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International Product Differentiation Through a Country Brand: An Economic Analysis of National Branding as a Marketing Strategy for Agricultural Products

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1.0 Introduction

Trade policy initiatives of developed country governments are in flux. Governments' need for new trade policy measures has arisen partly because of constraints imposed on the use of export subsidies by the Agreement on Agriculture reached as part of the Uruguay Round of General Agreement on Tariffs and Trade in 1994 (Gaisford and Kerr, 2001). Further disciplines on export subsidies and other policy measures may be agreed on in the Doha Round of World Trade Organization (WTO) negotiations (Rude and Meilke, 2006), accentuating the need for new policy measures. While the Doha Round may not successfully reach an agreement, the current modalities show provisional agreement on the elimination of multiple forms of export subsidies. There is provisional agreement on more stringent restrictions on the use of export credit programs (Thompson, 2007). Controls on exporting state trading agencies' ability to subsidize exports are tentatively agreed (Furtan, 2005). Food aid, which can also be used to circumvent disciplines on export subsidies, is also likely to be subject to WTO disciplines (Cardwell, et al., 2007).

New initiatives in domestic trade policy are also rooted in the trend away from trade in agricultural commodities and toward trade in more processed and near consumer ready agricultural and food products. The proportion of total agri-food trade comprised of commodities has been steadily declining. When products are no longer commodities – i.e. they are differentiated – marketing strategies can be used to shift the demand for individual products (Gordon, et al., 1999). While governments, to greater or lesser degrees, have historically been involved in promoting their agri-food products internationally (Swanson, 2003; Atkins, 2005), the recent shift to trading products that can reap benefits from promotional activities has increased government interest in incorporating differentiation and promotion strategies in their trade policies (Josling, 2006).

Product differentiation and marketing strategies are most often undertaken by private sector firms. Historically, there has been considerable public sector involvement in agriculture, where most farms are too small to garner the economics of scale associated with marketing activities. Individual farmers face direct competition from other farmers producing near perfect substitutes, the production of any individual farm is not sufficiently large to satisfy retailers' demands for consistency of supply and quality, and costs of organization are high. Governments become involved to assist agricultural producers in overcoming these hurdles. Product differentiation comes in many forms. For example, the European Union has been in the forefront of developing product differentiation strategies based on geographic indicators (Josling, 2006; Kerr, 2006; Vincent, 2007). Countries as diverse as New Zealand, Scotland, Kyrgyzstan and Ecuador have implemented or investigated country branding strategies.

The creation of a country brand has also been suggested as a strategy that can enhance the export potential of Canadian food products, and government policy initiatives have embraced such a strategy. Hence, a serious examination of the potential benefits of a country branding strategy, the pitfalls to avoid in its establishment, and the institutional arrangements that are needed for successful implementation of a branding initiative is warranted. This *commissioned paper* examines the role of an effective branding strategy as a trade promotion policy tool in international markets. It focuses on the implications of economic theory for a country branding that applies a brand/logo to products. It is not an in-depth empirical investigation examining the success of any particular country's branding strategy. Rather, it is illustrative in nature and draws upon existing examples of branding programs to illustrate the models and frameworks proposed. First, the paper compares the use of country-of-origin labels with a stylized country brand to illustrate how these different approaches to marketing can communicate information and promote a country's agricultural products. Second, the challenges of managing a country brand that comprises multiple supply chains are explored. In section 4, a quality framework is used to show how a brand could promote agricultural products internationally, while the ability for a brand to enhance agri-food exports is examined in section 5. Incentives for participating and competing firms to contribute and erode brand equity are discussed in section 6. A two-stage decision model is used to illustrate the potential evolution of a country brand and the factors affecting long-term brand equity, and incentives for a firm to adopt and adhere to quality assurance mechanisms are explored in section 7, including an evaluation of optimal quality assurance mechanisms for a country brand. Finally, the potential for other countries to restrict a country branding strategy is discussed in light of existing international trade rules.

2.0 Brands and Labels: Some Observations

In this paper we make a clear distinction between brands and labels. A label simply identifies a specific product characteristic pertaining only and precisely to the product itself (such as origin or composition); whereas a brand is a broader concept that captures a product's characteristics, its reputation, and the accumulated customer experience with that brand name and symbol that is viewed at the customer's point of purchase. In other words, we consider that a functional brand is more than simply the creation of an image in the minds of consumers. This distinction is examined more fully in the discussion "Exploring the Concept of a Brand", presented in the appendix to the paper.

Defining the difference between a label and a brand is key to understanding how a country brand for agricultural products[1] differs from a country-of-origin[2] label. As outlined in the Appendix, both can signal information about a food's origin and bring to mind past experiences with the country and its products, while a brand is not limited to

[1] For example, the *Branding Canada* program, led and funded by Agriculture and Agri-Food Canada, is designed to build a brand for Canada's food and agriculture sector in international markets. The program provides a set of marketing tools to Canadian food exporters to maximize opportunities in foreign markets. Supported by country-specific research in key export markets, the program assists exporters in using the Canada brand, its key messages and promotional material. By signing a usage agreement exporters are permitted to use the Canada brand and receive guidance on appropriately adapting the key messages for the specific product and market.

[2] For example: *Product of Canada*

describing the product itself. For example, a “Product of Canada” label is only informing consumers that the product was produced in Canada. A Canada brand, in contrast, would by its design and *raison d'être*, represent all past brand marketing and a heightened awareness of what the consumer associates with Canada, in addition to identifying the product's origin. A brand's use of a consistent image or logo rather than just words means that the associative effect of linking all past experiences to the current product is much stronger than for a label (van Riel and van den Ban, 2001). Using a country brand is a stronger representation of the country than a traditional country-of-origin label because the image the brand holds and the brand itself allows for quicker and more comprehensive recall of previous marketing and product experience.

To understand how a brand signals characteristics other than just the origin of the food product, it is important to understand how a brand can aid in marketing a product. A brand can be a successful marketing tool because it communicates an image to the consumer. By combining positive past consumer experiences and product promotion to form brand equity, a brand image can be created to facilitate product differentiation. A brand also allows a product's reputation to be owned and thus it can provide market power for the brand owner. A more thorough discussion of the brand mechanism is included in the appendix.

Given the assumption that the end goal in branding is to maximize net returns from accumulated brand equity, then it is also necessary to determine the costs associated with building and maintaining brand equity. According to Smith (2004), brand management is a multidimensional task that encompasses both the processes required to deliver the branded product itself and the brand's proposition that communicates the brand's image. The cost to build and maintain a brand's equity via brand management can be significant and is outlined further in the appendix. A country brand entails specific management challenges because its equity is linked to the reputation of the country.

3.0 A Country Brand: Challenges in Managing the Brand

Applying a symbol indicative of a particular country to a range of food products can be viewed as an origin brand or country brand that links a product with its place of origin. This type of brand seeks to leverage the reputation of a geographic location to contribute to the consumer's positive perception of a product (Van Gelder, 2003). The tying of a product with its origin results in what the literature calls a *product-country image* (Laroche et al., 2005, Lusk et al., 2006). This image, which combines the product and its origin, has been widely studied (Papadopoulos and Heslop, 2002, Papadopoulos and Heslop, 2003). It is beyond the scope of this paper to examine the exact nature of how a country's image interacts with a brand's image. What is important is the impact of the interaction between country image and brand image on the outcome of a country branding strategy.

Using a country brand that builds on the collective reputation of a country, its citizens, and other products using the brand makes managing it considerably more challenging than managing a traditional private brand like Quaker Oats. There are two challenges inherent in a country brand for food products: the complexity of managing a brand that is used on multiple products; and the effect on brand equity of the country's image in general.

Managing a Country Brand Used on Multiple Products

Applying a brand to a multitude of different products makes managing even relatively straightforward facets of the brand such as product quality and consistency a major challenge. Maintaining a consistent product image across a broad range of products will also be difficult.

Effective management of a brand requires appropriate linkages and information transfers along the supply chain to ensure that consumers receive a consistent message about the brand. When the owner of a brand manages all stages of the supply chain, the task of ensuring the product lives up to the brand's proposition is simplified. Starbucks, for example, ensures that the sourcing and roasting of beans conforms to its quality specifications, thus delivering a consistent consumer experience in line with its brand image. Maple Leaf Foods controls its pork from production, through processing, to consumer marketing, thereby enabling it to deliver a product that is consistent with its brand image. Vertical integration by an agri-food firm – as in the previous examples – is one way to facilitate information transfer and product consistency. Alternative approaches exist, for example the cooperative model. As outlined by Hobbs et al. (1998), 97% of Danish pork is channelled through cooperatives that participate in an umbrella organization which acts to ensure that consumer preferences are communicated to producers who then deliver consistent products. Danish pork is well known internationally and provides an example of a successful producer-based initiative that manages a product from the first stages of production through to the finished product in the consumer market.

Managing a Country's Image

A country brand will only assist in expanding exports if foreign consumers have a positive image of the country. We cannot assume that a country's brand equity will always be positive, especially as it is impacted by factors beyond the control of the licensor or its users.

To illustrate the challenges imposed by associating a country's image with a product's image consider the Canada brand currently employed by Agriculture and Agri-food Canada to promote Canadian agri-food products in the international market. An example of what Van Gelder (2003) calls an *origin brand*, a Canada brand signals an image about not only the consumer's past experiences and exposure to marketing efforts, but also their more broadly established impressions of Canada and Canadians. Regardless of the marketing efforts undertaken, "origin brands will often express personality traits in line with those attributed to their backgrounds" (VanGelder, 2003). If the brand image is correlated to people's perception of Canada, how do consumers in foreign markets see Canada? The "Branding Canada's Food and Agriculture Sector in the International Marketplace" website of Agriculture and Agri-food Canada indicates that, according to existing research,

> Canadians are known to be a trustworthy, reliable and competent people. Our land is thought of as pristine, fresh and environmentally friendly. Our food and agriculture products are considered safe, fresh, and natural.
>
> Agriculture and Agri-food Canada (2006)

Many of the factors influencing the above description are beyond the control of either the brand users or managers. With the reputation of the brand resting in part on the reputation of the country, to fully manage the brand's image one would in theory need to control Canada's political, environmental, human rights and food safety systems.

To illustrate the challenge of maintaining a consistent brand image based on characteristics that are broad and complex, consider the recent headlines surrounding Canada's position on the Kyoto protocol[3]. Widespread international criticism over the change in Canada's commitment to the Kyoto protocol could challenge the acceptability of "trustworthy, reliable, competent, pristine and environmentally friendly" in the context of a Canada brand. Despite the fact that Canada's Kyoto commitment has nothing to do with the quality of Canadian food products, negative news coverage regarding Canada can erode the brand's equity and its worth as a marketing tool. Clearly, some attributes are more easily eroded by unfavourable news coverage than others although the relationship is important to highlight nonetheless. Origin brands, by their attachment to a place and its people, are vulnerable to factors outside their user's control.[4]

4.0 How can Country Brands Promote Agri-Food Products?

Brands can increase the demand for a product by persuading consumers to associate more value – or higher quality – with the product. *Ceteris paribus*, consumers are willing to purchase more of a product that they perceive to be of higher quality or will pay more for it compared to competing products of lower quality.

If a country brand can credibly signal a positive product attribute vis-à-vis its brand equity, complementing the exporter's own private brand then it could be a valuable tool for a government to promote their agri-food industry. From an individual firm's perspective geographic labels have been shown to add value to private labels by providing complementary quality signals (González-Díaz et al, 2003). The co-branding

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[3] "Canada's approach on Kyoto criticized" (Whittington, 2007), "Credibility hangs on meeting Kyoto targets" (Anon, 2007), "The U.S. is set to move on climate change – what about us?" (Simpson, 2006)

[4] Van Gelder (2003) says that origin brands are "very sensitive to commonly held beliefs, forms of stories, myths, expectations and even propaganda."

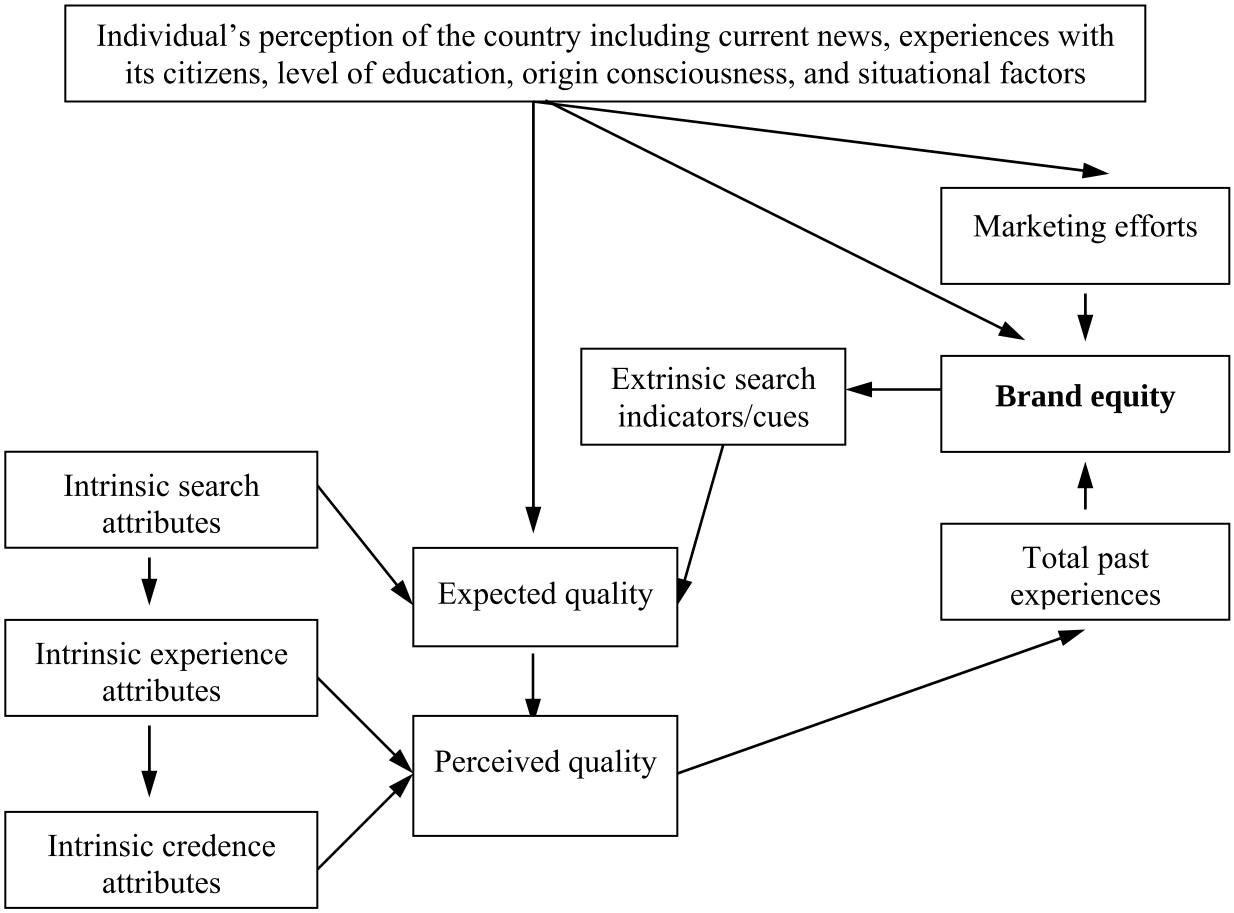
in Spanish meat explored by González-Díaz works because geographical indicators guarantee a minimum level of organoleptic attributes, while private brands guarantee product homogeneity. In this situation each label represents unique characteristics. Could a country brand accomplish the same things?

A country brand on a food or agricultural product is intended to signal specific quality characteristics to consumers, which have been promoted as embodied in the country's products, in addition to consumers' preconceptions of what the country represents. A country brand therefore queues consumers to recall an image of the quality attributes that they associate with the country, its citizens, and the brand itself.

Quality comes in many forms and includes: credence attributes that cannot be distinguished by the consumer such as organic production; search attributes that the consumer can ascertain by inspecting the product prior to purchase such as the colour of meat; and experience attributes that the consumer can only know after using or consuming the product – such as the taste or texture of meat (Hobbs, 1996). A quality framework developed by Caswell et al*.* (2002) is adapted to the case of a country brand in Figure 1. The framework illustrates how a consumer interacts with a food product, and how product attributes contribute to the consumer's perception of quality. The framework suggests that extrinsic search indicators, like brands or labels, can signal the expected quality of a product by conveying information that the consumer cannot distinguish at the point of purchase. The framework illustrates the influence of brand equity on the extrinsic search indicators and the impact of these indicators on expected quality.

Figure 1 shows how brand equity results from past experiences with the product, marketing efforts, and individual factors relating to a consumer's perception of the country and its citizens. Brand equity, in-turn, influences the strength of an extrinsic search indicator by providing a recognizable mark or logo that can signal a specific quality to the consumer. The intrinsic attributes of the product, like taste, appearance or the way it was produced, influence the perceived quality of the product following consumption. Intrinsic product attributes cannot always be assigned to one particular classification and consequently fall between two categories. Food safety, for example, can be a credence attribute if ill-health effects only emerge over the long-term or are not readily attributable to consumption of a specific food product (e.g. Creutzfeldt-Jakob disease from Bovine Spongiform Encephalopathy) or an experience attribute if the negative effects are more immediate (e.g. E. coli). Past consumer experiences with the intrinsic attributes of products carrying the country brand can affect the total level of brand equity inherent in the country brand. The interactions between an individual's perception of the country, marketing efforts, brand equity, and expected quality is a key component of the above framework. This framework highlights how the value of a brand is contingent on consumers' perception of the country and its citizens, past experiences with the brand and marketing efforts.

Figure 1: Food Quality Framework Showing the Contribution of a Country Brand



Adapted from Caswell et al. (2002)

5.0 How Can a Brand Enhance Exports?

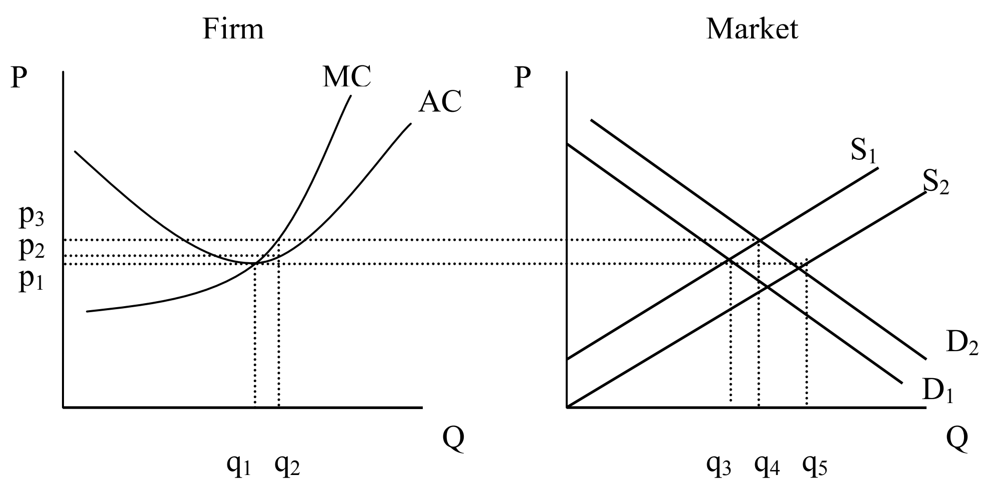
The goals of any promotion program can be distilled to increasing the quantity sold, profiting more from a fixed quantity of sales via higher prices, or some combination of the two. A successful brand can accomplish both of these goals; but is this realistic for a country brand that will be used on a large number of agricultural products with no effort to control the quantity or quality of products sold under the brand?

In an analysis of "farmer owned brands", Hayes et al. (2004) suggest that the only way to prevent supernormal profits from being eroded by expansion and entry is to limit the number of products sold using the brand. Carter et al. (2006) provide further support in the context of a country brand when they conclude that US produce could only obtain more profit from country-of-origin labelling if producers can control the quantity supplied over the long-run.

The potential to increase profit by limiting the use of the brand, and thereby restricting the long-run supply, can be illustrated using a competitive model with controlled entry and expansion. This model assumes that the branded product is significantly differentiated from competing products and that the brand protects this uniqueness to provide pricing power. Recall that differentiation occurs when brand equity is sufficient to add quality attributes to the branded product that other products do not contain. If a country brand was applied to food and this enhanced consumers' perceptions of the product's quality, then a degree of market power could accrue to those controlling the brand. [5]

As shown in Figure 2, adding a brand to a product results in a demand shift, relative to the generic product, from D_1 to D_2. For a country brand, this indicates that consumers value what the brand represents, i.e., the country's reputation, accumulated past experiences with the brand, etc. Consumer brand equity (Erdem and Swait, 1998) results in a higher willingness to pay for the branded product at all quantities. With homogeneous firms and no new firms allowed to use the brand, the new market equilibrium following the introduction of the brand and resulting demand shift would be at q_4,p_3 –an increase in both price, quantity and profit for the firms involved. The left hand panel illustrates a representative competitive firm supplying the market. From the left-hand panel of Figure 2 we can observe that firms achieve excess profits equal to $(p_3-p_2) * q_2$ following the introduction of a successful brand when entry is not possible. The model assumes that firms do not fund the branding program and no additional costs are incurred by firms as a result of using the brand.

Figure 2: Competitive Equilibrium Model for a Brand as a Differentiated Product



If there was no restriction on the number of firms using the brand, the excess profits made by the existing firms would entice other firms to use the brand, resulting in

[5] The ability to capture excess profits in this model depends on the assumption that other countries will not create their own brand in an attempt to capture the original branding country's excess profits.

a supply shift from S_1 to $S_{2'}$ accompanied by a price reduction to p_1 where firms are once again making normal profit. Under this scenario, the quantity of branded product sold has increased more than when the number of firms was limited, however there has been no increase in price or profits for the firms using the brand. Given that a brand gives the owner pricing power, one might predict that the quantity supplied would be further restricted to a monopoly level. However, a monopoly solution would not be welfare enhancing, which may be sub-optimal from a public policy perspective.

The above model represents a brand where all costs for creating and managing the brand are incurred by the government and have minimal impact on a firm using the brand. If brand users were responsible for brand costs, then the marginal and average firm costs would increase. The required shifts in both the average and marginal cost curves to reflect these branding costs have been omitted to simplify the graphic, but would reduce the quantity and profit under restricted entry, and quantity under free-entry.

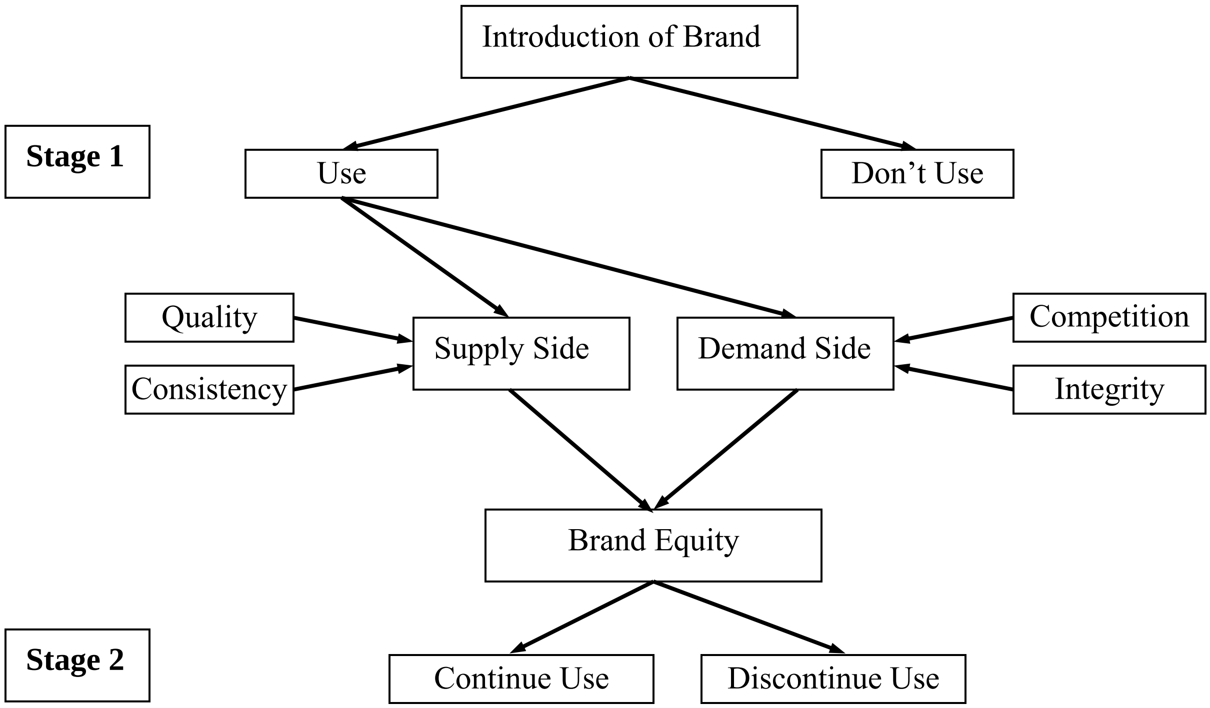
The model outlined above shows that the outcome of a country brand depends upon whether there are barriers to entry. The only opportunity to increase quantity sold and price concurrently occurs when the number of firms using the brand is restricted. Returning to the original goals of a branding program to increase quantity sold and profits, it appears that these two objectives may only be achieved simultaneously when the supply of products marketed under the brand is limited.

6.0 Who Would Use a Country Brand?

A country brand would probably be used in addition to the user's own brand to symbolize the origin and associated product-country image. For example, a processor could use the Canada brand in addition to its own brand to signal that the product is Canadian. If we assume that a country brand is a form of co-branding between the government and domestic producers, then a private producer will use the brand only if it advances their interests in a strategic fashion (Blackett and Russell, 1999). A producer/processor will only use the brand if it contributes value to their product and enhances its marketability.

Determining who would use a country brand – and consequently the value of a brand program – can be modelled using a two-stage decision-making model. The choices made by participating firms can be predicted based on their response to both demand and supply pressures. In the first stage, we assume that the government introduces the program and firms must decide whether they will use the brand. The second stage occurs after the program has existed for a sufficient period of time such that consumers, as well as participating and competing firms, understand and can assess the brand. A stylized model of a firm's decision to use a country brand is illustrated in Figure 3.

Figure 3: Users of the Brand Face a Two-Stage Decision



In the first stage, firms decide if they will participate in the program. Assuming that firms are profit maximizing, they will choose to use the country brand if the potential discounted stream of future benefits from using the brand outweigh the potential costs incurred in its use. If development and marketing costs of the brand are provided free of charge by the government to interested firms, costs from using the brand are expected to be minimal. Firms will incur costs associated with applying the brand to their packing and promotion efforts. By using the country brand firms are tying the reputation of their own brand to the reputation of the country brand. Equity of the country brand may go from positive to negative due to factors outside the control of a participating firm. The choice to use the country brand thus also depends on the perceived effect of the country brand on the firm's reputation (positive or negative). Given that the costs of adopting the brand are small, the risks to a firm unknown, and the potential benefits unknown but potentially significant, one might expect many firms to join the country branding program in the first stage.

After the country branding program has been in place for a period of time, participating firms arrive at a second decision point: whether to continue participating in the country brand. At this point consumers have established a level of brand equity based on their experiences with products employing the brand. The level of brand equity will now be contingent upon both the efforts of the branding program and also on the supply and demand side pressures that have evolved since the country brand was introduced. Firms now must decide to either continue using the brand or discontinue use. The stage two decision for a firm is based on each firm's assessment of the value of the country brand's equity to the overall marketability of their product. If the brand's equity is positive and allows the firm to sell more, charge a higher price, or some combination of the two, the firm will benefit from increased returns and will continue to use the brand. Whereas the effect of the country brand's equity was unknown but potentially positive at the first stage, the value of the country brand in the second stage will depend on the impact of demand and supply side pressures on the level of brand equity since the brand's introduction. Consequently, even though the costs of continuing to use the brand would be negligible for a firm already using the brand, they will only continue to use the brand if the brand equity is sufficient to contribute positively to the profitability of the firm's product. We now turn to a consideration of the key determinants of brand equity: specifically the supply side and demand side pressures indicated in Figure 3.

6.1 Firm Actions Affecting Brand Equity Following Stage One

Factors that influence the brand's equity at stage two can be generally classified into demand side and supply side pressures that occur following stage one. Tregear and Gorton (2005) suggest that brands must both deliver brand value from the supply side and create brand value on the demand side to be successful. Though not independent of one another, the demand/supply distinction highlights that brand equity is contingent on both the actions of firms who have chosen to use the brand and also the actions of those parties exogenous to the branding strategy. As shown in Figure 1, the perceived quality of products from firms using the brand affects how the brand is perceived. Previous discussion has shown how the intrinsic attributes of (previously consumed) branded products influence brand equity. The following section focuses on how the actions of both participating and competing firms can contribute to, or diminish, brand equity following stage one.

Supply Side Pressures

In the words of Jim Riemann, retired President of Certified Angus Beef – one of the most successful collective brands in North American agriculture – a brand must represent consistency, quality, and integrity (Certified Angus Beef, 2007). Integrity on the supply side means delivering on the brand's promise/proposition. In the case of the Canada brand, for example, this means that the products carrying the brand must fulfill the consumer's expectations to be representative of a pristine environment, a high level of food safety, and a certain level of quality, etc. as communicated by the brand proposition. Fulfilling the brand proposition is essential for the brand to be a credible quality signal – a necessary condition for a sustained boost to the quality associated with the brand.

Ensuring that the production practices of firms using a country brand are consistent with the brand image is essential to maintaining the credibility of the brand.

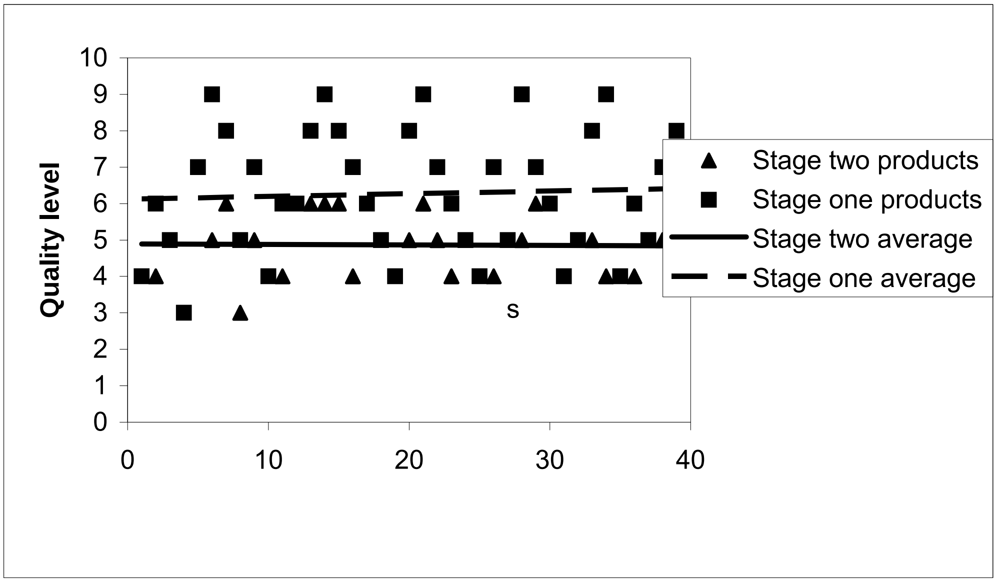
While in many cases these practices will not be immediately evident to the consumer, positive brand equity can only be sustained in the long-term if there is congruency between the brand's claims and its image. A credibility gap between production practices and a brand's image is of concern because a profit-maximizing firm will have little incentive to follow costly production practices congruent with the brand image if they are not required to do so (Tregear and Gorton, 2005). To illustrate this potential credibility gap created by incongruence in production practices and brand proposition consider the Canada brand and the segment of its proposition related to the pristine nature of the Canadian environment. The recent moratoriums on the expansion of hog production in Manitoba and Quebec because of environmental concerns highlight this potential credibility gap[6]. While most producers may follow good environmental practices, those producers whose actions negatively influence the environment reflect badly on the industry and expose a gap between the brand proposition and reality. Returning to the model depicted in Figure 3, to maintain a country's brand integrity following stage one, it is evident that claims made when promoting the brand must be credible in order to maintain a positive level of brand equity.

Maintaining a consistent quality is also important for the credibility of the brand signal. Both the level and consistency of quality are characteristics that vertically differentiate products that possess them from those that do not (Phlips and Thisse, 1982). That is, a brand associated with consistent products is better than one associated with inconsistent products; a brand known for high quality products is better than one associated with low quality products and so on. In the case of a collective brand, the reputation of the brand is derived from the reputation of the products that use the brand. For example, brand equity associated with food safety (a vertically differentiable characteristic) will be dependent on the products sold under the brand maintaining a high level of food safety.

If there is no mechanism to ensure that only consistently high quality products upholding the brand's integrity are permitted to use the brand, then the overall vertical quality represented by the brand, and consequentially the brand's equity, will decline. Consider the case presented in Figure 4 where 40 producers who join the brand in Stage one have varying levels of vertical product quality between four and nine on a hypothetical scale of ten. We assume that this quality scale represents all vertical quality attributes such as food safety, consistency, transaction ease, etc. In Stage one, when the average quality of products was unknown to the firms using the brand, the "Stage one average" provides a mean quality ranking of 6.3.

[6] The moratoriums in both Quebec and Manitoba have arisen in response to concerns about the effect of pork industry expansion on water quality. Run-off and leaching of manure leading to ground water contamination were key concerns that precipitated the bans.

Figure 4: Adverse Selection Effect of Co-branding with a Country Brand



Assume that producers were able to ascertain that the country brand has a quality ranking of 6.3 on the quality scale before deciding to continue using the brand at Stage two. Any firm with an individual brand quality score of seven or higher would have no incentive to use the collective brand as it would reflect an inferior quality relative to their own brand. *Ceteris paribus*, these firms will discontinue participation in the country brand in stage two. Shown in Figure 4, the result is a decline in average quality for those producers using the brand to a “Stage two average” of 4.9. The cumulative effect of adverse selection over time is that only producers with lower qualities than the country brand would use it, such that the country brand quality ranking would gradually erode, in a process akin to the “Lemons” argument made by Akerlof (1970). If a monitoring mechanism was in place to guarantee the quality, consistency, and integrity of products using the country brand, the problem of continually eroding quality/brand equity could be avoided or at least reduced.

In addition to firms not wanting to use a collective co-brand that represents a lower quality than their own, firms would also have little incentive to improve the quality of their products in a collective organization. In collective organizations, such as geographic indications, the costs for quality improvement fall on the individual but the benefits accrue to the entire group; thus producers of high quality products are penalized by the collective nature of the brand (Rangnekar, 2004). González-Díaz et al. (2003) explore this concept and conclude that “there would not be any incentive to invest in the reputation capital” (referred to as brand equity in this paper) of a geographical indication if the benefits could not be captured by the producer adding them. Examples of this behaviour are frequently observed in agri-food supply chains in Europe, including Tuscan olive oil (Belletti and Marescotti, 1998) and Spanish wine (Albisu et al. 2003). Extrapolating these examples and the depiction in Figure 4 to a

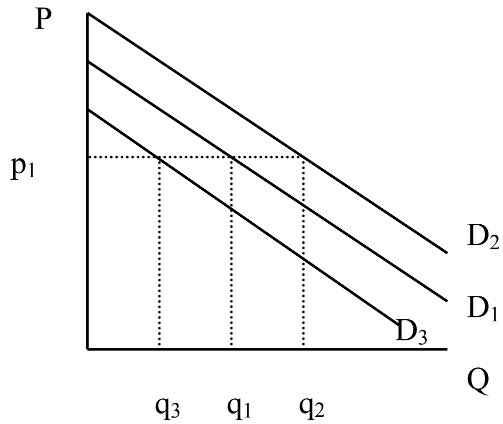


Figure 5: Quality, Consistency, and Brand Integrity Determine Brand Effect

country brand, in the absence of quality monitoring, not only would the brand attract those producing poor quality products, but it would also not reward those producers who add value to the brand. Thus a classic free-rider problem emerges: some firms benefit from the investments of others with little or no contribution of their own. Appropriate quality assurance mechanisms to avoid the problem of free-riders will be discussed in more detail later in the paper.

Result of Supply Side Pressures

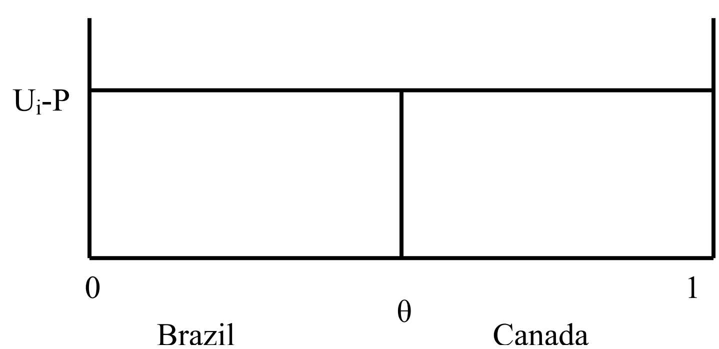
As detailed in the quality framework, ensuring that products using the country brand exhibit a uniform level of quality and consistency is essential for the brand to possess a positive level of brand equity over the long-term. Delivering a consumer experience consistent with the brand message will contribute to the integrity and equity of the brand. Given that branded products with inconsistent quality will erode the integrity of a country brand for the consumer, the aggregate effect of many consumers with similarly mixed experiences will erode the demand for a country's branded products over time. Whether the brand's equity is positive or negative – and therefore whether demand for products carrying the country brand increases or decreases – depends on the participating firms ensuring the brand represents quality, consistency, and integrity. If the brand delivers improved quality and consistency relative to unbranded products then a shift in the demand curve from D_1 to D_2 (Figure 5) would be expected. At a constant price of p_1 this represents a quantity increase from q_1 to q_2. Conversely if the brand lacked integrity because of inconsistent quality, then the resulting brand equity might be negative and result in an inward demand shift from D_1 to D_3. In this case, a reduction in quantity from q_1 to q_3 would result. The ability for a brand to represent quality and consistency that vertically differentiates products using the brand thus critically depends on the users of the brand uniformly delivering this quality and consistency. Simply, a brand will only deliver increased demand if products that use the brand are consistent with each other and with the expectations created through advertising or other promotional activities.

6.2 Demand Side Pressures

The marketplace is dynamic, and will change as a result of the introduction of a country brand. In contrast to the supply side pressures that relate to vertical quality factors affecting brand equity, the position of one country's brand relative to other countries' brands in the international marketplace can be thought of as horizontal differentiation. The Canada brand, for example, occupies a 'product space' based on its characteristics, including a pristine environment, high quality safe food, etc. Following the model first proposed by Hotelling (1929), a brand can only be differentiated and generate brand equity if the characteristics that it represents are significantly different from those of its competitors.

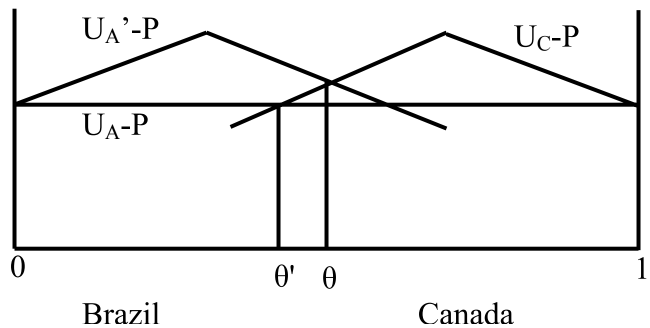
Using a horizontal differentiation model, the impact on market share of discrete consumer choice between two countries' products - for example, products of Canada and Brazil - in a mutual export market is shown in Figure 6. The horizontal model assumes heterogeneous consumers are distributed between 0 and 1 based on their preferences. Utility gained by each consumer from purchasing the product is equal to U_i-P_i where U_i represents the overall utility derived from the product characteristics of country i and P is the product's price. For simplicity assume that the prices for Brazilian and Canadian products sold into the export market are the same. Figure 6 shows the resulting market shares if neither country has embarked on a branding strategy to differentiate their products. In the absence of differentiation, and with equal prices, the market shares for Canada and Brazil would be equal at 1- θ and θ respectively.

Figure 6: Market Shares Before the Introduction of a Brand



Consider now what happens after Stage one with the introduction of a brand by one of the countries, for example, a Canada Brand. Assuming that the marketing efforts of a Brand Canada program effectively define a brand image that some consumers favourably associate with products that carry the brand, then the utility gained from consuming the Canada branded product will be higher than for the Brazilian product as shown in Figure 7. U_C-P represents the level of utility gained from the new Canada brand, while the line U_A-P remains unchanged. Note how Canada has gained market share as a result of the successful Brand Canada program, as 1- θ' is now larger than θ. Of course, this increased market share will only result if the brand program is successful in creating positive brand equity – the challenge of which has been highlighted in previous discussions.

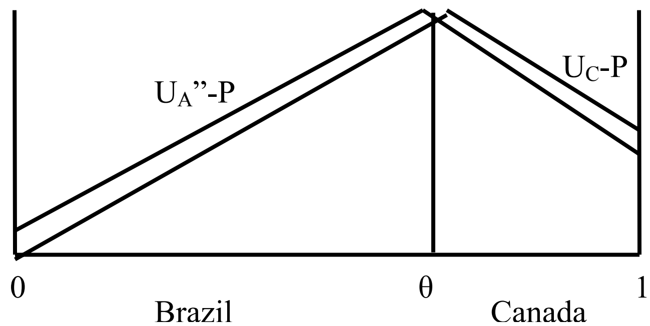
Figure 7: Market Shares with Unique Country Brands



It is unlikely that a competitor will sit idle and observe a successful country brand by from a competitor country taking away market share. Prior to Stage two, we assume that Brazil has the opportunity to react to a successful Brand Canada program. If the characteristics that comprise the Canada brand image are unique and identifiable with Canada alone, then Brazil could create its own brand based on characteristics different from the Canada brand. Following this action, Brazil could increase the utility gained by consumers valuing its brand characteristics, as shown by U_A'-P in Figure 7. The figure illustrates what would happen if both countries' brands resulted in brand equity of equal size but were based on different characteristics. The final market share determined by θ is equal to the original market share before either country undertook a branding program. Of course, if one country's brand contributed more to consumers' utility, then it would capture more market share. The effects of Brazil creating its own brand described above rely on the assumption that the characteristics contributing to the success of the Canada brand are unique to Canada and cannot be simply adopted as characteristics of the Brazilian brand.

Lastly, consider the situation in which the core attributes of one country's brand are not unique claims of that country and could also be made by the competitor country. In our example, if the Brazilian brand could make equally credible claims to those of a successful Canada brand then it would prefer to orient its brand close to the Canada brand in the product space as shown in Figure 8 by U_A"-P. In this situation, assuming a Canada brand is oriented similar to the previous scenario, the Brazilian brand captures more market share, leaving Canada brand products with a share equal to 1-θ that is the smallest of all scenarios displayed. It is also feasible that Canada and Brazil would capture nearly equivalent market shares if the maximum utility gained from the Canada brand was symmetric and centered at ½. The ability for competing countries to make similar brand attribute claims has a significant effect on the ability of a country brand to increase demand and market share in the long run.

Figure 8: Market Shares Without a Unique Canada Brand



Aggregate Effect of Other Countries Branding Strategies

If the country brand can establish brand equity in the international market, the simplified two-country case outlined above indicates that the long-term success of the brand depends on the uniqueness of the brand attributes. If the attributes were not unique then other countries with similar attributes would try to mimic the brand with a country brand of their own. Realistically, a branded product is never truly unique and is subject to imitation by others if the brand establishes a positive level of equity. Though in the Canadian example the likelihood of another country claiming that their products are Canadian is small, it is naïve to think that New Zealand, Australia, Brazil, or Denmark could not also create a similar reputable country brand that would rival Canada in many export markets. Indeed, New Zealand has already carved out this niche in markets such as lamb (Clemens and Babcock, 2004), as has Denmark in the case of pork (Hobbs et al., 1998). Using a perfect competition model, the two-country case outlined above can be extended to show the aggregate effect of foreign competition on a country brand in the international market (Figure 9).

Figure 9: The Effect of Competitor Country Brands

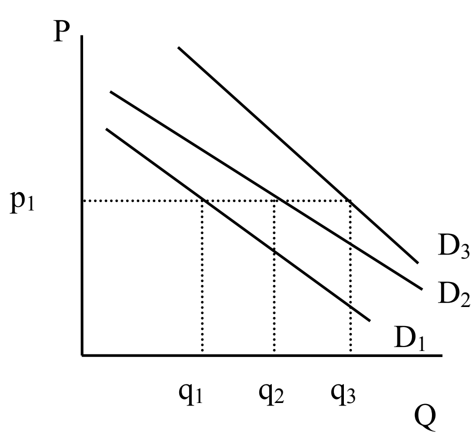


Figure 9 illustrates the effect of competitor countries introducing national brands on the demand for products bearing a country brand, at a constant price of p_1. The impact of competing national brands on the power of the country brand would be proportional to the similarity of attributes between brands. Owing to unmistakeable geographic distinctiveness inherent with different countries, each country's brand will always be slightly differentiated from other brands. Additionally, country branded products will likely also be closer substitutes for other country branded products than for products not bearing a country brand.

The result of the increased substitutability between products bearing different country brands means that the aggregate demand curve for the original branding country's products will become more elastic at the end of Stage one compared to the beginning of Stage one. The initial demand shift resulting from a brand that creates a positive level of equity is shown from D_1 to D_3, similar to the model in Figure 2. After other countries' brands begin to compete, the demand for the brand is likely to shift inward due to increased competition and become more elastic as other branded products become closer substitutes than products without a country brand. The resulting demand curve at D_2 shows that, at a constant price, quantity demanded declines to q_2 from its early Stage one level of q_3. The important prediction of this model is that international competition will reduce the market share achieved by a successful country brand when other countries' brands diminish its uniqueness[7].

6.3 Combined Effect of Demand and Supply Side Pressures Prior to Stage Two

The demand and supply side pressures in stage one combine to determine the total brand equity present before firms make their decision to continue to use the brand at stage two. The examples above highlight that the quality and consistency of products using the brand and the presence of competing country brands will both affect the level of brand equity. How much brand equity remains as a result of these supply and demand pressures is important, as the value of the brand must be greater than the costs of establishing and managing it for the country branding program to be a worthwhile exercise. The next section of this commissioned paper focuses on strategies to deal with demand and supply side pressures.

7.0 Strategies to Manage Demand and Supply Side Pressures

As indicated earlier, the necessity for users of the country brand to contribute to the brand's equity is an integral requirement for the long-term success of the brand. Knowing that firms will have a tendency to free-ride on the efforts of other firms, brand equity is unlikely to be sustained in the long-term without an appropriate system of quality assurance. Quality assurance is based on a set of minimum standards with varying compliance requirements; the degree of quality 'assurance' therefore is a combination of the level of minimum standard and the degree of enforcement.

[7] Assuming that marketing efforts remain unchanged.

Establishing equivalent minimum standards for a brand representing diverse products and processes encompassing multiple products and supply chains is a difficult but essential component of maintaining brand equity. Assuming that comparable assurance mechanisms are in place in each industry, then the quality of products using the brand from a specific industry will result from the minimum standard chosen and will reflect the quality level of other products using the brand. Consider, for example, that the minimum level of food safety assurance varies across agri-food products. An industry is typically comprised of a variety of minimum standards as diverse as the agri-food industry itself. For example, while Hazard Analysis Critical Control Points (HACCP) principles are generally the norm in many segments of the Canadian agri-food sector, their application and stringency ranges from mandatory in federally licensed abattoirs and some primary agriculture, to voluntary for other primary producers who are not required to adopt HACCP principles to use the brand. Establishing uniform criteria for the quality of products using the brand seems like a logical first step for a country brand to represent a credible signal for quality and consistency.

Effective quality criteria and enforcement were identified by the European Commission (2006) to be key factors in the success of the Compté collective label for cheese[8]. Similarly, they cite the failure to implement and enforce standards as the reason the Boerenkaas collective cheese label failed to earn brand equity[9]. Using the quality assurance literature as a guide, the following section outlines potential mechanisms to ensure that users of a country brand uphold and contribute to the long-term integrity of the brand in response to appropriate incentives and penalties.

7.1 What Determines the Optimum Quality Assurance Mechanism?

Quality assurance strategies encompass a variety of options with increasing stringency, from legal contracts to certification, and finally certification with audits. The certifier may be a public organization or another third party. An optimal amount of quality assurance will be achieved when the marginal benefit of brand equity maintained is equal to the marginal cost of the quality assurance system. This level of assurance is optimal for the owners of the brand – most likely the country's government – who seek to maximize the value of the brand and minimize the costs imposed on users. Carriquiry et al. (2003) examine the optimal quality assurance mechanisms for agricultural outputs and conclude that the rigidity of the system is proportional to the:

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[8] The Compté Cheese label has developed stringent process and quality standards relating to the breed of cow milked, the animal feed, origin of milk used for cheese and the method for making the cheese itself. The protected nature of the Compté label enables the standards to be enforced strictly and has resulted in a consistent quality product, recognized as such by consumers. (European Commission, 2006)

[9] The Boerenkaas label is not protected and consists of a variety of small and large producers. Attempts to establish consistent standards have been largely unsuccessful due to the heterogeneous nature of producers and the inability to control who uses the label. Consumer recognition of Boerenkaas is limited to 13%, production has been declining in recent years and the label has lost most of its distinctness. (European Commission, 2006)

1) likelihood that the sought-after attribute is discoverable by consumers,
2) price premium paid for the attribute,
3) cost of quality control, and
4) damage caused by false certification.

To illustrate the implications of these criteria for the different attributes that may make up a country's brand proposition, consider the attributes currently proposed by the Brand Canada initiative. For the first criteria, a high likelihood of consumers discovering attributes that fail to meet the brand proposition favours a more stringent quality assurance mechanism, as products of poor and inconsistent quality will erode brand equity. The credence nature of both environmental and food safety attributes included in the current Canada brand initiative means that the likelihood of foreign consumers directly discovering production practices that do not conform to the brand proposition is low. Potentially, tourists to Canada, reconnaissance by competitors, or negative media attention an environmental problem could expose inconsistencies in the environmental image of the Canada brand that would cause harm to the brand image. Nevertheless, Darby and Karni (1973) outline the optimal amount of misinformation when transactions involve credence goods, suggesting that the limited likelihood of a consumer discovering a discrepancy in the environmental claims of the brand means a less than perfect certification system may be optimal. More recently Giannakas and Fulton (2002) and Anania and Nistico (2004) examine the implications of imperfect regulation relating to credence goods and conclude that both firms and society can be better off if quality assurance mechanisms do not eliminate misinformation entirely.

Conversely, search and experience attributes are more likely to be discovered by the consumer and thus are more likely to be the source of brand equity erosion if firms use the brand on poor or inconsistent quality products. For example, the image of Canadians as competent and reliable people is an experience attribute for firms sourcing Canadian products. Recent rail service disruptions affecting the timely delivery of exported lentils illustrate how customers could quickly discover credibility gaps between a brand proposition and experience[10].

Turning to the second of the Carriquiry et al. criteria, the higher the price premium paid for a specific attribute, the higher the cost of failing to ensure the quality of a valuable attribute. Given the limited availability of public data, it is difficult to determine whether the Canada brand or other country brands command a significant price premium. In general, the more important the attribute is to brand equity, the more stringent the optimal quality assurance mechanism that will be needed.

Third, the greater the cost of quality control, the less stringent is the optimal quality assurance system (Carriquiry et al., 2003). An example of a brand proposition component that would be expensive to control is the trustworthiness of firms using the

[10] The Canadian National Railway, one of two national railways to ship lentils from the interior of Canada, experienced a two week strike in February 2007 that crippled Canadian grain and pulse exports (Hursh, 2007).

brand[11]. This criterion underscores the fact that the optimal assurance mechanism to maintain brand equity must equate the marginal cost of additional control with the marginal benefit of increased assurance.

Lastly, the greater the potential damage to brand equity because of false certification, the more stringent are the quality assurance methods needed. For example, in the case of the Canada brand food safety is a core brand attribute. If food products bearing the Canada brand were at the centre of a major foodborne illness event, the Canada brand equity would be in jeopardy. Including food safety as part of a brand's proposition suggests that a more stringent assurance mechanism is appropriate.

Given the implications of the four criteria on the optimal quality assurance mechanism, consider now the motivations of participating firms in ensuring that their use of the brand is consistent with the brand image. The optimal quality assurance mechanisms will provide sufficient incentives for firms to use the country brand on products that will contribute to (not detract from) the equity of the brand. The underlying tenet of the optimal choice of quality assurance mechanism is that firms will "cheat" the assurance mechanism to the point where the marginal cost of the expected penalty is equal to the marginal benefit of marketing a low quality product with the brand. Thus, the optimal assurance system will ensure that non-compliance costs for the individual members appropriately reflect the resulting loss in brand equity.

7.2 Firm Incentives to Adopt and Comply with Quality Assurance

The incentives for a firm to adhere to quality assurance standards consist of penalties for non-compliance, internal efficiencies gained through certification (Holleran et al. 1999), and the threat of legal liability from downstream customers (Hobbs et al. 2002). The existence of non-compliance penalties implies that there is an auditing process in place to detect firms whose products are not conforming to the established minimum standard. Jahn et al. (2005) suggest that only an investigation scheme covering the entire supply chain can prevent firms from shirking on their commitment to product quality. They emphasize that both the certifier and the auditor face similar incentives to firms and thus both may need to be monitored to prevent opportunistic behaviour. The discussion of the potential for efficiency gains through quality assurance certification stems primarily from the ISO 9000 literature (Dick, 2000; Holleran et al 1999). These studies cite reduced transaction costs and increased communication efficiencies as the principal benefits of quality assurance certification that may entice a firm to certify and adhere to quality assurance standards. Lastly, intermediate firms facing a threat of legal liability if their products do not meet certain standards – as is the case for food safety in Britain – have an incentive to conform to quality assurance standards in an effort to avoid potential litigation and regulatory penalties (Hobbs et al., 2002).

[11] For example, trustworthiness is part of the Canada Brand proposition.

Penalties for non-compliant firms could only be levied upon the discovery of actions inconsistent with quality assurance standards. Though discovery could arise through routine auditing, sub-standard product identified by consumers could also expose inconsistencies. The resulting customer experience with a poor or inconsistent product would have a negative effect on the brand’s equity. Quality assurance mechanisms can never completely eliminate the possibility of such a product being marketed under the brand and thus any non-compliance penalty must also be representative of the cost to regain the lost brand equity. Implicit in this discussion is the role for an ex-post traceability system to assign the penalty to the firm whose actions negatively affected the brand. Ideally, to establish effective incentives for compliance, the brand owners must be able to recall a branded product that negatively affects the brand’s image. Similarly, the costs for product recall and brand rehabilitation arising from a non-compliant product that negatively affects the brand would also need to be fairly distributed between the brand owners and the non-compliant firm. In the case of a country brand spanning multiple product and supply chains, however, these conditions are challenging.

Illustrating Firms’ Incentives for Quality Assurance: the Canadian Example

Returning to the Brand Canada example, the program requires all users of the brand to sign a licensing agreement before they are authorized to use the brand. In this manner, participating firms make a legal commitment to ensure that their usage of the brand is consistent with the brand proposition. The legal contract relies upon the judicial penalty for non-performance as an incentive for firms to refrain from “cheating” in their use of the brand and using it inconsistently or placing it on low quality products. In economic terms, the marginal benefit of reducing the quality of products using the brand is greater than the marginal cost of the predicted legal action. While firms are required to report the usage of the brand on an annual basis, there is no formal auditing process in place to ensure that firms adhere to the brand proposition through the quality of their products or production processes. Knowing that the marginal cost of a penalty for misusing the brand (i.e. suspension of use) is related to the probability of cheating being discovered, the small threat of inspection may not provide sufficient incentive for any firm to ensure their use of the brand contributes to brand equity. Some firms may adhere to a quality assurance scheme for internal motivations, though the detrimental long-term impact if all firms do not use the brand consistently has already been discussed. Lastly, given that Canadian legislation has not put the responsibility of food safety for upstream suppliers on downstream firms, the threat of litigation for users of the brand in the case of food safety problems is minimal. Firms will have an incentive to ensure that their products protect their own reputation, but this is insufficient to maintain the integrity of the Canada brand, as one firm’s low standards negatively affects all brand users.

7.3 Potential Mechanisms for Quality Assurance

The goal of a quality assurance system for a country brand would be to ensure that firms and products using the brand are consistent with the image communicated. The challenge for a quality assurance mechanism lies in ensuring that the products meet a prescribed standard for quality and consistency and their processes are consistent with the brand image. Following the importance of maintaining the credibility of the brand by delivering on its proposition, a set of industry-wide standards congruent with the brand promise would be necessary. Possible examples of this minimum standard based on a brand image of competence, food safety and pristine environment could include the ISO 9000 standard, HACCP, and environmental farm plans that promote environmentally sound production practices. The attractiveness of the ISO and HACCP approaches to quality and food safety assurance is that they are both based on standard principles and can be adapted to any supply chain to provide a given standard of compliance. The incentive for firms to cheat and free ride on other firms in a voluntary collective system implies that only a mandatory quality assurance system will maintain brand equity in the long-term. Assuming that a mandatory certification system is effective, ensuring that all firms using the brand comply with certification and regular audits should result in a more consistent, reliable level of quality exhibited by branded products[12]. In summary, it is difficult to envision a successful national branding strategy without a supportive set of quality assurance initiatives. Finding the appropriate line of jurisdiction between private sector quality assurance standards and public sector involvement in quality assurance, however, remains a challenge.

8.0 Potential for Other Countries to Restrict Country Branding

Given the export focus of a country branding program and its ability to affect the international marketplace, it is useful to consider whether other countries could use international agreements to limit country brand strategies. As country branding will most likely be government expenditure designed to give a competitive advantage to domestic firms trading in the international market, this section examines the concept of government funded country branding in light of existing commitments to international trade agreements. Considering firstly the Agreement on Agriculture reached as part of the Uruguay round of World Trade Organization (WTO) negotiations, it does not appear that expenditures by a country on a branding program are restricted. Article 9 subsection (d) describing export subsidies explicitly states that “widely available export promotion and advisory services” are exempt from reduction commitments and are not actionable subsidies. It is unclear as to what exactly constitutes “widely available”.

If branding expenditures are not considered widely available owing to their focus on agri-food exports, then they would likely fall under the guise of a specific subsidy that is subject to restriction and reduction under the current WTO agreement. Depending on

[12] Clearly, the effectiveness of a mandatory certification system is dependent on the extent to which it can be enforced; non-compliance problems may still arise if the costs of effective enforcement outweigh the benefits.

the amount expended on the program, a country branding program may also be within the *de minimus* allowance for subsidies that are less than 5% of the value of one year's production and are not subject to countervail. Considering the size of a country's agricultural production, it is unlikely that a branding program will cost more than 5% of the total and thus it will not be either actionable or subject to agreed-upon reductions. Costs incurred with a country branding program are small relative to production and thus do not seem at odds with current agreements.

A final area for potential action by competing countries is by restricting or copying product claims, logos, and trademarks associated with a particular country's brand. Country brands applied to products can be considered both as mark of origin comparable to a geographic indicator and as a private brand with associated trademarks. Accurately representing the product to consumers and protecting registered property rights associated with the reputations of geographic indications and trademarks generally reflects allowable competitive market activity consistent with international norms. Consider firstly how marks of origin and geographic indications are covered in the General Agreement on Tariffs and Trade (GATT) and the Trade Related Aspects Intellectual Property Rights (TRIPS) respectively. Registered geographic indications are protected under the TRIPS from copying, though the defensibility of a country brand as a geographic indication is questionable as a geographic indication is defined where "a given quality, reputation, or other characteristic of the good is essentially attributable to its geographic origin," TRIPS 22(1). Clearly, for most countries with diverse regional differences in climate and a wide range of different agri-food products this would be difficult to establish. To obtain protection under the TRIPS and prevent others from using or mimicking the country brand, the branding country would have to prove the link between the country and the characteristics that the brand represents. The marks of origin section states "the contracting parties shall co-operate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product," (GATT article IX). An international competitor would be prevented from representing a product as coming from the branded country. While country brands may be protected from origin misrepresentation and reputation theft under WTO agreements, their associated trademarks used to promote and signal the brand are not.

Competitors could mimic trademarks and marketing tactics as long as they did not imply that the product came from a branded country. Trademarks are registered domestically and thus are protected by domestic laws. Trademarks must be registered in each relevant country to be protected (Canadian Intellectual Property Office, 2007). While international agreements such as the Madrid Protocol exist to support international recognition of registered trademarks, they are not as widely subscribed to as the WTO and thus limited in scope. Country brands and their trademarks would thus be subject to the same need for country specific legal protection from competitors as private brands to ward off those seeking to mitigate their demand shifting effects.

9.0 Conclusions

A country branding strategy for agricultural exports may be an effective way to promote a country's products on the international market. Using a brand logo can signal to consumers their past experiences with products bearing the brand, marketing efforts aimed at promoting branded products, and their perceptions of a country and its citizens. Using a brand rather than a country-of-origin label allows a product image to be created and conveyed that goes beyond merely representing the origins of the product.

Nevertheless, significant challenges exist for a country brand due to difficulties in managing both the product-country image and product quality. Managing a brand that is applied to a multitude of different products originating from many different supply chains makes it difficult to ensure that all products use the brand appropriately. Linking the country' reputation with the reputation of the brand itself means that significant variability in brand equity is beyond the control of the licensor and the brand users. If a product using a country brand does not fulfill the brand promise then the brand can detract from rather than enhance the reputation of other products using the mark. Taken together, these factors suggest that it will be difficult for a country brand to maintain positive brand equity in the long-term and successfully promote agricultural products in the international market. Without appropriate management of the brand, it appears a consistent label signalling only the product's country of origin would be more appropriate than a country brand.

If a brand remains the chosen promotion mechanism, then some means of assuring a consistent quality of products and firms is necessary to ensure long-term brand equity. When a country brand is used as a co-brand that exporters apply in addition to their own brand, its must enhance the marketability of products. In the long-term, the absence of a prescribed quality standards and the presence of adverse selection may well drive down the quality of products to the point where the brand becomes unviable. Incentive mechanisms must be sufficient to ensure that firms using a country brand do so consistently. To avoid adverse selection and ensure that exporters will continue to use a country brand, a set of minimum quality standards would be needed for products that bear the country brand. Such a quality assurance system would need to reflect the claims made by the brand to ensure that monitoring and enforcement is proportional to the potential benefits of compliance.

A country brand will only be successful facing competition from other countries in the international marketplace if its claims are credible and unique. If the claims made by the brand are not unique, it is likely that other countries will copy the strategy and erode any gains made by branding country's exporters. Initial success of the brand will deteriorate if consumers' expectations are not met or other countries imitate the claims made by the brand.

The success of some geographic indicators proves that origin brands can be successful if they provide a complementary quality signal. There may be similar opportunities for country brands to promote agri-food products in the international market, in certain countries for certain products, where a complementary quality can be identified and managed. To succeed a country brand must credibly signal a unique product image to consumers. The analysis presented in this paper suggests that building a credible quality signal is not a simple task, and that quality assurance programs have an important role to play in maintaining the credibility of quality claims.

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APPENDIX: EXPLORING THE CONCEPT OF A BRAND

Brand versus Label

Defined in *The Canadian Oxford English Dictionary* (2004) as "a particular make of goods" or "an identifying trademark or label," brands have become a ubiquitous part of the modern marketplace. Given the hundreds of thousands of products that consumers are confronted with, the information burden in making daily purchasing decisions would be considerably greater without recognizable brands. Similarly, for firms that wish to separate and add value to their products, the *condensing* power of the brand simplifies the process of communicating their product characteristics (Nijssen and Van Trijp, 1998). Expanding beyond the dictionary definition, a brand is taken to represent more than simply an identifying label in this paper. A brand is an instrument that can represent a product's characteristics and accumulated customer experience.

If a brand is defined as a marketing instrument representing more than the product itself, then labels are, in contrast, devices that provide information pertaining only and precisely to the product itself. This distinction is subtle but important. Returning to the dictionary, a label may be "attached to … an item of food…. giving its name, information about it, instructions for use" (Canadian Oxford English Dictionary, 2004). Labels are designed to give the customer information about the product that is not evident by inspection. This information could relate to its composition, origin, or quality. Thus both brands and labels can convey information to consumers; the difference is that successful brands are not limited to describing the product itself.

Defining the difference between a label and a brand is important in understanding how a country brand for agricultural product differs from a country-of-origin label. Both brands and labels can convey information to consumers; the difference is that successful brands are not limited to describing the product itself. Brands differ from labels as they can represent something as abstract as a product's personality. For some consumers, well-known brands such as Starbucks and Nike have come to represent a discerning taste and an active lifestyle more than a specific coffee or running shoe. Conversely, labels serve only to represent the attributes of the product itself, such as the nutritional content or the country-of-origin. Although both brands and labels can signal information about product attributes, the resilience and strength of the signal need not be equal.

One key difference between a label and a brand is how the accuracy of the information inherent in the label or brand is supported. Government or reputable third parties usually regulate the accuracy of the information given on a label. Country-of-origin labels, for example, can only be applied when standards set by government are adhered to. With a brand there is no requirement that claims be certified. Claims made by the brand rely on the accumulated trust contained in the brand's equity (Erdem and Swait, 1998). If the brand is well established and has attained a high level of consumer trust, there may not be a significant difference between the credibility of a label or brand

(Sporleder and Goldsmith, 2001, González-Díaz, et al., 2003). The reputation of the certifying body can similarly determine the credibility of the label. For a label, credibility is a result of customer confidence in the certifying body, whereas with a brand it is customer confidence in the brand itself and the organization behind it.

A Brand as a Marketing Tool

A brand can be a successful marketing tool because it communicates an image to the consumer, facilitates product differentiation and thereby a degree of market power for the brand owner. A brand can be seen as a marketing tool that links the customer's previous experience with the product and its advertising to a recognizable symbol (Erdem and Swait, 1998). Hence, the symbol should have the ability to condense great amounts of history and product characteristics into an easily recognized image. Condensing power – the ability of a few words or symbols to create an image in the customer's mind representing product characteristics, organizational goals, and accumulated marketing – is integral in communicating what the brand represents to the customer (Keller, 1993). The information that supports this image is known as brand equity.

Brand equity can be thought of as an invisible investment account for the brand that represents the sum total of its history. Positive past product experiences, marketing, and promotion associated with the brand can all be seen as adding to the account. Negative product experiences or promotion failures can be seen as deductions from the account. The power of a brand to add value or increase sales of a product is directly related to this brand equity and the trust and recognition that are associated with it. The quantity of brand equity acts to differentiate products from its competitors. The more a brand differentiates a product from its competition, the more brand equity and resulting pricing power is achieved. Maximizing brand equity thus combines positive past product experiences, marketing and, in the case of a country brand, customer's perception of the country and its citizens, to differentiate a product.

Adding value to equity is only possible if the brand cannot be copied. As the brand is protected, the owner can capture the benefit of accumulated equity. A label, because it is not owned by anyone who can limit its use, does not have the same ability to accumulate brand equity or achieve product differentiation if others are free to use the same label[13]. The ownership of a brand and its equity thus allows long-term brand equity accumulation that can differentiate and provide market power. Given the assumption that the end goal in branding is to maximize net returns from brand equity, then it is necessary to determine the costs associated with building and maintaining brand equity.

[13] Those wishing to use the label "Product of Canada" could only do so consistent with the WTO Rules of Origin Agreement Article 3 (b) "the country to be determined as the origin of a particular good is either the country where the good has been wholly obtained or, when more than one country is concerned in the production of the good, the country where the last substantial transformation has been carried out" (World Trade Organization 2007).

Costs to Branding

Brand equity is only established and maintained through effort at ongoing brand management. Returning to the investment account analogy, the account does not contain anything unless money is deposited. Similarly with a brand, potential customers must be made aware of what the brand represents before it can mean anything or contain any equity. Creating a brand does not give a product an identity but rather just provides something to which an identity can be attached. Other marketing activities including advertising create this identity, which consists of product characteristics, image and personality that combine to form the complete brand image. All of this comes with a cost and must ensure that everything associated with the product is consistent with the desired image. This requires careful management of product quality and other core components of the brand image.

The importance of managing customer experience to create brand equity should not be overlooked according to Stelioss Haji-Iannou, chairman of easyGroup and founder of easyJet.

> "You can spend 15 million pounds on advertising, go bankrupt and your name can still mean nothing to people. Your brand is created out of customer contact and the experience your customers have of you." (as cited in Smith, 2004)

Haji-Iannou's comments suggest the importance of a positive interaction between the product and the customer for a positive brand reputation. According to Smith (2004), managing this interaction involves far more that just concentrating on the point of physical interaction between the product and the consumer. He describes it as a holistic brand management iceberg that is composed of four stages of decreasing visibility but increasing importance. The most visible stages involve managing the expectation of the customer through the brand's proposition, as presented through promotion and the customer's experience with the people delivering the branded product. Less visible to the customer but more important for positive brand equity is managing both the processes behind the product and the product itself. The management of these organization practices will ensure value for the customer through efficient processes while delivering consistent quality products that are consistent with the brand's proposition.

There is clearly more involved in managing a brand than designing the right advertising campaigns. The benefits from a successful branding strategy are accrued in a brand's equity and thereby enhance recognition and perception of the brand's image by the customer. This brand image accumulates brand equity and thus distinguishes it from a label that only serves to represent the product itself. To maintain the integrity of a brand requires a multifaceted approach that ensures the entire customer experience is consistent with the image of the brand.