International Business News

Minister says Air India needs bailout

AFP, *New Delhi*

Air India needs a bailout of nearly 620 million dollars to keep flying, a minister said in remarks published Monday, in which he added he was certain the loss-making airline would survive.

The flagship airline, which posted a 1.03-billion-dollar loss for the fiscal year ended March 31, and other Indian carriers have been hit by overcapacity in the industry and a sharp drop in passengers due to the economic slowdown.

"The airline will survive. Every time it was in trouble the problems were rolled over, and we will roll over this time also," Civil Aviation Minister Praful Patel told India's Business Standard newspaper.

Patel said he did not want the government to have to bail out the state-run carrier but added that "we have to do certain things as shareholders" of the airline.

"Air India should be sold, but I've been asked to keep it going," he told the newspaper.

"The airline needs a 30 billion rupee (618.6 million dollar) equity infusion and the conversion of high-cost debt to low-cost debt to keep it going," Patel added.

The airline has been seeking financial aid from the government along with soft loans to remain afloat.

A decision by Patel to allow more private carriers to fly in India's skies has undercut the airline's competitive position and has led to criticism from trade unions that he has endangered the airline's survival.

Thai economy shrinks by 4.9pc

AFP, *Bangkok*

Thailand's economy shrank by 4.9 percent year-on-year in the second quarter but is showing signs of recovery from the global slowdown, official figures showed Monday.

It was the third consecutive quarter in which gross domestic product (GDP) dropped, although it was an improvement on the 7.1 fall in the first three months of 2009, the National Economic and Social Development Board said.

"The Thai economy has passed the bottom point. There are signs of recovery in the second quarter in terms of jobless figures, government investment and private constructions," said the board's secretary general, Ampon Kittiampon.

But Ampon told reporters that the economy will continue to contract in the third quarter before finally moving into positive territory in the last three months of the year.

"The economy in the second half of the year will improve, even though the GDP in the third quarter will shrink due to the limited global economic recovery, which will affect Thai exports," he said.

The board also revised its growth forecast for 2009 to between minus 3.0 and 3.5 percent, from its previous estimate of minus 2.5 to 3.5 percent.

AFP

A man prepares smoked fish to be sold at a market in Manila yesterday. The Philippines economy may have contracted by between minus 0.1 and 0.9 percent in the three months to June according to the latest forecast from the economic planning ministry, reports said.

Foreign business warns Philippines on labour bill

AFP, *Manila*

Overseas investors will flee the Philippines if Congress passes a bill making it harder to hire short-term workers or lay-off employees, foreign businesses warned on Monday.

Chambers of commerce representing foreign businesses including those from the United States, Europe, Japan and Australia said in a letter to Congress that passage of the bill "will discourage investments and businesses and result in the loss of jobs."

"Further, existing investors could close and move to more investment-friendly destinations in the region," the chambers said.

The bill would particularly hit growing industries like agriculture, business process outsourcing and tourism, the letter warned.

It includes a provision to limit the number of short-term or contractual employees firms can hire, while another requires restaurants and hotels to re-hire the same workers for any further expansion projects.

It also limits the type of subcontracting that companies can engage in, the chambers said, warning that this would hit the flexibility of their operations.

Taiwan jobless rate hits record high

AFP, *Taipei*

Taiwan's unemployment rate in July hit a record high of 6.07 percent largely due to an increase in first-time jobseekers during the graduation season, the government said Monday.

The July figure is up from 5.94 percent recorded in June, the directorate general of budget, accounting and statistics said.

On a seasonally adjusted basis, unemployment in July rose to 6.01 percent, up from 5.91 percent from the previous month, the agency said.

In July, the number of unemployed people totaled 663,000, up 16,000 from June, including a rise of 14,000 first-time jobseekers, it said.

For the first seven months of this year, the jobless rate hit 5.78 percent, up 1.89 percentage points from a year earlier, the government said.

TECHNOLOGY

Microsoft, Yahoo brace for probe

AP, *Washington*

Yahoo Inc and Microsoft Corp hope that by joining forces, they can tilt the balance of power in internet search away from Google Inc. First, however, Yahoo and Microsoft have to convince regulators that their plan won't hurt online advertisers and consumers.

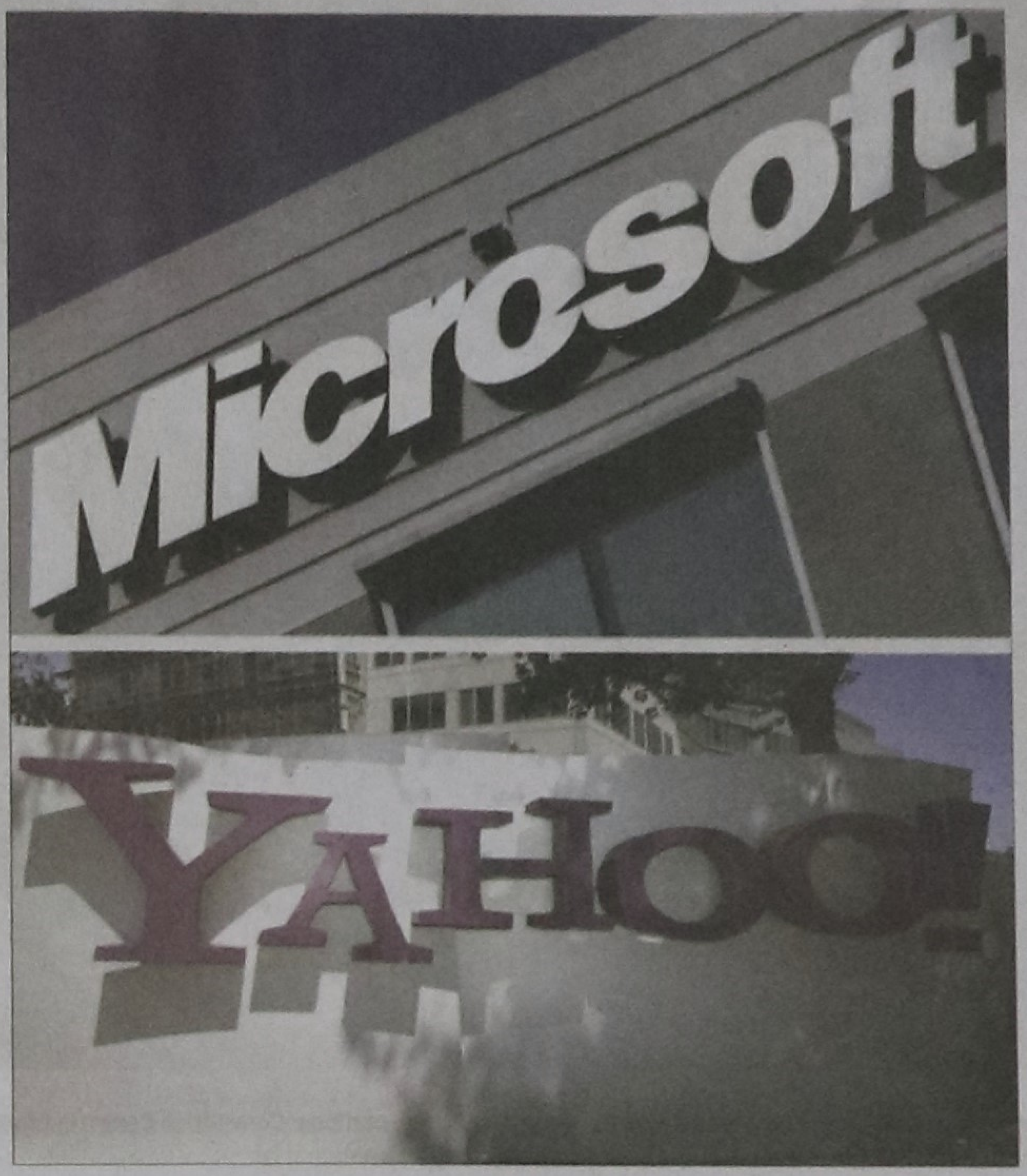
As the US Justice Department reviews the proposed partnership, approval figures to hinge on this question: Will the online ad market be healthier if Google's dominance is challenged by a single, more muscular rival instead of two scrawnier foes?

The first step toward getting an answer came this month when Microsoft and Yahoo filed paperwork with federal regulators to comply with the Hart-Scott-Rodino Act, an antitrust law governing mergers and alliances between competitors. The Justice Department has until early September to approve the agreement or -- as is likely in this case -- request additional information.

European regulators are also expected to review the deal. Microsoft and Yahoo are bracing for the probes to extend into early next year, and the outcome is far from certain.

Just nine months ago, Google abandoned its own proposed partnership with Yahoo to avoid a showdown with the government, which had concluded that Google was already too powerful in the lucrative market for selling ads alongside search results.

Google had hoped to extend its reach even further by selling ads next to some of Yahoo's search results, and in the process, keep Yahoo out of Microsoft's clutches. Microsoft aggressively lobbied against the partnership.



With the Google-Yahoo inquiry behind them, US antitrust regulators are likely to enter this examination with a clearer definition of the Internet search landscape and a better understanding of how it affects the steadily growing online advertising market.

Justice Department spokeswoman Gina Talamona would not comment on the antitrust review, whose existence was confirmed by Microsoft and Yahoo.

Microsoft is counting on the Yahoo partnership to close the wide gap separating the software maker from Google in search. Under the 10-year agreement announced last month, Microsoft's Bing search engine would process all search requests and steer search-related ads on Yahoo.

Analysts believe the move will free Yahoo to phase out of the search business so it can focus on other products. Yahoo would keep 88 percent of advertising revenue generated by searches on its site for the first five years of the deal, and as much as 93 percent in the final five years.

The Microsoft-Yahoo alliance may stand a better chance of winning antitrust approval than the Google-Yahoo pact because it would combine the second and third players in the search market instead of the top two, said Melissa Maxman, head of the antitrust practice group at Baker & Hostetler LLP. In fact, a combination of Microsoft and Yahoo would still lag far behind Google.

Google handled 64.7 percent of all US Web searches in July, while Yahoo processed 19.3 percent and Microsoft 8.9 percent, according to comScore Inc.

The lopsided competition means neither Yahoo nor Microsoft has a large enough audience on its own to lure a significant amount of search advertising dollars away from Google, argues Microsoft General Counsel Brad Smith.

"Advertisers want scale," Smith said in an interview, "so we need to increase our scale to offer something compelling to advertisers."

Already, one large group of advertisers that opposed the Google deal is supporting the Microsoft marriage.

Last year, the Association of National Advertisers feared Google would gain too much pricing leverage over advertisers through a Yahoo alliance. But Microsoft still won't be in the driver's seat if it teams with Yahoo, said Bob Liodice, president of the trade group. Its members include such big marketers as Procter & Gamble Co, Johnson & Johnson and General Motors Corp.

"This is a whole different ball game," Liodice said. "We are not concerned about monopolisation of the market as a result of two weaker competitors coming together. We would still have a very competitive marketplace."

Maxman said regulators will have to consider another factor as well: Yahoo may need Microsoft to survive. Although it remains profitable, Yahoo might not be able to afford to keep spending so much money on search -- where it has been losing ground to Google for years --while its hold on its audience is threatened by rapidly growing Internet hubs such as Facebook and Twitter.

Nevertheless, Maxman said, antitrust regulators could still conclude that Microsoft and Yahoo don't absolutely need each other to compete effectively with Google. Microsoft has deep pockets and plenty of brainpower. And while Yahoo's profits have been slipping for the past three years, the company is now run by a chief executive, Carol Bartz, who has been trying to instill more discipline and focus during the first seven months of her tenure.

"There is no reason that with the right management and right strategy that it can't remain a viable third alternative in the search market," said Matthew Cantor, a New York attorney specialising in antitrust law.

Antitrust regulators generally frown on deals that create duopolies, unless one of the players can show it needs to bow out of a cutthroat competition to stay alive, Cantor said.

"The Justice Department's goal is to prevent the market from becoming too concentrated," Maxman said.

The real challenge for antitrust regulators, she said, is that it can be difficult to predict how a rapidly changing technology market will evolve.

A decade ago, Microsoft's stranglehold on PC software triggered an antitrust case that led regulators to conclude the company had abused its control over PC operating systems. Now, Google has emerged as the industry's fearsome giant -- a transformation underscored by the Justice Department's decision to block Google's proposed deal with Yahoo last year. Antitrust regulators are also reviewing the potential effects of a legal settlement that would give Google the digital rights over millions of copyright-protected books.

COLUMN

Financial brands: It's time to act

AFTAB MAHMUD KHURSHID

Just recently when I have gone through the latest Brand Finance report, it was found the global financial crisis has taken a heavy toll on banks' brand valuations.

During the recent market turmoil, some have argued that branding is the last thing bank CEOs should be wasting their time on. They are nothing to do with superficial issues like branding -- though still brand has its value. However, branding is far more important now than it has ever been, precisely because it is about much more than logos and marketing communications, especially for the financial service organisations. Brands are a key driver of business and with further consolidation likely, in the banking sector, their value needs to be considered. Brands are one of the most valuable intangible assets in business today. The world's top 500 banks lost brand value worth \$218.1 billion, a 32 percent drop over the last year, while their market capitalisation slumped by \$3.9 trillion, or 51 percent, according to Global Banking 500, a review of the top financial services brands in the world measured by both brand strength and brand value conducted by UK-based agency Brand Finance.

Rank 2008	Brand	Brand Value
1	ICBC	9,794
2	China Construction Bank	8,866
3	Bank of China	6,907
4	HSBC	5,571
5	Sberbank	4,531
6	MUFG	4,051
7	SMFG	2,900
8	Mizuho	2,309
9	Shinhan Bank	2,226
10	Bank of Communications	2,188

In millions of dollars

Stats cover Asian region

Source: Brand Finance Global Banking 500, 2009

The Brand Finance report said Asia was the second biggest contributor to the overall loss in market capitalisation with a fall of 23 percent. However, banks with exposure in the region saw only small reductions in brand value as the Asian region contributed only 3 percent to the global fall in brand value. The Asian region is unsurprisingly dominated by banks based in China.

Brand expert Martin Roll stated: "A branding drive in Asia is progressively emerging and will change the global landscape in the next decades if taken seriously by Asian boardrooms and if managed properly throughout the entire organisation."

The year 2008 was characterised by deepening financial crisis that had begun with US sub-prime mortgage crisis in 2007 and the domino effect of defaulting mortgage backed securities and structured credit products that incurred huge losses. Liquidity was still a worldwide issue with inter-bank lending and customer lending severely hindered by the economic challenges. Considering the current market volatility, financial institutions face critical year ahead. We think many companies will redouble their effort to maximise their marketing investment.

According to the report of 2009, the total decline in brand value of the Global Banking 500 is \$209 billion. Eighty-four percent of the total loss in brand value is among the top 100 brands. One hundred and ninety-eight brands drop out of the study, reflecting an extremely turbulent year in markets where once-famous brands like Lehman Brothers are no more. For banks today, the strength and marketing power of an institution's brand is rapidly becoming one of the critical levers for differentiation and success. A powerful brand can change customer behaviour, improve business economics, gain competitive advantage and provide a clear mandate for employees.

There is significant opportunity for savvy banks to articulate and execute a brand strategy. To brand a company successfully is a rigorous process for developing the promise that an institution wants to communicate to its customers, and for executing a strategy that delivers on that promise. To make sure that the brand promise is achieved, a strong guardianship function is required. The best approach is to create a dedicated brand management in the bank. Where CEO is the CBO. As the management guru Peter Drucker once said: "Whenever you see a successful business, someone once made a courageous decision." Creating a strong brand management function as such, the marketing takes a central role in guiding the corporate strategy by having the top management team and the CEO regularly updated about the brand strategy, customers and markets.

This is very much not in place in most of the organisations and sometimes brand gets task oriented and cannot play proper role. The old saying applies here -- commands from different commanders confuse soldiers. The brand is led by the boardroom and managed by brand marketers with an active buy-in from all stakeholders.

People may still ask why bank branding is important. To brand or not to brand is no longer a question of marketing alone. The decision to launch a branding or re-branding programme has evolved into a business concerned often directly addressed by CEO-and-Board. They understand that the brand is, in fact, the institution. While marketing and advertising serve to illuminate branding, to deliver the brand's message across diverse media to intended audiences, only logo change is not enough. Bank branding really begins at the core of the organisation and works its magic from the inside out. But in most cases, people think branding means only heavy advertising and publishing press releases. If a bank is perceived as no different from its competitors, it is in trouble. That is why we brand. The brand creates the difference. In a crowded and confusing marketplace, a recognisable, meaningful brand has become today's most valuable business asset.

Many financial services organisations, brokerage firms and non-traditional financial services now understand the importance of brand building, specifically those outside the traditional banking industry to attract financial services customers. But moving quickly to build a brand that communicates a powerful message to financial services consumers is critical. Global banks like American Express, Citibank, HSBC and Merrill Lynch have invested millions to build their brands proactively and strategically.

Building a branded banking business is to understand the role of the brand in that particular business, including the leverage it can provide across markets and product categories. Critical part is positioning clarity, consistency and relevance. Unfortunately many of the local banks clearly do not know what a brand stands for and will be actively communicated to the target audience. In many cases, firms, from smaller banks to the biggest, cannot differentiate their product as per consumer needs.

The organisation must be aligned with the people, products and services, physical network and service level required to communicate and reinforce the brand message, every time a customer comes in contact with the organisation. The significant changes required may challenge the management of traditional financial services companies. There are a few reasons for what brand communications get marginalised -- basically everybody thinks they are an expert, communication works at a subconscious level, creativity is subjective, marketing seen as a cost centre, not many tools of measurement available, needs top management support for success.

With appropriate senior management commitment, building a relevant and powerful brand for any consumer-focused company, including a bank, is a reasonable goal. Branding is the science and art of corporate strategy. This balancing act may overcome the illusions of how ideal corporate brands can exist. It is branding strategies like this that can help a corporate entity establish with certain purpose, people and processes. Branding in financial services is undergoing substantial changes, owing to the dramatic increase in competition following deregulation and the threat posed by new entrants or global banks with branding experience. So, it is time to act.

The writer is a brand strategist and marketing professional. He can be reached at aftabmahmud@yahoo.com.