

**Brand South Africa
Research Note**

**International Investor
Perceptions and the
Nation Brand
-
Views from Singapore**

By:

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1. Introduction

Brand South Africa's mandate requires the organisation to clearly understand the reputation, competitiveness, and perceptions of South Africa in key international markets.

As part of its approach towards achieving this mandate, Brand South Africa draws insights from its international investor perceptions research. This is a key source of information that assists Brand South Africa in developing, among others, its strategy for engaging in the relevant markets.

The International Investor Perceptions study is geared towards understanding investor perceptions of South Africa as a country with which to do business. Brand South Africa appointed IPSOS, a recognised market research company, to implement the study. Research was carried out in 16 markets, including a number of African markets as well as our BRICS partners. Interviews were conducted with individuals with decision-making power or influence within their companies when it came to exploring international business opportunities.

The study presents Brand South Africa with valuable insight on key issues that impact positively and negatively on South Africa's reputation in select markets.

This Research Note will hone in on the Singaporean market and provide an overview of perceptions of investors of South Africa as a country with which to do business.

2. Country Brand Health Funnel

A key component of Brand South Africa’s Investor Perceptions survey is the Country Brand Health Funnel, which measures the country’s reputation according to levels of awareness, familiarity, favourability, trust and advocacy. Figure 1 below illustrates the logic behind measuring these attributes and the way in which they contribute to overall reputation:

Figure 1: The Country Brand Health Funnel



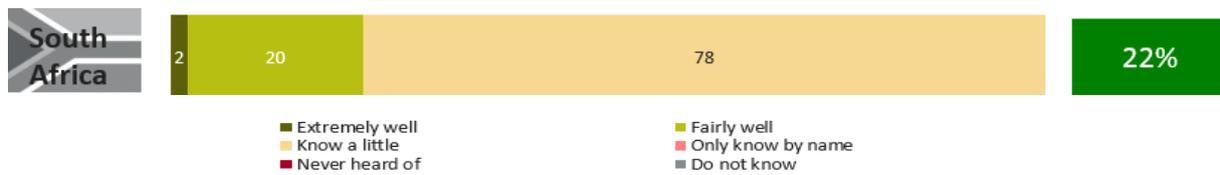
What follows now is an illustration of perceptions of Singaporean investors around each of these attributes and the extent to which they would endorse South Africa as a country, particularly as one with which to do business.

2.1. Familiarity

When asked how well they knew South Africa, only 2% of the respondents said they knew South Africa extremely well, and one-fifth (20%) said they knew the country fairly well. A significant proportion reported knowing the country “a little” (78%).

It should be noted that this is the first time Brand South Africa conducted the investor perceptions study in the Singapore market. It provides insight into the challenge the Nation Brand will have to overcome in the Asian context to create higher levels of familiarity and awareness.

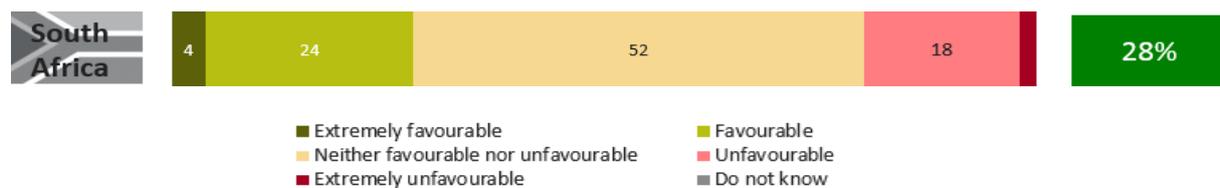
Figure 2: Level of Familiarity with South Africa among Singaporean respondents



2.2. Favourability

When asked to take into account all the information they had heard or come across about South Africa, 24% of the respondents had a favourable impression of the country. Only 4% had an extremely favourable impression and just over half the respondents were ambivalent: 52% had a “neither favourable nor unfavourable” impression of South Africa.

Figure 3: Overall Impression of South Africa among Singaporean respondents



On the flipside, 18% had an unfavourable impression of South Africa. This is relatively high compared to other markets where the survey was conducted - in most countries this figure was well below the 10% mark. Taken together with the relatively low familiarity levels, one can hope that with increased familiarity (i.e. increasing awareness of the Nation Brand among the 78% that only knew the country fairly well) comes increased favourability.

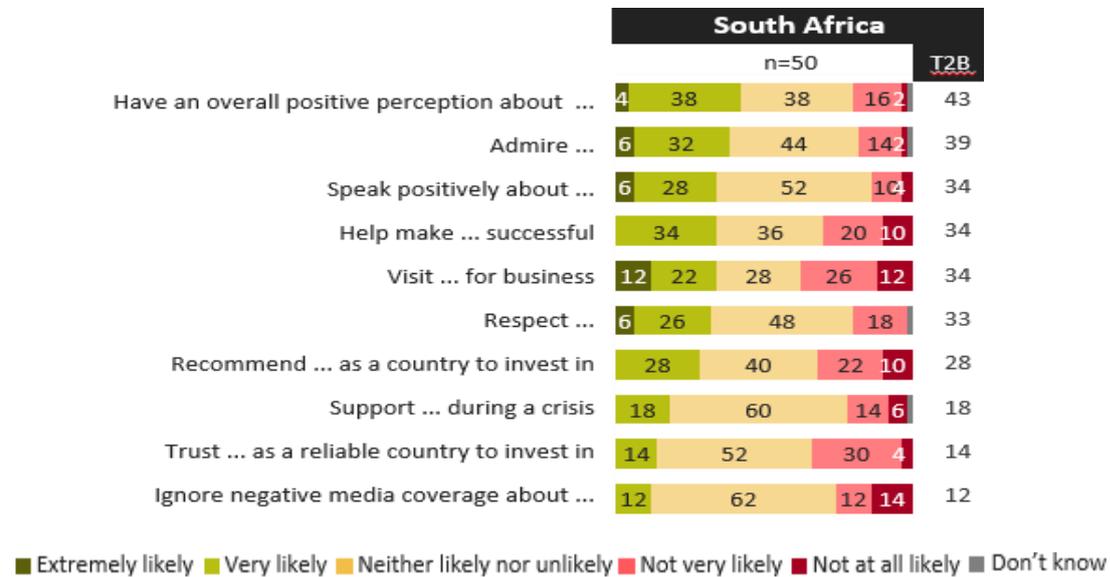
As it stands, only 14% of respondents interviewed were currently conducting business in South Africa, while 34% were considering conducting business in the country. Nearly half (48%) said that they would not consider conducting business here.

2.3. Trust and Advocacy

The survey also measured levels of trust and advocacy, asking respondents to state how likely they are to express certain sentiments about South Africa. Questions asked included how likely they were to visit the country for business, how likely they were to admire South Africa, or how likely they were to recommend South Africa as a country to invest in. Figure 4 below illustrates the extent to which

Singaporean investors would advocate for South Africa according to the select criteria:

Figure 4: Trust and Advocacy levels

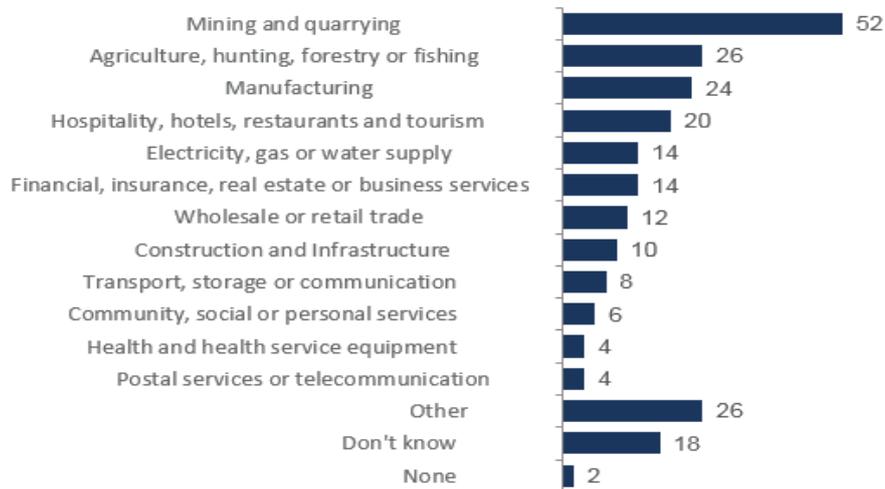


The figure above shows that South Africa achieves the highest score for “have an overall positive impression about South Africa” (top two box score of 42%) and also performs well for “admire South Africa”.

3. Key Industries associated with South Africa

Respondents were also asked which industries they associated with South Africa, and in the case of the Singapore, the **mining and quarrying industry** was the one the country was most closely associated with.

Figure 5: Industries Singaporean investors associate with South Africa



Q7. Thinking of South Africa, which industries do you associate with the country?

This insight is useful insofar as it provides the country with information about the industries it is considered to be strong in, with a view to potentially leveraging on that strength to build its reputation. It also identifies industries the country is less well known for, and points to areas where more work is required should South Africa wish to enhance its reputation in a relatively less prominent sector.

4. Key (Un)Attractiveness Features of South Africa among Singaporean Investors

In order to manage country reputation, it is essential that one understands what makes a country appealing to potential investors, as well as what concerns them. Such perceptions matter - be they based on experience or hearsay - as they influence decisions on whether or not to conduct business in any given setting.

4.1. Investor Concerns

For this reason, the survey asked respondents what would prevent them from doing business in South Africa.

As illustrated below, “political unrest/instability” is the single biggest issue concerning Singaporean investors, while the “high level of corruption” was also noted as an area of concern.

Box 1: Top 3 concerns deterring Singaporean investors from conducting business in SA

- Political unrest/instability - 34%
- High level of corruption - 16%
- Unfavourable business laws, regulations, policies/lack of business competition law - 14%

* Note: This was an open-ended question, designed to encourage respondents to list their concerns without being influenced or guided towards any particular answer.

The perception of political instability is an interesting one, particularly if one compares South Africa to a country like Thailand. The latter has a history of military intervention in politics since the end of the absolute monarchy in 1932, witnessing a total 12 coups in that period. Yet this persistently unstable political situation has done little to weaken or dampen the country's investor appeal. In fact, in the latest Anholt-GfK Roper Nation Brands Index report, Thailand is ranked higher than South Africa both on the Governance dimension as well as on the Investment & Immigration.

This raises a number of questions, among others whether attention to the political goings-on is skewed towards certain countries, whether questionable assumptions are made about social unrest as being a sign of political instability, and even whether there is something South Africa can learn from Thailand in terms of remaining attractive despite perceived challenges in the domestic environment.

Moreover, as is the case for Chinese and Japanese investors, perhaps the fact that South Africa is a less familiar environment than a closer neighbour like Thailand is what makes investors more risk averse.

4.2. Investor Appeal

In addition to needing to understand investor concerns, knowing what makes a country an attractive investment destination allows the leveraging of strengths that can be banked on to enhance country reputation and promote investment.

When asked what made South Africa an attractive country to invest in, Singaporean respondents had the following to say:

Box 2: Top 3 characteristics that make South Africa attractive to invest in

- Strong/stable/growing economy/sound economy - 18%
- Availability of cheap labour/low labour costs - 14%
- Population size, etc. - 4%

* Note: This was an open-ended question, designed to encourage respondents to list all features that came to mind without being influenced or guided towards any particular answer.

A strong/growing economy and the fact that South Africa has low labour costs are two factors that were mentioned most often.

5. Investor Communication

As the country's official marketing agency, one of Brand South Africa's primary responsibilities is to develop and implement proactive and coordinated marketing, communication and reputation management strategies for South Africa.

An understanding of the sources stakeholders rely on when seeking information about a country as an investment destination or trade partner is key to developing an effective communications strategy, as is knowing the formats stakeholders prefer to receive information in.

This assists Brand South Africa in tailoring its messaging and packaging information about the Nation Brand in formats most appropriate for the targeted market.

Furthermore, these insights can also serve other entities, such as the Department of Trade and Industry (DTI) or the Department of International Relations and Cooperation (DIRCO), by providing recommendations on the most appropriate channels to use when communicating with their stakeholders.

5.1. Sources of information

Figure 6 below shows that Singaporean respondents rely most on **business associates with experience in South Africa** when seeking information about the country as an investment destination or trade partner. **Trade shows & exhibitions** are the second most common source of information.

Figure 6: Top 5 Sources of Information about South Africa



Q13. Where do you receive your information about South Africa as an investment destination or trade partner?

This implies that when seeking to attract future investors to South Africa, Brand South Africa and other government entities would do well to ensure that businesses already operating in the country are given pride of place on its platforms, as it is they who can advocate for the country as a prime/attractive investment destination.

Based on the above insights, Brand South Africa and other government entities are also encouraged to ensure that the country's presence at trade shows are prioritised where these investors are expected to attend.

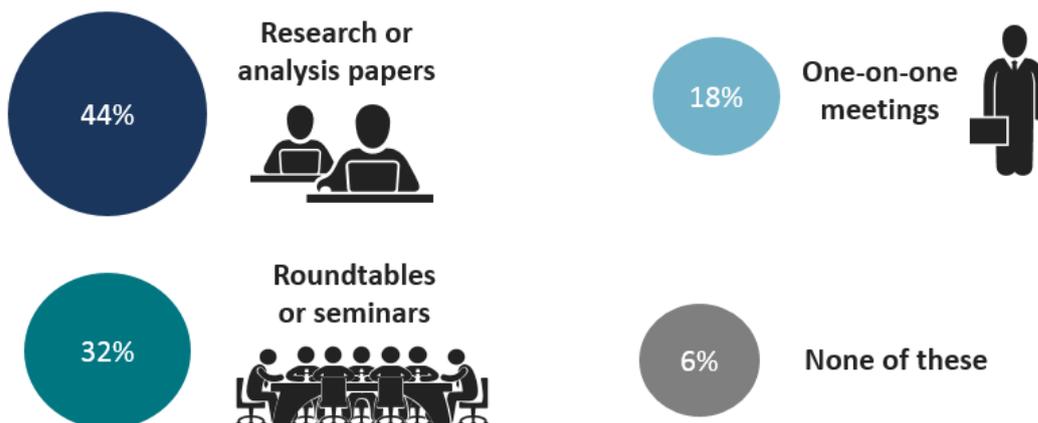
5.2. Preferred method of receiving information

As mentioned above, another important objective of the research was to understand how best to communicate with stakeholders in a targeted market.

Here Brand South Africa sought to understand which of the three key platforms it currently uses to communicate with its stakeholders are the most appropriate when relaying information to potential investors about South Africa as an investment destination or trade partner.

In the case of Singaporean investors, the majority of respondents preferred to source information from research papers (44%), 32% preferred to attend roundtables and seminars, and less than a fifth preferred to receive information via one-on-one meetings (18%).

Figure 7: Preferred method of receiving information



Q15. Which is your most preferred method of receiving information about South Africa as an investment partner or trade partner?

The figures above indicate that business stakeholders have a clear preference for written formats.

Unlike other markets such as Germany and the UK, where respondents showed the little interest in attending roundtables or seminars (10% and 4%, respectively), the figures above show that Singaporean investors preferred these over one-on-one meetings.

These findings can give guidance to entities such as Brand South Africa when planning their engagements with stakeholders in the Singaporean market, particularly those from the business environment.

6. Enhancing Country Reputation: Key lessons from and for Investors

This Research Note presents a snapshot of Singaporean perceptions of the Nation Brand. In addition to providing a sense of the level of familiarity and favourability of Singaporean investors with South Africa as a business destination, among others, it has also highlighted the industries with which South Africa is most readily associated.

As seen in findings from Singapore and Japan, the Asian markets require special attention. This is due to the fact that the Asian region remains, from a global GDP output point of view, important markets to monitor and engage with.

The country brand health funnel hangs in the balance as the majority of Singaporeans have little awareness of the country. What is interesting though is that they appear to be aware of South Africa's "political instability". This is worrisome, as politically, the country has been a stable democracy since 1994. However, one can only assume that labour strikes, particularly in the mining sector, have raised concern over stability among investors.

Questions raised around the impact of domestic strikes on perceptions of political stability and how this is interpreted as political instability will need to be explored further.

That said, in order to grow the South African Nation Brand's equity in the region, it is necessary to intervene with stakeholder- and marketing campaigns to raise familiarity. Familiarity is the basis from which favourability, and ultimately Trust & Brand ambassadorship can grow.

It is necessary to engage with Singaporean entities already in the South African market to develop a deeper understanding of investor concerns, and to identify appropriate channels through which work can be done to improve awareness and familiarity with South Africa among business and decision-making audiences in Singapore.

The development of a promising strategy to manage country reputation requires deeper knowledge, not only about the perceptions of potential foreign investors, traders and visitors, but also about the broad set of factors that contribute towards reputational capital. This unique empirical research contributes to that body of knowledge, and hopefully provides not only food for thought, but cause for action.

Brand South Africa's Research Notes and Research Reports communicate findings from Brand South Africa research and related panel discussions. The Research Notes and Reports are intended to elicit comments, contribute to debate, and inform stakeholders about trends and issues that impact on South Africa's reputation and overall competitiveness.

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