



Soft Power: Why it Matters to Governments, People & Brands.



Parul Soni
Associate,
Brand Finance



Steve Thomson
Insight Director,
Brand Finance

Soft power has a significant impact on the decisions people, businesses, and governments make. As Joseph Nye, the godfather of soft power, puts it, it is ‘a means to success’ for those that know how to leverage it. It is fascinating to see the perceptions that people around the world have about different nations, their strengths and their challenges. In the course of working on the Global Soft Power Index, we have learned a lot about the real powers of persuasion and attraction that different countries possess – as well as seeing who the underperformers are, with potential to raise their game and deliver tangible benefits to national wellbeing.

What do we mean by Soft Power?

We conducted an extensive academic literature review, including the pioneering work of Harvard Professor Joseph Nye, and the following summarises our working definition of soft power.

“A country’s ability to influence the preferences and behaviours of various actors in the international arena (states, corporations, communities, publics etc.) through attraction or persuasion rather than coercion.”

Influence, attraction, and persuasion are classic elements of brand strength, and Brand Finance has been conducting an annual Nation Brands study on the world’s most valuable and strongest nation brands for over 15 years. This study has provided key benchmarks for diplomats, tourism boards, trade agencies, nation brand consultants and managers.

This new Global Soft Power Index report expands on our Nation Brands methodology and focuses on measuring the soft power of different nations around the world.

Measuring Soft Power

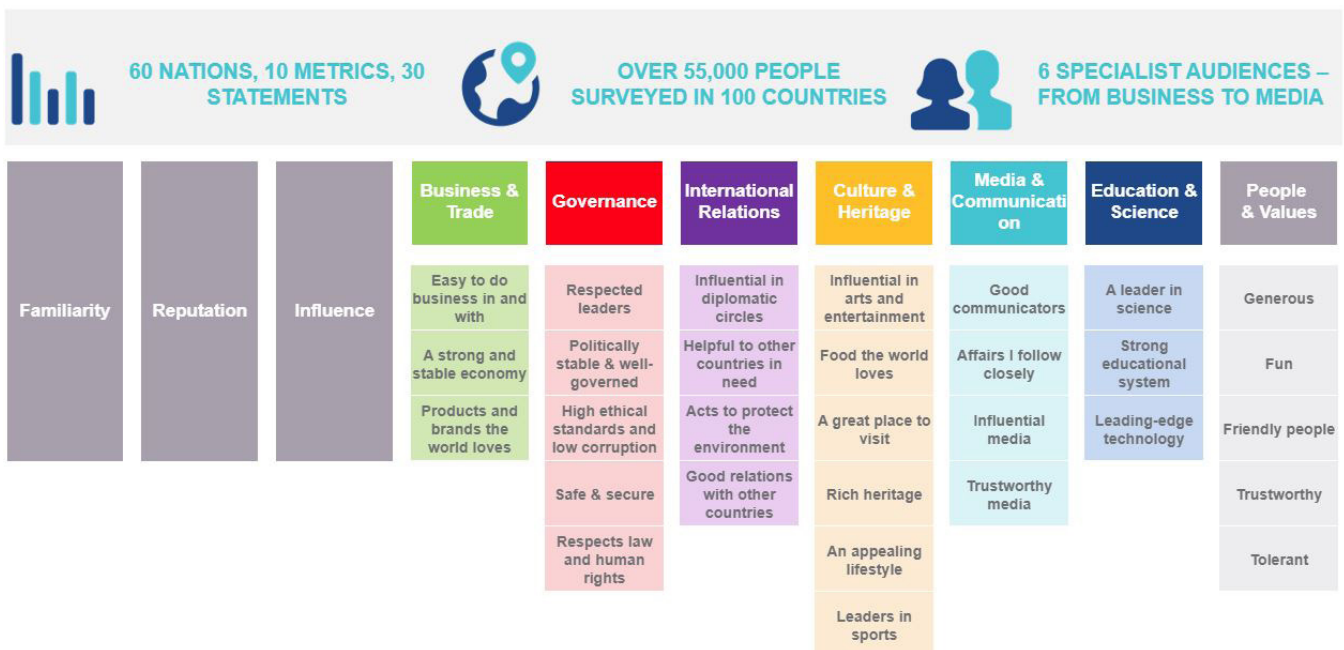
In our quest to develop the definitive measure of soft power, we developed a framework which encompasses all its key dimensions.

There are three overall measures which we refer to as ‘Soft Power KPIs’ – important and universal indicators of soft power:

- **Familiarity:** A hygiene factor – if people know more about your country, its talents, businesses, and resources, then soft power is enhanced.
- **Reputation:** For a nation to be attractive and a role model for others, its overall reputation must be strong and positive.
- **Influence:** A direct measure of the perceived presence and impact that your country has in other countries. It is also a way of assessing whether soft power really plays out globally, or whether some nations’ soft power is restricted to certain regions or cultural affiliations.

We have also ascertained 7 specific dimensions, or ‘Soft Power Pillars’. These are the different areas where soft power is exercised, ranging from culture and foreign policy to dimensions such as a nation’s educational and scientific resources, media reach and influence, and a favourable business climate.

Figure 1: Soft Power Index Methodology, Brand Finance



The Global Soft Power Index research programme, the largest of its kind, was based on two key principles:

1. Capturing the views of ordinary people (General Public) and the opinions of experts (Specialist Audiences) who see soft power in action close-up and who ensure it has real impact on outcomes and decisions.
2. Creating a genuinely global measure, that captures the impact of soft power initiatives far and wide reaching many smaller nations in the world that are often overlooked.

We gathered responses from over 55,000 people in 100 countries, including a survey of the General Public in 87 countries with over 54,000 respondents. Complementing that was a survey of over 1,000 experts from Specialist Audiences in 71 countries – academics, NGOs, government officials, business leaders, and media.

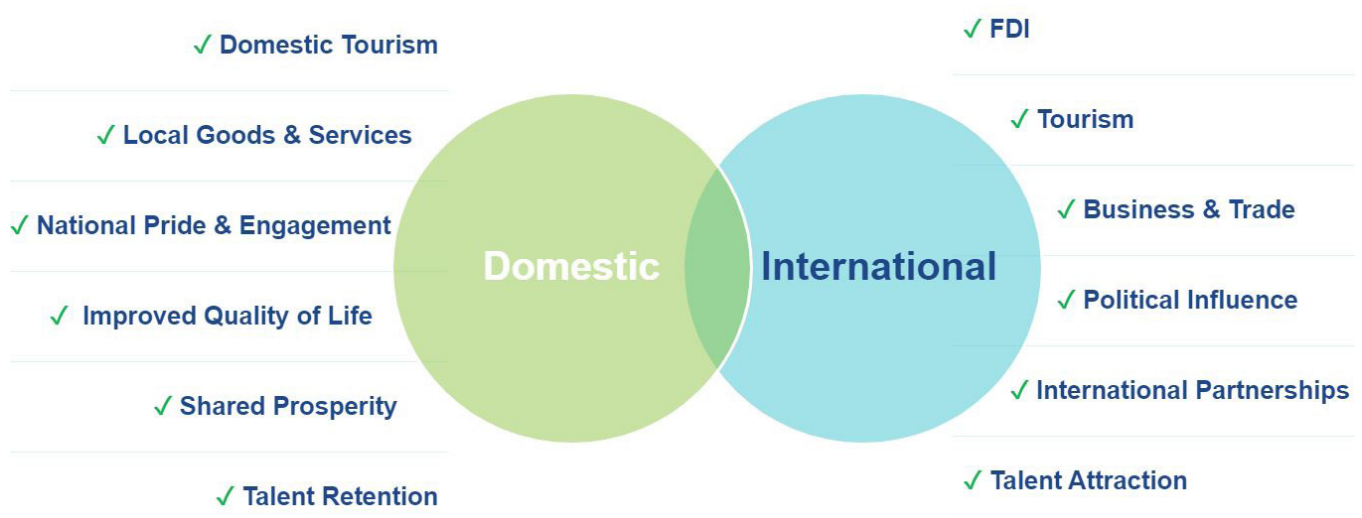
The survey methodology rated 60 nation brands chosen for the size of their economy or likely influence.

Benefits of Soft Power & a strong Nation Brand

Experts agree that soft power delivers all kinds of benefits for nations, their people, businesses, and organisations of all shapes and sizes. A strong nation brand and positive soft power perceptions allow a nation to promote itself as a place for people to visit, invest in, and build a reputation for their quality of goods and services. It allows a country to rise in the esteem of its neighbours, market its resources and compose the face it presents on the international stage.

However, it is often overlooked that a strong nation brand and soft power can deliver better outcomes at home – for example by encouraging domestic tourism, the consumption of domestic goods and services rather than imports, and less tangibly just making people feel better about their country. The benefits are extensive, for both the nation and its citizens, domestically and internationally.

Figure 2: Benefits of Soft Power & a strong National Brand both domestically and internationally, Brand Finance



But what specifically can and should governments and other large organisations do to assess and improve their soft power credentials? The starting point is to use soft power measurement to diagnose a nation's strengths and weaknesses. This in turn helps governments set priorities to improve global reputation and guide policy strategy.

Benchmarking and accountability are important to ensure projects deliver tangible returns.

Another key application concerns communication and education. In some cases, soft power may be constrained because of poor communication of a nation's strengths and resources limiting its potential. However, this is often easily addressed with a communications strategy. A good understanding of your existing reputation, brand equity, and the misperceptions which need to be corrected is the first step for effective communication and utilisation of a nation's soft power.

Figure 3: How can Soft Power perceptions be leveraged by Nations?, Brand Finance



Why does soft power matter to corporate brands?

Soft power perceptions form a key component in the overall measurement of a nation's brand strength. While soft power is the ability to influence actors, a nation brand puts that ability into practice.

A mutually beneficial relationship exists for nation brands and the corporates that originate from and associate themselves with that nation. A country's nation brand facilitates location branding which encompasses nation, region, and city branding through which both local and global businesses strive to create visual, emotional, and perceptual connections with locations in order to market their products and services.

The concept stems from the idea that places evoke strong emotional connections that are highly effective in conveying characteristics and perceptions that are associated with the location. This is evident with

German automobile manufacturers that regularly leverage the nation's reputation in the field to differentiate their cars.






Location branding also creates a symbiotic relationship between nations and corporates where corporate brands act as brand ambassadors for the nation on the world stage. Singapore Airlines, for example, has become an iconic brand ambassador for its home city state. The airlines' heritage, history, and branding is deeply rooted in the nation's identity and this is evident in their marketing that frequently features local elements which can in itself be considered both an advertisement for the airline as well as a tourism campaign for the nation.

A nation's attractiveness and soft power will impact most brands and businesses – especially those with very clear national origins and associations. The following 5 areas outline the various ways in which corporates can leverage and utilise soft power perceptions.

Figure 4: How can Soft Power perceptions be leveraged by Brands?, Brand Finance



Figure 5a: Global Soft Power Index Top 10, Brand Finance (1-5)

1		United States	8.6 Familiarity 7.7 Influence 7.1 Reputation	67.1
2		Germany	7.9 Familiarity 6.0 Influence 7.4 Reputation	61.9
3		United Kingdom	8.2 Familiarity 6.3 Influence 7.3 Reputation	61.8
4		Japan	7.6 Familiarity 5.8 Influence 7.5 Reputation	60.2
5		China	7.6 Familiarity 7.1 Influence 6.5 Reputation	58.7

Who are the current Soft Power superpowers?

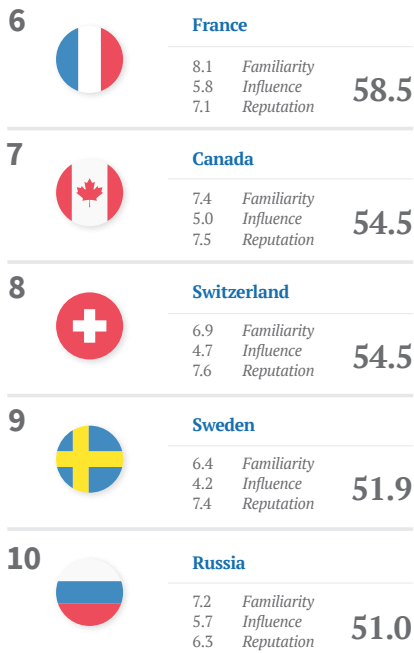
The US leads the rankings with a significant margin. It has high familiarity, strong perceived influence, a largely positive reputation and comes out strong on multiple pillars. Its cultural reach and 'star quality' is reflected by the far reaching global interest in the nation and its people.

Germany is traditionally strong in business and technology. Its leading position in the EU also demonstrates its significant influence in international affairs. The nation's stability in economy and politics sets a solid foundation for soft power.

United Kingdom's soft power practice balances multiple metrics. It has a rich culture although not quite comparable to the top-tier tourism destinations; it has a good education system despite never really outperforming in technology. However, its consistently healthy performance on all aspects builds up strong soft power for the nation.

Japan has an excellent reputation, and its strength in leading-edge technology and business demonstrate its significant influence to the

Figure 5b: Global Soft Power Index Top 10, Brand Finance (6-10)



world. Its unique culture and excellent governance make Japan a high-ranking soft power nation.

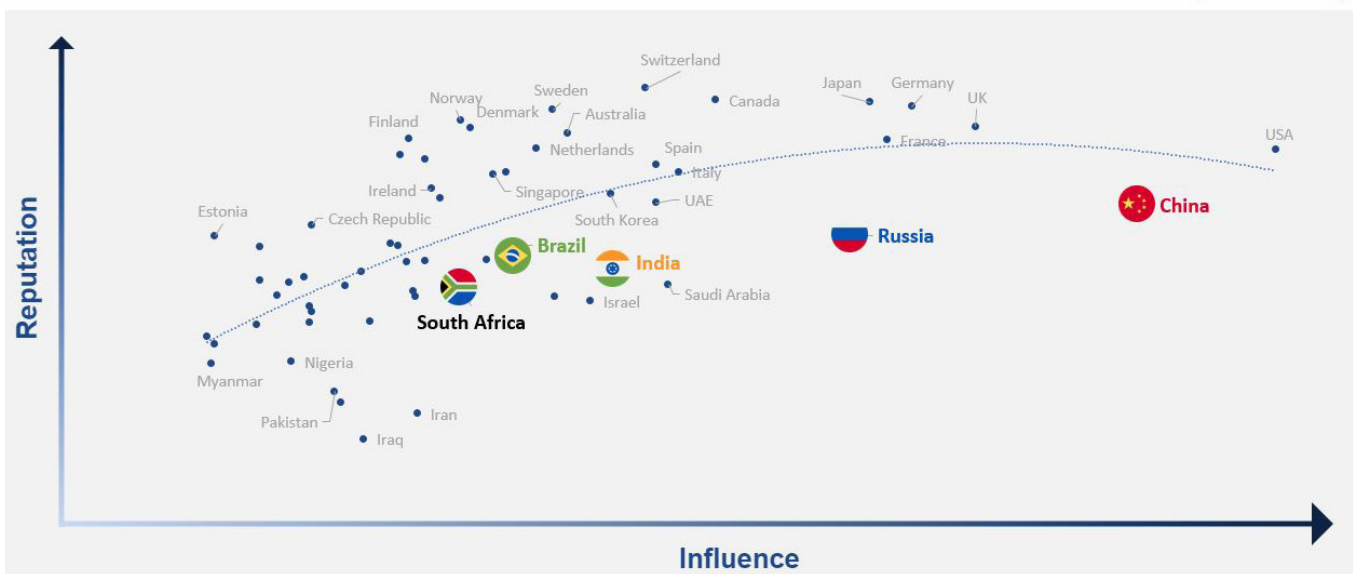
China challenges liberal western democracies with a 5th-place ranking based on high perceived influence. China's sheer size and increasing confidence on the world stage gives it undoubted influence. Its enthusiastic embrace of capitalism has led to great strength in business and trade as well as education and science.

Key Themes in the 2020 Results

- BRICS:** Previously highlighted as five major emerging economies, the nations have - to an extent - underperformed on soft power rankings. The BRICS nations underperform on Reputation which has a strong positive correlation with Influence. All five nations have a somewhat mixed reputation internationally and none rank within the top 20 on the measure.
- China:** China ranks 36th on Reputation amongst Specialist Audiences, and 43rd among the General Public, a ranking that is lower than expected for a 5th ranking soft power superpower. However, although

Figure 6: BRICS influence constrained by mixed reputations, Brand Finance

(General Public)

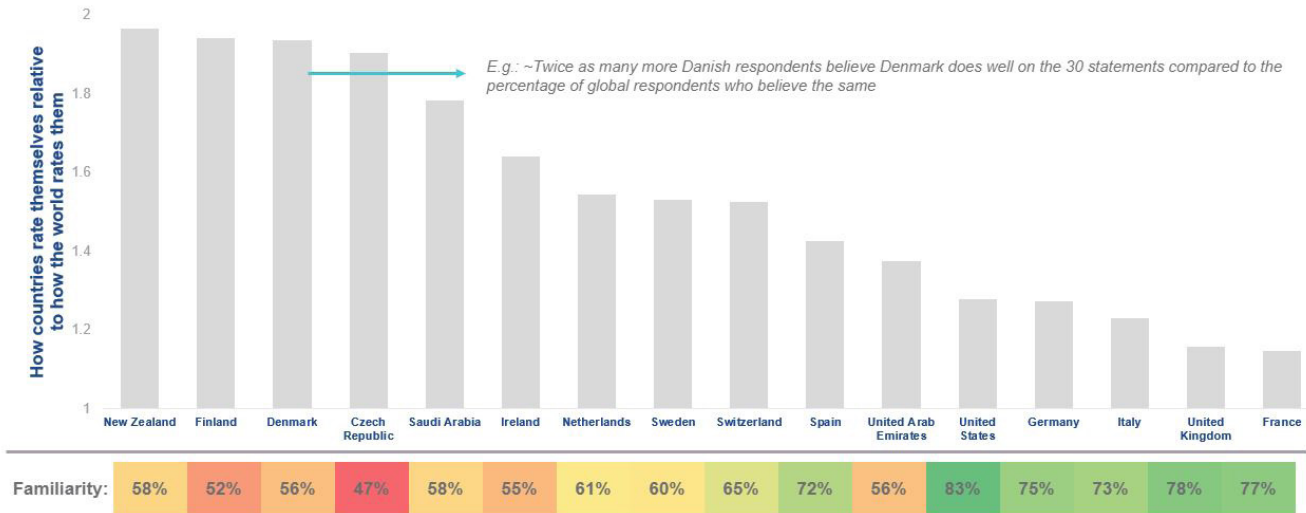


China's reputation may be mixed, and it would undoubtedly benefit from a more positive reputation internationally, we should not conclude that China is seen negatively around the world.

China's reputation is more positive in some countries than others such as Bangladesh, Nigeria, Russia, South Africa, Central & West Africa, and Central America. Additionally, only 5% of Specialists think the impact of China's influence is negative while that percentage is 16% amongst the General Public – among both groups the consensus is that China's influence has a mix of positive and negative impact on the rest of the world.

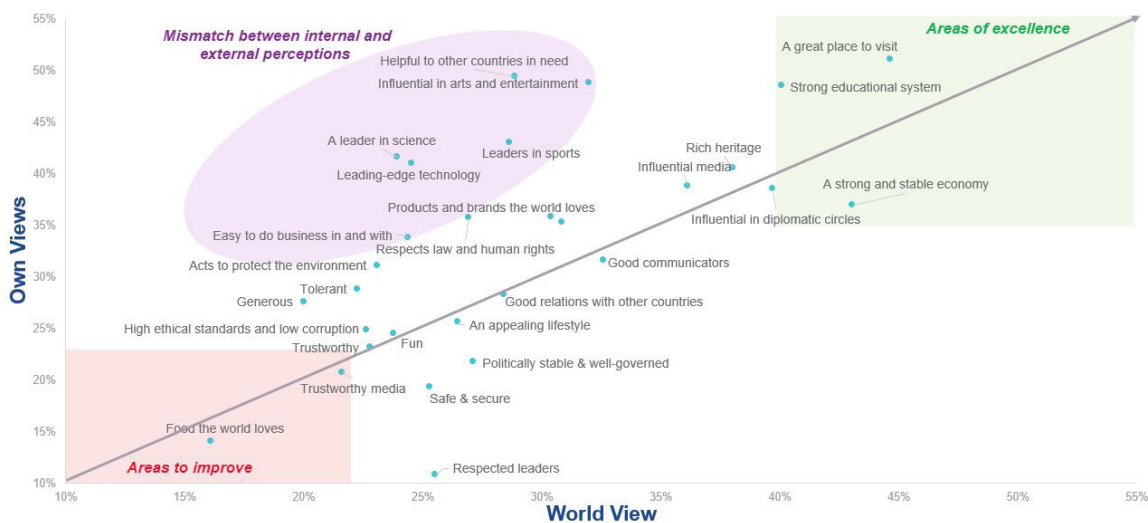
3. **Your View, Our View:** Another key theme emerging within the results is the mismatch between global perceptions of a nation and how people of that nation view themselves. This perceptual gap is generally biggest in smaller countries, which are not especially familiar to people in all parts of the globe. Looking at perceptual gaps in more detail can be revealing to identify where a nation may be strong and weak as understood by people from the country as well as globally. For example, in the case of the UK, there are generally accepted

Figure 7: Nations rate themselves more positively than the world rates them, Brand Finance



areas of excellence. Respondents both within the UK and outside of it agree that the UK has a strong and stable economy, a strong educational system and is a great place to visit. On the other hand, they also agree that the UK does not rank as high on 'Food the World Loves'. The analysis also highlights several key metrics where there is a large perception gap between respondents within the UK and those outside of it. For instance, respondents within the UK believe the nation to be 'Helpful to Others in Need' and a 'Leader in Science'. However, the world views the UK less positively on the same metrics.

Figure 8: What the world thinks of the UK vs how the UK sees itself, Brand Finance



4. **Mental Availability and Brand Fame:** Our analysis also reveals that two of the key KPIs of Familiarity and Influence are to some extent determined by a country's size, relevance, and proximity. These are broadly comparable to the concept of mental and physical availability, which are a known driver of commercial brand growth. Brands with strong mental and physical availability have an advantage – they come to mind when considering purchasing or investment options, best practice, sources of advice and guidance and so on.

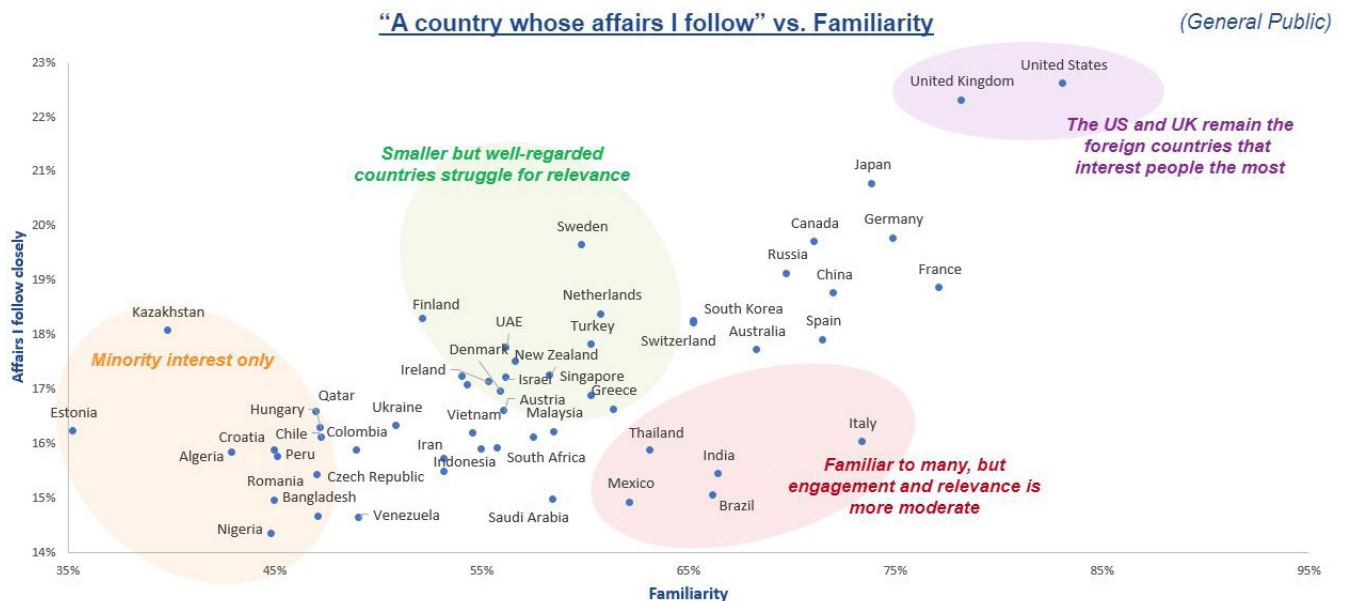
Some countries have built-in advantages through their size. The US emerges as a leader in terms of mental availability helped by the international reach of its culture, brands, people, and values. The nation's 'Brand Fame' is undeniable, while in more recent times, Donald Trump himself, although not universally popular, remains a source of fascination. The UK also remains a nation of international interest, helped by the English language, its colonial past, as well as through the Royal Family.

In contrast, there are many smaller countries which have to fight to get noticed globally, despite strong reputations. For small countries, with no particular strength or 'USP' (Unique Selling Proposition), becoming a focus of interest is difficult.

This phenomenon also explains the mid-tier ranking of smaller nations like New Zealand (22nd) and Singapore (20th). A lower overall familiarity means that nations may be less able to demonstrate their strengths.

Impact of COVID-19

Figure 9: The US is out in front in terms of mental availability, Brand Finance



As a result of the recent global health crisis and the lockdowns that have followed, changes to our daily lives have had a big impact on how nations exercise soft power. Looking at the UK for example, a key asset is its leadership in the area of Education as one of the top destinations for

studying abroad. It is also a global Culture & Heritage hub helped by the thriving West End, and well-established traditions including the Monarchy and English Premier League which both have a widespread following.

With international travel, educational institutions, hospitality, entertainment, and arts industries forced to shut down, and physical distancing the norm for the foreseeable future, it is unlikely that these arenas will return to their original breadth of exposure any time soon.

We have identified four key pillars that are likely to be the focus of soft power actors during and after the crisis:

International Relations

The importance of maintaining collaborative relationships for business, tourism, aid, and sharing limited resources including PPE, treatment drugs, and eventually a vaccine is becoming increasingly evident.

Last year, the top ranking nation on perceptions of being ‘Helpful to other countries in need’ was Germany, and their continued successful handling of the virus has allowed them to extend their resources to neighbouring countries, allowing patients from France, Netherlands, and Belgium to be flown into German hospitals for treatment, an act that has earned them a lot of praise and is likely to reinforce their position at the top of the ranking next year.

China, 23rd ranking nation on the metric last year, has also adopted an approach dubbed as ‘Mask Diplomacy’ helping other nations during the crisis. China’s aid in the form of shipments of PPE and medical supplies has reached several nations from Italy, Czech Republic, to Serbia. China’s distribution of contextually important resources has been a significant part of China’s foreign policy and may help the nation improve its ranking next year.

Education and Science

The global hunt for a COVID-19 cure and the race to develop a vaccine has taken centre stage.

We would expect nations’ scientific and technical resources to have a big bearing on the success of dealing with the pandemic. The leaders on the Education & Science pillar are all large, advanced nations, though they have different strengths within this pillar.

However, the evidence in 2020 is that science and tech capabilities are not the only factors which determine a nation’s ability to deal with threats such as COVID-19. To some extent it is how you apply these resources, and that is a matter of governance and organisation.

Governance

Steady leadership and dependable governance have come

Figure 10: Top 5 Ranking on Education & Science, Brand Finance











Rank	Country	Score/10
#1	 Japan	5.9
#2	 United States	5.8
#3	 Germany	5.3
#4	 China	4.9
#5	 United Kingdom	4.6

Figure 11: Ranking on Politically Stable & Well Governed, Brand Finance

Rank	Country	Score/10
#1	 Germany	5.8
#11	 Japan	5.0
#16	 United Kingdom	4.5
#19	 United States	4.3
#26	 China	3.8

into the spotlight and are likely to have a direct effect on perceptions of stability in the nation and which nations are sought out for business, investment, tourism etc.

However, despite being in the top 5 on Education & Science, several nations do not score as well on perceptions of being 'Politically stable and well governed'. This also mirrors the response to the health crisis that we have seen in the UK and US for example, which already rank relatively low - 16th and 19th respectively - and are likely to fall down the league table next year given the perceived chaos in both countries over the course of the pandemic.

Business and Trade

With global economies in turmoil, investors and businesses are seeking stability in markets that have been able to successfully manage the health crisis.

The top 5 nations on the perceptions of being a 'Strong and stable economy' are all projected to decline in economic output over 2020, a significant contraction between 5-7%. It is evident that perceptions of economic stability are likely to dramatically change as several global powers navigate one of the worst recessions in generations.

This is an opportunity for nations like Vietnam, which have handled the crisis well and as a result protected their economies to an extent, to build their soft power in the field. Vietnam ranks 57th on perceptions of having a 'Strong and stable economy', but is now one of only a handful of nations with a positive growth forecast for the year by the IMF.

Vietnam as a nation ranks 57th on perceptions of having a 'Strong and Stable economy', and has a modest scores on several other Soft Power measures. In contrast New Zealand, a much smaller nation, scores a lot higher on most Soft Power measures.

Despite thin resources, it is currently the largest nation without any reported coronavirus-related deaths and less than 400 cases despite being one of the first countries to have been affected and sharing a border with China. Vietnam deployed quick strategic testing, aggressive contact tracing, as well as a highly effective public communication campaign featuring a viral public awareness song. Nevertheless, there has been limited coverage of Vietnam's success, in contrast to the attention received for instance by New Zealand.

This demonstrates the impact of soft power and poses a key opportunity for Vietnam and other nations that have handled the crisis well.

Vietnam is in the midst of several global changes that are proving to be favourable for the nation. A heightening US-China trade war, and the shifting of manufacturing out of China due to COVID-19 have opened up

opportunities for the nation. Soft power can help seize them and further Vietnam's assets and resources as has been the case for New Zealand, which has been able to benefit from their policy and strategic successes enhanced by their strength in soft power.

If Vietnam is able to build on its soft power, its successes in society, economy, and governance can have a far greater reach and create ripple effects for the nation the same way the soft power superpowers currently enjoy.

Conclusion

The relevance, importance, and impact of soft power is impossible to ignore. Governments and corporates alike can use their understanding of how their nation is perceived to harness its potential and amplify the benefits that policies and strategies can help achieve. Identifying a nation's strengths and weaknesses to either improve infrastructure, frameworks, and policy or to address misconceptions, will allow nations, its corporates, and its people to achieve their potential and access opportunities otherwise missed.

Consulting and Evaluation Services.

1. Valuation: What are my intangible assets worth?

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

- + Branded Business Valuation
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Contribution

2. Analytics: How can I improve marketing effectiveness?

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allows an understanding of how brands create bottom-line impact.

- Market Research Analytics +
- Return on Marketing Investment +
- Brand Audits +
- Brand Scorecard Tracking +

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers, and owners of branded businesses get a better deal by leveraging the value of their intangibles.

- + M&A Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

3. Strategy: How can I increase the value of my branded business?

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

- Brand Governance +
- Brand Architecture & Portfolio Management +
- Brand Transition +
- Brand Positioning & Extension +



MARKETING

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.



FINANCE

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.



TAX

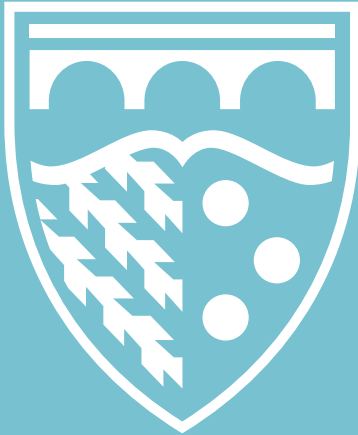
We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.



LEGAL

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

About Brand Finance.



Brand Finance is the world's leading independent brand valuation and strategy consultancy.

Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:

- + Independence
- + Technical Credibility
- + Transparency
- + Expertise

We put thousands of the world's biggest brands to the test every year, evaluating which are the strongest and most valuable.

Brand Finance helped craft the internationally recognised standard on Brand Valuation – ISO 10668, and the recently approved standard on Brand Evaluation – ISO 20671.

Get in Touch.

**For business enquiries,
please contact:**

Soft Power
softpower@brandfinance.com

**For media enquiries,
please contact:**

Konrad Jagodzinski
Communications Director
k.jagodzinski@brandfinance.com

**For all other enquiries,
please contact:**
enquiries@brandfinance.com
+44 (0)207 389 9400

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**For further information on our services and valuation experience,
please contact your local representative:**

Market	Contact	Email	Telephone
Africa	Jeremy Sampson	j.sampson@brandfinance.com	+27 82 885 7300
Asia Pacific	Samir Dixit	s.dixit@brandfinance.com	+65 906 98 651
Australia	Mark Crowe	m.crowe@brandfinance.com	+61 282 498 320
Canada	Charles Scarlett-Smith	c.scarlett-smith@brandfinance.com	+1 514 991 5101
Caribbean	Nigel Cooper	n.cooper@brandfinance.com	+1 876 825 6598
China	Scott Chen	s.chen@brandfinance.com	+86 186 0118 8821
France	Bertrand Chovet	b.chovet@brandfinance.com	+33 6 86 63 46 44
Germany	Holger Muehlbauer	h.muehlbauer@brandfinance.com	+49 151 54 749 834
India	Ajimon Francis	a.francis@brandfinance.com	+44 207 389 9400
Indonesia	Jimmy Halim	j.halim@brandfinance.com	+62 215 3678 064
Ireland	Simon Haigh	s.haigh@brandfinance.com	+353 087 669 5881
Italy	Massimo Pizzo	m.pizzo@brandfinance.com	+39 02 303 125 105
Japan	Jun Tanaka	j.tanaka@brandfinance.com	+81 90 7116 1881
Mexico & LatAm	Laurence Newell	l.newell@brandfinance.com	+1 214 803 3424
Middle East	Andrew Campbell	a.campbell@brandfinance.com	+971 508 113 341
Nigeria	Tunde Odumeru	t.odumeru@brandfinance.com	+234 012 911 988
Romania	Mihai Bogdan	m.bogdan@brandfinance.com	+40 728 702 705
Spain	Teresa de Lemus	t.delemus@brandfinance.com	+34 654 481 043
Sri Lanka	Ruchi Gunewardene	r.gunewardene@brandfinance.com	+94 11 770 9991
Turkey	Muhterem Ilgüner	m.ilguner@brandfinance.com	+90 216 352 67 29
UK	Richard Haigh	rd.haigh@brandfinance.com	+44 207 389 9400
USA	Laurence Newell	l.newell@brandfinance.com	+1 514 991 5101
Vietnam	Lai Tien Manh	m.lai@brandfinance.com	+84 90 259 82 28