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Branding – Your Passport to Global Business Transformation

Assalamualaikum Warahmatullahi Wabarakatuh

Salam Sejahtera.

Beta bersyukur ke hadrat ILAHI kerana dengan izin dari Nya juga, Beta dapat berangkat untuk menzahirkan titah utama di *Brand Entrepreneurs Conference 2011* pada pagi ini.

I welcome this opportunity to be here for the third consecutive year to engage with the vibrant Malaysian business community. I am very encouraged to see the kind of attention that is being given to brand-building especially for SMEs. SMEs are very important economic drivers. They are the largest provider of employment, especially of new jobs, and a major source of technological innovation. If we look at the some the world's biggest branding sensations, such as Coca-cola, Chanel, Dell, General Electric, Microsoft, Sony and Virgin, all of them were once struggling start-ups. And all of them employed strategies that would eventually transform them into powerful global names.

2. There is no doubting the global dominance of American brands over the last century. Looking at the world's ten most valuable brands today, as calculated by Interbrand, nine are American. (The exception is Nokia). Looking at the top 20, 13 are American, 4 are European, and 3 are Asian. The Asian brands that made the list are Toyota (in 11th place), Samsung (in 19th) and Honda (in 20th). Canon and Sony were not very far away at 33rd and 34th place¹.

3. Among Asian brands, the Japanese dominate. Their upper hand is mostly due to the fact that they began developing brands a full generation before the rest of Asia and struggled long and hard to attain their present status. Japanese brands, in general, are at a much more advanced point on the development curve as compared to the rest of Asia, and are therefore more appropriately categorised alongside western brands. South Korea is gaining a reputable position with some very well-respected global marques. Taiwan is not far behind.

4. China is trying very hard to shed its low cost, low quality image, and is beginning to strive for a greater global presence of their brands. Over the past ten years, Chinese companies have stunned the world with highly developed, high-technology companies producing everything from sophisticated consumer electronics, to complex information and bio- technologies; and even acquiring first-tier Western companies. Lenovo's purchase of IBM's PC division is probably the most celebrated of such acquisitions. China is also making major investments in human capital especially in the fields of engineering, which will allow Chinese brands to move further up the value chain.

¹ Interbrand, Best Global Brands 2010

5. India, like China, has a burgeoning middle class, which is raising the bar for Indian companies. Arcelor-Mittal is the world's leading steel company. Wipro and Infosys are giants of IT. The Kingfisher brand, which started out as a domestic beverage producer, now includes an international airline and is behind the entrance of Force India into the world of Formula One.

6. So where does that leave us? Malaysia is among the best performing economies in the post- World War II period, and one of only 13 countries to record an average annual growth of more than 7 percent over 25 years. Growth was brought about mainly by an export-oriented low cost manufacturing model, backed by foreign direct investment. That model however has run out of steam. Malaysia finds itself in a very tough and competitive neighbourhood. Our costs are no longer low in comparison to other emerging economies in the region like Vietnam, Indonesia and Thailand.

7. The key to substantial and sustainable growth in the coming years lies in competing at the higher end. A significant part of this process is to develop entrepreneurs and brands that will raise the competitiveness of our products and services. With the increasing commoditisation of business offerings, consumers are deluged with a huge variety of goods and services from every part of the world. Brands provide identity and meaning to these goods and services. Consumers today do not just want products that are good, but also those that they can identify with and have an affinity for. Good brands provide instant reassurance and garner trust.

8. We already have some good home-grown performers and here I would like to mention Air Asia, Malaysia Airlines, Maybank, CIMB, Petronas and Selangor Pewter. The challenge for most Malaysian brands today is to elevate

their status beyond local awareness and acceptance, and to join the ranks of brands that are globally accepted, globally trusted, globally preferred.

9. I have spoken about how well some countries are doing in terms of their brand development. In fact, the reputation of countries themselves is crucial in shaping public opinion. With every nation competing for consumers, tourists, investors, students, international sporting and cultural events and favourable media attention, national image is a differentiating factor. France, for example, is associated with the fashion industry; Japan with electronics; the United States with software engineering and the entertainment industry, Germany with mechanical precision engineering; Switzerland with banking, optics and the hospitality industry.

10. Companies from countries with positive reputations find it easier to do business abroad. The nation brand acts as an endorsement, opening doors and generating trust and respect. On the other hand, companies from countries with poor reputations find themselves facing many obstacles to penetrating global markets. Even if an organisation is competent, the national stereotype often acts as a barrier, and the company will have to expend a lot of time and energy proving and defending itself.

11. In Malaysia, the government is doing all it can to build a reputation that will advance the country's economic and social goals, and one that is indicative of the spirit, the drive and the ability of the Malaysian people. Among the government's plans is to transform the Greater Kuala Lumpur area into a global city on par with other world-class cities. This would entail, among others, providing a conducive environment where multinational corporations, international organisations, international financial institutions and a first-rate hospitality industry can thrive. Kuala Lumpur currently hosts the regional

offices of some large multinational corporations including British Telecom, B.Braun, Hess, Schlumberger, Xinhua and British American Tobacco. The Four Seasons and St. Regis will soon add to the line-up of Kuala Lumpur's prestigious international hotel chains.

12. A world-class city also requires an advanced infrastructural architecture, from high-speed information and communications services to efficient transportation networks. A comprehensive mass transit system is being developed for Greater Kuala Lumpur. The Kuala Lumpur International Airport is already established as an award-winning airport, and there are plans to increase its significance as a hub for many international airlines.

13. To be in line with these aspirations, Malaysian business entities need to also develop brands that stand out in terms of quality, utility and ingenuity. When Malaysian brands start demonstrating these as common features, they have the power to create a buzz in the global market and begin generating positive perceptions about the country, and its products and services.

14. I wish to mention here that Malaysia has built a very sound reputation in the field of Islamic banking and finance. The Malaysian Islamic Financial Centre is recognised as the most established and innovative in the world. It is the world's leading *sukuk* originator and is a hub for Islamic fund management services, *takaful* and *re-takaful*, as well as Islamic finance education, training, research and consultancy. While the government has provided the necessary support, the private sector has been a major driver of innovation and growth in the industry.

15. Malaysia's Islamic finance industry is a classic example of seeing a new global opportunity and finding a market space to thrive in. Malaysia has also

brought value to the global *halal* production market. The Malaysia International Halal Showcase has gained worldwide recognition as the largest exhibition of *halal* products and services, giving Malaysia the opportunity to emerge as a market leader in this field.

16. The other point I wish to highlight is that the digital world is changing consumption behaviour, which directly impacts brand building. There has been an explosion in the types of digital media available today, giving people instant information and putting an end to information monopolies. Modern-day marketing is a global dialogue between people in blogs, social networks, review sites and countless other fora, where practically every product is evaluated and critiqued, and either endorsed or rejected.

17. In such an environment, brands have the opportunity to listen to the conversations taking place in the market, engage with consumers, address concerns and deliver what is desired. Many progressive companies are seeing the social network phenomenon as an opportunity to solicit consumers' ideas to help develop their next generation of products and services. For example, last year, the Fiat design team engaged with tens of thousands of young web users from 160 countries to help design Fiat's new concept car. Lego ran a toy design competition where winning entries enjoyed a 5 percent royalty from the sales proceeds of their creations.²

18. In a world of such digital connectivity it is difficult for brands to sidestep public scrutiny. Brands have to walk their talk or face rejection. The more well known a brand, the lower the tolerance for mistakes, bad decisions or questionable practices.

² Clifton, R et al, The Economist - Brands and Branding, 2nd edition, (New York: Bloomberg, 2009), p 223.

19. Which brings me to my final point. As the lines between business, society and the environment continue to blur, corporations face a stark choice: They must either establish a meaningful presence as responsible corporate citizens, or run the risk of brand erosion. In recognition of this, most top companies have adopted Corporate Social Responsibility (CSR) strategies. This is in fact a very important exercise, not just in increasing brand value, but because corporations, with their vast financial resources, expertise and talents, are in the best position to contribute to causes ranging from environmental sustainability, fair trade and ethical labour practices.

20. When a well-run business applies its resources to problems that it understands, feels strongly about and have a direct stake in, it can make a greater positive impact than any other institution. For example, an energy company could do well by focusing on R&D for sustainable energy sources. Likewise, a food manufacturer could do well by supporting local producers and by promoting good nutrition. Such initiatives will, in turn, earn the organisation respect and credibility in the marketplace; enhance its brand; increase customer loyalty; motivate the workforce, and spur innovation.

Ladies & Gentlemen,

21. Conferences such as this have proven to be useful platforms – conduits for us to meet and take stock of where we are and how we should progress to become leaders and experts in our respective fields. More importantly, it gives us the chance to evaluate how we can contribute to advancing our economy up the value chain and to uplifting the welfare of our people. I therefore commend the SME Corporation Malaysia and the Branding Association of Malaysia for organising this conference and for being unrelenting in steering

Malaysian businesses towards gaining a competitive advantage in the global marketplace.

22. I wish all of you a very stimulating conference and every success in your businesses.

Thank you.