



A Brand for the Nation of Latvia

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Executive Summary

This project was commissioned by the Latvian Institute in June 2003. Its aim was to research and develop a pilot brand identity for Latvia. This is part of a broader effort to convince the Latvian Government to resource a fully blown national branding campaign.

Latvia needs to present a deliberate and coherent brand image of itself to the outside world to better compete in tourism, foreign direct investment (FDI), and exports, and to increase its political influence abroad. A precarious gap has emerged between the reality of everyday life in Latvia and how it is perceived by the outside world – most people either know nothing about the country or harbour half-formed and negative perceptions. This image problem is not just one of recognition, but also of differentiation from its immediate Baltic neighbours – Lithuania and Estonia. Given the likelihood of its EU accession in 2004, Latvia will need to work to differentiate itself from the other EU entry countries as well, all of whom will be competing for their share of EU prosperity. Furthermore, as a recently independent state, the Latvian nation must better project its vision and what it stands for to its internal audiences.

The reality of Latvia is of a pleasant, European nation with a substantial capital city (Riga) and some uniquely preserved natural wilderness. There is also a very strong traditional culture that expresses itself in a variety of folk traditions, primarily singing. As with any other developing nation, Latvia is not without its problems or issues. Corruption is considered to be a problem by some and there is the ongoing issue of a large Russian minority, stranded after the collapse of the Soviet Union.

The brand identity needs to project a positive image of the country but one that is clearly grounded in reality. We examine the identity in terms of the four different arenas of tourism, FDI, exports and political influence. The key audiences within these spheres are likely to be the key regional players – Germany, Sweden, UK, and Russia. The competitors are more varied.

A range of scenarios could be used to form the core idea of a Latvian brand. The ideas we have developed to describe these are: the place within Europe that best understands Russia; the keystone of the Baltic region; an environmental, natural place; an authentic peasant nation; and Latvia's new dawn has come. Each idea has its strengths and weaknesses with respect to the four chief arenas. Although there is much future potential for a brand identity that draws from Latvia's links with Russia, this angle would likely be unacceptable to many internal audiences. The others pose significant challenges as well. With these positives and negatives in mind, we propose that Latvia should position itself as the "keystone of the Baltics".

Regardless of which 'idea' is taken forward, the crucial step in making any proposal work will be the coordination of both the brand's creation (to ensure the correct buy-in) but also of its ongoing development and execution within Latvia. Branding a nation is not a short-term advertising campaign; rather, it is a project whose vision must span decades if it is to succeed.



View from the Hotel Latvija, Riga

Overview

Why Latvia Needs A Brand

“Latvia? Don't know much about Latvia, I'm afraid. “

- a 33 year-old German entrepreneur

The most pressing reason to brand a nation is to unify it in people's minds for economic and social reasons. As Wally Olins has stated: “Nations continue to attempt to project their political power, but nowadays they also need to compete on hard, quantifiable issues – exports, inward investment, and tourism. Each nation now seeks to promote its individual personality, culture, history, and values projecting what may be an idealised but immediately recognisable idea of itself.”¹ Given this reality, of an increasingly globalised and competitive world, a nation should proactively attend to its image in the world ‘market’ as assiduously as it looks after any other crucial part of its infrastructure – perhaps even more so. Moreover, although a degree of ‘spin’ is normal in such circumstances, this identity must reflect the reality of the country for it to have positive effect and validity. A country must be scrutinized judiciously in order to arrive at a true picture of current conditions. Sugar coating only masks the true issues, and serves no one's needs in the end. There is no a short-term fix; branding a country is a long-term project, the effects of which will take upwards of twenty years to be fully realised.

In the interest of improving their prospects, countries that have undergone significant change must communicate to the world how things have progressed and how they are different. Usually these changes are of a political nature but have widespread impact throughout the economy and culture. Latvia finds itself precisely in this position now after years of Soviet occupation, in a fashion similar to Spain after Franco's dictatorship.



The Latvian Flag

Indeed, for nations the issue is often one of re-branding rather than just branding, of communicating the new reality of the country in a positive, constructive light. We have seen that tourism, FDI, and exports form the foundation of such a campaign. In Latvia's case we also may extend this thinking to include an important fourth aspect: the political element. As this country approaches EU entry and shakes off the lingering remnants of Soviet times, its identity and allegiances in the political arena become of paramount importance to its future.

But what is a nation brand? With corporations becoming increasingly global in nature, increasingly able to transgress national boundaries and institutions in the name of commerce, the role of the nation has been held up to further scrutiny. Is a country merely a collection of people? Is it a geography? Is it set of legal codes and practices? Is it a language? In truth a nation is all of these things and far more, and describing it in a unified fashion becomes the territory of nation branding, of extending what was originally defined as a corporate concept to the political and governmental arena. There are a myriad of pitfalls to such a project. External as well as internal perception problems are the major hurdle of any burgeoning nation-brand, as they can serve to stigmatise an entire population and alienate them from participating fully on the global scale. As Latvia prepares to enter the EU, it can little afford such a position.

¹ Wally Olins, *Trading Identities*; p. 3.

Perception problems

External

Latvia has had a variety of rulers in the past 1000 years, and these rulers have left their mark, for better or for worse. Part of the fallout from this is that Latvia itself has gotten lost in the shuffle, as it was always governed by various foreign aristocracies and regimes which had little or no reason to promote the country (outside of promoting Riga as a trading city). True self-determination and self-definition are relatively novel concepts in Latvia.

Our research into how Latvia is perceived by its external audiences was problematic due to the polarization of knowledge. A sizeable number of people knew nothing about Latvia and couldn't articulate any real perception. Another group, although equally as ignorant about Latvia, when pressed, had largely negative impressions of the place – mostly based on an idea of ex-Soviet, corrupt and poor. Further investigation would often reveal a complete lack of understanding of where Latvia was and often some kind of confusion between the Baltics and the Balkans. These groups are summarised below:

“The Unaware”- mainly Western Europeans and North Americans

Some people simply don't know that Latvia really even exists and would imagine that, like so many former Soviet republics, it's part of the Commonwealth of Independent States allied with the Russian Federation. To this demographic, Latvia is a kind of mythical, imaginary place that barely registers on their consciousness -- let alone a map. The main issue to communicate to these people is that “Latvia is here!”

“The Misinformed” - mainly Western Europeans and North Americans

This group is perhaps more dangerous in that they possess a vague but incorrect and hazy sense of Latvia. Their impressions tend to swing wildly, from imagining that Latvia is part of the Balkans to imagining it's a Slavic country. This is a group very likely to mock the imagined backwardness of Latvia, and to dismiss it out of hand. The challenge here is for Latvia to send the message “We're normal!”

“The Mistaken”- people living on the Baltic Rim

This final group generally know about the country and the Baltic region but their impressions are at least five to eight years out of date. In fact, the pace of change in Latvia has been rapid this past decade and huge leaps and bounds seem to occur every few months. For this reason, Latvia is still a very exciting place to be yet this group would have little awareness of that fact. The goal at hand is to convey that “Latvia's ready!” – namely, ready for the EU.

The little exposure to the “West” (and the world in general) that Latvia has is indeed often negative exposure. This bad PR usually is parroted in the press and does not always have a strong or fair basis in reality². Many of these impressions don't completely make sense, instead forming part of a peculiar mishmash of disinformation. In this view, Latvia is peopled by post-Soviet bureaucrats, corrupt hustlers, and gangsters, rural simpletons, aggressive drunks and easy or desperate women.³ Latvia is unsafe, dangerous, medieval, undeveloped, crime-ridden, wild, cold, bleak, industrial, and polluted. Moreover, as a seemingly faraway place (though it is only a two-hour plane jaunt from London) it is distant, unsophisticated and - perhaps the most dangerous of all - irrelevant.

This is an imposing list to begin to try to counteract through a branding program, since it features just about all the worst things you could associate with a country, starting with corruption and ending with pollution. Latvia has always been part of some other group: several empires, the Soviet Union, one of the newly independent Soviet republics, and now

² “Bait & Switch”, The New York Post, July 16, 2003; p.6.: *“You'd think the madams in Latvia would have enough pretty girls available to use as models in advertisements for their escort services. But no. A recent visitor to Latvia's capital on the Baltic returned with a tourist guide, Riga This Week, which features an ancient photo of Brooke Shields in an ad for Eden Escorts hawking “erotic massage.”*

³ Much of this view has been put forth about Lithuania in the highly acclaimed US bestseller “The Corrections” by Jonathan Franzen, though Latvia does not emerge unscathed.

one of ten EU aspirants. The unique country suppressed by these groups hasn't been able to differentiate itself strongly. In other words, Latvia has its work cut out for itself in projecting a positive and accurate identity to the world.

Below are direct quotes taken from a variety of external interviews we conducted about how Latvia is currently perceived.

"Its just not on my radar...when I go to the Baltic sea...I don't even think or have any perceptions about what lies on the other side." – 34 year-old German consultant

"Do they have normal stuff in the shops?" – 29 year-old British MBA student

"The first thing that comes into my mind...nothing really...I've no idea." – 31 year-old Italian marketer

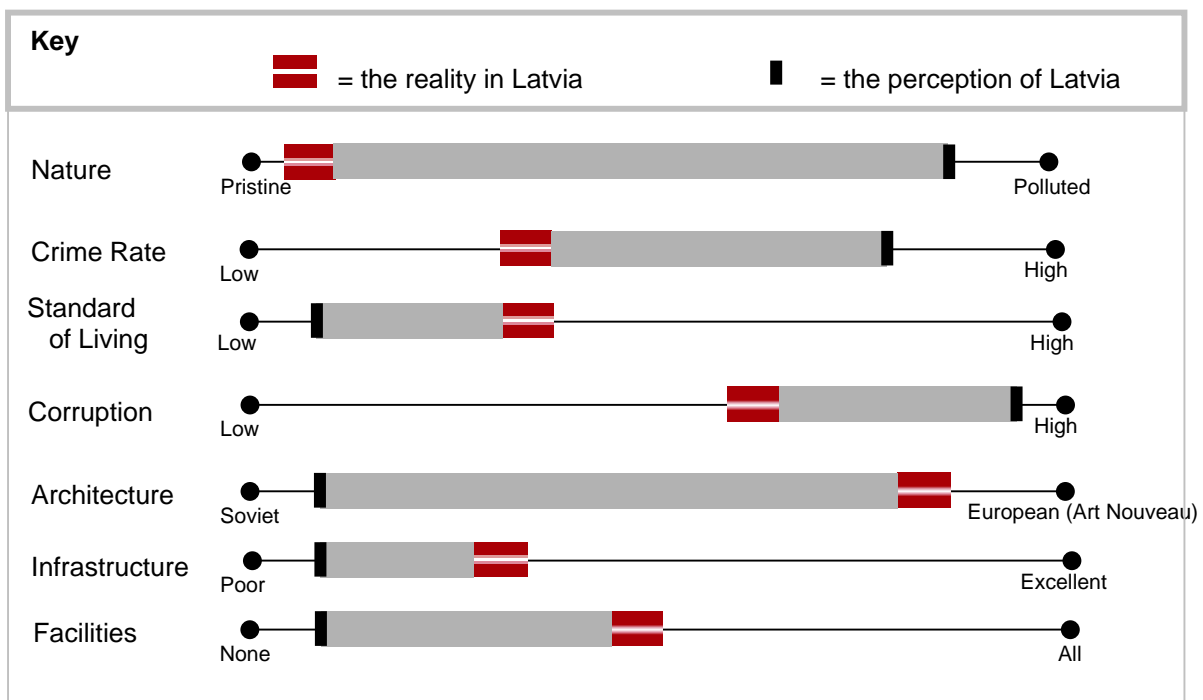
"It's packed full of Nazi sympathisers...." – 27 year-old Jewish American

"I'm not entirely sure where that is." – 37 year-old British Lawyer

"Probably a bit grim..." – 40 year-old British Academic

Perception Gap

The chart below provides a qualitative estimate of the 'perception/reality' gap of how Latvia is perceived versus its reality. Clearly, this is a qualitative representation, but it reveals important tensions at work.



Internal Issues

Within Latvia, however, one will also still find a large amount of confusion as to what Latvia is actually all about, though people tend to have unanimous views on the safer issues, such as a love of folk dancing.

This is a fairly unsurprising condition when you consider how recently they regained independence, and how “cosmopolitan” their political structure has always been; Latvians are still getting used to their current position.

Any brand campaign will need to confront the following issues that one can hear emerging from Latvians themselves head-on.



Graffiti in Riga

Below are direct quotations taken from various figures we spoke to within Latvia. Together they should help to paint a portrait of the kinds of issues that seem to prevail at the moment in Latvia and ones that any branding program is duty-bound to address.

“To my mind, Latvia has nothing to offer and I do not know why people are coming here. We don’t even have good weather.”

“We can’t change that we’re a peasant culture. It may be tacky, but we have to play it up as best we can.”

“Poets are like rock stars here.”

“Russians are part of a big, valuable culture, with an identity as a powerful nation compared to which Latvia is nothing. Russian Latvians, because of this, don’t feel like a minority.”

“Like a parent tells a child: “ Study, do well in school and then your real life will start.” The EU is like a parent...now Latvia’s real life is starting.”

“Latvians aren’t good at focusing on the greater good, and the corruption comes from this. Also, short term-ism comes from the peasant legacy, a lack of experience in self-governance, and having no sense of the expanse of time.”

“I don’t want to say there are no anti-Semitic feelings.”

“People in Latvia just want to live here. And work. And sing and dance.”

“Historically, there’s never really been heavy industry in Latvia, but always fairly good intellectual capital.”

“I must really use my brain -- not my emotions -- to imagine there is an honest Russian company.”

“[Many of Latvia’s] problems will die off with the older generation, who had a huge shock they simply cannot recover from. They are living in a world which is not the one they dreamed about.”

“We want to speak in Latvian because we still live in Latvia, we think.”

“From Czar Peter on, Russians have always been Russian. You really don’t know what tricks they’re going to play. They’re trying to blacken Latvia’s image.”

“We just left a Union. Again must we go to a union?’ People say this.”

“Latvians believe they’ve suffered – and they want people to know it.”

“Women have been the backbone of Latvia forever. There are some nice Latvian ladies of all ages, rumoured to have long legs but you can’t always tell underneath the folk costumes.”

After EU accession: “We will be a real European city, er, country.”

“We’re such a tolerant society. Maybe that’s why we’ve been occupied so many times.”

“Latvians take it as it comes. Estonians say ‘we can change the world. Latvians say, no, the world can change us.’”

“They ask, ‘Can we buy food there? Should we bring our own sausages from Germany?’ They are afraid we are living in the last century.”

“It doesn’t make much sense, perhaps, to brand Latvia alone, apart from the Baltic region.”

About Latvia

When discussing Latvia's identity, it's essential to review its position, facts, features, and culture, because therein lie many keys to understanding its particular role in the world and the nature of its people.

Size and Position

Roughly speaking, Latvia is about the size of Ireland but is far less densely populated, with just under 2.5 million inhabitants. Geographically, Latvia is sandwiched between the neighbouring Baltic states of Estonia to the north and Lithuania on the south. Its western border is shaped by the Baltic Sea, and its Eastern border is flanked by Russia, with Belarus to the south.



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Composition of the Population

Of the 2.5 million residents of Latvia about 500,000 are non-citizen residents, and 75% of that number are Russians. Russians tend to be strongest in the cities and in business, while the Latvians dominate in rural settings and in industries that depend on the land such as farming and timber. This important dynamic defines a great deal about life in modern Latvia.

Riga

Latvia is distinguished significantly from its neighbours by having Riga as its capital. Over one-third of Latvia's residents reside in or around Riga (roughly 800,000 people), and it is far larger than its Baltic rivals Tallinn (400,000) or Vilnius (580,000); Riga is a cosmopolitan city with an historic 'old town', green spaces and pedestrian streets, a notable opera house, and many splendid and important Art Nouveau buildings.

⁴European Union data: http://europa.eu.int/abc/maps/applicants/latvia_en.htm

Climate

The climate is typical of the region, with cold, snowy winters and lush, short, verdant summers.

Ecology & Nature

Latvia is a woodsy, unspoiled country with miles of beaches. The woodlands house family homes and cottages where Latvians go to relax during their holidays, to enjoy the stillness of nature and partake in the sauna traditions of this part of the world. Latvia is also positioned on a major migratory north-south route for birds. Storks are Latvia's most notable avian resident and are a common sight throughout the countryside.

Infrastructure

The Latvian infrastructure is currently undergoing rapid improvement; buildings are being renovated and restored to former glory and new developments are going up; in Riga a modern new air terminal has been built, and a new central train terminal is just being completed.

The airport suffers from unfavourable contract agreements with SAS that limit the number of airlines and flights into Riga, making it more difficult than it should be to fly there cheaply and directly.

The huge, high-tech port at Ventspils has overcapacity and has chosen to market itself aggressively rather than wait for a national campaign. Meanwhile Russia's recent decision to shut down an important pipeline has strong political overtones which many believe were intended to put pressure on the region.

While there are active and busy highways in Latvia, some roads throughout the country are still quite rough, which some see as a barrier to development and tourism. In many places, including Riga, tourists are still advised not to drink the tap water.

Safety & Corruption

Generally speaking, Latvia is a safe country to visit with a low crime rate. Corruption has been a problem on the business and government contract level –just how big of a problem it is depends on whom you speak to – but does not affect most people's daily goings on in the micro sense. To counter such corruption, which was occurring mostly on the level of privatisation and the awarding of government contracts, in early 2002 Latvia created the Crime and Corruption Prevention Council, which is chaired by the Prime Minister. In the Corruption Perception Index, a measure that appears in the Global Corruption Report for 2003 by a group called Transparency International, Latvia was tied for 52nd place out of total of 102. It sat alongside the Czech Republic, Morocco, the Slovak Republic and Sri Lanka in this ranking, (This is well behind the leaders Finland and Denmark and ahead of Nigeria and Bangladesh who sit at the bottom. Estonia is ranked at 29 while Lithuania is at 36.)⁵

Religion

Latvia is not a particularly religious country, and its peasant traditions are originally pagan. Although the Lutheran, Catholic and Orthodox churches are the most influential here, they were suppressed during Soviet times completely. The Jewish faith was all but extinguished in Latvia during WWII, though a small and active population of Jews is now living again in Riga.

High Culture and Pop Culture

The Latvian National Opera is a much-loved institution and every year the summer opera festival draws a great number of tourists to Riga. In the pop culture sphere, there have been notable successes such as Marie N, a Latvian-raised Russian who won the 2002 Eurovision song contest--which meant that Riga was awarded the right to host the event in 2003.

⁵ Transparency International, Global Corruption Report 2003;
http://www.globalcorruptionreport.org/download/gcr2003/24_Data_and_research.pdf

Rural Traditions & Folklore

Many of the legacies of Latvia's pagan past have remained strong despite centuries of conversion. Such remnants are most clearly expressed in Latvian passion for giving and receiving flowers, amongst people but also in tribute to statues and other inanimate objects. There is indeed an animistic, peasant spirit that still presides in Latvia.

Latvian Products & Crafts

Latvia is known for its amber jewellery, textiles and linens, leather goods for the home, folk costumes, and hand-knit winter woollens. Skill in handicrafts and metalwork are strong.

Food & Drink

Bread is the national food, with heavy dark brown bread at the forefront. Latvian food tends to be quite hearty and includes dishes such as various kinds of stroganoff, sausages, barley, cutlets, beet soup and lamprey. In season, berries and mushroom are very popular.

There are many good local beers found in Latvia, as well as other staples such as Pear Cider. One legendary Latvian drink is called Melnais Balzams, and is taken as a kind of cure-all as well as spirit.

Government & Parliamentary System

Since regaining independence in 1991, the Latvian governmental system has been able to return to its pre-War system although revisions to procedure have occurred along the way. There is one main chamber in the parliament, or Saeima, which contains 100 deputies from various parties and is fairly typical of a European coalition system.

In the latest election 71.51% of eligible voters cast ballots. Of the 100 elected members of parliament, there are 18 women; 79 Latvians, 14 Russians, 1 Pole, 1 Jew, 1 Karelian and 4 members who did not specify their ethnic origin.⁶

The current President, Vaira Vike-Freiberga, enjoys widespread popularity and has just been sworn in for another four year term; she is notable in a few respects: an expert in Latvian folklore, she was raised in exile primarily in Canada and returned to Latvia after independence. Also, she previously held the role of the head of the Latvian Institute, which is our sponsor on this project.

Language & Citizenship

Latvian was suppressed during Soviet times. The official language of Latvia is now Latvian, though Russian is still widely spoken. Up to 95% of Latvians speak Russian, though this figure is decreasing.

Many Russians who came to Latvia after WWII still do not speak the language, and those in this category who wish to become citizens must take a language and citizenship test. The Russian population of Latvia has found this requirement to be a challenge and is a point of considerable tension. Although Russian is still taught in schools, this dual language system is being phased out. Latvian nationalists feel very strongly, however, that their language must be protected, promoted and preserved lest it vanish forever.

⁶Latvijas Republikas Saeima; http://www.saeima.lv/Informacija_eng/likumdeveju_vesture.html.

Encapsulated Latvian History

The ancestors of present-day Latvians were a group of tribes known as the Baltic tribes. During their times, the Latvian territory developed its longstanding reputation as a strategic crossroads for trading and commerce.

By the end of 1100 AD, the routes through Latvia were well known to European traders en route to Russia. When German traders came to Latvia at the end of the 12th century, it set off a series of German crusades under directive of the Pope; these Crusaders founded Riga in 1201. Soon, the Hanseatic League was formed and Riga took up a prime place within it in 1282 and became the main hub of the region.

In the mid to late 1500's Livonia as a nation fell apart and after the 'Livonian War' the territory was ruled by Polish-Lithuanian influences, both Catholic and Lutheran.

The Poles and the Swedes went to war, however, in the first part of the 1600s and Riga fell to Swedish rule. During this time, the Latvian regional tribes were becoming increasingly united and it was only at this moment that Latvia could be identified as a common nation with a common language: Latvian.

In the 1700s, Russia took a more active interest in Latvia and one of their main goals during the Great Northern War was to control Riga. By the 1800s, Latvia was a booming province of Russia. Yet an interest in Latvian nationalism began to develop, and was being promoted in the Latvian language press and an increasingly literate population. By the arrival of the 1900s this idea was gaining full sway and after the chaos of WWI, where Latvians saw a lot of action, Latvia took the opportunity to gain its independence. The world as a whole acknowledged Latvia as an independent state in 1921, including Russia.

True independence didn't last long however. The dictatorial Prime Minister Ulmanis (well-loved, but a dictator nonetheless) took over in a coup d'etat in 1934 and ruled until the start of WWII when Latvia's independence was snatched away from it.

The Soviet army occupied Latvia in June 1940 and soon made it a part of the Soviet Union. In 1941, thousands of Latvians were shipped to Siberia. Soon the Germans came to occupy Latvia, at which time the vast majority of Latvian Jews were terrorized and killed. Many were rounded up in a synagogue in Riga that were then burned down, and tens of thousands were executed in mass graves in the forest along with Jews from other eastern European nations. Latvians were forcefully conscripted to serve in both armies during these years and often had to fight against each other.

By 1944, battles continued, with the Soviets finally taking control of the region. In doing so, they subdued and suppressed hundreds of thousands of ethnic Latvians, and deported many to Gulag camps where they were sent into forced labour and brutal conditions. Many died, often in sub-zero conditions, and few were ever released from these camps. Tens of thousands of Latvians were also forced into exile in the west, and formed large expatriate communities in places like the USA, Canada, Australia and England.

Latvia became increasingly Russian under Soviet control. Industrialization grew, and Russian "blue-collar" workers were imported to staff the factories that were built. Latvians went from composing three-quarters of the population to just about half. Throughout the occupation, Latvian nationalists retained hope that someday their country would be free from the Soviet occupation. This movement was led in great part by Latvian exiles abroad. As Gorbachev's reforms of the 80's started to take shape, there were increasing nationalist demonstrations throughout the Baltics. Although the climate was still tense and violent at times, in September of 1991, the USSR officially acknowledged Latvia's independence. (The Russian presence was phased out through 1994.) Latvia has since become a member of the United Nations (1991), NATO (currently a partner, though expected to become a full member next year), and the WTO (1999), and is close to a referendum vote on joining the European Union.



Latvian Countryside

Methodology

Best Practice

The world of communications is littered with jargon providing differing views on what constitutes a brand. However, most would agree with Kapferer, in that “the essential prerequisite of effective brand management is the definition of brand identity.”⁷

Ultimately, a brand is something that resides in the minds of the consumer, but its identity is synonymous with the associations that the owner of the brand wishes to build. A brand’s ‘identity’ can be thought of as its charter, its manifesto, the identity card that describes its core values and associations. David Aaker describes it as “a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brand stands for and imply a promise”. This project will be focusing on Latvia’s BRAND IDENTITY. In the course of this we will consider its brand image (how it is perceived) and its positioning (the part of the brand identity actively communicated) but only as a means of understanding Latvia’s brand identity.

Aaker suggests that brand identity “represents the timeless essence of the brand. It is the centre that remains after you peel away the layers of an onion”. This process of ‘peeling away’ is the foundation of our work in recommending a brand identity for Latvia. As such, creating a national brand is as much an exercise of discovery as it is invention. The means of understanding Latvia applied here has indeed been very much a process of discovery.

This process should ideally unfold according to the parameters laid out in Wally Olins’ book “Trading Identities: Why countries and companies are taking on each others’ roles”⁸. The complete methodology can be summed up in seven steps. Since this particular project is essentially a pilot project working with time and resource constraints, our team has modified this scheme as appropriate (our areas of focus are italicised below).

1. “Set up a working party with representatives of government, industry, the arts, education and the media to start the program.
2. *Find out how the nation is perceived both by its own people and by nations abroad through quantitative and qualitative research.*
3. *Develop a process of consultation with opinion-leaders to look at national strengths and weaknesses, and compare them with the internal and external studies.*
4. *Create the central idea on which the strategy is based with professional advisors. This needs to be a powerful simple idea, which captures the unique qualities of the nation and can be used as a base from which the entire program can be developed. The best way to do this is to prepare a page, then a paragraph, then a phrase, which may then become the strapline.*
5. Develop ways of articulating the central idea visually. Designers should not just look at logos and tourist ad displays, but everything from the design of airports where visitors arrive to the embassies that represent the nation abroad.
6. Look at how the messages required for tourism, inward investment and export can be co-ordinated and modulated so that they are appropriate for each audience.
7. Create a liaison system through the working party to launch and sustain the program in government activities and to encourage supportive action from appropriate organisations in commerce, industry, the art, media and so on. “

What follows is an explanation of how we moved from the initial phase of goal-setting and objectives into in-depth research, and an analysis of the various insights that fell out of this research. We then move into the discussion of several possible scenarios upon which the brand identity could be based, and arrive at a recommendation as to a victor. Finally, we discuss how this new positioning could best be implemented within Latvia.

⁷ Kapferer; Jean-Noel *Strategic Brand Management*.

⁸ Olins, *Ibid*.

Specific Approach

Preparation

Identifying the Backdrop

Putting into motion this kind of project requires a grounding principle, or backdrop, against which the events and interactions must be set. This view of the 'bigger picture' is of paramount importance as it gives necessary context, both historical and cultural, to the initiatives proposed.

For Latvia the key event on the horizon is its accession into the EU, which represents the culmination of over a decade of massive change within the country; a national referendum occurs September 20, 2003 and it is expected to be approved by a majority of Latvia's citizens. This move into the Union dominates Latvia's future strategic landscape. This vote at once codifies all of the issues on the table and vivifies the many tensions at work within modern Latvia; it also provides us with a powerful lens through which to examine the choice of brand positioning.

Defining Objectives

Before beginning our research, we identified our overarching objectives for the branding programme based on what we knew in advance. The basic image problem has led us to think of three overarching objectives:

1. Raise awareness of Latvia amongst target audiences ("We're here.")
2. Overcome any negative stereotypes ("We're normal.")
3. Differentiate Latvia from its competitors ("We're special.")

From the outset, we have recognised that these objectives may possibly need to be tackled in phases rather than simultaneously.

Framework

Defining a framework for the development of the brand is another crucial step, and the best way to shape this framework is to revisit the four key communication arenas that concern us:

1. Tourism
2. Inward Investment (FDI)
3. Exports
4. Political Influence

Understanding what should be the appropriate balance between these forces is only possible after in-depth research. The requirements of these arenas with respect to a national brand identity are often conflicting -- or at least confusing -- and it is the challenge of the brand identity to be able to work across them.

Discovery

This process consists of two parts: field work and desk research.

Field Work

Steering Group

We established early on a target list of people we wished to see in our steering group, which served as an advisory group to us in Latvia (if not a proper working group as defined by Olins) as we pursued our research. The steering group consisted of:

- Aigars Rungis (Client Services Director, McCann-Erickson Riga)
- Rikard Berug, the Vice-rector of Vidzeme University, from Norway and on board of LI

- Maris Graudins (Head of Consensus PR)

Internal Interviews & Meetings (a full list appears within references)

These interviews were vitally important to helping us shape an understanding of Latvia. Most were with ethnic Latvians; many were in positions of power and some have been instrumental in promoting Latvian nationalism and independence. Although the slant was very often pro-Latvia and many unpleasant topics were initially dodged by our interviewees, we did press difficult issues or sensitive topics that needed addressing. Our first step in preparing for the interviews was to develop a discussion guide. The discussion guide was a jumping-off point and was adjusted in order to get the most information about the subject's area of speciality.

- Introduction to our project (defined as an 'identity', not 'brand' project)
- Industry Background
- Current Landscape and trends
- How Latvia is differentiated in these areas
- Attitudes and predictions about EU entry
- Relationship with Russia and Baltic Russians
- Latvia's role within Baltic region/ comparison with Lithuania and Estonia
- Riga versus the countryside
- Songs & Culture
- Nature/Wildlife and its importance to Latvians
- Unique characteristics of Latvia
- Hopes and fears for the future
- Latvian character, personality
- Current efforts in the government to raise world awareness of Latvia

Sites of Interest (a full list appears within references)

We also extensively explored the sites and cultural landmarks of Riga. The Latvian Institute also organised several outings for us to significant places of interest in Latvia. Since the country is rather small, all of these were day trips.

Desk Research

Reading and Background (a full list appears within references)

To understand Latvia and the Baltic region, we investigated everything from news services, to academic articles, to recent fiction. A list of these sources can be found in the references.

External interviews (a full list appears within references)

This group of interviews (found along with Internal Interviews in references), some of which occurred on the phone or via email as necessary, was crucial in creating a perception gap model. With this group, our discussion guide was altered to suit the person, and inverted to draw out the external perspective. We also conducted many impromptu 'man on the street' interviews, which proved to be informative.

Supervisory contact and meetings

Throughout our project, we remained in close touch with Wally Olins, who received status updates to which he reacted and gave advice. Several issues were presented to him along the way, to ensure that we were on target in our thinking and that we were paying attention to the crucial issues.

Debates

Part of the process of sifting through the data we received was to dig through it, discuss it, and try to make sense of it. In doing so, we sharpened our opinions on the material we were receiving, and were able to codify our thinking more clearly. This led us to the insights phase of the project.



Baltica Folk Festival 2003, as covered by Latvian television

Insights

Position

“Estonia, and to a lesser extent Latvia and Lithuania, have vastly reduced their trade dependence on Russia and correspondingly increased their economic links with the West. The Balts are also bound to the West through a growing number of political, social, cultural and criminal ties of which other former Soviet republics can only dream.”

Anatol Lieven, *The Baltic Revolution*, 1993

Where does Latvia belong? A defining feature of Latvia’s identity is its location among larger nations and national groupings, notably Russia, Europe, and Scandinavia. To make sense of the Latvian identity we need to understand where Latvia fits now with its neighbouring countries. This is important as over the past decade regions have emerged as pre-eminent political and economic drivers, with NAFTA in North America, Mercosur in South America and the EU serving as examples of the trend. Even these larger units are breaking into smaller regions such as the Balkans trying to organise itself as the South Eastern European Region.

European?

Latvia clearly thinks of itself as a European country. Moreover, ‘European’ appears to be seen as a desirable quality (e.g., the port city of Ventspils dubbing itself “The most European of Latvia’s cities”). ‘Europe,’ however, is an amorphous concept and is insufficient to define the identity of its constituent parts.

Eastern European?

Geographically, it could be argued that Latvia lies in the eastern European plain and it is commonly referred to as joining the EU as part of Eastern Europe. But the term ‘Eastern European’ is something of a pejorative term for many. Furthermore, Latvians do not think of themselves as ‘eastern European,’ but rather, as Western.

Scandinavian or Nordic?

What of Latvia’s location on the Baltic Sea, and its relationship with Scandinavia? Sweden is one of Latvia’s largest foreign investors and closest moral and political allies, not to mention that Latvia was at one point part of Sweden’s empire. But on the whole, Latvia does not feel like a Scandinavian country nor think of itself as one. Similarly, Latvia is not a Nordic country. Latvia’s origins are Baltic, not Nordic.

Germanic?

Looking towards the west, there are very strong ties between Latvia and Germany. The Germans ruled Latvia for centuries. This is most obviously reflected in the architecture of many of the towns. In addition, there is some evidence that modern Germans regard Latvia as offering a lost heritage of an agrarian idyll that looks and feels somehow how Germany itself may have done⁹.

Is this Germanic influence and tie something that can be expressed as part of Latvia’s national identity? Two factors –that the German aristocracy has completely vanished from Latvia and that the last Germans to rule Latvia were the Nazis – make this problematic, it does however give some sense of national character that could be used to explain Latvia.

Baltic?

To the outside observer, Latvia is first and foremost a Baltic country, distinct from both Scandinavia and Germany. The Baltic is a sea and a region, and the three countries that are collectively called “the Baltics” also share much common history and have common aspirations in terms of EU accession. There are also some major differences between the three. The Estonians are really a Nordic race in terms of linguistics and current aspirations.

⁹ Comparisons have also been made to a Poland of yore. A director, recently shooting a movie in Kuldīga (in western Latvia), was asked by the town what it could do to fix itself up as a set. “Don’t change a thing,” he said. “It looks just like 1930s Poland.”

The Lithuanians are more clearly central European, and maintain a tie with Poland from their days as a common empire. Latvia is on its own, arguably the most Baltic of the Baltics.

The last defining aspect of Latvia's position is its adjacency to Russia. Its position on the Baltic Sea with non-freezing ports has put it, since the days of the Hansa league, on the transit route between Russia and Europe. Clearly, Latvia is not part of Russia but its relationship with Russia has potential advantages. We discuss these at length elsewhere.

Place

Nature, countryside, and coast

Latvia's lovely countryside and beaches are not spectacular but they are particularly unspoiled and well kept. Latvians hold nature in very high regard, an attitude that has survived the centuries since the Latvians were serfs and peasants. Latvia has a long, untouched coastline; for fifty years the Soviet forces kept all people and development away from the waters in an effort to keep Latvians from fleeing to the West in boats and to guard against a possible sea landing by Western forces. Latvia is also blessed with the northernmost ice-free ports in Europe.

Forests cover a large portion of Latvia's land. The forests are well-kept; each one has a manager that is responsible for keeping the undergrowth from becoming wild. We would describe Latvian nature as subtle and experiential. It has been a draw for tourism, as well as an economic asset for its timber and agriculture. Latvia has more codified eco-practices and policies than either Lithuania or Estonia – another point of differentiation.

Riga

Having visited Vilnius and Tallinn, we regard Riga as the natural capital of the Baltics. The Art Nouveau architecture and expanse of the old town give it a sense of grandeur. There are still a few bullet holes in some building to remind people of its past, but on the whole Riga is well preserved and the city feels cosmopolitan and European. It appears to be one of Latvia's major sources of differentiation and one of its greatest strengths.

The size and importance of Riga compared to the rest of Latvia mean that there is an economic and population imbalance between Riga and the countryside. Anatol Lieven wrote "Riga's size only made sense when it was one of the greatest ports of a great empire."¹⁰ Despite its size, it also has an un-crowded feel compared to many of its European cousins.

In population terms, the majority of Riga's residents are ethnic Russians and in some respects it is a Russian city (see Baltic Russians for further discussion).

¹⁰ Anatol Lieven, *The Baltic Revolution*; p. 17.

People

In general, stereotypes can be limiting and sometimes even dangerous; as with all nationalities, however, Latvians definitely have many qualities that can be used positively in determining a brand identity.

Singing and Dancing

Music has an elevated status in Latvian culture, and underlines the peacefulness of the Latvians. It exemplifies the fact that, in the words of one interviewee, “Latvians have an innate sense of balance and harmony.” Latvians love to sing and dance, whether it’s at folk festival, or in a performance of traditional classical choral music¹¹.

The *dainas*, or folk songs, of which there is practically one per Latvian, are said to contain much wisdom about everything (love, work, the human life cycle, the universe, etc).

The commitment to these folk traditions stands out as being unique. Everyone we spoke to from the trendiest teenager onwards confessed to thoroughly enjoying and supporting these aspects of Latvian life. The challenge is that these songs, though lovely, are rather inaccessible to non-Latvians.

National Character

Latvians are conscientious and punctual. They are peaceful and contained. They put a lot of effort into making things pretty and orderly. They keep spaces clean and tidy, despite some residual shabbiness from Soviet times. They have pride in their country and their heritage; more flags are on display in Riga than most other cities in Europe. They are a creative people as can be seen in their song tradition, and this quality often leads them into marketing, IT and other intellectual fields.

However, there is also a more phlegmatic side to their personality. On first encounters many are unsmiling. Latvians enjoy their own company and keep to themselves. This is reflected in the way they build their country houses and farms – as far apart from their neighbours as they can. It also means they are slow to meddle in the affairs of others, and that people are for the most part free to live as they choose.

In its 800-year history, Latvia has only known independence for 30 years. For the majority of that time the Latvians were generally forced to work for foreigners in their own land. During the period of its first independence (between the wars) there were still a fair number of Jews and Germans in Latvia that had experience in running governments and businesses and helped to pave the way. However, most of those two groups are gone and for the first time Latvians are completely running their own show.

It’s possible that this history has led to the current situation, where there is a perception that there is little long-term planning. There is an often repeated Latvian saying: “Where you have two Latvians you have three political parties.” This disagreement in government makes planning difficult. Nevertheless, Latvia has proven that it can undertake and accomplish seemingly impossible goals such as gaining independence, launching a stable currency and joining the EU. Despite these achievements, Latvians have a sense of wounded-ness regarding criticism from the outside world given their difficult history. There is a sense that the country and the people haven’t developed a healthy toughness and confidence when it comes to world opinion.

Baltic Russians

For various reasons, Latvia was more Russified during Soviet times than either of its Baltic neighbours. This has led to an uneasy, but seemingly manageable tension between the two populations. This situation has led to a reality where there are both Latvian and Russian newspapers, TV stations, restaurants, stores, clubs and music. The situation works on a day-

¹¹ The Baltic independence has been dubbed “The Singing Revolution”.

to-day level, but the existence of two distinct cultures in one country could be problematic going forward. Many Latvians seemed to think that with EU entry, the Russians would have an incentive to gain Latvian citizenship (which requires the passing of a language test) as it will confer EU citizenship.

Women

There is a strong matriarchal tradition in Latvia. In addition, women are an extremely high percentage of the population (54%¹²) and they tend to hold much higher positions than in other countries of the world. Nearly 20% of the parliament seats are held by women, the president is a woman and women hold high positions in business. One banker we interviewed said that of the ten senior management positions in his bank, eight were women. Some of our interviewees postulated that in Soviet times, Latvian men were so emasculated that even now, true responsibility most often falls on the shoulders of women and that they are simply more reliable and motivated.

¹² World Factbook, data from 2000

Politics & Economics

Generation Gap

Since independence, many relatively young people have occupied a disproportionate share of elite positions in almost all sectors of Latvian society. (In one striking example some members of the former Communist Youth started what later became the biggest bank in Latvia – in the headquarters of the old Communist Youth building!)

There is definitely a generation gap, with young and old having different attitudes toward entrepreneurship, business and fashion; the older generation has a more Soviet mentality (and often Soviet-level incomes) and has adjusted more slowly to the many changes they have experienced. The consensus is that time will remedy this particular problem.

Relationship with Russia

It's the opinion of many people, both inside and outside of Latvia, that their history and understanding of Russia is an asset. Just as Czar Peter coveted Latvia as Russia's window on the West, in the new millennium Latvia can be the West's window into Russia.

Current relationships between Russia and Latvia can be tense, however. Latvia was more than willing to burn some bridges in its drive for independence. Russia has exerted some influence to try and 'blacken Latvia's eye' to derail the country's effort to enter the EU, or so it is seen. However, most businessmen that we interviewed saw no conflict in dealing with Russians in Russia (as opposed to the Baltic Russians) and believe Russia represents a huge market that they need to tap in order to be successful.

"Latvians would be happy to have a decent relationship with Russia, but Moscow's imperial mindset prevents that," is a sentiment we often heard. EU entry, it was suggested, might help Latvia stand up to Russia, as will Russia's joining the WTO.

NATO and EU

With joining NATO, the primary concern has been the potential cost. Entering the EU, however, is a realization of Latvia's clearest long-term political goal and most Latvians see it as inevitable. One of the major benefits people expect from the EU is greater clarity in the political process, which will presumably help cut back on corruption in the government. Moreover, being in the EU will act like a stamp of approval indicating to the wider world that Latvia is a safe place to visit and to conduct business. The EU also brings distance from Russia's shadow. There has been some lament, however, that accession is happening too soon and that it should be delayed until Latvia is better prepared for it. Some people are also concerned that there will be an influx of 'undesirable' immigrants that will place a burden on the county's social services; this fear smacks of an unsettling xenophobia but doesn't seem widespread. Others simply dislike the notion of being part of another union so quickly.

A Baltic Tiger

Following the break with the Soviet Union and the restoration of democracy and market economy in 1991, Latvian GDP contracted to about half its value. As of 1996, the economy started to grow significantly -- with a short stagnation in 1999 as a result of the financial crisis in Russia. Average annual GDP growth since 1996 has been 5.6%, so that the gap with the average GDP per inhabitant in the EU is narrowing. In 2001, average income per inhabitant was one third of the EU average, up from 28% in 1998¹³.

Along with Estonia and Lithuania, Latvia is often referred to as a 'Baltic Tiger' and there are optimistic projections about its future growth. The prosperity of the country can be seen in the rebuilding and renovation in Riga and what was described to us as a certain 'spark in the Latvians eyes'. However, countering the prosperity of Riga is the poverty of the countryside, particularly eastern Latvia which has unemployment in some cities that borders on 28% (compared to roughly 4% in Riga)¹⁴. There are still many rough edges.

¹³ European Union data; <http://europa.eu.int/comm/enlargement/latvia/>

¹⁴ Central Statistics Bureau of Latvia, Press Release 14/8/03.



Memorial in Riga

Analysis

Tourism

Current Situation

Latvia's tourist industry currently contributes a tiny 1.8%¹⁵ to GDP (European average 4.2%). Over 95% of this income is by Latvians vacationing within Latvia. The international tourist trade is therefore small and tends to consist of short stay visitors from Latvia's Baltic neighbours, tour parties on Baltic region tours and cruises, and an even smaller number of independent travellers and backpackers. In general, figures show that tourists usually visit two Baltic nations at a time when they come to the region.

Latvia's current offering to the international market centres around Riga's Art Nouveau architecture and old town, its opera and ballet and a limited number of side trips into the countryside to places such as Sigulda and Cesis. There is also an embryonic eco tourism / country-stay market which has potential.

Other attractions in Latvia include nature (including Gauja National Park and the beaches), and heritage sites outside of Riga such as castles and old town centres. There is also a certain niche for those who come to see the retro-Soviet aspects of the country. One tour centre worker told us that the most popular destination in town for the foreign visitors is the fallen statue of Lenin; in another town there is a controversial 'Be a Soviet Prisoner' tour where visitors are actually locked up. Whether this trend could or should be further exploited is unclear due to the profoundly negative associations with Soviet times.

Many of those coming into the country are in transit to other destinations, with nearly 2/3 of those entering spending less than a day in the country. This fact has been recognised as the main challenge to the tourist industry: getting people to stay in Latvia.

Current branding activity

'The Land That Sings' (see below) is the current logo and positioning used to promote tourism in Latvia. This is also the closest thing Latvia has to a national brand identity and was chosen from entries into a national competition. The idea behind the logo is that it represents four elements, nature, culture, business and people. Most find it charming, but opinions are mixed as to its effectiveness.



Other promotional activity for tourism has included a drive to promote Latvian country houses, the promotion of its opera festival and the promotion of Riga (Inspiration Riga – see below) on its 800th anniversary. There has also been a presence at tourist trade shows; in particular Italy has been selected as a potential market in which to experiment.



State tourism policy is currently under the auspices of the Advisory Committee on Tourism which is led by the Economics Ministry. Coordination appears to be an important issue; for example, the small Advisory Committee doesn't include representation from the National Tourism Agency which it oversees. Similarly, coordination between the Baltic States is

¹⁵ Ministry of Economics, *Economic Development of Latvia*, June 2003; <http://www.lem.gov.lv/en/reports.stm>

problematic – Lithuania cancelled the first pan-Baltic tourism meeting. There will however be a joint Baltic brochure produced for the beginning of 2004.

SWOT Analysis

We now analyse the Strengths, Weaknesses, Opportunities and Threats, which pertain to the Latvian tourist industry – these are illustrated in the diagram below

<p><i>Strengths</i></p> <ul style="list-style-type: none"> • Newly opened, undiscovered territory • Riga • Unspoilt natural environment • Inexpensive compared to the rest of Northern Europe • Many festivals such as the Song Festival and Midsummer Celebration • Castles and heritage sights¹⁶ 	<p><i>Weakness</i></p> <ul style="list-style-type: none"> • Perception of post-Soviet bleakness • Seasonality • No low-cost air carriers • Infrastructure is weak in areas • Haphazard quality of the 40 tourist info centres in Latvia • No brand defining attraction • Lack of mid-range hotels
<p><i>Opportunities</i></p> <ul style="list-style-type: none"> • Newly opened, undiscovered territory • EU funding¹⁷ • Ecol tourism¹⁸ • New ferry service between Ventspils and Sweden • Changing tastes of European tourists • Easing of border restrictions within EU 	<p><i>Threats</i></p> <ul style="list-style-type: none"> • Other Baltic States may have seized initiative • Difficult border situation with Russia which may get worse with EU • May get known for the wrong type of tourism, i.e. sex clubs and casinos

To understand Latvia's best future direction for tourism within Latvia we need to look at the broader trends in the European market, its most viable target.

Modern European tourists are starting to look for more than just relaxation and sunshine. They are demanding more in terms of standards and also demanding more in terms of the quality of experience. They are increasingly seeking authenticity. Their holiday time is an extension of their everyday life, and they will demand an experience that sets them aside from their peers and provides something different¹⁹. This brings us to the realm of 'niche' tourism, which has been identified within Latvia as a sound direction to pursue, with Riga, cultural tourism and country houses at the core.

¹⁶ According to the European Commission Directorate-General Enterprise roughly 30% of tourist destinations are chosen by virtue of the presence of heritage sites which can be visited, and this number increases up to 45 to 50% if the wider cultural sector, such as festivals or important cultural events, is included.

¹⁷ "The single largest source of European Union funding for tourism, in particular in the less prosperous regions, are the Structural Funds, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF)." - European Travel Commission

¹⁸ Cited by the European Travel Commission as a top 10 area of tourism growth.

¹⁹ A Poon, adapted from "The Future of Travel Agents", 2001.

Information on destinations, services and transactions are currently spread across multiple parties: hotels, airlines, travel agents, tour operators, tourist associations and authorities. The internet, already an important source of information, is likely to emerge as a key facilitator as many of the bigger tourist operators continue to invest heavily in this sector²⁰. Latvia should be aggressively utilizing this nascent resource.

Air travel has emerged as one of the prime modes of tourist travel. The liberalization of pricing and deregulation has led to the introduction of low cost carriers which have themselves started to create new tourist destinations. Riga has been shut out of this market completely and suffers greatly for it.

Against this background there is a clear opportunity for Latvia to expand its current niche by presenting itself as somewhere new that has yet to be 'discovered'. There is also an increasing trend for holidays with an environmental theme, which dovetails well with Latvia's fledgling developments in this area.

The large number of transit travellers just passing through Latvia causes a strain on infrastructure and they tend to spend little, but there is the opportunity to encourage people to linger and to cross promote Latvian tourist attractions to them.

The traditional cultural events and high cultural events are marketable properties to a niche audience. A key problem is that it needs to live up to its reputation as a crossroads and develop better transport links – especially with low cost airlines. It also needs to strike the right balance between being somewhere new and different and somewhere safe and accessible.

Key Messages

There are two key messages that Latvia must project to the outside world in order to develop its tourist trade: "We are somewhere new and undiscovered" and "We are a safe and clean place to visit."

Competitors for Latvia's Tourists

As we've seen, many foreign tourists who are visiting Latvia will most likely visit multiple locations around the Baltic Sea. In this sense Latvia needs to cooperate with its neighbours to promote the Baltic region but then ensure it gets its share of the visitors. Outside of its immediate region, Latvia is competing in a complex web of other countries that supply a similar experience or feature. The exact nature of this competitive web will depend to an extent upon the personality that Latvia projects to the outside world. As a destination for eco-tourism, for example, it will be competing with a far-flung range of countries from Central America to Scandinavia. As a destination for high culture such as opera, however, it will be competing with the likes of St Petersburg, Vienna and Budapest.

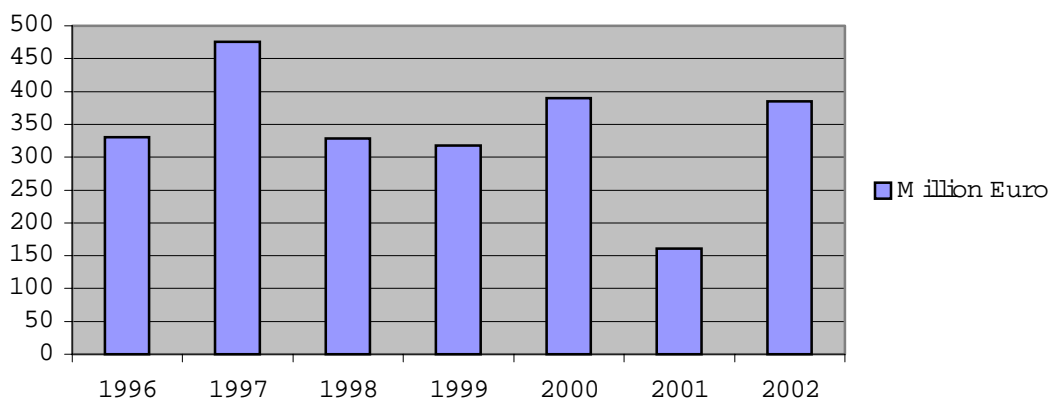
²⁰ Adapted from Travel Magazine Jan 2002 by PriceWaterhouseCoopers

Foreign Direct Investment (FDI)

Current situation

FDI is an important source of financing for transition economies as it helps to cover the current account deficit and fiscal deficit (in case of privatization-related FDI), and supplements inadequate domestic resources to finance both ownership change and capital formation. Compared with other financing options, FDI also facilitates transfer of technology, know-how and skills, and helps local enterprises to expand into foreign markets²¹. Since independence FDI has been a significant force within the Latvian economy. The main growth in inflows began in 1994 and has stayed at a relatively high level, peaking in 1997. In 2001, Latvia was among top five FDI attracting countries in Central and Eastern Europe in terms of accumulated FDI per capita. A key factor in this growth was the privatisation of formerly state owned companies, for example the privatisation in 1994 of Lattelekom for €144 million.

FDI by Year

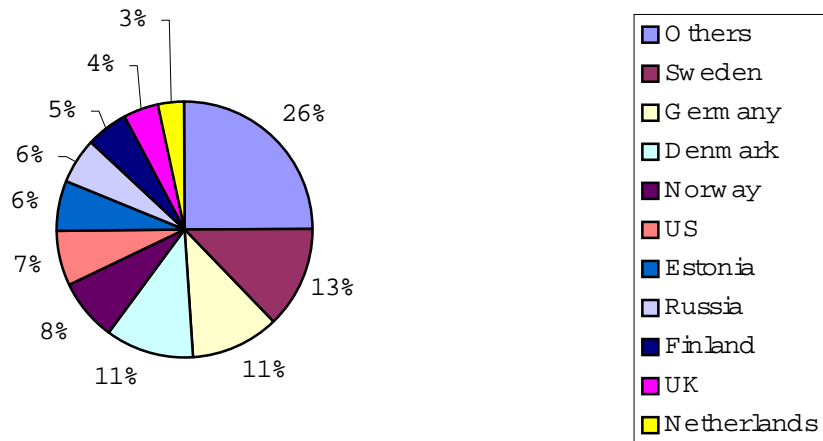


The main sources of this investment are neighbouring countries within the Baltic Sea region – Sweden, Denmark and Germany all being significant contributors. The chart below illustrates the breakdown in FDI stock by country of origin for 2002²².

²¹ Libor Krskoka, "Foreign direct investment financing of capital formation in central and eastern Europe", European Bank for Reconstruction and Development; <http://www.ebrd.com/pubs/econ/workingp/67.pdf>

²² Center for Markets in Transition, Helsinki School of Economics; <http://www.hkkkk.fi/english>

FDI by Country 2002



To date, most investment has been into the service sector, which accounted for more than three quarters of total FDI stock in 2001 and comprises a comparably significant stake in other years. Trade, finance and business (especially real estate) accounted for over half of this stock.

Current Branding Activity

The Latvian Development agency coordinates efforts to attract FDI (see Exports section for illustration of branding) but doesn't present a Latvian brand in any of its communications. Similarly, the Latvian Chamber of Commerce plays a role in promoting and facilitating Latvian business interests but again doesn't project a Latvian brand as such.

SWOT Analysis

We now analyse the Strengths, Weaknesses, Opportunities and Threats, which pertain to FDI – these are illustrated in the diagram below

<p><i>Strengths</i></p> <ul style="list-style-type: none"> • Strategic location • Understanding of Russian language and culture • Growth potential of markets • Low cost educated workforce • Riga: largest Baltic capital • Large financial sector 	<p><i>Weakness</i></p> <ul style="list-style-type: none"> • Perception of corruption • Bureaucracy • Unclear strategic direction • Infrastructure • Lack of entrepreneurial experience • Lack of raw materials / energy sources
<p><i>Opportunities</i></p> <ul style="list-style-type: none"> • EU and NATO funding • IT industry • Tourist Industry • Heavy and Light industry 	<p><i>Threats</i></p> <ul style="list-style-type: none"> • Russia developing St Petersburg as transit • Slowing growth after initial catch up • High competition for FDI within Eastern Europe

At a regional level, there have been two key drivers behind the current investment activity which are likely to continue into the future. Firstly, there is a substantial difference in operational costs and labour costs between the 'east' and 'west' coasts of the Baltic Sea. Secondly, investors have wanted a presence in the fast growing Baltic market and the potential for further strategic opportunities in Russia and the CIS. In addition, Latvia has a favourable macroeconomic environment including low inflation and a stable, convertible currency.

For those investors further afield (namely the USA and UK) Latvia is chosen as a market base for the Baltic region and as a favourable manufacturing location. Countries to the east, mostly Russia, have chosen Latvia for transit/value added logistics operations for their main export commodities – oil products, chemicals and metals. In the realm of globalisation it is increasingly important for countries to develop clusters of expertise in key areas. Latvia certainly has the history to develop a cluster to service transportation. It also seems to have the makings of a financial cluster in Riga. Potentially there will be increasing opportunities to develop an IT cluster due to the skills of its workforce.

Another factor will be how EU accession affects the pattern of Latvian FDI. One factor will be Latvia's ability to attract and absorb EU structural funding. While outside the normal definition of FDI, this will be a key source of capital and Latvia's ability to attract and absorb this funding will be of great importance.

Also of critical importance will be the continued need to project an image of macroeconomic stability. Although corruption and bureaucracy are still an issue, the implementation of EU policies will help to diminish this to an extent.

Yet again, the key asset in the longer term is likely to be Latvia's geographic location relative to Russia and its linguistic and cultural experience of dealing with Russia.

Key Messages

The key messages Latvia needs to project to gain FDI are:

- 1/ Macro economic stability
- 2/ Growth potential / Untapped potential
- 3/ Cost/Skill ratio of workforce
- 4/ Location/Understanding with respect to Russia

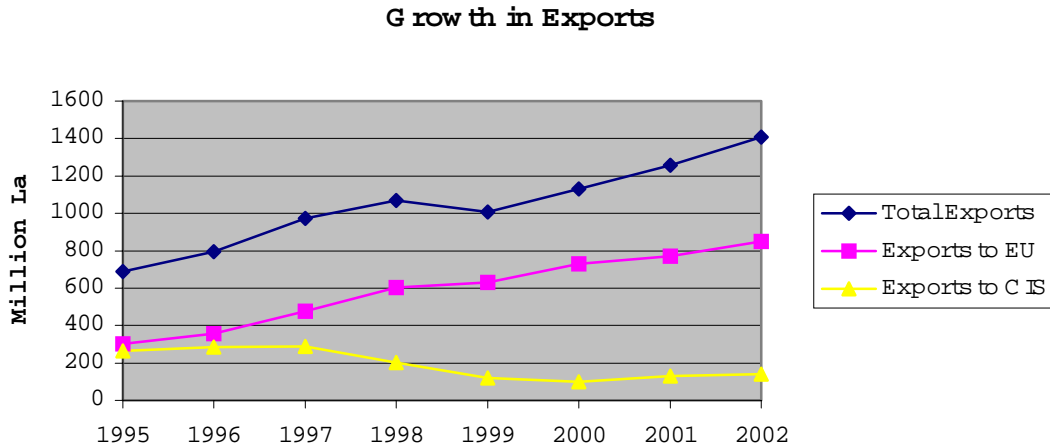
Competitors

Although Latvia is clearly competing with its Baltic neighbours Lithuania and Estonia for FDI, it must be remembered that this is not a zero-sum game as investment within any one country is likely to benefit the whole region through trickledown and secondary investment. Where competition is more definite is between Latvia and the other eastern bloc countries.

Exports

Current Situation

Latvia's main exports are wood and wood products, machinery and equipment, metals, textiles and foodstuffs. From 1995 to 2002 the value of exports increased by 104%. Within this its exports to the EU have grown by 180 % while exports to CIS countries have fallen by 47%. (See chart below²³)



The forestry sector is currently the most important single export industry generating as much as one third of export turnover and playing an essential role in generating rural and regional employment. Its main export markets include Great Britain, Germany and Scandinavia, but recent diversification in product range and the desire to improve profit margins have seen Latvian producers increasing their direct presence in more remote markets like the USA and Japan.

There are stark differences between what Latvia exports to the EU and what it exports to the CIS. To the EU, Latvia sells wood and articles of wood (sawn wood, wood in the rough, articles of wood and plywood), non-ferrous metals and articles of non-ferrous metals, furniture, iron and non-alloy steel (bars, profiles, wire) and men's and women's clothing.

To the CIS, Latvia's top exports are electrical machinery and equipment (electrical instruments, electrical engines and generators, electrical transformers), machines and mechanical appliances (various machine tools for different industries of the national economy), and pharmaceutical and light industry products.

Latvia's transit industry plays an important economic role. The main component of this traffic is the handling of Russian/CIS crude material exports, transport and communications which together made a contribution of more than 15% to the country's GDP in 2001.

²³ Central Statistics Bureau of Latvia; <http://www.csb.lv>

Current Branding Activity

The Latvian Development agency is tasked with the role of attracting FDI to Latvia and promoting the export of Latvian goods and services. In addition to facilitating the export efforts of Latvian companies, its role in promoting Latvian exports centres on providing information on Latvian companies and products and coordinating trade shows and trade missions. At present all of their communication is branded with their own logo (see below) and apart from using maps with Latvia's position clearly marked there is no national branding.



Latvian
Development
Agency

The only product specific branding activity being developed is the 'Green Spoon' initiative (see logo below). This is being developed and coordinated by the Latvian Marketing Council. It is initially purposed for the internal market to provide a made in Latvia kite mark / seal of approval for a range of agricultural products (milk, honey, vegetables). Producers and sellers voluntarily use the seal. A new project has also emerged, which will build upon this core idea and present a "Made In Latvia" mark, under the banner "Growing Green In Latvia".



Green Spoon
Logo

There is a degree of synergy between this execution and the Latvian's relationship with nature and Latvia's well-preserved environment. Similarly, there is an overlap with the fledgling eco tourist industry. Overall, however, the problem with all of these logos is the lack of unified effort to direct the overall vision; a multitude of images simply creates visual noise.

SWOT Analysis

We now analyse the Strengths, Weaknesses, Opportunities and Threats, which pertain to Latvian trade – these are illustrated in the diagram below

<p><i>Strengths</i></p> <ul style="list-style-type: none"> • Reputation for high quality goods in the CIS • Timber resource • Location for transit • Educated work force 	<p><i>Weakness</i></p> <ul style="list-style-type: none"> • Over reliance on commodity exports • Trades mainly low value added goods with West • Poor trade relations with Russia & CIS • No understanding of what 'Made in Latvia' means in West
<p><i>Opportunities</i></p> <ul style="list-style-type: none"> • Developing service sector • Expanded markets with EU entry • EU funding to improve agriculture • Russia joining WTO 	<p><i>Threats</i></p> <ul style="list-style-type: none"> • Difficult border situation with Russia which may get worse with EU • No point of differentiation with other Baltic states • Deterioration of timber prices • St Petersburg

The mainstays of Latvia's exports are likely to remain its timber products and its transit trade with Russia. These industries are not without challenges. The transit trade is under particular threat from Russia trying to develop St Petersburg as its own export hub to the West. An example of this can be seen with Russia's shut-down of the crude oil pipeline that linked Russia with the Latvian port of Ventspils and Russian tariffs on metals - measures designed to give St Petersburg an advantage. The key changes on the horizon will be Latvia's entry into the EU and the accession of Russia to the WTO. Both of these scenarios will make it increasingly difficult for Russia to impose discriminatory tactics that penalise Latvian trade.

Beyond timber and transit, Latvia's ambitions and main opportunity will be to develop its service industries. In this respect Latvia's IT industry has potential. The sector grew by over 150% in 2001 and enjoys the highest institutional support as a driving force for national development. The industry's main asset is highly qualified human resources with more than 8000 graduate IT specialists and an additional 6000 in universities and colleges. Support for IT throughout the education system is key to further development. Software engineering students in Latvian universities/colleges have doubled over the last three years, and the IT profession is increasing popularity among the brightest graduates²⁴.

Historically, Latvia was one of the high-tech manufacturing centres for the Soviet military and aerospace industries. This reputation needs to be maintained and managed and if possible, exported beyond Russia and into Latvia's European markets.

Key message

The key message that Latvia needs to project to the outside world in order to develop its export trade is that it has an educated workforce ideally placed to provide outsourced services.

Competitors

The effects of globalisation mean that Latvian exports are competing on a global level. Upon EU accession, Latvian exports will compete with the twenty-five countries across the EU on more or less even terms, and with the CIS, competing with Russia and former Soviet states.

²⁴ Latvian Development Agency, "Latvia- the Competitive Location for IT Services", 2002; <http://www.lda.gov.lv/eng>

Political Influence

Current Situation

In the run up to its independence and beyond, Latvia has managed to exert a degree of political influence beyond what its size would suggest. This was particularly the case in the early 90's where effective lobbying of the Clinton administration in the USA succeeded in putting Latvia on the Washington radar. It is believed that this sustained effort in lobbying won greater support for the Baltic states compared with the breakaway Soviet Republics such as the Ukraine. An American diplomat in Riga told us: "Latvian, Lithuanian and Estonian diplomats sat for years in Washington with their flags behind them and nobody paying much attention. But they stuck with it, we stuck with them, and then, lo and behold, by a miracle, here we are."

Back in the late 80's, achieving independence and joining NATO were believed to be next to impossible. The fact that both of these goals have been reached is a testament to what Latvia is capable of given clarity of direction. However, it must be remembered that as a small country Latvia is more used to being influenced than doing the influencing.

One of the key drivers behind Latvia's influence in the west is its juxtaposition with Russia. The diplomat cited above explained: "We're looking for continued engagement with Russia, continued development there. A country that can set a model of constructive cooperation with Russia has a lot to offer."

In the recent Gulf conflict Latvia was one of the parts of 'new Europe' that supported coalition action and sent a token force to support the action.

Current Branding Activity

There is no branding activity in this arena. At a pan-Baltic level there is the Baltic Sea Region initiative but this does not present any form of branded imagery or positioning. The US-Baltic Charter of Partnership (1997) is an important declaration of alliances with the US, however.

SWOT Analysis

We now analyse the Strengths, Weaknesses, Opportunities and Threats, which pertain to Latvia's political influence– these are illustrated in the diagram below.

<p><i>Strengths</i></p> <ul style="list-style-type: none"> • Insight into and experience with Russia • Relationship with larger powers (fostered during Soviet times) • EU Border with Russia 	<p><i>Weakness</i></p> <ul style="list-style-type: none"> • Tiny population • Lack of experience in wielding influence • Not known for decisiveness, assertiveness, or expertise in governance
<p><i>Opportunities</i></p> <ul style="list-style-type: none"> • Baltic coalition/Baltic Sea States • Riga (grand enough to host world conferences and summits) • Latvia could be a place where Russia (scientists/business people) meet with Europe 	<p><i>Threats</i></p> <ul style="list-style-type: none"> • Latvian issues are a bargaining chip between Europe and Russia • Baltic coalition may be an uneasy or ineffectual one • The West's interest in Russia allows Latvia to get squeezed, "back-burnered" or left to hang

Going forward, Latvian political influence will be wrapped up in its dealings with and as part of the EU. The EU helps form, design, implement and/or influence ~80% of all economic

decisions and 50% of all political decisions taken in the Community. To influence this decision making, the governments (and their private companies) need a direct link to Brussels. Furthermore, a physical presence in Brussels is vital for governments to influence policy making and implementation effectively. Keeping abreast of and influencing the EU agenda is likely to put particular demands on Latvia's resources.

The key to Latvia's influence within the EU will be how successful it can form coalitions either with its immediate neighbours or on particular issues (the free market). On its own, Latvia is just another small, developing European country. Teamed with its neighbours, it becomes part of a bloc with the population larger than many long-standing European states (and potentially a larger economy). One Latvian told us: "The Baltic myth is most convenient to Latvia because it creates some community to which we can belong. It can also be a successful myth – if we coordinate."

Another future issue will be how Latvia and the Baltics position themselves not just between East and West, but between the US, arguably their largest benefactors for the past 50 years, and Europe, surely their largest benefactor in the next 50 years. The Baltics, potentially, could gain influence by being a generally pro-American EU bloc ("the part of Europe that best loves the USA,"). The politics of this may of course be problematic as the states bankrolling the EU may not share this particular position.

Latvia's juxtaposition and understanding of Russia will undoubtedly continue to give it influence abroad. As part of the EU, Latvia will be responsible for a land border with Russia. This will almost certainly give it a voice on issues to do with maintaining and policing the border.

Key Messages

The key messages that Latvia needs to communicate to extend its political influence are:

- 1/ We are an important part of the Baltic Region.
- 2/ We are a place that understands Russia.
- 3/ We control a vital EU border with Russia.

Competitors

As discussed, influence is not a zero sum game and Latvia's influence should be based on a cooperative strategy rather than a competitive one.

Brand Latvia's Overall Target Audience

A critical question in formulating Latvia's brand identity is at whom to "aim" the brand when it must serve these four different areas and more? Whilst commercial services and products can often define a niche audience with a specific set of needs, this is not the case with a country brand, which by its very definition must speak to a far broader audience.

However, within these broad terms we can consider target audiences at a country level and focus on those countries that are likely to be most important to Latvia, either due to their relative location or their potential economic and political impact on Latvia. As such, we can broadly define our target audiences at a Baltic, regional, EU and global level as the influential players therein.

1. Key Baltic players (Estonia and Lithuania)
2. Key regional players (Germany, Sweden, Finland, Denmark, Russia)
3. Key players within the EU (esp. Germany and UK)
4. Key global players (US, Russia)

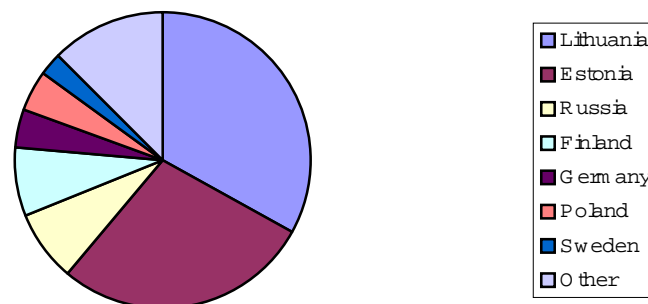
This country level view can be further expanded by examining the prominent audiences within each of the four arenas of tourism, FDI, exports and influence. This gives us the opportunity to consider who exactly within these countries we should be targeting:

Tourism

Key Audiences: Upmarket Germans and Swedes

Although domestic tourism is likely to continue to play a significant role within the Latvian economy, the real opportunity lies in bringing people from farther afield. The chart below²⁵ gives a breakdown of International tourists who visit Latvia by country of origin.

Where Are Tourists Coming From ?



Going forward Germany and Sweden have the most potential growth prospects (and possibly Finland, whose people are used to going to Estonia) due to the size of their markets, proximity and historical links. Improved transportation links and ferries will matter greatly here.

FDI

Key Audiences: Economic analysts in Germany, Denmark, Sweden, Russia and the UK (plus EU funding bodies)

The Baltic rim countries of Germany, Denmark, and Sweden, and also the UK, are likely to be the most consistent investors. Within the investment community, the people to target are

²⁵ Central Statistics Bureau of Latvia; <http://www.csb.lv>

likely the economic analysts and sector-specific industry bodies who facilitate FDI transaction. (See Analysis of FDI for further details).

Exports

Key Audiences: Russian transit companies and EU organic importers.

Latvia is well placed for continuing to develop markets within both the Northern Europe and the CIS, and these two should be the focus of its attention. However, its access to the Trans-Siberian railway provides additional opportunities in the Far East (Japan, China, Korea, North India) which is an important factor to keep in mind.

Political Influence

Key Audiences: Baltic forums, EU forums, NATO, and certain NGOs.

There are three levels of Latvian political influence: influence in the Baltic Sea region, influence within the EU, and influence at a global level. To target particular countries or their politicians would be too broad a task. Rather, Latvia should seek to focus its attentions on the appropriate arenas and structures where it can make its voice heard, looking for ways it can contribute at matters in which it can become expert. In the near-term, at least, these are likely to be Baltic Forums, EU institutions in Brussels, NATO and appropriate NGO (see Analysis of Influence for further details).

Competitors

For tourism, the increase in global travel means that Latvia is in some sense competing with everyone. Theoretically, its visitors could come from anywhere, and it could become fashionable to visit Latvia from anywhere. Even tourists near at hand venture far and wide, and a German tourist may one year go to Latvia, the next to Costa Rica.

Similarly, a company looking for investment opportunities may consider Mexico alongside Latvia. However, Latvia's likely accession into the EU provides us with a starting point; it enables us to narrow the field by considering Latvia's geographic neighbours and the countries within an enlarged EU with whom it will be most often compared and from whom it should differentiate itself. This includes two competitive sets: the Baltics (Estonia and Lithuania) and the other European entry countries (Malta, Cyprus, Hungary, Poland, the Czech Republic, Slovenia and Slovakia). All of these countries will be competing on somewhat equal ground for influence at the EU level, while maintaining comparative advantages (in terms of influence and attention) in their particular region.

The table below summarises a simplistic representation of the key competitive features of each of these countries within the context of Tourism, FDI, Exports and Influence.

	Tourism	FDI	Exports	Source of Influence
Malta	Hot climate, beaches Mediterranean	UK, Germany, Italy	Tourism, transport equipment	Transit location
Cyprus	Hot climate, beaches Mediterranean	France, Germany, Italy, UK	Tourism Services	Turkey / EU
Hungary	Budapest, Danube	Germany, Austria, Italy, Russia	Machinery, Electrical Goods, Transport Equipment	Central location
Czech	Old town in Prague 'stag do' destination	Germany, Netherlands, Austria	Manufactured goods, machinery, cars and transport equipment, beer	Central location
Slovenia	Countryside, Undiscovered	Austria, Germany, France	Machinery, transport equip, chemicals, household goods	Balkan location
Poland	Krakow, music	Germany, USA, France, Holland	Machinery and transport equipment, foodstuffs, chemicals	Germany, Lithuania, UK, US
Estonia	Tallinn Islands	Sweden, Finland, Germany	Machinery, textiles, wood products	Germany, Finland, US
Lithuania	Vilnius	Sweden, Denmark, USA	Textiles, fertilisers, industrial machinery	Poland, Germany

While this provides a factual overview of these countries, to properly understand the competitive space we need to consider how these countries are trying to position themselves. Below is a list of the strap-lines currently or recently in use:

Country	Current Strapline
Malta	"The sun, the sea and 7,000 years of history"
Cyprus	"Irresistible for 9,000 years"
Hungary	"The essence of Europe"
Czech Republic	"In the heart of Europe"
Slovenia	"The Green Piece of Europe"
Slovakia	"A small country with a big heart"
Poland	"The heart of Europe"
Estonia	"Welcome to Estonia" ("positively transforming")
Lithuania	"Centre of Europe"

Looked at as a group the above slogans seem remarkably similar, with a number of common themes.

Firstly, many of the countries have chosen to use Europe as part of their positioning. The reason for these countries wanting to project their European credentials and aid their re-integration with Western Europe is fairly clear, and in many respects, Latvia faces the same challenge. However, Latvia needs to consider how it should project (if at all) its own European credentials. Arguably, there is an opportunity to go against this trend and present something unique.

Another theme used by Poland, Slovakia and Hungary is the idea of 'heart' (or essence) probably used to convey both the warmth of the people and the geography of the nation. Whilst this may be true for each of these countries it fails to stand out and sounds like a cliché. Latvia's central position amongst the Baltic States also lends itself to a similar claim.

Furthermore, as is seen below, the usage of ecology and landscape as a theme as well as an additional theme of tourist friendliness is well worn.

Croatia	"Small country for a great holiday"
Montenegro	"Ecological state"
Serbia	"Landscape painted from the heart"
Romania	"Come as a Tourist Leave as a friend"
Albania	"Land of Sun and Hospitality"

These comparisons do not mean that Latvia cannot project any of these concepts with its own branding, but it does illustrate that the competitive space of "tourist friendly, green, European, hearts" is crowded. It also serves as a reminder of how easily the execution can turn into cliché, and how a slogan must not be confused with a core idea.



"The Widest Waterfall in Europe", Kuldīga

Brand Identity

Scenario 1: *The part of Europe with the best access to Russia*

Core Idea

Latvia is a part of Europe, but its history has endowed – indeed, sometimes forced on it – a closeness with Russia and Russian culture that is, in the European community, as rare as it is valuable. There is a profound understanding of Russia at work in Latvia, and one that is a key strategic asset despite the difficult history that created it.

Latvia is a place where Europeans can meet Russia, where they can deal and do business with Russia within the safety of the EU.

Latvia is more than a ‘bridge’ to Russia – it is the translator, guide and go-between. It is the catalyst for successful dealings with Russia.

Commentary

Russia will continue to be an important economic driver from the perspective of FDI and Exports. Furthermore, the Russian minority within Latvia (whilst not Latvian) will continue for the foreseeable future to be an important part of Latvian society and any national identity must acknowledge their contribution. Also, many people recognize Latvia already from its Russian past and therefore this connection will register somewhat automatically. Given the other Eastern European countries’ determination to brand themselves as ‘European’ a brand identity that talks about Russia would clearly differentiate Latvia from its competitors.

However, from an internal ethnic Latvian perspective, creating a brand identity that describes their nation’s rebirth in reference to Russia would be unacceptable; this proposition would likely be flatly rejected by the very audiences that have the power to implement it. In addition, Russia itself has many negative connotations to do with pollution, corruption and organised crime, so it has its own problems to contend with on these fronts.

As Latvia gains more stability in its independence, we suspect this issue will become less sensitive. Therefore if a phased approach to the brand is taken, it is possible that in a later stage the Latvian population will be better situated to work within this unique position. The main concern in this case is that they act before their language skills and Russian understanding have time to fade.

Tourism

From a tourism perspective there are positive and negative aspects to this scenario. It would be advantageous to position Riga within the Tallinn, Helsinki, St Petersburg triangle and there may be the potential to market some aspects of Latvia’s Soviet past as historically important.

FDI

The potential for expansion into Russia’s markets makes this an attractive proposition for attracting FDI.

Exports

This would be advantageous for Latvia’s transit business and arguably could help it to expand its reputation for high tech machinery beyond the CIS into the EU. However, it would probably be less good for agricultural products due to negative images of pollution.

Influence

This scenario will work very well on any issues that concern the relationship between the EU and Russia.

Scenario 2: *The keystone of the Baltics*

Core Idea

The Baltics form a distinctive region, an interesting region, a worthwhile region, a region that has a contribution to make to your life and to the world community. The Baltics occupy a historic and important location on one of the West's primary trade routes to the East.

Latvia's geography puts it at the physical centre of the Baltic region. Riga, the largest and most cosmopolitan of the Baltic capitals, is the historic and obvious choice as a regional capital. More than a bridge, Latvia is a true keystone in the arch that connects north and south, east and west.

You might say Latvia can lay claim to best capturing the spiritual essence of the region. It is the true Baltics.

Commentary

Although relatively small in land area and population Latvia can take a role as an important part of an important territory and thus use the Baltic region to give itself leverage.

Due to recent history, the Baltic region may not be as coherent a geographic region as 'Scandinavia' or 'Mediterranean Europe' but it is still thought of by the world at large as a region. For many, this region is seen as having potential. The key question here is what 'Baltic' really conveys – does it convey negative connotations? Should there be a Baltic brand? In addition, how can Latvia execute its central location within the Baltic region and still avoid the 'heart of the...' cliché?

Moreover, Estonia and Lithuania have only reluctantly gotten on board with the promotion of the region, instead preferring to focus on their own initiatives; Estonia looks to Finland and Lithuania looks to Poland; neither really looks to Latvia for anything. This may signal an opportunity for Latvia to take the lead, since the other two states are putting their energies elsewhere. However, laying claim to being a leader in the Baltics may create stress in the relationship of the three countries.

Tourism

From a tourist perspective this scenario helps to position Riga as the capital of the Baltics and possibly Latvia itself as the 'real Baltics' or authentic Baltics. The message to tourists is that you cannot say you have been to the Baltics without visiting Riga and Latvia.

FDI

As long as the Baltic region is seen as desirable, which in the short to medium term seems to be the case, then positioning Latvia as an important part of an important region works well. The message to business is that if you are interested in the Baltic region, on its own merits or as a link to Russia, then Latvia – and particularly Riga – is the place to be. It enables the idea of Latvia as a Baltic tiger to be further enhanced.

Exports

Latvia's transit industry is likely to continue to be of significance and as such being a central part of this region enables this to be developed. As Latvia moves towards exporting services then this scenario enables a message about the positive qualities of the Baltic worker.

Influence

As discussed, the key to Latvian political influence will be its ability to form alliances and work with its Baltic neighbours.

Scenario 3: *A natural place*

Core Idea

Latvia offers a uniquely unspoilt natural environment and nature is at the heart of the Latvian people and their traditions. In modern times, the preservation of this environment and the sustainable development of ecological industry – keeping Latvia an unspoiled place – are of paramount importance.

Latvia is a place in touch and in harmony with the cycles of nature. And Latvians, far better than most, know how to harness and work with nature due to their rural traditions.

The balance and harmony inherent in nature, extends to other areas of Latvian life. Latvians are a civil people, who by habit like to prettify things. This is exemplified by the way they so freely give flowers. Moreover, Latvians preach and practice gender equality, with women enjoying a notably higher stature in Latvian society.

Commentary

'Greenness' could provide an antidote for the negative connotations of post Soviet stereotyping –namely pollution. However, there are a few pitfalls with this approach. Already, for example, we know that Germans imagine Latvia as a kind of peasant idyll, a dreamland of rakes, hay, birds and women in headscarves; needless to say this image does little for modern-day Latvia as a whole based on the four main arena of interest that we have defined.

Also, care needs to be taken to avoid green as being anti-business; promoting the organic angle over the political activist slant would be very important.

Finally, Latvia has a booming urban and technological capacity that has little to do with the countryside. Focusing on this one aspect may ignore the needs of these other sectors.

Tourism

This scenario helps with the fledgling eco tourist industry and gives a springboard on which to encourage more tourists to explore beyond Riga into the countryside, where economically they are most needed.

FDI

The EU CAP is leaning towards environmental issues and as such a 'green' image could be very useful for ensuring that Latvia attracts EU agricultural grants. Furthermore, environmentalism projects a sense of order and regulation which allies Latvia with its Scandinavian neighbours.

Exports

This scenario fits in well with agricultural products – especially organic produce. There is also a sense that green means clean and this in turn suggests products produced in a place that is regulated and reliable.

Influence

At face value, this would position Latvia well for any environmental issues and suggests that Latvians are responsible. Beyond this it doesn't particularly enhance Latvia's influence without some major new initiative in the field.

Scenario 4: *An authentic peasant nation*

Core Idea

Latvia is the last remaining genuine peasant nation in Europe. It has charming and genuine traditions and preserves an agrarian lifestyle lost across the rest of the continent. This idea needs to be presented as a part of a wholesome, positive, earnest and friendly quality that Latvians possess.

There are possible ways to expand this notion: Latvians, in addition to being well-educated, are also a toiling, accomplishing people, driven by traditional values and work ethics.

Latvians have an ability to maintain traditions while embracing modernity, to keep the old ways in mind while adopting progressive ones.

Commentary

This position is a cousin to the 'Land that Sings' campaign in some measure. The peasant image potentially could be seen as patronising or backwards; it may be good for ultra-niche tourism but not good for projecting modernity. It does however stand out from the plethora of 'European heart' brands that appear to litter Eastern Europe and as such may be able to find a more modern and vibrant voice. An important parallel with Ireland can be drawn – a country that comfortably places Riverdance alongside a modern growth economy, and one that is known for its folk poems, songs, and traditions. However, the fact that these co-exist doesn't mean that they reinforce or benefit one another.

Tourism

Works well with the small niche of people interested in folk cultural tourism and more broadly suggests 'authenticity' and possibly romance. However, it doesn't give an image of sophistication or refinement and the Latvian language is inaccessible to most.

FDI

It doesn't project a sense of modernity or of an economy about to embark on becoming a knowledge-based service economy.

Exports

Works well with handcrafted goods or anything that requires some authenticity in its creation but again doesn't really say much about modern Latvia.

Influence

This scenario doesn't really say anything to help or hinder Latvia's influence, except cast shades of doubt on its level of sophistication.

Scenario 5: *A new dawn*

Core Idea

Latvia has reawakened. For the last fifty years, it lay hidden from the world and has now – like a sleeping beauty – emerged, fresh, revitalised and ready to make a new start.

With this new dawn brings a *New Latvia*, which has carefully preserved the best from its heroic past but now also the vigour of opportunity. It is now growing, blossoming and refreshing. A place you can come (or invest your capital) to be refreshed. It was frozen during Soviet times – not destroyed but preserved, retaining its true stalwart and peace-loving personality – and is resurging now in the invigorating, cleansing sunlight of freedom.

It's daybreak in Latvia: a new era of peace and prosperity has begun.

Commentary

Implicit in this idea is the reference to Latvia's recent past. Whilst this past is unavoidable it is often uncomfortable and with some internal audiences it may not be seen as a positive start to defining Latvia's future. In addition, whilst the idea will work for the short term, it is less clear how much longevity it has; Latvia can only be rediscovered for so long. More importantly, for this idea to work its execution needs to be differentiated from Estonia's strategy 'positively transforming' which also talks of change and newness. However, as a central theme it provides a positive wrapper for all the different arenas.

Tourism

A sense that Latvia is somewhere 'new' and still to be discovered (or rediscovered) plays well with the Tourist industry at all levels.

FDI

Similarly, this idea conveys the idea that Latvia has untapped potential.

Exports

This gives a platform on which product reputations can themselves be rediscovered or reinvented.

Influence

A new dawn in part suggests that Latvia was an important part of the world and should be treated as such again as it takes up its rightful place in Europe.

Final Recommendation

Latvia is in a curious position. In some ways, it's lovely but unremarkable. There is no Big Ben, no Eiffel Tower, no Great Wall, no proprietary history of high art, no truly booming industry. Instead they have a panoply of folk songs, deep woods, resilient people, and a vibrant capital city.

But Latvia obviously has something more: it has a unique position in the world, a unique history, a unique function. The brand identity that is most enduring and true is that Latvia is the keystone of the Baltics; it is the core of the region. This idea is expanded below:-

The Keystone of the Baltics

The notion of 'Baltic' exists on maps, in the names of companies, on project names and in the minds of Northern Europe's peoples. It provides the foundations of brand equity upon which Latvia can build. Within this region, Latvia is at the centre, it is the core – an essential, unmovable part, a region which matters. Geographically, Latvia is a hub for its immediate Baltic neighbours. However, the notion of the Baltic region extends beyond the trio of Latvia, Lithuania and Estonia – it extends across the Baltic Sea to form the Baltic Rim where 8 EU countries (Finland, Sweden, Denmark, Germany, Poland, Latvia, Lithuania and Estonia) will trade, interact and prosper.

This 'Baltic Area' is important for Europe and the world at large. It has a rich history. It is economically and politically important. Most of all, it is a region with potential.

Latvians are a Baltic people. They have a direct lineage to the original Baltic tribes (and when compared to their neighbours) are the most essentially Baltic of the Baltic peoples. They capture the spiritual essence of the region. They are authentic.

The Baltic character is one of endurance in the face of opposition. It is one of celebration and strong tradition. It is about being hard working and conscientious. It is sincere and trustworthy. It is intelligent and thoughtful. It is an intellectual spirit where people read and debate. It is where education matters. Above all it is dependable and reliable.

Riga is unquestionably the capital of the Baltics. Its size and sophistication reach beyond the confines of Latvia. This positions Latvia as the natural leader within the Baltics.

Keystone is a term used to describe the rock that sits at the centre of an arch to hold it in place. This metaphor is indeed similar to the 'bridge' positioning often ascribed to Latvia, but we feel it's stronger. Rather than simply branding Latvia as a thoroughfare between two places (Europe/Russia), we feel the keystone imagery grounds Latvia as the foundation of both north and south as well as east and west. It conveys a sense of the ancientness of Latvia's history as well as the solidity of it. It avoids the clichés of 'heart' and 'centre' at the same time. It's serious but not overly complicated. It is dependable and durable.

Choosing the best 'idea' or scenario for Latvia's brand identity is essentially a qualitative exercise. There are advantages and disadvantages with each scenario. The key ingredient, which we believe makes a 'keystone of the Baltics' stand out, is that it enables Latvia to leverage its identity with the progress and importance of a whole region. As such, it is more of a cooperative strategy than a competitive one. It is this notion of regional cooperation, which we believe to be the critical success factor in achieving sustainable growth in tourism, exports, FDI and political influence. A coordinated voice of 7 million people will carry more

weight than a single country can muster. Latvia's neighbours have in some respects turned their backs on the Baltic region providing Latvia with a unique opportunity to claim ownership of the idea and occupy the competitive space.

How well the idea itself can work depends upon how successfully the idea can be deployed within the four arenas. We now explore how the idea can be applied to each arena and how it should be modulated and emphasised.

Tourism

There are two components of the identity to emphasise in the context of tourism. Firstly, it is the idea of Latvia being the authentic Baltic. This concept of 'an authentic experience' can be extended into Latvia's authentic traditional culture, and its equally authentic, high culture of opera and ballet. Similarly, Latvian nature and the back-to-basics aspects of the countryside, provide a similarly authentic experience. All of these aspects combine to give the definitive Baltic experience. The trend for modern tourists to seek something new and personally defining, make the notion of Baltic authenticity a compelling claim. The message is that you cannot say you have been to the Baltics without visiting Latvia and that Latvia is an essential component of any Baltic trip or experience. Secondly the brand emphasises Latvia's position in the Baltics. It is not a place to pass through; it is the natural centre and obvious choice of base for any trip. A tourist can travel to Lithuania and Estonia for the day, but they should stay in Latvia. Riga provides the raw material for this claim.

'A keystone of the Baltics' should not be used as a strap-line for any tourist activity but its essence should be. The communication must project both the notion of 'authentic Balticness' and its location as a hub/home/capital within the region.

As discussed, for this to be credible, there will need to be improvements to the transport infrastructure.

Practical examples: The word Baltic should be used whenever feasible with Latvian tourist destinations. For instance Jurmala should be subtitled 'The Baltic Riviera'. The concept of authenticity is less easy to communicate. It will require stories and histories which put specific tourist experiences in the context of Baltic traditions and histories. For example, any tourist staying in a country lodge should have the importance of the country dwelling in the Baltic region explained to them. In order to communicate Latvia's central location and suitability as a base Riga should be used and sold on a platform which suggests it as the capital of the Baltics.

FDI

There are three components of the identity to emphasise in the context of FDI. Firstly, there is Latvia's location as the physical and economic centre of the Baltic region. As the physical centre it is key for all transit – this may help to promote Latvia's juxtaposition with Russia without specifically referencing it. As the economic centre it is the key for basing investment in the region, a region which is the fastest growing in Europe. It will be important to stress that the Baltic Rim is a place you will get a return on your investment because it has untapped potential.

The second aspect of the brand to emphasise is Latvia's reliability and dependability – in essence its stability. Latvia has a stable macro economic environment. The implicit stability and permanence of a 'keystone' projects such an image.

The third aspect of the brand will be the Baltic qualities of the Latvian people themselves – educated, hard working and reliable. As Latvia moves to a knowledge economy, it is these characteristics, which need to be built into a reputation that fits with modern service industries.

Exports

In a similar vein to FDI, there is an opportunity for the brand to emphasise and project the idea of the Baltic people being excellent providers of service industries – a modern Baltic

work force. The message is that you can rely on Baltic people because they are hardworking, educated and diligent. In addition, Latvia's location as a hub or keystone can communicate its natural advantages for transit trade. Within the CIS, the Baltic region already has a reputation for more sophisticated goods, a reputation which can be enhanced by communicating the quality of intelligence and calibre of the workforce. In the realm of agricultural products, the idea of a Baltic workforce should imply a degree of care and attention to detail. In the case of organic products the notion of authenticity can also be used – goods produced in an authentic Baltic way, which is of course how nature intended them.

Influence

For political influence the idea must simply communicate 'we are the critical part of the Baltic region'. This needs to be supported by the fact that they are also a reliable and dependable part of the region; an essential partner in any initiative or event that might impact upon the region. The message is that you cannot consider the Baltic region or Baltic rim without considering Latvia. An undercurrent of the communication (which should perhaps not be made explicit) is that it is the leader of the Baltic region. To help achieve this Riga should be promoted as a destination for any conferences and events within the region.



Cathedral, Riga

Implementation

Fundamentals of Implementation

It is beyond the scope of this project to provide a detailed plan of how the brand should be implemented. This would require a full creative execution to be developed. This proposal has provided a few possible and well-researched scenarios for Brand Latvia, even identifying a victor among them. But whatever idea is chosen in the end, it is best further engineered with the help of professional consultants who have experience in country branding. Determining the brand identity is just the start of the programme.

The process of implementation must be directed by and participated in by Latvians, and the eventual result must be approved at the highest levels of Latvian society.²⁶ This dynamic brings specific challenges. Some will inevitably be dissatisfied with the proposed direction and resist. “The first rule of rebranding a country,” says brand specialist Simon Anholt only half-jokingly, “is to keep very quiet about your plans until you have real results to show, or the inevitable storm of invective will jeopardize the whole initiative.”²⁷

Once the brand’s central idea has been agreed to, ways must be developed to modulate and visually articulate the message for all relevant channels. The messages required for tourism, inward investment and export will vary, and must be appropriate for each audience. In devising visual aspects, designers should look not just at logos and ad displays, but at everything from airport terminals to embassies. These – buildings, slogans, typefaces, graphic styles – are real results, and once they exist, the implementation phase kicks into high gear. There will be a sticky period during which specific initiatives are evaluated, reformulated or even dispensed with as appropriate, and which will pose many challenges to the implementers.

The challenge at this point is therefore *coordination*. Above all else, the implementation of a national brand must be done in a coordinated way that adheres to a long-term strategy.

²⁶ Ojars Kalnins’ proposal to conduct a country-retreat “ideation session” moderated by the J. Walter Thompson firm could form an aspect of this process.

²⁷ Simon Anholt, “US created gap between image and hard reality,” *Marketing*, April 11, 2002, p. 20.

Brand Oversight & Coordination

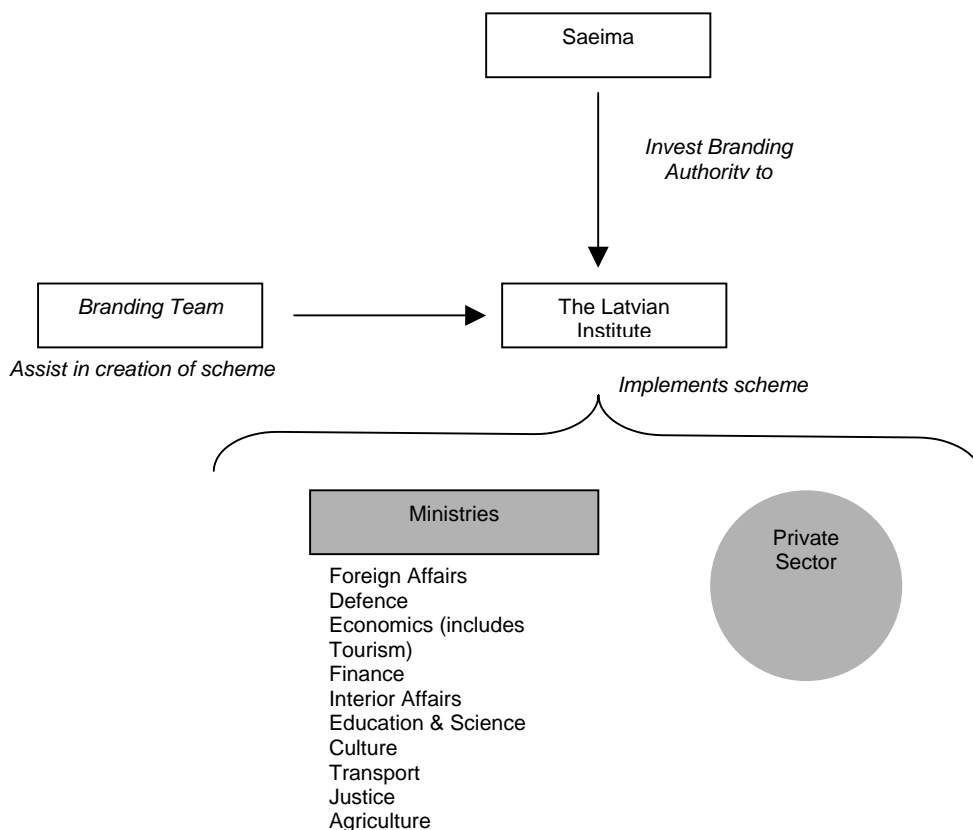
This coordination effort requires a Brand Steward who is invested with the authority to direct and to implement. This role is not micro-managerial or meddlesome; there simply needs to be an authority in place that has the power to act.

In our view, the Latvian Institute meets all of the essential criteria (autonomy, permanence, neutrality, and connectedness) and is the ideal candidate to administer the working group, steering committee and the overall stewardship of Brand Latvia. This idea is not new in Latvia, and is roughly in keeping with Model 2 of the “Course of Action to Reach the Aims of the Policy and Achieve Results” laid out in the document entitled “Main Principles of Latvia’s External Communication for Years 2003-2005”:

The Latvian Institute creates the main message about Latvia in collaboration with the External Communications Coordination Council...[and in collaboration with the Council] designs the external communication plan...administrates [and evaluates] the execution of [the plan]...forwarding the evaluation...to the cabinet.”

The Latvian Institute, in our view, requires much more status and visibility in order to do this work effectively. The idea is to use the very existence of the Institute better in promoting Latvia. A Riga storefront location, for example, perhaps even adjacent to an official tourist bureau, would provide the kind of prominence such a branding campaign requires and will reinforce its message. This campaign must be obvious and omnipresent to be effective. It’s also an opportunity to sell more of the Institute’s cultural materials, as well as Latvian goods, in a more entrepreneurial and effective manner; there are certainly revenue-generating possibilities here that can help to offset other costs.

We illustrate diagrammatically how this relationship might operate across the different ministries, many of whom now work totally independently when it comes to any branding efforts. Certainly a degree of diplomacy will be required to push forth this agenda, particularly when working with the private sector.



The Brand Steward should initiate an inventory of current activities going on within the auspices of each Government ministry, as well within relevant organisations, bodies and companies within the private sector. From there, each set of activities should be scrutinized within the context of the overall brand remit, and adjusted as appropriate. The point is not for the Brand Steward to give directives to each of these groups; rather the point is to enable them, and give them the tools that will ensure their efforts are harmonious with those of their counterparts in other arenas to guarantee a joint national vision.

Administration and Costs

Developing a brand identity and logo development can be expensive; we were told anecdotally that Estonia paid approximately €2.3 million for its campaign, which was handled by Interbrand. As a point of contrast, the tourist development agency in Latvia has a budget of less than a quarter of that amount.

Yet Latvia will indeed need to make an investment in this project on the highest levels for the initial campaign in order for it to be handled properly; we hesitate to put a figure on the effort without a full determination of scope. Below is a rough breakdown of where this money should be spent.

- Branding Agency Hire & Expenses
- Asset Creation in support of new identity
- Added Administrative Expenses of managing the initial programme
- Changing existing logos, signs, stationary, advertising material
- Operation of Brand Coordination Programme to ensure communication and compliance within public and private sector (ongoing LI budgetary component)

Aside from these costs at the top levels, however, within the realm of each ministry this campaign does not necessitate any changes in the current budget process. Departments and agencies would request and receive funding by the same process used currently, only going forward, the brand would be kept in mind as a driving factor behind the entities' actions. It is possible that it will be found, in some cases, that existing department and agency budgets need only to be spent *better* (in other words, more in accordance with the brand) and not in ways that require significant additional funding. In any event, the total additional costs for ministries to implement Brand Latvia will depend on how much budget enhancement versus budget redirection is called for.

Expectations and Conclusion

*"Image and progress unfailingly go hand in hand, and although it is usually true that image is the consequence of progress, rather than vice versa, it is equally true that when both are carefully managed in tandem, they help each other along and create accelerated change."*²⁸

--Simon Anholt in *Brand New Justice*

Three things must be kept in mind from the very beginning of this process. The first is that a national branding initiative is not a short-term ad campaign or marketing push. It is a long-run strategic effort which is unlikely to show benefits in fewer than five or so years, and whose greatest benefits may arise fifteen to twenty years down the line.

The second thing to realize is that a country brand, even less than a product brand, cannot be controlled. It may be managed, but even then not in every instance and only to a degree. Unforeseen events – the ascension of Latvian pop star to international renown, the sinking of a Latvian company to international infamy – will affect the way Brand Latvia is perceived by its various audiences. The only thing to be done about this is to expect it. Be flexible. And be prepared to make the best of any new circumstances that arise.

The third thing to remember is that it is better to have a positive brand, if it is at least a decent one, than to have a negative one --or to leave the branding of the nation to the winds of fate. As long as Latvia remains basically unbranded, something could happen that is out of its hands and that brands it in a way that is strongly, even irredeemably, negative.

A positive, thoughtful, well-wrought, sustained and supported branding campaign offers Latvia with its best defense against this eventuality. To once again quote Wally Olins:

"All countries communicate all the time. They send out millions of messages every day through political action or inaction, through popular culture, through products, services, sport, behaviour, arts and architecture. Collectively, all these millions of messages represent an idea of what the nation as a whole is up to, what it feels, what it wants, what it believes in. It should be the task of government – with a very light touch – to set the tone for these messages, and to lead by example where appropriate so that something credible, coherent and realistic can emerge."²⁹

The solution for Latvia nation branding, well executed – a chance to lift the veil, show its face, and promote its charms more brightly, more positively, and more cohesively than ever before.

²⁸ Simon Anholt, "Everybody Wants to Brand the World," *The Economic Times* (India), March 26, 2003. <http://economictimes.indiatimes.com/cms.dll/html/uncomp/articleshow?msid=41363110>

²⁹ Wally Olins, *On Brand*, London: Thames & Hudson, 2003; p. 169.



Painted advertisement, Riga's Old Town

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Latvian Ministry of Economics	http://lem.gov.lv
Latvian Development Agency	http://www.ida.gov.lv/eng
Central Statistics Bureau	http://www.csb.lv.avidus.cfm
The Latvian Institute	http://www.latinst.lv/
Welcome to Latvia	http://www.lv/
Latvian Folklore	http://folklor.lv/en.shtml
Latvians Online	http://www.latviansonline.com
Latvian Embassy in US	http://www.latvia-usa.org/
Latvia Tours	http://www.latviatours.lv/LT/LatTourProd.nsf/WebMain/
Riga Expats	http://www.rigaexpat.net
The Baltic Times	http://baltictimes.com
Baltic Markets	http://balticmarkets.com
Diena	http://www.diena.lv
NY Post	http://www.nypost.com
European Union	http://europa.eu.int
UN	http://www.un.org
NATO	http://www.nato.int
WTO	http://www.wto.org
CIA World Fact Book	http://www.cia.gov/cia/publications/factbook/geos/lg.html
Transparency International	http://www.globalcorruptionreport.org
Soros Foundation	http://www.soros.org
European Travel Commission	http://www.etc-corporate.org
European Bank for Reconstruction & Development	http://www.ebrd.com
Center for Markets in Transition Helsinki School of Economics	http://www.hkkk.fi/english

Interviews

Interviews: Internal

STEERING GROUP

- Aigars Rungis, Client Services Director, McCann-Erickson Riga
- Rikard Berug, the Vice-rector of Vidzeme University, from Norway and on board of LI
- Maris Graudins, Head of Consensus PR, American-raised

GOVERNMENT/POLICY

- Ilmars Mezs, Head of International Organisation for Migration
- Peteris Elferts, Parliamentary Secretary, Minister of Foreign Affairs
- Inesis Bokis, the Mayor of Valmiera
- Zigmars Brunavs, Marketing Council, Latvian State Institute of Agrarian Economics
- Solveiga Silkalna, Foreign Affairs Adviser to the Prime Minister
- Sandra Jonikane, Rezekne City Council
- Andris Aukmanis, Soros Foundation Latvia
- Nellija Locmele, Editor-in-Chief, Policy.LV (Soros Foundation Latvia)
- Janis Vitolins, 1st Deputy Chairman, Ventspils City Council
- Viesturs Silis, Public Relations, Free Port of Ventspils Authority
- Dagnija Stukena, LATO: Latvian membership in NATO
- School of Borderguards and Border Guard Dogs

TOURISM

- Martins Malcenieks, Head of Cesis Tourism Information Centre
- Agnese Jakovica, Marketing Manager, Latvian Country Tourism Association
- Liga Miesniece, Head of Marketing, Latvian Tourism Development Agency
- Gundega Zeltina, MD of Latvia Tours, member of Rotary Club
- Margarita Platace, Sales & Marketing Director, Hotel de Rome, Riga
- Sofija Gubane, Information Specialist, Ventspils City Council
- Igors Klapenkovs, Inspiration Riga Campaign

CULTURE/ARTS

- Inese Runce, Guide, Jewish Museum
- Ilva Krisane, Riga Gallery - The Artists Union of Latvia
- Inese Baranovska, Director, Artists Union of Latvia
- Mara Lace, State Art Museum Director
- Andris Rozenbergs, Latvian National Film Centre
- Valdis Abols, Producer, "Environmental Film Studio" documentary production company
- Divs Reiznieks, Head of International News Desk, Latvian Television 1
- Ilze Alksne, Journalist, International News Desk, Latvian Television 1
- Pauls Raudseps, Editor of Commentary Page, Daily Newspaper "Diena"
- Davids, Fashion Designer and Boutique Owner
- Brigita Strode, PR Director, Latvian National Opera
- Sandis Prusis, Champion Bobsledder
- Mara Bergmane, Owner/Practitioner, Countryside health farm
- Peteris Uspelis, Ceramics Workshop

BUSINESS

- Marats Filips Samasuskis, Creative Director, J. Walter Thompson Riga
- Gundars Strautmanis, President, Lattelekom
- Regina Svirska, Corporate Communication Division Director, Lattelekom

- Maris Slokenbergs, Former Rector of Riga Economic School, President of Rotary Club
- Tomass Kotovics, Head of Communications, Latvia's State Forests
- Uldis Osis, President, Konsorts, Management Consulting and Corporate Finance
- Aina Biljone, Director, Department of Membership and PR, Latvian Chamber of Commerce
- Lilita Seimuskane, Director, Ventspils Development Agency
- Maris Ginbergs, LATIO, Real Estate Company
- Edgars Klavinsh, Nook Ltd. Sawmill Blade Production

“MAN ON THE STREET”

- Russian shopkeepers
- Mauritian student
- British students
- Finnish tourists
- Latvian student
- Dutch Construction Supply Salesman

Interviews: External

- Former PM of Estonia
- US deputy ambassador to Latvia
- Director of a Swedish economic policy institute
- A Nobel Prize winning economist
- Former staffer at European Parliament
- Finance Director (Soviet Studies PhD)
- Lithuanian Creative Director
- Estonian Musician
- Estonian Travel agent
- Ukrainian Cleaner
- Russian MBA x2
- German MBA x3
- British MBA x3
- Chinese MBA x1
- French MBA x1
- American MBA x2
- Mphil student in Russian History
- Private Equity Director, British
- Financial Economist, Latvian descent
- Canadian Jew of Latvian descent
- American Jew of Latvian descent
- Canadian Fashion Creative Director
- Italian photographer and tourist
- Russian electronics salesman
- Finnish businessman / tourist
- Nepalese cook at Indian restaurant
- Norwegian and British backpackers

Places and Events

Within Latvia

- General tourist sites: Freedom Monument, Riga Parks, Old Town
- Rotary Club Luncheon, Riga
- Riga Markets
- Song Festival
- Occupation museum
- Jewish museum
- State Art Museum
- 'Arsenal Museum' currently showing abstract art exhibit
- Special exhibit at Foreign Art Museum, featuring French Art Nouveau pieces brought from Hermitage in 2nd-ever cooperation since independence; attended opening ceremony
- Local tourist shops and souvenir sellers
- Services/Shops: Spa, Photo, Supermarket, Pharmacy, etc
- Latvian restaurants, including typical 'lido' style and Russian restaurants.
- Forays into Latvian night life in Riga
- Jurmala (beach area 40 minutes from Riga city centre)
- Cesis (historic castle town)
- Valmiera (university town and major centre)
- Sigulda (Castle, and major Baltic Folk festival of singing and dancing)
- Ventspils (port town)
- Kuldiga (tourist town)

Regional Trips

- Two days in Norway, to Oslo
- Two days in Sweden, to Stockholm
- Three days in Finland, including Helsinki
- Three days in Estonia, including Tallinn, Tartu and Parnu
- One day in Lithuania, to Vilnius