Developing brands and emerging markets: An empirical application

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Abstract Developing nations often face a series of economic hurdles in route to developed status. As they transition from one economic phase to another there is a general need to modify the basis of competitive advantage that they attempt to achieve in the marketplace. The authors present a place brand platform that can be used by developing nations to limit the cyclicality of demand, reliance on mass production, and the necessity for price competition. The framework is developed based upon a review of branding efforts and marketing theory. The basic framework is applied to a case study in ASEAN (Association of South East Asian Nations) and parallels are drawn for regional nations.
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INTRODUCTION

The need for economic growth is of paramount concern to policy makers around the world. Nowhere is this issue of greater importance than in developing nations. However, despite the best efforts of policy makers and their advisors, developing nations often suffer from boom and bust economic cycles that cause consumer and investor confidence alike to suffer. With all of the focus and attention on economic growth, two questions must be asked. First and foremost, why do these hyper-cyclical trends exist? Secondly, what can policy makers do to minimise the impact of these cycles allowing these nations to thrive, rather than simply survive?

We will first detail the economic reasoning behind the exaggerated hyper-cycles that developing nations experience. In so doing, we will discuss the potential impact of customer intimacy as a means to stabilise market demand and generate enhanced returns. In particular, we will focus on the potential impact that brand development can have in achieving this goal. Next, we will introduce a framework for brand development in emerging economies. Lastly, we will spotlight the attempts by a particular nation to develop national brands by reviewing the One

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Tambon One Product (OTOP) programme in Thailand.

The recipe for how to stimulate growth in developing countries varies depending on the level of economic advancement and the macro-environmental factors (eg, demographic, cultural, physical, and political) that exist. Economic development generally occurs in three phases.

Phase I

During this stage of economic development, the focus is on a production orientation to the market. The nation and the business firms attempt to compete by being low cost producers entering the marketplace by producing goods and services at a cost below that of local and international competitors. These production efforts can take several forms: (1) The most common activity is to engage in an OEM relationship with international partner firms that need a low cost source of production. This is an enviable arrangement for the newly producing firm, as it assures a market for their finished goods. This certainty of demand reduces many of the financial, obsolescence, and market risks of producing for international markets. (2) The second approach is to produce commodity products at a lower price. The nature of commoditised industries is such that without differentiation, competition is largely based on price. In addition to price, service issues such as lot sizes and delivery times will also contribute to success in the market. Thus, being a ready and able supplier is usually sufficient to enter the market.

The impetus for economic development during phase I generally occurs for either, or both, of two reasons, (1) There is a domestic market that exists, hence domestic and foreign investment is attracted to the market. This is the classic demand-side investment economy. The idea here is that demand will stimulate investment. Much like the United States, Canada, and Mexico before them, countries in this situation attempt to stimulate investment by creating a business environment with significant demand. Investors spotting a market with growing needs will invest to meet the needs of this demanding populace (Figure 1). The consequent economic activity creates employment, rising income and wage rates, and consequently increases demand. Many of the fast growing tiger economies of Southeast Asia have embarked upon this path as a means to stimulate investment. Certainly, during the 1980s and 1990s ASEAN tigers such as Thailand, Indonesia, and the Philippines used this strategy to coax investors off the sidelines and into the fray. In essence, this is an economy that focuses on stimulating economic activity through domestic-driven demand. (2) The second reason for economic development in Phase I is due to either one or a series of macro-environmental forces that encourage investors to invest in this marketplace with the expectation that a competitive advantage can be developed and exportation is possible. Generally, demographic (a large workforce, high birth rates, low labour costs, high education rates etc), political-legal (government assurances, solid courts for adjudication, tax incentives, trading zones, tax advantaged investment zones, or simply the ability to operate with fewer restrictions), socio-cultural (attitude toward: investment, ownership, work laws etc), or physical (abundance of natural resources, and sufficient infrastructure) factors exist which encourage direct foreign investment to locate plants and equipment in these nations. The policy makers encourage such investments, and

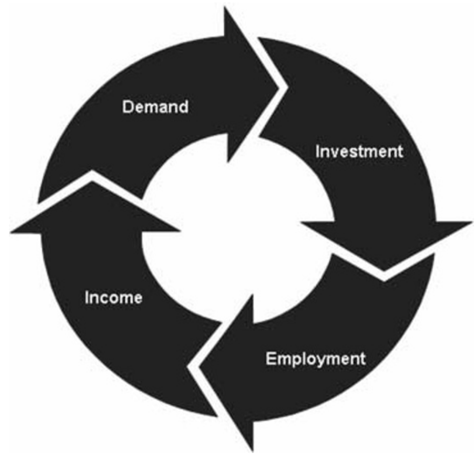

Figure 1: Demand cycle

their populace set about the task of producing goods and services that will be consumed around the world.

This export-driven economy has many benefits. Chief among them is the opportunity for wealth transfer, as the local manufacturers become the producers for world markets.

Phase II

During this step of development, the emphasis shifts from a production economy to that of a product economy. That is, instead of making products for less, the emphasis is on making better products. Better products translated, means superior products and higher priced products.

During this phase the developing nation begins to find that their source of competitive advantage is under attack. Once an unrivalled low cost supplier, macro-environmental factors begin to shift. For example, the demographic picture maybe changing (ie, with rising employment and higher incomes, birth rates begin to fall putting pressure on the labour pool. Coupling this with the additional skills that come with an aging and employed workforce the ability to be a low cost producer is impeded). Socio-culturally, the desire for free time, restrictions on work laws, and demand for social programmes begins to rise. As a result, we may begin to see shifts in the macro-environment that undermines the very competitiveness of the companies.

During this phase the national products and their producers still benefit from their ingrained position as a 'low cost supplier' and because of their scale, and historical relationships with end markets, they are able to continue to grow during this stage (Interbrand, 2006). But the underlying basis of their competitive advantage is evolving. The cost advantage, if maintained, is not due to cheap inputs any longer but rather to scale.

Phase III: The problem

At this juncture, the cost-based competitiveness of basic industries is beginning to fail. Solid economic growth for a prolonged period generally leads to increasing labour rates and declining birthrates as much of the populace is employed. With greater social programmes, higher education rates, and more restrictive laws, the cost of doing business generally begins to increase, and international producers begin to look for lower cost production sites for their goods. Referring to Figure 1, this reduction in investments leads to unemployment, lower income, reduce domestic demand, and hence a continued downward cycle of investment.

A key consideration for economic planners at this point is how to reduce the countries growing dependence on mass production and MNC-focused goods while developing pricing power in the high employment sectors of the economy. As multinational firms begin to look for lower cost production sites, the employment and investment volatility in the developing nation is heightened.[1] In effect, this cyclicality creates periods of instability in the economic environment and businesses are reluctant to invest. Much of the problem is due to the failure of the producers to own their customers. That is, as an OEM they produce for their client who has access to their markets either in the form of customer relationships, brands, industrial relations or contracts. But the OEM has little access to the customer, and thus, they are replaceable. It is important to note the timing of this step. As we have seen, the cost-based competitive advantage is beginning to slip. The firms either (1) ramp up operations to achieve cost advantages via scale, or they (2) move toward a product-based advantage via more technically produced goods. Both of these strategies can suffer during this stage.

In the first case, too much scale (investment) without an assured market leads to an adverse bargaining situation with downstream channel member. This can leave the producing firms in a situation where they are prone to steep price cuts to keep production volume up. In the second case, the firms must be aware of the potential for commoditisation in their industry and the ability to capture the value created by product or service enhancements (Zeithaml, 1996). Both of these scenarios create the need to brand as a means to own the market/customer and reduce the volatility for the producing firms. But how can producers from developing nations get closer to the end customer and capture a larger share of the value chain? One of the most common means to get closer to the customer has been to develop 'place brands'.

OVERVIEW OF PLACE BRANDS

The concept of the place brand is quite cogent. Why brand a place? There are four primary reasons to brand a place, attracting visitors, attracting business, attracting residents/employees, and enhancing the attractiveness of exports. The latter is the primary focus of this paper. The impact of place brand on quality perceptions has been shown to be virtually identical to that of brand name (Teas and Agarwal, 2000). Place brands are a combination of the sourced factor and the source place. The sourced factor is an element of the offer, such as the place of manufacture, ingredients used, or design expertise. The sourced place is the place of origin for that factor. For example, Hershey's chocolates are known to be manufactured in Hershey, Pennsylvania. These elements that constitute place brands are further delineated below.

Sourced place: The source of place branding

A place of origin has multiple levels (Pharr, 2005; Jaffe, 2001). Places are in essence defined by geopolitical, cultural, ethnic, or historical space. Place can represent a *virtual geopolitical multi-region* such as G8 or MercoSur. It can also represent a *multinational area* such as the Mediterranean, Nordic, or Latin America regions. Place can be associated with a *country*, such as Afghanistan, China, or Korea (Anon, 2006a). This is the level at which most place research is focused. Place also can be an *intra-country region* such as Catalonia, California, Finger Lakes, Tuscany, or West Coast. Place can also be tied to the notion of *appellation* such as Napa Valley or Silicon Valley. Place is also linked to a *metropolitan area* such as the San Francisco Bay Area or even a *neighbourhood* such as Soho, Chinatown, 'the docks', or the 'warehouse district'. Taking it one step further place can also be *street specific* or *site specific*, like Haight Street in San Francisco, Abbey Road or Wimbeldon in the UK. Place can also be associated with *urban* versus *rural*. Ben & Jerry's ice cream was based in rural Vermont which contributed to its image. Of course, in recent history place can also be associated with an entirely *virtual place*, like Second Life (secondlife.com).

Sourced factor: The factor which is branded

The place brand is an ingredient brand of sorts that is tied to the place of origin of the goods. Sometimes the place of origin is simple and straightforward, as when the brand wholly originates from one place. For pure origin brands the place brand of origin identity is relatively simple. In this era of global sourcing, however, the place of origin is often a hybrid of two or more places. A brand's value-add can be aggregated at multiple levels, so lets examine these.

Source of design is an attribute with place associations. For example, Apple is using 'Designed in California' in its product literature. The *source of materials* can be associated with a place like Egyptian Cotton in towels. The *source of machinery* can be associated with a place. The chocolate maker Scharffen Berger touts that its prize possession, its Mélangeur, was built in Dresden, Germany (Anon, 2006a). The *source of manufacturer* is often the most salient item in the place of origin. When the Saturn car company was launched it chose a place of manufacture away from Detroit, which signalled it would be different from the norm. The *source of assembly* is associated with place. With NAFTA many US goods were assembled in Mexico in the 3,000 Maquiladoras on the US–Mexico border. A *source of subcomponent* can be place branded, such as an Italian racing bicycle with Shimano Parts made in Japan. The *source of people* can be tied to a brand. Dominican Cigars rolled by Cuban cigar rollers capture the allure of Cuban cigars

Sourced Factor	Sourced Place
Brand	Virtual Region
Design	Pan-Country Region
Communications	Country
Materials	Pan-State Region
Subcomponents	State
Machinery	Appellation
Assembly	Metro Area
Manufacturer	City
People	Neighborhood
Customer Service	Street
Complimentors	Site
Partners	Virtual Place

Figure 2: The palate of place of origin associations

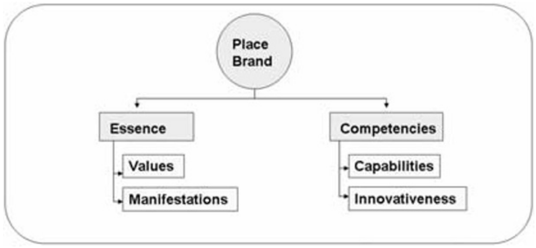

Figure 3: Place brand platform: the conceptual model. *Source*: Thomas (2006) © Greg Metz Thomas

during the import ban of Cuban goods in the US. The *brand source* itself can be associated with a place, such as Nike in Oregon or Coca-Cola as an icon of the US. A brand can be associated with its *source of customer service.* Companies outsourcing call centres to India become associated with the place. The *source of partners* can represent a place, such as Sony computers with Geek Squad support. The Geek Squad is a US-based after sales support arm of Best Buy. The *source of complimentors* can also create a hybrid place association, such as a Samsung (Korea) camera bundled with Sandisk Memory (US). And lastly, a place can be associated with its *source of communication*. Advertising campaigns developed in the UK with UK actors which are played in the US market will promote a UK association with a brand. A list of potential source places and source factors are shown in Figure 2.

What is a place brand platform?

The place brand platform is the conceptual model that describes the sub-attributes of a place brand. A place brand consists of the place essence and the place competencies.

A place can become associated with a particular competency, for example, Columbia and coffee, France and wine, Switzerland and chronographs, Belgium and chocolate. Competencies are based upon capabilities and innovativeness. Capabilities can be based on policies, systems processes, and offerings. They also can be based on location-specific resources such as Singapore's location as a trade hub, Vermont made maple syrup, or Brazil's rainforest nuts.

A second element that can be the basis for the brand platform is innovativeness. Innovativeness is the ability to improve competencies and has a temporal aspect to it. Innovation can take place around things such as market offers, processes, demand chain, business models, or cross-organisational linkages. Place-based innovation is usually based on location-specific sector clusters like Sweden and medical devices, Norway and furniture, Denmark and processed foods, or Bombay and Entertainment (Bollywood) (Figure 3).

The *essence* of the place brand consists of values and manifestations of the place.

Regarding the 'values' component, strong place brands stand for that which is ethical, benevolent, and virtuous. Benevolence is typically established through visionary leadership, like Gandhi's pacifism or Nelson Mandela's freedom fight. Places that have a philanthropic mission are admired and respected for these altruistic goals.

Ethical places are lawful. Although the law sets forth rules for governing a particular type of activity the law does, however, have limitations. For instance, the legal system is often slow to adapt to new technologies. Ethics ascend law to include that which is fair, just, and honest. For example, President Clinton recently led the nation's largest distributors of soft drinks to halt nearly all sales of sodas to public schools in an effort to reduce childhood obesity. Thirty-two states have no legislative

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policy regulating the sale of these drinks to schools, so this move by the soft drinks industry was made beyond the call of the law.

People also have confidence in place brands that are virtuous. Virtue is habitual excellence, something that must be pursued consistently and continually over time. Virtues have many manifestations, such as compassion, cooperation, respect, sincerity, generosity, kindness, diligence, and so on (Anon, 1994).

Much of place branding, in terms of values, may be intangible. Manifestations of the brand essence help convert the intangible into a more tangible form (Agbonifoh and Elimimian, 1999). The manifestations of the essence of place brands is rooted in various conveyances including rites, rituals, symbols, policies, stories, actions, alliances, events, causes, endorsements, shared history, and symbolic history. German beers brewed under the strict standards of German Purity Laws of 1564 (Reinheitsgebot) are seen as exemplars of quality. Scottish wool is an example of craftsmanship-specific essence as the wool weavers of Scotland are known for their quality.

ZERRILLO-THOMAS PLACE BRAND MANAGEMENT PROCESS

Stage 1: Sector importance identification

For the place of origin what are the current industry sectors of importance? Often points of origination have economic development organisations like the chamber of commerce or bureau of economic development. These organisations can help set the future direction of the economy. Often this means supporting the enhancement of current industrial clusters and seeding of new related clusters. Once these clusters are determined the place brand leadership can start the accompanying analysis to determine the next steps in supporting the brand. This may end up being an iterative process where several opportunities are assessed and the ones that are the most reinforcing are those chosen.

Stage 2: Markets served assessment

For the important sectors, who are the current and future customers? For emerging markets there are three top-level segments to consider (1) other emerging markets, (2) transition markets, or (3) developed markets. A key consideration in the markets served is the degree of xenophilia versus ethnocentrism of the markets. Some markets have a stronger nationalism focus where buying local or national products is seen as preferable to purchasing goods of foreign origin. Of course, market segments in a region can vary on their degree of nationalism. For example, it is quite possible that Latino immigrants in the United States have a lower nationalism quotient than some other ethnic groups.

Stage 3: Purchase decision impact

The next step is to answer the question ‘for the important industry sectors, what is the importance of place brand in the purchase decision for each of the markets served?’ Certain product categories elicit greater involvement in the purchase decision. For high involvement product classes the place of origin is likely to serve as a more important decision factor. Alternatively, for very low levels of consumer involvement place of origin may work as a simple choice heuristic. Deshpande *et al.* (1986) demonstrated that for very high or very low levels of purchase involvement consumers reverted to simple choice rules such as brands or past experiences rather than employing complex decision rules.

The conspicuousness of consumption may also weigh in on the purchase decision. Products that are consumed overtly in social settings are often more prone to social norms than products which are consumed in obscurity. For example, a bottle of sparkling wine for a wedding has more social context than a beer at home after work. People may feel the need to purchase the sparkling wine from a branded place of origin like Champaign, whereas they

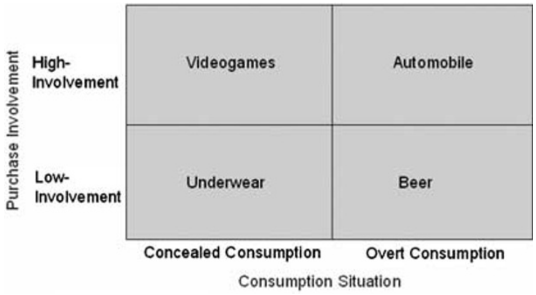

Figure 4: Brand involvement–consumption grid.
Source: Greg M. Thomas Jr

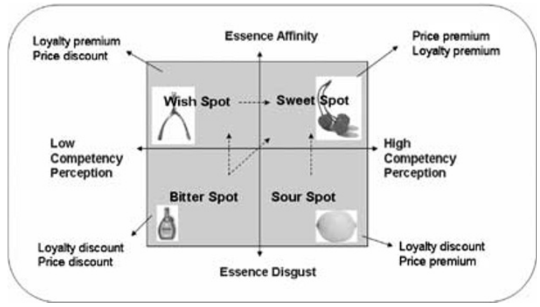

Figure 5: Place-of-origin essence-competency matrix.
Source: Greg M. Thomas Jr

might purchase the beer based more on price (Figure 4).

Similarly, place branding is important to the extent that the customer can evaluate the actual quality of the goods. For search goods and shopping goods consumers are able to directly evaluate the offering prior to purchase. On the other hand, for credence goods, consumers are often unable to fully assess the quality of an offer and therefore may look for peripheral cues one of which may be the place brand.

The International Mass Retail Association conducted a study that examined at to what degree consumers pay attention to country of origin when evaluating products in several categories. They found the highest attention is paid to automobiles (54 per cent), clothing (51 per cent), and electronics (31 per cent). A moderate amount of attention is paid to the categories of small appliances (15 per cent), tools (12 per cent), and food (6 per cent). Little attention is paid to categories like shoes (3 per cent), furniture (2 per cent), large appliances (2 per cent) and household products (2 per cent).

Stage 4: Current position assessment

For the consumers of goods from the important industry sectors, how does the place brand resonate? Consumers of coffee in different places of consumption have varying perceptions of Columbia as a place of origin for excellent coffee. Coffee drinkers in Spain perceive Columbia as a top source for excellent coffee, whereas people from India do not hold this same perception (Anon, 2005a).

This perception of Columbia as a source of excellent coffee is, however, offset by Columbia's brand essence, which is fairly low due to its corruption, drug trafficking, and danger of crime to travellers. If you measure the brand essence and brand competency on a two axis grid, and compare this with alternative places of origin you can determine a place brands relative position (Figure 5).

Stage 5: Future position analysis

What is the plausible future position for the place brand? How will this change in position impact the uptake of affiliated goods? Ultimately, it helps to be able to track other place brands over time, as this can help with identifying changes at the place of origin and the subsequent change in perceptions. To support the future position, the place of origin team needs to systematically examine the options for augmenting the position of the place brand. The first thing to examine is the perception–identity gap. If the place brand is under valued by misperceptions, this is usually the best place to focus for early gains. In examining the future position, the place brand team can benchmark other places of origin to determine the current perceptual boundaries, the maximum, and minimum positions on the perceptual map. This provides a guide as to the relative positions, which is more important than seeking out the absolute extremes. A place brand often only needs to be a little better than the nearest competitor.

Stage 6: Cost–benefit assessment

What is the estimated cost of the change in position? What is the benefit of the change? What are the associated risks? Once the underlying factors that drive the future position are uncovered, the place brand team can work out concepts for improving these factors. For example, if perceptions of a place brand's level of environmental protection are low and these are impacting the overall market then the place brand team can devise methods for improving the protection of the environment. The place brand team needs to equate the change in protection with the subsequent impact on the market (of course there are localised social benefits too). The place brand team will want to see experts in designing the programme and in doing so determine the overall cost of the programme and compare this in isolation and in conjunction with other possible programmes. The risks in a programme are associated with its partial or full failure, which of course reduces the impact of the programme on the target market. There are risks in programme implementation, risks in achieving robust results, risks in enforcement (like firms skirting environmental protection measures), and risks in communicating the change effectively to the target market.

Stage 7: Programme implementation

The next phase is the development of programmes and communication of these efforts to the target markets. The programmes that make the most impact are selected in the steps above. Once those are solidified the place brand team needs to allocate resources to accomplish the goals. Sufficient capital assets, human assets, and tangible assets need to be brought together to enable the success of the programme. The launch of programmes involves organising for success. New departments or organisations may need formation to achieve long-term goals. The programmes will need implementation plans to ensure everyone involved has a solid understanding of what needs to be accomplished. And a communication programme needs to be developed to leverage the outcomes in the marketplace.

Stage 8: Impact measurement

The final step is to monitor the progress of the programmes and to revisit and readjust the strategy for the place brand. The metrics for success need to be clearly defined early on, and the mechanism for measuring them will need to be decided upon. The frequency of measurement needs to coincide with significant hurdles in the programmes. Early measurement can help with feedback for refining or refocusing the programmes to ensure the optimal effect on the place brand.

OTOP: AN EMPIRICAL CASE STUDY

Thailand is a country that has experienced rapid growth over the past two decades. From 1986 to 1996 it was reported to be the world's fastest growing economy. By 1996, however, Thailand was being out priced as a point of regional production. With the opening of Vietnam and China to global trade and direct foreign investment, low priced labour became readily available in the region and Thailand found that much of their competitive advantage as a 'low cost conversion site' was fleeting. For years Thailand was the classic case of a country site to convert raw materials into finished goods. Unfortunately, Thai craftsmanship and quality went unnoticed to the end consumer as Thai businesses followed the OEM route to market. Thai manufacturers quickly found that despite their craftsmanship and high quality, they were easily replaced by their downstream buyers that have the customer relationship. For example, Northern Thailand was noted for low cost manufacturing in the crafts and garment industries and the conventional wisdom was that 'the cost of a good in Northern Thailand is roughly 1/20th of the final selling price in US retail stores'. But as Vietnam's laws stabilised, and the economy opened (as did China at the same time), their production costs were lower yet. Because of this, many of the garment factories picked up shop and moved to Vietnam and western China.

This phenomenon was not unique to Thailand as many producers in Malaysia, Singapore and even the Philippines experienced the same trend. Furthermore, the liberalising of trade in ASEAN made this movement easier. We have witnessed this occurrence on a firm-specific basis as well, as producers such as Dell relocated their manufacturing and assembly operations from Austin, Texas, to Guadalajara, Mexico to Penang, Malaysia to China and back to Costa Rica in search of low cost production.

Thailand was clearly a transition economy needing desperately to reduce the ease with which their products could be replaced in the market. But Thailand is a country that historically has been populated with many small mom and pop businesses. The Thai SME fund reports that Thailand has the highest rate of entrepreneurship per capita in the world (Sithkong, 2004). Unfortunately, the median size of entrepreneurial venture is well below $2,000 per year. While a daunting task, improving the performance of these SME ventures could have a substantial impact on social welfare (Lian, 2005).

Individually developing brands for such small-scale operations would be difficult. The Thai Ministry of Finance recognised the challenge that faced the individual operators and set about the OTOP programme as a means to develop Thai expertise, Thai affinity, and Thai brands. The Thai Rak Thai government set out to stabilise farm income, and help farmers upgrade production, as well as identify new demand for Thai agricultural products both domestically and abroad.

OTOP

A tambon in Thailand is a district, roughly consisting of 3–5 villages in close proximity to one another. The majority of tambons are located in rural areas of Thailand and they have little ability to reach out beyond their regional market, making brand development a matter of little concern. Facing limited financial resources, contact with larger markets, physical facilities and technological infrastructure little effort was expended toward such activities. The government, however, believed that these communities had resources and know-how that could potentially be harnessed to fuel economic growth in the country. Moreover, 68 per cent of the Thai population resides in these rural enclaves. OTOP's goal was to help the small businesses and villages to become self-reliant and insulate them from severe economic cycles. Today OTOP encompasses approximately 6,700 districts or about 90 per cent of the tambons in Thailand (Shinawatra, 2001).

OTOP the process

The Government approach to rural development and attaining self-reliance is based on teaching communities how to successfully develop and market their unique and distinctive products. The OTOP concept was originally developed and deployed in Japan in 1979. Referred to as the one town one product concept, this project was undertaken to assist rural villages in promoting tourism and advancing national brands. The OTOP programme emphasised the global market for locally produced product (Development Gateway, 2003). The driving force herein is to promote microeconomic efficiency at the grassroots level. To do this, the programme needed to deliver on several important tasks:

— Target Industries for development
— Provide adequate initial support
— Develop available human resources and expertise
— Enhance product quality
— Improve the pricing power of Thai exports by increasing place brand essence.

Target industries for development

In determining which industries should be developed, a key consideration in the OTOP programme was the potential impact on employment and social welfare. In 2001, 36 per cent of the Thai population was employed in the agriculture sector but this sector only represented roughly ten per cent of GDP. In an effort to improve social welfare large employment segments were accorded priority.

Providing initial support

Recognising that liquidity was necessary, the Thai Rak Thai government issued a moratorium on farmer's debt payments for three years. This moratorium coincided with the establishment of a Village and Rural Revolving Fund, which serves as a source of capital for the OTOP project. The People's Bank, which acts as the main channel for credit provision to these fledging enterprises, was empowered to make loans of up to 1m Baht (approx. $27,000) per village.

Developing human resources and capabilities

The Thai Ministry of Finance has constantly repeated the vision that 'the future of Thailand will be determined by their ability to develop human capital (Maesincee, 2005)'. The Thai government has attempted to infuse rural education with outward bound content. Ministry of Industry seminars and programmes on technology and business fundamentals are geared toward supplementing traditional rural education.

The Thai government established the National OTOP Administrative committee (NOAC) and a series of sub-committees were formed to perform integrated tasks according to their areas of specialisation. The Ministry of Interior was tasked with assisting locals and preparing them for the project, the Ministry of Agriculture and Cooperatives provides assistance for agriculture-based issues, the Ministry of Industry deals with product development and standardisation, and the Ministry of Commerce is in charge of marketing the goods both locally and internationally.

The OTOP programme began the 'Tambon Internet project' in 2002 as means to develop internet exposure at the tambon level. In 2003 Thai Tambon.com was begun to encourage rural Thais to understand and utilise the internet.

A second step in developing rural market knowledge was to encourage cooperation between communities. If local residents could learn to collectively work toward common solutions and better processes, area wide performance could be enhanced. Logically, if the area benefits could be extended effectively it may even create links across the country. These newly formed networks could encourage increased communication, trade and adaptation to the local marketplace. Buoyed by the pursuit of a common purpose, it was hoped that the project as a whole would facilitate prosperity in the rural areas where the majority of people reside.

Enhance product quality

In an effort to enhance quality, tambon products are divided into six categories which include: food, beverages, clothing and garments, decorative products and furniture, art and souvenirs, and herbal products. The products are then judged on basis of quality, given grades (from A to D) by a committee selected for this purpose (United Nations, 2004). Part of the grade is dependent on the condition that all laws and copyrights are respected in the making of the goods and that the goods are not made of entirely imported materials. Once that is determined, the product is judged on the proportion of local materials and knowledge that go into it, the quality and development of the product, and any potential effects on the environment. Marketing factors are also considered: the distribution channels available, sales trend comparisons, the sustainability of the market, logistical challenges, and the product design.

Grade A products are the highest quality and considered competitive enough for export. Grade B products have strong potential, should be competitive domestically and can be developed to international standards. Grade C products would be studied further to see if they could be developed into Grade B products. Finally, Grade D products generally have very low potential for development. In summary, this system serves as a culling step to help identify the most realistic potential for each area so that education, marketing and development efforts can be directed toward the most promising products.

Developing the essence of place brand affinity

The OTOP programme also sought to enhance the essence of, and market appreciation for, Thai artisans and craftsmanship. The OTOP website promotes the essence of Thai place brands as follows 'From nature, extraordinarily skilled lands and Thailand's cultural heritage — to the OTOP Project. Thai skills weave tradition into a fine and beautiful collection of products, using an array of unique local materials. Presenting applied ingenuity as well as reflecting an ancient heritage and local inspiration' (Anon, 2006d).

The Export Promotion Department of Thailand, as part of its marketing-assistance programme, currently exports more than 6,000 OTOP items. The government has also provided space to set up a permanent OTOP trade centre and has taken several steps to promote OTOP products including displaying products at trade fairs both domestically and worldwide. As part of the government's marketing strategy, some OTOP products were put on display in overseas department stores like Selfridges in London and Lotte in Seoul. The government also sponsored distribution through other venues such as the Blue Elephant Thai restaurant chain and television shopping channels in both Japan and South Korea for event marketing.

The OTOP programme has also sought to promote rural tourism as a means to increase international exposure for the rural tambon. Working with the Thailand Tourism Association (TTA) OTOP provides tourist information on rural destinations and promotes local development of tourist infrastructure.

Additionally, it should be noted that the OTOP programme has brought worldwide experts to the local tambons in order to assess and direct potential product development. OTOP has established expert 'prototype making' teams to capture best practices for producing the local crafts. These teams consist of industry experts, government officials, finance professionals, and potential customer groups. These team-based linkages are fostered with the intent of overcoming the communication, sophistication, financial, and market information needs that rural entrepreneurs and craftsman may lack. And OTOP offers seminars for product development guidelines and distribution promotion (OTOP Website, 2006). The OTOP programme embodies the recognition that simply offering financing to SME's does not ensure success.

The Office of Small and Medium Size Enterprise Promotion (OSMEP) recently launched phase two of OTOP in which they aim to build up a network of markets to create permanent sales points. This plan, begun in 2004, has been characterised by greater emphasis on the creation of marketing networks at home and abroad. The Office has focused on promoting 6,600 products selected from the total of over 30,000 products. In the domestic market, the office will not only establish a liaison with various retail stores, but will also join up with ART Co. Ltd to allow its 50,000-plus members across the country to act as distribution agents for OTOP goods. Internationally, the Office plans to partner with a number of world-class stores to upgrade the profile of OTOP products. The department has stressed meeting increasing demand with high-quality goods to ensure longevity of products and profits for small and medium manufacturers.

Future plans also include development of a retail space at the Thai Embassy in Singapore,[2] which is located in a popular shopping district. The space would be called 'Thailand Plaza' and feature Thai-style architecture. The project details have not been finalised yet but once completed will be a significant step in marketing OTOP in key export countries for Thailand. Additionally, Thai product exhibition centres have been planned for several US cities as well.

THAILAND'S EFFORTS: THROUGH THE LENS OF THE PLACE BRAND PROCESS

Stage 1: Sector importance identification

In many of its areas of production Thailand saw its advantage as a low cost supplier vanish. Through its OTOP initiative Thailand recognised it had an underleveraged source of expertise in its craft-based manufacturing. This craft-based sector was identified as a source of competitive advantage that was not being properly valued. Moreover, the competitive advantage did not translate into either customer loyalty or price premiums.

Stage 2: Markets served

The craft-based sector is highly disaggregated as a source of supply. Its target markets likewise are quite fragmented. Given the disadvantages of such fragmentation, the OTOP creators recognised that it could help develop the markets for the OTOP goods. OTOP focused on domestic demand as well as regional and global exports. By coordinating at the tambon level they were able to reduce supply redundancies and manage market capacity. Additionally, through linkages, they were able to avoid critical resource shortfalls. The efforts to utilise new distribution channels, internet vehicles, and regional trade fairs represented a great departure from the rural state of practice.

Stage 3: Purchase decision impact

Many of the OTOP products have a cultural content like decorative products, furniture, clothing, art, and souvenirs. These are products that are relatively infrequently purchased, but are high involvement products with low complexity. For the most part they can be categorised as shopping goods. Given the cultural significance of these items, it would be expected that the place of origin would play a pivotal role in the purchase decision. On the other hand, as Deshpande *et al*. (1986) suggest, for routine purchases little information acquisition and cognitive processing will take place.

Stage 4: Current position

The ex-ante position for Thailand's crafts industry is that it had a relatively better level of quality in its craftsmanship compared to other countries like Laos, Vietnam or Myanmar. its expertise in crafts were, however, not widely known beyond the few who knew Thailand as a source of fine silk and garments. This is not surprising for a country that specialises in OEM agreements as their role in the supply chain goes relatively unnoticed.

Stage 5: Future position

Recognising their ex-ante position as an unknown source in the supply chain, the bargaining power and customer intimacy level of Thai goods was severely disadvantaged. Thailand's targeted future position is that of a preferred source of beautiful products with exceptional craftsmanship.

Stage 6: Cost–benefit assessment

OTOP brought in a panel of experts from around the world to assess the potential for the craftsmanship-based industry in each tambon. Teams consisting of finance and production professionals, potential customers, industry pundits, and commercialisation experts leant their experience and guidance to the programme. These *ad hoc* panels assess the resources, capabilities, and potential of the regional district in competing for domestic, regional, and global markets. In essence, they determined whether the local tambon was capable within reason of developing world-class competencies.

Stage 7: Programme implementation

Thailand via OTOP launched several reinforcing programmes. These include launching the Village and Urban Revolving Fund for capital infusion, enhancing rural education, supporting intellectual property policy, and developing a quality grading programme. The OTOP programme also supported marketing efforts by launching efforts including demonstrations, tradeshows, trade centres, tourism promotion, channel relations, catalogues, and its website.

But, possibly the most significant step in programme implementation in the Thailand example was the governments installing of the Tambon CEO Governors. The creation of this post epitomised the shift from ceremonial economic ministers found in the traditional Thai bureaucracy to individuals with accountability for performance that would be responsive to economic and market conditions. CEO-governors were put in charge of planning and coordinating provincial development and became accountable for overall provincial affairs. The 'CEO Governors' were assisted by 'provincial CFOs' from the Ministry of Finance who reported directly to each governor. The CEO-Governors were authorised to raise funds by either filing for loans or issuing bonds. These individuals were given an intensive training course on entrepreneurial finance and micro lending. 'CEO-governors no longer passively signed off state funds to local bodies, but also coordinated their use and ensured that they met explicitly-set performance agreements'. (Katanyu, 2003).

Stage 8: Impact measurement

Thailand's record of growth has been quite robust. The Thai GDP sustained a growth rate of 5.2 per cent CAGR in the period from 2001 to 2004. This was the highest among the ASEAN economies that include Malaysia, Indonesia, Philippines, Laos, Myanmar, Cambodia, Vietnam, Singapore, and Thailand. Its real GPD growth expanded at a rate of 4.5 per cent per capita, placing it in the top tier of global emerging economies. Moreover, the beneficiaries of a large part of that success were the rural industries. Currently over 37,000 ventures are marketing products through OTOP. While the number of organisations involved and the nearly 3 billion US in exports are immediate signs of success, this programme has begun to establish Thai products in upscale department and fashion shops, such as Takashimaya, Selfridges, and Harrods, around the world.

SUMMARY

Place brands hold significant importance in the perceptions of quality, with research showing equal importance to the brand name. There are a variety of sourced factors and sourced place elements that combine into an integrated offer. The place brand platform is explained to contain two major elements, one representing the place essence and the other representing the place competencies. These two elements represent the two axes in the Place-of-Origin Essence-Competency Matrix. For building place brands the authors suggest an eight-stage model which include the following steps:

Stage 1: Sector Importance Identification

Stage 2: Markets Served Assessment

Stage 3: Purchase Decision Impact

Stage 4: Current Position Assessment

Stage 5: Future Position Analysis

Stage 6: Cost–Benefit Assessment

Stage 7: Programme Implementation

Stage 8: Impact Measurement.

To illustrate the case of building a place brand, Thailand's OTOP programme is detailed. Thailand has led the enhancement of its craftsman sector with a multitude of interlocking programmes. This successful programme provides insights into the complexities of developing a place brand for an emerging market. The Thailand OTOP programme has proven an integral part of the Thai economy which has experienced top-tier growth levels over the last several years. This case illustrates how emerging market economies can foster solid economic growth under the attention of a thriving place branding programme.

The results from Thailand have encouraged other nations to implement programmes similar to OTOP. The Philippines has begun their own One Town One Product Programme marketing everything from Iligan City's Abaca fibres and bark, to Oil Palm of La Paz in the Caraga region. 'OTOP-Philippines has become a priority programme of the current government for promoting entrepreneurship and creating jobs' (2005). Their OTOP successes and failures will be watched around the world as other developing nations look for an opportunity to brand their unique capacity to add value.

This movement seems to also be enhancing regional ties as Taiwan has adopted a similar programme in 2005 and in 2006 has launched the APEC Local Industry Virtual Exposition (ALCIVE) to provide regional support for these grassroots initiatives. The September 2006 APEC summit was peppered with conversation and presentations around how the OTOP idea could be enhanced and furthered by regional cooperation, resources, and commercialisation activities.

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Notes

1 It should be noted that prolonged growth often leads to exuberant expectations and a rush of investments to meet the needs of the growing demand in the marketplace. Capital investments and capacity must often be developed with an eye toward double-digit expansion. Any adverse deviation from projected growth can cause a sharp decrease in investment.

2 *The Nation*, 11th September, 2003

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