



12 November 2017

ANALYSIS OF BRAND SOUTH AFRICA QUARTER 1 PERFORMANCE 2017/18

Introduction

Can a country be a brand? Is there such a thing as country brand equity? Nation branding as a marketing and socioeconomic concept has been in existence since 1998, when a British consultant named Simon Anholt surprised the business world and the political establishment by suggesting that places and nations can be viewed as brands. Since that time the idea has made significant recognition worldwide. Many countries have closely understood the role of their global image in attracting the attention of international organizations, foreign-aid donors, and providers of technical assistance, as well as that of trade partners, investment bankers, and the global travel and hospitality outfits. Positioning the nation as a global brand is becoming more and more recognized and advantageous for small and big countries alike thought building a nation's brand equity requires time, money, and lots of work.¹

Shimp, et al applied the term 'country equity,' referring to the emotional value resulting from consumers' association of a brand with a country. Country names amount to brands and help consumers evaluate products and make purchasing decisions. They are responsible for associations that may add to or subtract from the perceived value of a product. Research has supported the idea that consumers are more willing to buy products from industrialized nations as a result of country equity. Products bearing a 'made in Germany,' 'made in Switzerland' or 'made in Japan' label are commonly regarded as high quality, due to the reputation of these countries as top world manufacturers and exporters. At the same time, 'made in Surinam' or

¹ Association of Accredited Public Policy. Accessed from the World Wide Web: <http://www.aalep.eu/why-nation-branding-important-tourism>



'made in Myanmar' labels may raise doubts about the quality of the products due to the low country brand equity.²

We live in a world where countries are trying to become the same in terms of infrastructure and quality of life. However, national objectives, including a universal core agenda to promote trade, investment and travel/tourism, are best achieved through differentiation. Countries need to take a critical look at themselves and ask: "Why should companies invest here or tourists come here, rather than go to other countries for investment and tourism?"

This self-critical analysis might well lead to recognition of what needs to be done to make the country more attractive. This self-analysis is the starting point of a nation branding process, because a brand must be truthful and believable. Every country has strengths and weaknesses and a good brand will project a nation's strengths while recognizing its weaknesses. The good news is that a nation's brand is not fixed in stone; it evolves as the country evolves. Thus even if you know there are many things to improve in the country, there is no reason to delay branding, which can be a key tool in helping you get to where you want to be as a nation.

The purpose of nation branding is to position your country in the best way possible in the world system, given its strengths and weaknesses.³

And nation branding is not simply coming up with a cute logo and tag line. It has a much deeper purpose: to position a nation so that it can achieve the maximum success in the world system, including garnering the maximum international recognition and clout, robust business relations

² Kotler, P and Gertner, D. 2002. Country as Brand, Product, and Beyond: A Place Marketing and Brand Management Perspective. Accessed from the World Wide Web: <http://webcache.googleusercontent.com/search?q=cache:dNyNpZA91WUJ:www.intracen.org/workarea/downloadasset.aspx%3Fid%3D51979+&cd=1&hl=en&ct=clnk&gl=za>

³ Association of Accredited Public Policy. Accessed from the World Wide Web: <http://www.aalep.eu/why-nation-branding-important-tourism>



with the world, and a healthy tourism industry. By doing this, a nation brings the maximum benefit to its people by giving them dignity, and by creating jobs and wealth.

Branding has grown into a science that employs certain proven methods and techniques, including research among stakeholders, benchmarking, etc. And while nation branding is more complex than corporate branding, because of the complex nature of countries, many of the tools developed in the corporate world can be used in the nation branding process.

However, nation branding is a specialized field because the complex elements that make up a nation and the diverse objectives of government need to be understood deeply and fully for the branding process to be successful.

Background

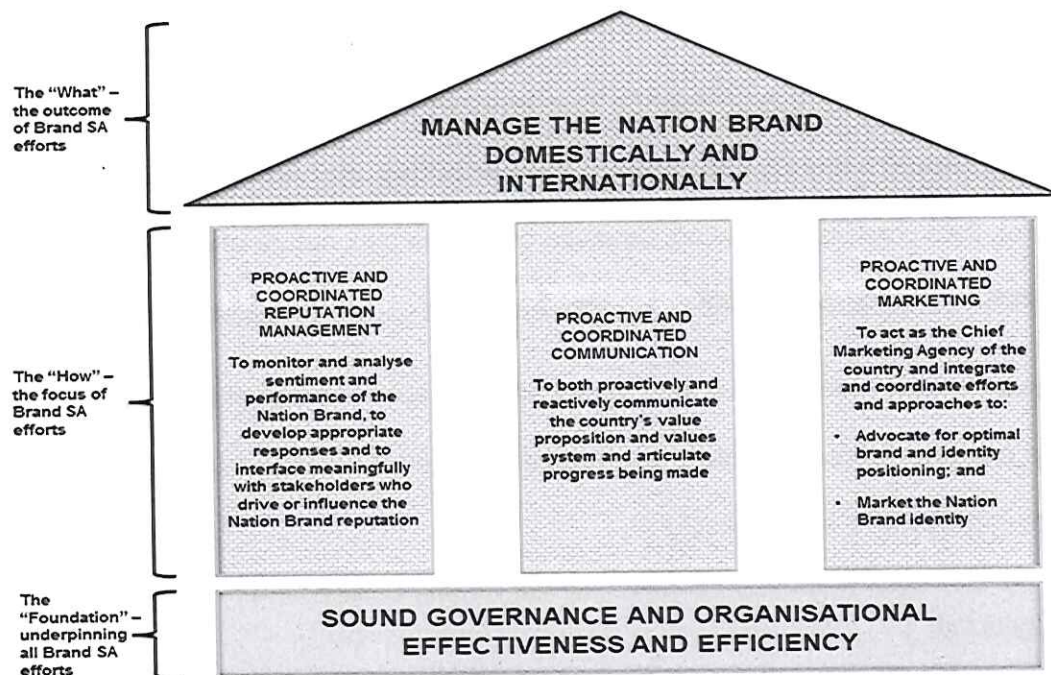
The Brand South Africa Trust (Brand South Africa) was established in 2002 in terms of the Trust Property Control Act No 57 of 1988, as amended. Brand South Africa is further listed as a Schedule 3A Public Entity in terms of the Public Finance Management Act (No.1 of 1999, as amended) (PFMA).

The Entity's organisational values are:

- **Determination:** The ability to refuse to give up despite challenges.
- **Integrity:** Honest with strong moral principles.
- **Diversity:** Acceptance and respect of our diversity.
- **Innovation:** Constantly challenging the status quo.
- **Co-Operation:** Working together towards a common goal.
- **Ubuntu:** Respect, compassion and humanity.



Mandate of Brand SA (as per the Trust Deed)

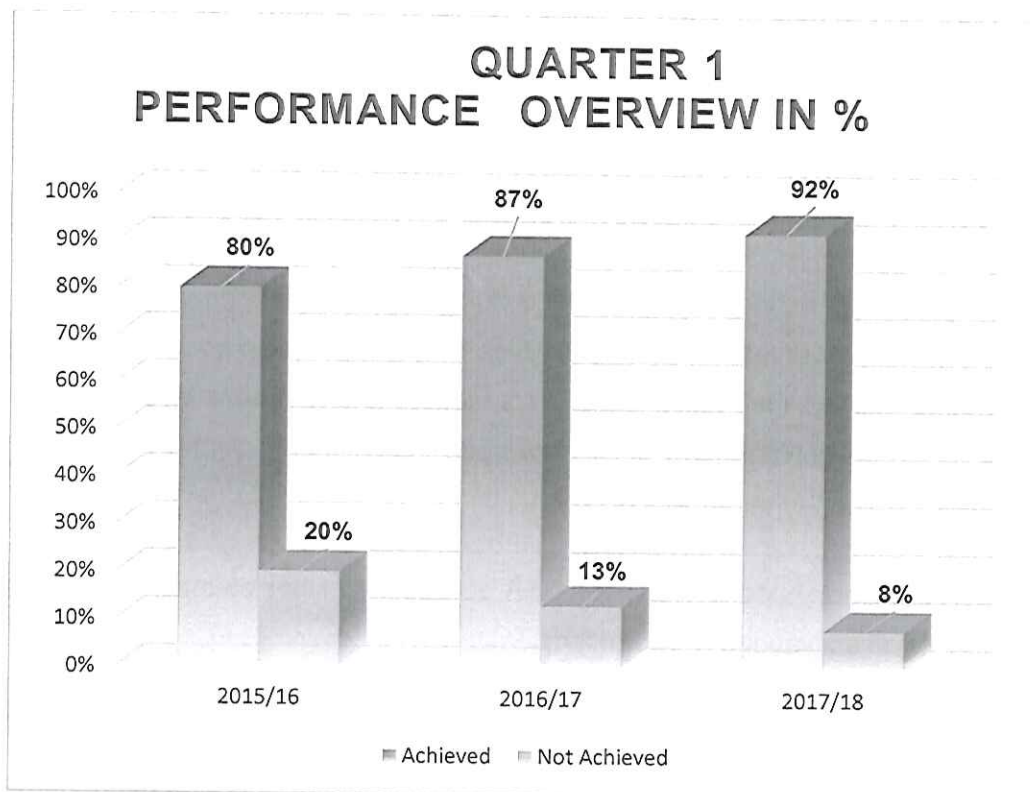


Analysis of Quarter 1 Financial and Non-Financial Performance

The general performance of Brand SA is summarised below by assessing each programme's performance. Brand South Africa summarises its overall quarter one performance in line with regulations, strategy, business plan and budget. The graph below gives an overview of the entity's quarter one performance over a three-year period.



Graph 1: Quarter 1 Performance Overview In Percentage



There has been significant improvements in Brand SA's performance over three financial periods. There was a five percent increase in performance when comparing quarter one performance of 2017/18 against 2016/17. The entity had planned 24 targets for the quarter and only two (8%) targets were not achieved. Brand SA achieved all its targets (**four targets planned for the quarter**) under Programme 3: Stakeholder Relationships.

There was overachievement in some quarterly performance targets. For the quarter, the entity had planned to reach 13 Institutions for Nation Brand alignment training; training was instituted in 22 institutions in Gauteng and six in the Free State Training.

In order to ensure a high performing organisation through the optimal utilisation of technological, financial and human resources; Brand SA had set a quarterly target of 5 percent Variance as per materiality framework on budget versus expenditure. There was a 14, 63 percent variance on budget versus expenditure. This was because of the phased in implementation of the ERP System and the country offices vacancies, namely Brazil and India.



The entity undertook stakeholder outreach initiatives were in the first quarter. The outreach initiatives during this quarter centred largely on World Economic Forum Africa, Global South Africans, Play Your Part and Constitutional Awareness, amongst others. Nation Brand Performance feedback was provided through Provincial Training, Vision 2030 Summit, Nation Builder breakfast and Capricorn FM Entrepreneur Summit. Further, Brand South Africa continued to play a critical in the implementation of Outcome 14: National Building and Social Cohesion.⁴

Notwithstanding, the quarter was marred by a significant number of negative coverage which not only challenged the work that Brand South Africa Inc. does but also posed a challenge for Brand South Africa to position the Nation Brand as a reliable and attractive investment destination. A case in point is the downgrading of the sovereign credit rating of the country as well as the announcement of the technical recession.⁵

Brand SA had also planned to host four GSA activations (1 per country) for the quarter under review. Only three activations were hosted;

- USA GSA event hosted in San Jose, California on 29 June 2017.
- UK GSA activation
- China GSA engagement

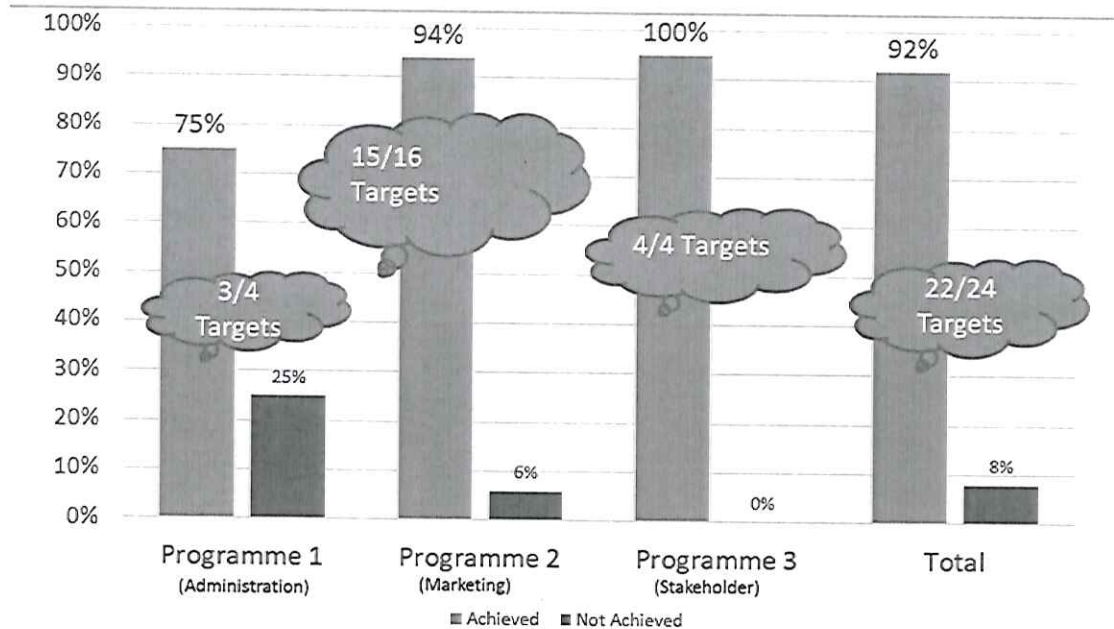
The reason for the variance was that stakeholders cancel the activity and it was a matter outside the control of the organisation. The graph below outlines the 2017/18 first quarter performance overview in percentage.

⁴ Brand South Africa Summary of the 2017/18 Q1 Report

⁵ Ibid



Graph 2: 2017/18 First Quarter Performance Overview in percentage



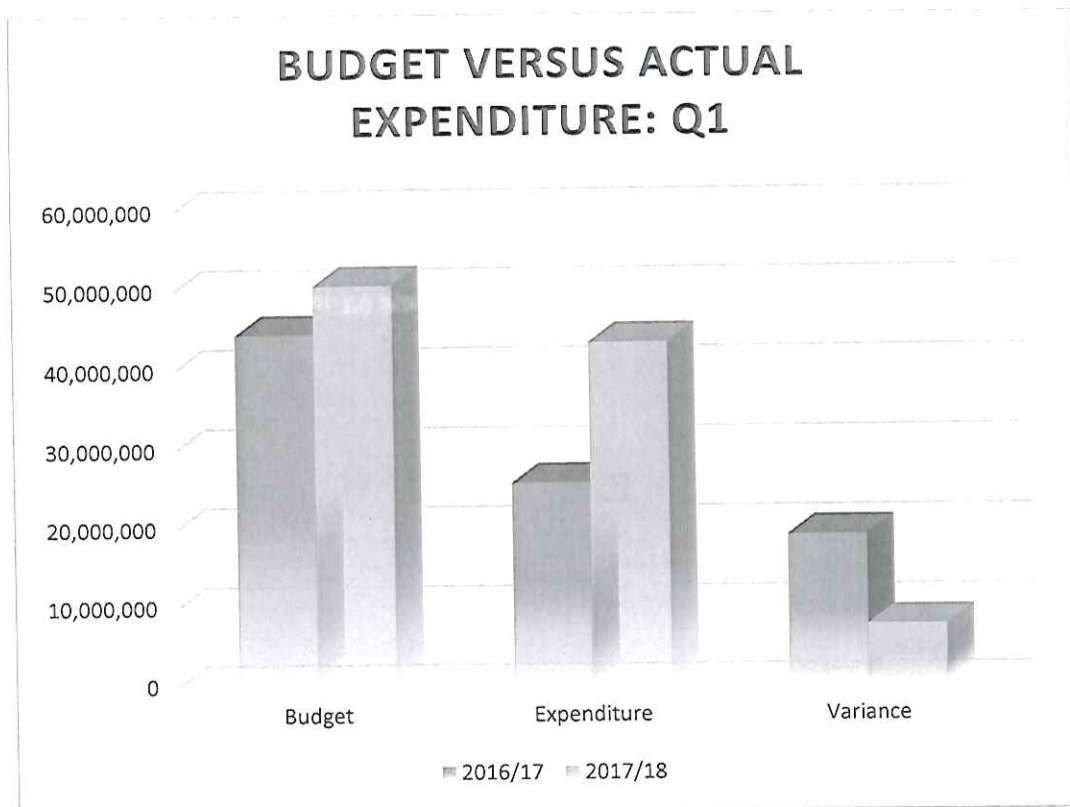
Source: Brand SA Presentation

Analysis of Financial Performance

During the quarter under review, there were two significant cost drivers from the core operations of the business: communication and research expenditure. The results thereof were a broader audience reach achievement. The overall budget variance for the quarter is 15%, with the major contributors being the timing of the phase two of ERP implementation plan and the appointment of PR Agency during June 2017. The Auditor General annual external audit execution is currently underway. The entity also engaged in various tactical opportunities such as Western Cape Natural Disaster and anti-abuse against women campaign. The graph below is a breakdown of the budget; expenditure and variance for quarter one over a two-year period.



Graph 2: breakdown of budget, expenditure and variance



The entity budgeted R 50 400 000 for quarter one of 2017/18. This increased by R 6 149 500 when compared to quarter one of 2016/17. There was also increase in expenditure. Expenditure for the quarter was R 43 026 317, an increase of R 17 562 041 when compared to quarter one of 2016/17. During the quarter under review, there were two significant cost drivers from the core operations of the business: communication and research expenditure. The results thereof were a broader audience reach achievement. The overall budget variance for the quarter is 15 percent, with the major contributors being the timing of the phase two of ERP implementation plan and the appointment of PR Agency during June 2017. There was a decrease in the overall budget variance for the quarter when comparing to quarter one of 2016/17 (43%).



The Auditor General annual external audit execution is currently underway. The entity also engaged in various tactical opportunities such as Western Cape Natural Disaster and anti-abuse against women campaign.⁶

The table below presents financial performance of Brand SA for the quarter as per the presentation of the entity. There was over spending of R 590 018 under Programme 2: Stakeholder Relations. This was because of amortised prepayments.⁷

Table 1: FINANCE (AFS June 2017 Highlights)

PROGRAMME	Q1 BUDGET	Q1 ACTUAL	Q1 VARIANCE	Q1% VARIANCE	VARIANCE EXPLANATION
BRAND STRATEGY MANAGEMENT	21,020,096	20,455,083	565,013	2,68%	
STAKEHOLDER RELATIONS	3,725,000	4,315,018	(590,018)	-15,8%	Amortised prepayments.
ADMINISTRATION	25,654,904	18,256,216	7,398,688	29%	VACANCIES: 2 Country Managers and ERP implementation deferred to Q2.
TOTAL	50,400,000	43,026,317	7,373,683	14,63%	

Source: Brand SA Presentation

⁶ Brand South Africa Summary of the 2017/18 Q1 Report

⁷ A prepaid expense is an amount paid for a good or service in advance of receiving it



Issues for the Committee to consider

- In which country was the GSA activation not hosted?
- Staff turnover rates were very low at 1.9%.
- The entity had a vacancy rate of 5%. There was a 1% increase in the vacancy rate when compared to Q1 of 2016/17
- Which positions were still vacant? In previous reporting for quarter 1, the entity had reported the vacancies of the 2 country managers. These were still reported as vacant.
- Brand SA conducted a skills audit and the findings revealed that the organisation has a highly skilled workforce.
- The entity had enacted an action plan to address the matters raised by the AGSA.
- Were there any concrete resolutions from the South African Competitiveness Forum (SACF) on how to enhance the Nation's Brand?

References

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