused on just “trend”. Trendease will communicate to its target market that they need to consider more than what meets the eye. The forward-thinkers will grasp this. The laggards will hold on to it when they realize the other option is to lose their job for not creating competitive products. With today’s crosspollination of disciplines and job functions designers must think about more than the look and the price of their creations, but also the process.

Direct Marketing Channels

Fortunately the foundation to the channels to deliver the message of the new Trendease service is already laid.

As previously mentioned, Trendease has an online publication and TV show reaching our targets in 166 countries, and a weekly newsletter that can push CrSR education and training. There are also the social networks on Facebook, Twitter, and LinkedIn that have been developed over the years, as well as the support of partner print publications who will barter editorials for advertising space, and the stands at trade shows where information can also be distributed.

Above all, the contact details for the preferred and strategic customers are on hand, in detail, for more personal communication via phone calls and hand-written cards made to excitedly tell them about the new service. These relationships have been nurtured over time, and personal contact has proven to be invaluable.

Fulfillment and Service

Sustainable change is needed and can happen as articulated in this paper, and the challenge lies in managing the implementation. Ian Morton, CEO of Toronto-based environmental consultancy Summerhill Group agrees that the economic slump is an opportunity for intelligent companies to reassess their strategy (Toane, 2009), “One, the environment
should be a core part of your strategy to drive your sales and profitability, and the introduction of better alternatives vs. conventional, ideally lower cost, higher margin product choices. Two, you should be looking at activities that are optimizing your operational performance, be it in logistics and transportation, energy management, waste reduction diversion - all those core elements. That's just smart business. And three, you need to engage your people and your staff behind the mission.”

Trendese has been analyzing the market and understands the value and potential of the proposed CrSR education and training. At the heart of it lies people, and if the people are informed, passionate, and take ownership in what they do, CrSR will be a success all around. It is understood that “you cannot be all things to all people.” Relationships are paramount to the Trendese Team, and it would only take a few key customers to make CrSR a business success. This is one reason to start at the top with the strategic customers. Once they are on board the word of mouth spreads.

**Measurement and Assessment**

At the end of each training session Trendese will hand out an evaluation form and offer one month’s free subscription to the premium content of Trendese.com for all who fill it out. Anyone who sends in their success story after attending a training session to be included in the Trendese CrSR Hall of Fame, will receive a discount voucher towards the next session. Attendees will also receive a thank you email afterwards and be invited to stay in touch and join the Trendese mailing list to be kept in the loop of new happenings.

We do not live in a perfect world. Trendese aims to help leading-edge people gain a definite competitive and strategic advantage through a combination of fast breaking information, breakthrough thinking and applied creativity through its websites and offline partnerships. If, by chance, a customer is convinced that the information acquired was not useful, Trendese will do its best to assure that the customer gets value for his/her money via a customized solution.

**Adaptation and Innovation**

Grass does not grow under the feet of the Trendese Team. The great thing about the business is that it is always changing, which is something that adds excitement and makes it very apparent that constant adaptation and innovation is a must. New forms of CrSR will emerge and new inspiring responsible products will launch. It is the Trendese Team’s job to keep on top of these movements and to share them with customers—this is generative innovation.

Revise, refine, relaunch, for retention. Creative Social Responsibilities will shift with the direction of the market. Staying abreast of this allows for refining the training program and
relaunching it when there is a substantial change. Adaptive innovation can be implemented by keeping previous and current customers in mind. For example if The Sustainable Forestry Initiative Standard announces new wood standards to be implemented, Trendease can put together a seminar for wooden furniture designers on informing of the changes and showing examples of the latest hot wood furniture designs.

Recommendations and Conclusions

To be a successful creative one must forever be discovering and learned new things in order to innovate. I believe that this is a good idea because after being in a variety of positions in the design and lifestyle industries from retail buying and merchandising, product development and design, international sourcing, publishing, to interior decoration, I have made it my ambition to inspire the industry through knowledge I have accumulated and continue to acquire. Traveling around the world and observing the oncoming shifts getting ready to take place, I see that the knowledge of Creativity Social Responsibility is imperative, and I would like my company, Trendease International, to fulfill this need.

Short-term

In the short term of two to three quarters, Trendease must precisely define all topics to be covered in its CrSR training, gather together an advisory board (perhaps including a strategic customer), and finalize its launching strategy.

Long-term

If the first year to eighteen months are well received and generate a lot of interest, Trendease may want to consider setting up a school—one to teach students (the future of the industry) about the paradigm shift and how to implement it into their future careers, and two, to offer continuing education to industry professionals.
Appendix A:

The People Planet Profit Manifesto

Leaders of business

This is your wake-up call.
You’ve been living on borrowed time.

Raping the natural world of its resources, and leaving a toxic mess in its place.
These weather patterns are not freaks, they are the world you have created.

Blinding the man on the street with your superficial innovations and image.
What about the sweatshops, the emissions, the packaging, the greed?

It doesn’t look good.

Business, society and nature need to find a new way to co-exist.
If you aren’t sustainable, you are irresponsible.

It’s time to adapt or suffer the consequences.

The business world is about to go through a rapid, fundamental change.
What an opportunity, but also what a threat.

It’s time to rethink.

Time to stop living in the past, and think of our future
Business is not a machine, it’s a dynamic system – it lives, adapts and grows.

You need to think again about what is a cost and a risk, and what really
creates value in the world today.

But it will take a lot more than reducing, recycling and reusing.
It requires a fundamental rethink, radically and creatively.

Rethink your business purpose and strategy.
Rethink your processes and technologies.
Rethink your markets and audiences.
Imagine that you are looking at a piece of impressionist art. Short term, too close, you are blinded by millions of dots, stand-back and you see a bigger vision. The environment is not a commodity, and people are not disposable. New legal codes and financial penalties will protect them.

But this is not just about compliance. It’s much more than CSR. It goes to the heart of business. To why you exist. Where you focus, how you succeed. To connect business and the world in new ways.

People and planet and profit. Together, achieving more.

Business is a societal good. It has a responsibility beyond itself. Brands and consumerism, profits and wealth can be incentives for change. Available to anyone, the benefits shared by everyone.

Be brave. Seek out ideas beyond your comfort zone.

Create a new language of sustainability that transcends traditional disciplines. Redefine stakeholders more broadly.

Everything is possible. Nothing is off limits. From nuclear energy to GM foods, we need to rethink our prejudices too.

Collaborate with your competitors, and even your fiercest critics. Work with governments and activists to explore new solutions.

Together we can do so much more.

We need innovation to find new ways to overcome conflicting priorities, to make inspired choices, to find brilliant new balances.

Sustainability is about creating a more lasting and fairer world. Where we can work and play, laugh and smile.

And our children will be able to too.

Grow by putting our future at the heart of your business. Grow better by being and doing good as a business.
Be bold and brilliant.

Be the change.
(Source: http://www.peopleandplanetandprofit.com/)
Appendix B

Scope of Sustainable Development

- Trade and Environment
- Transport
- Waste (Hazardous)
- Waste (Radioactive)
- Waste (Gold)
- Water
- Waste
- Land Management
- Minor Groups
- Sustainable Tourism
- Technology
- Toxic Chemicals
- Finance
- Forests
- Health
- Human Settlements
- Fresh Water
- Decision Making
- International Law
- International Cooperation for Building Environment
- Institutional Arrangements
- Poor
- Institutions
- Governance
- Disaster Reduction & Management
- Education and Awareness
- Capacity Building
- Climate Change
- Agriculture
- Demographics
- Degradation and Drought
- Economic, Social, and Cultural Rights
- Biodiversity
- Biotechnology
- Education
- Science
Teaching Creative Social Responsibility

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Nigeria Branding: A case in Nation branding (rhetoric & reality)

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Abstract: Nation branding is fast assuming a place as a relevant theme in global brand management as it could be argued that the totality of perception around a product or company’s brand across its territorial boundaries touches on some core country of origin considerations.

But, Nation branding is not a stand alone. It is a marriage of a number of constituents, each receiving its rightful attention. Building a nation brand in a way entails attaching premium on local capacity development and knowledge. Thus, a coordinated approach with mutual understanding from all players in the game is paramount.

Keywords: Nation Branding, Internal buy-in, Nation brand equity model


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Francis was Manager, Transaction Advisory Services with Ernst & Young, Africa Sub Area; Special Assistant to the former Federal Minister of Transport & Aviation (Nigeria); Accountant with JAMB, an Agency under Nigeria’s Federal Ministry of Education; Lecturer at the Postgraduate School of Nasarawa State University, Keffi, Nigeria; and is currently the Private Sector Specialist with the African Development Bank.
1.0 Nation branding: background & context setting

1.1 The concept & relevance of Nation branding

Branding as a practice has gained increasing attention over the years arising from the background of compelling images of worldwide signatures such as Coca Cola, reputed as a “global club with a mere membership fee of fifty cents” to MacDonald’s penetration across the world through franchising. Even in the face of established regional income differentials, these brands, be it Google, Wal-Mart or Marlboro have not only sustained the steam but continuously commended consumers patronage or bonding over time by concentrating on the key dynamics that differentiates them from others, focusing on the big global stage, and acting locally. Nation branding has become a popular phrase ever since Simon Anholt coined the phrase in 1996. Anholt, S (1998) attempts to draw a connection between really successful international brands and the country of origin of such products given that countries such as Japan (Toyota and Sony); United States of America (Coca Cola, General Motors or the Wall Street) seem to have substantial influence over their brand imagery. This underscores the complexity of brands with respect to its attributes and provenance. Brymer, C (2003) observes that:

"Countries will compete daily with neighbors or block regions for tourism, inward investment and export sales, there’s only so much business that can go around. Those countries that start with an unknown or poor reputation will be limited or marginalized. They cannot easily boost their commercial success".

There appear to be a strong link between branding and customers mental vision or as in the view of Feldwick, P (2002), “collection of perceptions in the mind of the consumer”. This value proposition had long gained relevance with regard to products and very little association with country or nation branding. In fact, the later has been confronted with fierce controversy bothering on appropriateness and relevance thus, prompting basic distinctions between national brands and nation branding. The reality is that global dynamics are fast changing, with the thinning of the gap between products branding and country branding. Countries like products operate in a competitive world – competing for growth, acceptance, respect, awareness and reputation. Nation branding sits within the parameter of this understanding. Dinnie, K (2008) describes brand equity as a multidimensional, broad and specific blend of qualities and elements which enhances the value of a State. An interesting concept, brand equity comes across as either internal (innate & nurtured) assets or external (vicarious and disseminated) assets. In practical sense, some countries like products have depleted brand equity.
Nation branding is therefore, the totality of efforts, an essential all-involving process adopted to impress on the way and manner a country is perceived across its borders and sweeteners employed by it to attracting foreign direct investments, erasing misconceptions and repositioning itself in the comity of nations. In building and sustaining the brand promise as with products, nations have often made recourse to tailor-fit strategies, appointing brand ambassadors, hosting major sports competitions and crafting catchy taglines – *God’s Own Country* (United States of America); *Good People, Great Nation* (Nigeria); *Its Possible* (South Africa); and, *The authentic still exists* – Bolivia. These slogans are akin to product brand promises as acknowledged by Nigel, H (2010): *Just do it* (Nike); *The Coke side of life* (Coca Cola) and *Think different* (Apple). In some cases, ecotourism such as available in the Caribbean, music, film, literature and sports effectively represents a country. This is aside other cultural institutions such as the *French Institute* (France), concerned with the facilitation of French language and related cultural courses overseas; the *Goethe Institute* (Germany), supporting the promotion of German language and exchange projects, the *British Council* with its emphasis on English Language and UK educational assistance programmes and perhaps, more interesting is the Ghana Academy in Abuja, Nigeria promoting Ghana language and cooperation. Just as the sun is said to never set on the British Empire, an interesting piece of the efforts of the British Council for instance is the fact that over 0.3 billion people are currently learning English language in China and it is projected that in four years time, the population of English speaking Chinese would exceed the population of English speaking countries combined. MacDonald, Kentucky Fried Chicken (KFC) are equally known for global presence in major cities of the world with the result that KFC’s cold slaws are well patronized across all continents of the world.

1.2 Nation brand building blocks; commonality with product branding

There is a strong linkage between nation and product branding. Place branding often interchangeably used with nation branding, though new is a growing discipline with limited available literature on the subject. After all, branding under whatever shade revolves on the fulcrum of perception, image and awareness. To enhance this image vision, products or nations must brand or lose their holds. There is the imperativeness of thinking global and the pressing call to stand and be counted and not to stumble when it really matters. Like products, nations employ country ambassadors and have lately been involved in literally, all forms of salesmanship using various media including the social network – facebook, twitter and pay cable television services. The bottom-line being the enhancement of either the product or nation’s brand equity and not getting stuck in the middle by conscientiously associating with key brand building planks without prejudice to products, services or nations. The linkages between product and nation branding are wrapped around the following commonalities:
1.2.1 Objective – both product and nation branding come with clear unambiguous target, that is what is desired to be achieved, the timescale involved, key milestone and unambiguous performance indicators.

1.2.2 Strategy – both product and nation branding are premised on tactical nodules, a continuum of activities, enjoying wide buy-in with continuous revalidation.

1.2.3 Cost – the real and nominal monetary implications, time costs associated with the branding efforts of products, services or a country should be well accounted for, to enable determination of net value propositions of the branding project.

1.2.4 Distinguishable & originality – brand symbols and images must be distinct in form and substance from others. Nation branding like products demands some uniqueness in approach and at the heart of it is the need to pay attention to country specific details. What succeeded in one location may not be the experience in another. Marks and Spencer, the international British retail giant demonstrated this, after an unpleasant penetration strategy to the then Communist Poland. Its “inward looking” approach according to Pitcher (1999) failed to see the light of the day outside England; with the result that it suffered deteriorations in stock prices across it penetration to other parts of Europe, the United States and Asia. In a nutshell, both product and nation branding investigates and mirrors brand vision, brand scope, brand identity, and in the views of Kapferer, L (2009) advocates an original ideology, which itself is an essential part of the brand equity valuation.
1.3 Nigeria branding project: socio-economic context

The Nigerian branding project is modeled after the South African “It’s Possible” in the 1990s coming after the collapse of country’s apartheid regime. The central objective was to induce new perception abroad on South Africa’s dawn of a new era and to draw global attention to the transparency of its democratic process and its exit from the hitherto pariah status to a ‘rainbow’ nation. The key point to keep in mind however is that whilst South Africa attended to its branding project with a sense of urgency, focus and undoubted national buy-in from its 40 million population; Nigeria’s approach seem to be from the back-door. This section of the paper attempts to dimension the path travelled so far by Nigeria in its branding prospect, providing background to the sub-themes to follow.

The 2009 “Good People, Great Nation” slogan of the Nigerian branding project comes with a history. It covers from “the Giant of Africa” project in the 1990s to the “Nigeria Image Project” in the 1980s with evident ideological gymnastics and contradictions. The three attempts combined were estimated have cost the treasury a whopping US$22 million with no definitive outcome. The taglines, more or less a buzzword, were attended to with dissent, bothering on the perception of the arrogance in expressions such as “Giant of Africa”. The “Nigeria Image Project” on the other hand was widely viewed as smacking on a rather lame...
posture with no clear appeal. There were simply, no direction and no cerebral lining in the message, tactics and direction of the project. In some instances, there were accusation of plagiarism and theft of other countries' intellectual property in the messages deployed in the various attempts.

Source: www.google.com/mapofnigeria

Of vital importance, is the fact that the image people have of a country's brand influences how such a location is perceived both as an investment and tourist destination including pertinent country of origin effects. This consciousness informed the following justification from the Government of Nigeria on its Good People, Great Nation project:

"Nigeria cannot wait until it solved all its challenges before addressing its image. We need to re-brand Nigeria, so that we as Nigerians will appreciate ourselves and our country, which will put us in a position to present ourselves positively to the outside world."

Aside buy-in and transparency issues surrounding previous Nigerian branding efforts; the drivers of the process were fraught with contradictions that tends to suggest that the efforts
to restate the way Nigeria is perceived abroad was shoddily conceived with a launch of the then *Heart of Africa* in London and New York leaving its vast population at sea on the essence of the project. Although, this point has been argued differently, Khanna and Palepu (2010) insist that nation branding particularly in emerging markets should be home grown. This view gains currency to the extent that the downstream components of a nation brand hinges on having a good product, which in the opinion of Lee Kwan Yew, former Prime Minister of Singapore sells itself. This further leaves behind a natural question on the products or services that make a country like Nigeria thick? What attributes of the country are woven around the *Good People, Great Nation* project? Are brand ambassadors with non-conflicting mandates and the right transnational presence in place? What are the linkages between the project content and strategy given the various distinctive competencies and differences in the country? What is the effective cost of the project? What are the key performance indicators? And, what is the impact of the current bombing of the United Nations House, Abuja by suspected Boko Haram Islamic sect on the Nigeria branding experience when viewed against the 9/11 bombing of the World Trade Center in New York?

The United States of America, the United Kingdom, China and Germany attracted tourism and in-bound investment not by mere slogans and branding symbols but by consciously creating conducive socio-economic environments with respect for law and order, enforcement of contracts, credible judicial system and sustainable level of infrastructure as useful indicators for ease of doing business. Unfortunately, these magic ingredients appear deficient in the recipe of the nation state Nigeria. The weak World Bank doing business in Nigeria ranking in successive years points to the struggles around enforcement of contracts and governance issues. Weak institutions and corrupt political leadership is at the heart of the branding challenge in Nigeria. There are skepticism externally on Nigeria’s ability to effectively manage its huge natural potentials while dealing with its huge negative perceptions abroad. A lot would necessarily depend on its ability to contain the wide spate of human killings, regional apathy, honest attempts at curbing corruption and the unjustifiable gap in the Gini Coefficient. Branding, whether product or country is like a rollercoaster ride, with one well informed action creating a domino effect. The United States of America branding strategy for instance, has been quite phenomenal; focusing on the growth of entrepreneurship and winning at home in spite of its multiracial status. From the successes of its corporations and brands from Microsoft, General Electric to Boeing to MacDonald and Coca Cola; the United States of America has brought a new definition to nation branding – you create a global brand by first creating awareness and winning at home. Same goes for Japan reputed for amongst others, its Toyota and Sony brands, India for Tata, France for its fashion and perfumery, South Africa for Sasol Energy and its famous butchery and so on. This is undoubtedly, one of the key missing pieces in the Nigerian branding equation as very little is known with regards to its secondary products and service.
aside naturally untapped resources which the country, according to the World Petroleum Institute, is the world’s sixth largest producer of crude oil and one of the top natural gas reserves points in the world but ironically, depends on imports for refined petroleum products and further, struggles to meet the gas demands of its thermal power stations.

2.0 Nigeria branding – the twists & turns

2.1 Introduction

Nigeria is the sixth largest global producer of crude oil with a human population of over 152 million (annual growth rate of 2.68%) amidst other non-oil mineral resources. Unfortunately, this resource rich country has failed to connect the depth of its natural wealth with infrastructure supply and commensurate human capital development. The sad reality is further by the activities of some Nigerians, earning the country a deplorable reputation of a nation of drug peddlers, a killing field, high scale corruption, advance fee fraud, and abuse of electoral process. What the country lost in human development indices, it gained in the Transparency Initiative poor ranking as one of the leading most corrupt countries in the world after the likes of Haiti and Bangladesh. There is essentially, a disconnect, a wide gulf between the body language from government officials and its policy statements on the Nigerian branding project.

2.2 Nigeria brand equity model

Products have internal and external assets (or liabilities). Unilever’s Close Up toothpaste as a product brand comes with its distinctive competencies, systems, methodologies and innovations. The story is the same for nation branding. Internal assets for a nation include certain basic, innate distinguishable intangibles. Dinnie K (2008) identified internal assets to cover both “innate” assets and “nurtured” assets; and external assets to refer to “vicarious and disseminated assets” of a country or location. The internal assets in some respects have remained untapped over the years.

The imbalance between the quality of the country’s human resources and the short supply of innovations across various spectra is inconceivable. The private equity and venture capital space, which is naturally supposed to incubate small & medium enterprises development as seen in other jurisdictions is regrettable fallow in Nigeria in spite of its Sovereign Wealth Fund (with initial seed capital of US$1 billion), the growing pension funds’ portfolio with a size of about USD13 billion as at August 2011. Mass transit schemes and water supply are in completely poor state with the Gini coefficient below with the acceptable minimum.
The strategic brand management process as viewed by Schiffman, L.G.(2010), situates around the following:

<table>
<thead>
<tr>
<th>Nigeria’s brand positioning and values</th>
<th>As a primary step is the identification of the right branding mix and mantra.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Careful planning and flawless execution of the Nigerian branding program and project</td>
<td>This entail laying the bricks; setting in place the critical line of actions including identification of unique selling points, delivery vehicles, key touch points, message and brand ambassadors.</td>
</tr>
<tr>
<td>Evaluating the output from the Good People, Great Nation project</td>
<td>Reviewing the Nigerian brand value chain. Assessing the gains, what-could-go-wrong considerations and how these elements are effectively compensated. Evaluation requires candid and factual self evaluation and some countries for objectivity reasons have often engaged leading brand audit firms to assist provide assurance in this regard.</td>
</tr>
<tr>
<td>Maintaining momentum</td>
<td>Sustain current position by continually seeking new levels.</td>
</tr>
</tbody>
</table>

2.2.1 Internal assets

Nigeria’s internal assets include its unearned, natural endowments – landscape, culture, the flora and fauna including its rich artistic works and people (Diaspora population of over 10 million people inclusive). This cuts across internal assets such as internal buy-in and local commitment to the branding project. There is a huge question on whether the country has any credit in its external assets accounts.

A quick check on Nigeria’s potentials includes:

- The home grown movie industry tagged ‘nollywood’, currently adjudged the third largest film industry globally, in terms of content, market and substance coming behind Hollywood and Bollywood (India);
- Fantastic landscapes with incredible tourist attractions such as the Obudu Mountain Reserve (home to the yearly World Mountain Racing); the Yankari Game Reserve, Whispering Palms, natural beaches and a range of other non-volcanic rocks spread across the country.
- A vibrant young population suggesting a future of active population. Recent survey of 65 countries by a British magazine, New Scientist indicates that Nigerians are
probably amongst the world’s happiest people. It is however, not clear how this translates into an asset.

- A strong sporting nation with notable icons across the world of sports. Hakeem Olajuwon (NBA most valuable player), Kanu Nwankwo (3-times african Footballer of the year and the English Premiership League veteran), Samuel Peters (World Heavy Weight Boxer) Most Nigerians are known to be active professional players in the English Premiership Leagues; National Basketball Association (NBA) and Boxing.

- Nigeria’s diverse cuisine, annual cultural displays and festivals, its rich folklore, music, literature and native rhythms as some uncommon assets, sufficient to energize the country’s tourism sector.

Nigeria’s internal assets and liabilities illustrated:

**Internal Assets** – rich landscapes, culture. Huge active population, strong Diaspora population, cuisine, world six largest producer of crude oil and second largest natural gas reserves.

**Internal Liabilities** – questionable internal buy-in by it citizen in the branding project. Country divided along ethnic and religious lines. Perennial conflicts often leading to the loss of human lives. Transparency issues, seeming lack of focus including weak respect for the rule of law.

2.2.2 External assets

Little is left to doubt on the level of damage requiring remedy on the way Nigeria is perceived in international circles. That a conscious strategy needs to be put in place to change this ugly position is not contestable, particularly given the amount of socio-political
violence and lately, the scale of Boko Haram terrorism in the country. The prompting questions here include: is the branding project and the colossal amounts of money committed so far by the State, the needed first step in the drive to rebranding Nigeria? Would it be reasonable and appropriate to consider adopting remedial actions to dealing with the identified internal issues highlighted above before getting involved in sloganeering and such taglines as Nigeria: Good People, Great Nation? Does Nigeria currently have a nation branding tracking or audit system in place to assess benchmarks for performance? How is Nigeria faring relative to its neighbours - Ghana, Botswana, South Africa and Rwanda? Rwanda, a post war country with the sad history of a average genocide of 10,000 people per day over a period of 100 days; appears to have cast the ugly past behind it and now a showcase for good governance, rule of law with physical infrastructure steadily in place.

Efforts made so far on curbing corruption through the instrumentality of the Economic & Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC) had been more of a spot rather than a flame in the dark approach. Some have argued that the impact of these institutions is analogous to the cobweb and its mastery in catching little insects with the ‘mighty’ go unscathed. Nigeria would need to build its external assets by harnessing support from its notable icons such as Wole Soyinka (Nobel Prize recipient for Literature); Chinua Achebe (Orange prize for fiction); Emeka Anyaoku (former Secretary General of the Commonwealth); and Ngozi Iweala (Managing Director of the World Bank, and current head of the economic management team). It must take bold steps in dealing with its weak institutions by engaging the right people for the right position just like having the right product in the right market and at the right price and time.

Very little is known about the country’s Diaspora population estimated at over six million people. The impact on foreign direct investments and migratory funds has not been clearly captured by the Central Bank of Nigeria as well as the Federal Office of Statistics. The same is the case with branded exports. The productive capacities of the country is weak as crippled by the poor infrastructural facilities including weak soft infrastructure i.e. regulations. Electricity supply for a population of over 150 million is currently less than 3,000 megawatts, large producer of crude oil but depends of non oil producing economies for refined products. Cost of doing business is unnecessarily high, with the implication that most indigenous company struggle for survival in the face of competition from cheaper goods from overseas. The multiplier effect of dumping is weakened gross domestic production, unemployment and by extension, a strained standard of living.

2.3 Operational synergy and credibility – the enduring intersect

One of the ten commandments of global branding is embracing integrated marketing communication and partnerships. This is quite in sync with nation branding as all agencies of
government involved in branding project must complement rather than compete against each other. Unhealthy rivalry, political showmanship, conflicting briefs from key government interface and brand management institutions such as the Nigeria Tourism Development Corporation (NTDC), Nigeria Immigration Service (NIS), Nigeria Investment Promotion Commission (NIPC) and the Federal Ministry of Foreign Affairs. There is a huge disconnect between the jingles from the NTDC, the NIPC and the body language from NIS. Whilst the government lay claims on wooing foreign investor, the various foreign missions (Consular Offices) cripple the spirit by taking an average of two weeks to grant travel visas, the Home Office or Internal Affairs on the same token, requiring twice the length of time to process residency and work permits for eligible expatriates.

There is a demand on all players in the Nigerian brand field to be effective, to apply a coordinated approach with common vision in the branding business. The impressive results in Ghana, Nigeria’s next door neighbour as evident from its recent classification as a medium income country derives partly from the unambiguous mandates of the various implementing agencies in Ghana.

Highlight of Nigeria’s performance in terms of ease of doing business in 2011

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Nigeria</th>
<th>Ghana</th>
<th>Kenya</th>
<th>World’s best, based on sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of doing business</td>
<td>137th</td>
<td>67th</td>
<td>98th</td>
<td>Singapore</td>
</tr>
<tr>
<td>Starting a business</td>
<td>110th</td>
<td>99th</td>
<td>125th</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>59th</td>
<td>44th</td>
<td>93rd</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Accessing credits</td>
<td>89th</td>
<td>46th</td>
<td>6th</td>
<td>Malaysia</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>146th</td>
<td>89th</td>
<td>144th</td>
<td>Singapore</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>97th</td>
<td>45th</td>
<td>125th</td>
<td>Luxembourg</td>
</tr>
<tr>
<td>Closing a business</td>
<td>99th</td>
<td>109th</td>
<td>85th</td>
<td>Japan</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>167th</td>
<td>151th</td>
<td>35th</td>
<td>Hong Kong / China</td>
</tr>
</tbody>
</table>


3.0 Nigeria branding – a peep through the window

3.1 South Africa

The account of the ‘rainbow’ country cannot be detached from its apartheid history. Once a pariah state, Republic of South Africa has been able to shake off the dust and assume a place as one of the global big emerging markets alongside China, Brazil and India. Its branding
strategy is inward looking – containing internal issues around security, internal buy-in, infrastructure provision, enforcement of contracts, maintaining rule of law, creating conducive space for private sector development whilst continuously assessing its Gini coefficient even as it manages seemingly discriminatory policies such as the Black Economic Empowerment (BEE) and emphasizes market driven systems. During 2010, it successfully hosted the FIFA World Soccer tournament to the amazement of most cynics. Some key South African brands such as Shoprite, Sasol, Game and Nandos are fast penetrating regional markets across Africa and Latin America. Its notable icons include Nelson Mandela and Archbishop Desmond Tutu, Lucas Radebe, have gained global recognition, some Noble Laureate. The Johannesburg Stock Exchange’s rules of engagement are quite clear and continually builds investors confidence by checking insider trading and related abuses. Its emphasis on research, knowledge and institutional learning significantly accounted for status of some of its universities such as Wits (within the top 80 global universities) in global rankings.

3.2 United States of America

The “God’s own country” as widely described has been able to build and sustain strong reputation for itself during the last six decades. The United States of America is a classic example in nation building, knitting together its fabrics of many colors into a fanciful country with unarguably the strongest global economy from the point of size and Gross Domestic Product Purchasing Power. Although the country has been viewed differently by different people, the fact that it is able to effectively manage its diversities, contain internal challenges while at the same time engaging and shaping the balance of power globally cannot be contested. It could be argued that the country’s branding strategy dwells more on internally promoting free market system with the outcome of dominant global brands such as McDonald, Coca Cola, General Motors, Cable News Network, Hollywood and Chevron. Although seen by some as a domineering role, noisy and materialistic, America has sacrificed substantially in terms of men, time and money in the fight against terrorism and installing good governance across the world. America’s weak perception in particularly the Muslim world, comes with a history as it touches on the Middle East and the Israel debacle with the thoughts that the United Nations and NATO seen as the hand and voice of the United States.

3.3 Singapore

Singapore is a textbook case of a country getting it right in spite of its seeming disadvantaged limitations of location (in the midst of much bigger countries). Singapore’s magic ingredient was in its uncommon advantage of having a focused and experienced leadership represented by Senior Prime Minister Lee Kuan Yew. The tiny former British colonial trading post of a relatively tiny population was able to walk away from the league of
third world markets priding itself today in the words of Yew, L.K (2001) as one with the “best world’s airlines, best airports and also the world’s fourth highest per capita real income”. This feat was achieved through concerted efforts, sacrifice, dogged determination, policy consistency and commitment on the part of its founding fathers through a space of only thirty years during 1965 to 2000. The leadership first understood the need for re-orienting its people at independence in 1965 on personal hygiene, premium for western education, common respect and dignity of labour. This was followed with its careful commitment to infrastructure development, free market and enforcing suitable laws to support the development of trade and continuous premium for human capital development. Today, Singapore have less to say, little or no budgetary provisions on branding efforts but enjoys so much positive perception as not only an orderly society, but one of the identified popular destinations for tourism and investment in the world.

3.4 Nigeria branding Project – the missing piece

Experiences from both developed and emerging markets vis-à-vis nation branding successes underscores the following points as it affects the Nigeria branding project:

- Lack of steam and focus in the strategy employed in the Nigeria: Good People, Great Nation project. This is aside absence of coordination between the various agencies of government mapped in the branding exercise;
- Absence of internal buy-in on the branding project. The concept of living the brand is missing, as there appear to be mutual mistrust amongst the people. Creating awareness and positive perception internally is in short supply;
- Weak institutions and low commitment to rule of law, enforcement of contracts, low level of infrastructure, corruption and general insecurity of lives and properties. Most businesses self-provide power, water and other basics at very high costs.
- The debilitating impact of the various socio-political crisis and lately, the acts of terrorism and militias activities in the Niger Delta zone of Nigeria with a reported average annual loss of human lives at the region of 1,000 per annum is substantial disservice to the Nigeria branding project;
- Absence of brand and product ambassadors. Aside oil and gas, very little is known about Nigeria with respect to export of processed products;
- Too much motion and talks about the Nigerian branding project without movement. and, Absence of clear milestones for tracking progress on the branding efforts.

4.0 Strategies for the future

Nigeria is ironically at the bottom of the human development index despite its position as a huge oil nation. Going global or gaining cross border recognition is not a tea party. Tunisia
with no significant proven natural resources in any sense near Nigeria was able to build its critical infrastructure and human capital in the field of medicine largely from revenue from tourism sector. Until the recent Arab revolution this year, Tunis was a favorite tourist destination. It takes conscious efforts as with product branding. Tata Motors for example, in seeking to attract cross border patronage began by winning at home by insisting on sturdy, reliable and affordable vehicles for the local market while at the same time investing in product development initiatives in India to wade off incoming competition. The same strategy applies to General Electric, Proctor & Gamble and South Africa’s Sasol. In the words of Hollis, N. (2010) ‘one size does not fit all’. It is important that particular attention is paid to customizing the Nigerian branding strategy in line with its peculiarities. The Heart of Africa as well as the Good People, Great Nation needs to be revalidated to meet the realities of the country and in the spirit of the times.

The Diaspora population should be effectively put to use including dealing with internal issues of graft, advance fee fraud, violent crimes and abuse of human rights beyond mere lips service. Leadership must live by example; this regrettably, has proven the most difficult bit of nation branding. The judiciary should be seen to be independent and free of influence by politicians. It would equally be helpful to carry out internal reorientation to enable internal buy-in therein addressing the key internal elements making up the Nigerian brand DNA. Branding is not a one-off game. It is a continuum of activities requiring backward and forward tracking. It is therefore, important that the productive capacities of the country through a diversification strategy are put in place to support a shift from the current mono-product economy. Basic key questions arising from the country’s audit and heat-map analysis as a first step should concentrate on all segments of the branding project ranging from the reported commitment of over US$22 million annually as publicity costs to getting the right people with the exposure, acceptance, international presence and competence to drive the process within defined parameters.

Howard Jeta, former United States Ambassador to Nigeria remarking in 2006 on the Nigerian branding project sums up the position of this paper:

“Some people say that Nigerians are brash and aggressive; I say that you hold your own down and some folks are intimidated by your self-confidence.”

Developing the private equity (PE) market and venture capital space could significantly assist the growth of micro, small and medium enterprises (MSMEs) as was the experience with the Asian Tigers. The pull-over effects of a robust PE market is the facilitation of cross border fund mobilization given particularly, the Sovereign Wealth Fund originated in 2010 by the government. With the leading human population in Africa, coupled with its vast natural
resources including the ‘never-say-die’ spirit of its people; nation branding may probably not be the optimal way forward as a first step. The urgency is in Nigeria getting it right, ensuring common vision with a sizable portion of the constituent parts (subnational governments) of the Nigerian federation and by summing up needed courage to objectively deal with its internal weaknesses, put in place relevant soft infrastructure, invest in human capital development, practice reverse engineering where possible and then, take its rightful place in the comity of nations.
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