



Soft Power & brand value: Lessons from the pandemic.



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- + Soft power is a nation's ability to influence the preferences and behaviours of various actors in the international arena and it's key to build a strong nation brand.
- + By better understanding what drives Soft Power and a nation's prosperity in general, resources can be allocated more effectively in terms of improving the seven pillars.
- + In the midst of crisis, some countries have understood that leadership today depends more on collaboration than on unilateral decisions based on short-termism.

Since the onset of what Boris Johnson has defined as the “worst public health crisis for a generation”, caused by the coronavirus pandemic, we have not only faced an absolutely uncertain and complex situation as citizens, but also witnessed diverse reactions from governments and corporations, which generated criticism in some cases and praise in others. Once the crisis is over, many of these corporate and public actions and initiatives will contribute to generating a reputation for those nations and brands that have acted in a quick, honest, and compelling fashion. This is, for those nations and brands whose decisions have not only contributed to protecting their citizens and employees, but also the rest of the actors in their environment, increasing their influence in the world and their community. In the case of nations, this goes far beyond their military or economic power. This is what, at Brand Finance, we define as “soft power”, and which we consider key in the construction of the nation brand.

The relevance that this concept has acquired in the 21st century, has moved us to study and quantify it. This effort resulted in the publication of the Global Soft Power Index – our first global study on perceptions of “soft power” in February 2020 (You can download the full report from the following link: <https://brandirectory.com/globalsoftpower>).

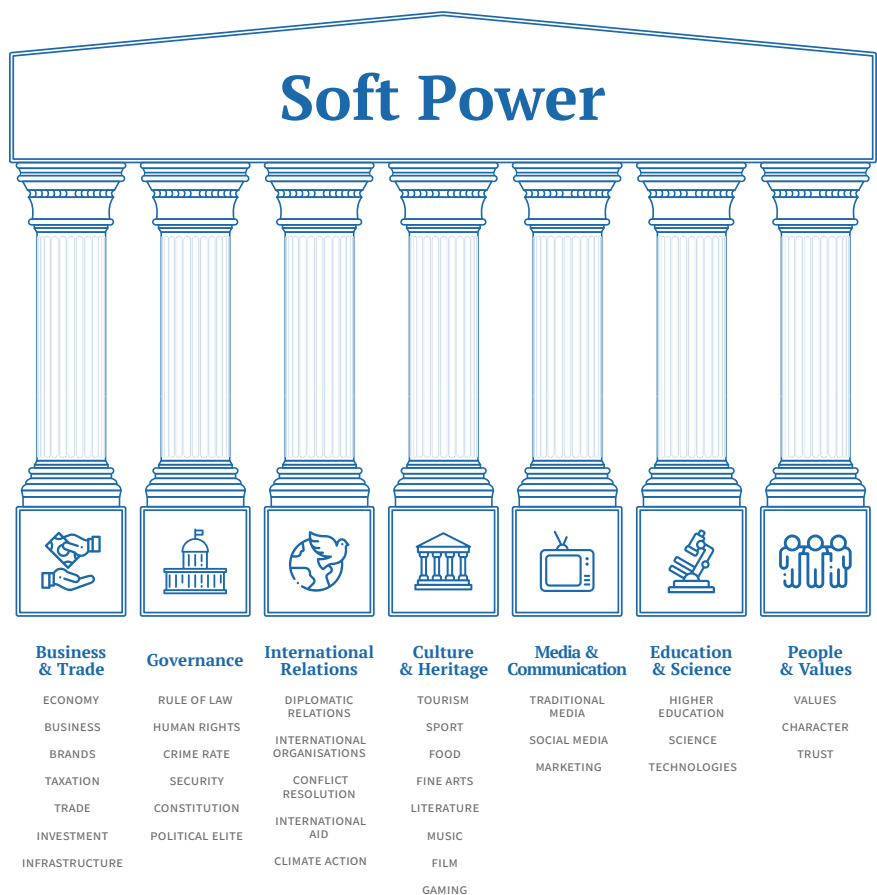
The objective of this effort is to measure a “nation's ability to influence the preferences and behaviours of various actors in the international arena

(states, corporations, communities, publics etc.) through attraction or persuasion rather than coercion.”

Our methodology is based on 55,000 surveys of specialists and the general public, which were carried out in 100 countries, and incorporate a broad range of measures, to provide a balanced and holistic assessment of nations’ presence, reputation, and impact on the world stage. These include:

- Awareness and Familiarity: nation brands which people know tend to have greater soft power
- Overall Influence: the degree to which a nation is seen to have influence in the respondent’s country as well as on the world stage
- Overall Reputation: is this nation deemed to have a strong and positive global reputation?
- Performance on the 7 Soft Power Pillars (Business & Trade, Governance, International Relations, Culture & Heritage, Media & Communication, Education & Science, People & Values)

Figure 1 shows each pillar and the variables measured in each one of them.



Source: “Global Soft Power Index 2020”, Brand Finance

There are no quick fixes but by better understanding what drives Soft Power and a nation's prosperity in general, resources can be allocated more effectively in terms of improving the seven pillars.

Just as perceptions do not change abruptly, soft power cannot be reached or lost overnight. But identifying and understanding these levers of influence is essential to delineate long-term strategies consistent with national goals of public and economic diplomacy.

Among the public diplomacy tools and techniques that can positively impact soft power and strengthen the country's brand, "gastrodiplomacy" and "sports diplomacy" can play a fundamental role in building soft power having an impact on one of its fundamental pillars: "Culture & Heritage."

But at this moment, an old type of diplomacy acquires a renewed relevance: the health diplomacy. Thus, with the United States hit hard by the pandemic, China is leveraging its experience and production capacity of medical equipment as a "soft power" tool: in mid-March, it announced that it would help 82 countries, and since then, it has sent medical staff and equipment to Italy, and donated equipment to Pakistan, Japan, Argentina and other Latin American countries.

Pandemic, Leadership and Soft Power

The United States, Germany, the United Kingdom, Japan, and China are the top five countries in terms of soft power, according to the Global Soft Power Index 2020 by Brand Finance. These examples help us understand that soft power goes far beyond public policy. The United States scores first in culture and entertainment, sports and brands, and products. This is a testament to the symbiotic relationship between the strength of the commercial brands of a country and its global influence. That is, commercial brands act as ambassadors of the progress, dynamism and business environment of a nation. Forging an optimal environment for innovation, including an educational, fiscal, and legal system that promotes it, is key when designing nation brand strategies. But what happens during a crisis of the magnitude that we are experiencing?

This is even more important. The last few months, we have witnessed how public-private collaboration is key to mitigating the effects of the health, social, and economic crisis we are living. The French luxury group, LVMH, will dedicate its production plants for perfume and cosmetic brands in France to manufacture large quantities of hand sanitizers, which will be donated to hospitals. Armani decided to convert part of its production capacity to put together PPE to support medical staff during the crisis. In an industry that has been among the hardest hit by the crisis, many other Italian fashion brands have also coordinated to produce millions of masks. In Spain, Santander Bank and BBVA have donated financial resources to acquire medical equipment. The fashion giant, Inditex, will dedicate part of its productive assets and logistic network to making and facilitating the acquisition of medical supplies.

But many of the leading brands, have looked to protect their employees, long before governments confined them to their homes, putting their health above any economic consideration. Twitter, EY Spain, and Santander were among the first to react and implemented home office or “smartworking” in an effort to protect the their employees’ health. CVS in the United States eliminated the shipping costs of medicines. Patagonia closed all its stores voluntarily and promised to continue paying the wages to its employees despite the losses in which it will incur.

These are all examples of brave brands, who have understood that leadership in the 21st century exceeds economic power and revolves around the ability to have a positive impact on the world.

In his work “The Diary of the Year of the Plague”, Daniel Defoe wrote: “Another year of the plague [...] would end with animosities and would make us see with other eyes the same things that we have seen before.” The brands we mentioned have understood that leadership and influence today are about cooperation.

Similarly, and in the midst of the crisis, some countries have embraced this new concept of leadership and influence. They have understood that leadership today depends more on collaboration than on unilateral decisions based on short-termism and a thin concept of “value creation” which does not consider the impact of their decisions on the larger ecosystem of nations.

This is precisely the great opportunity that the pandemic represents for nations and brands in general: to generate soft power through proactive collaboration and cooperation with other nations, which will probably have a positive effect on their familiarity and reputation, as well as on international relations and perceptions associated with the “People and Values” pillar.

Although our research data does not cover the recent coronavirus response, next year’s data is more than likely to reflect the impact of decisions and actions taken during the pandemic. And we know what to expect. When we observe initiatives such as those of the Chinese government, which is supporting Europe, donating protection equipment, and sending medical experts to help to overcome the pandemic, the words spoken by Ban Ki-moon, the eighth Secretary General of the United Nations, during the Global Soft Power Summit that Brand Finance hosted in London this February, take on a new meaning: “Soft power is key to creating a more sustainable world through cooperation, collaboration and mutual understanding.” This is the true meaning of leadership and power in the 21st century.

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

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

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- Brand Architecture & Portfolio Management +
- Brand Transition +
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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

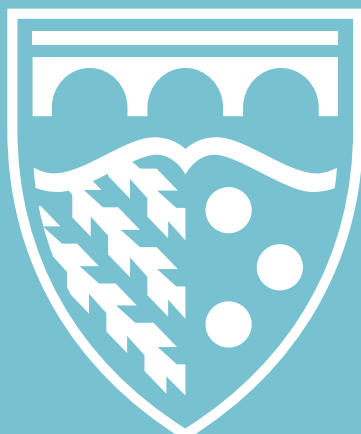
We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.



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.

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