

THE IMPACT OF COUNTRY BRANDING ON COMPETITIVE ADVANTAGE: EVIDENCE FROM THE COMMERCIAL AVIATION INDUSTRY

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Abstract

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This study aims to investigate the direct effect of *country branding* on *competitive advantage*, applying it to the commercial aviation industry in Egypt. The results of the analysis showed that there is a positive relationship between the *country branding* and *competitive advantage* in Egyptian commercial aviation industry. The study reached a number of results, the most important of which are: the necessity of concluding strategic alliances for the purpose of establishing new airports and developing the existing ones, increasing the air fleet, in order to accommodate and increase the number of flights and achieve a competitive advantage, thus building a good reputation for the country and building a brand for the nation, which contributes to attracting more air traffic.

Keywords: Country Branding, Competitive Advantage, Commercial Aviation Industry

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1. INTRODUCTION

Previously, the competition was based on production factors; now, as a result of globalization and the intensity of competition among countries, the country's brand has become an important matter, as the country's brand seeks to promote the characteristics and advantages of the country and cities, in addition to the characteristics of its population, in order to achieve the country's competitive advantage. To instill a positive image of the state's characteristics in the minds of the target audience so that they can identify it; as a result, countries have increased their interest in developing and implementing marketing strategies for the country's brand in order to gain a *competitive*

advantage (Rojas-Méndez & Khoshnevis, 2022). *Country branding* refers to the use of branding and marketing communication methods and techniques to promote the country's image (Ahmed et al., 2022). Country branding is gaining traction among academics and practitioners, and many nations are branding and rebranding themselves, realizing that a positive national brand attracts visitors, investors, media, and future residents (Rojas-Méndez & Khoshnevis, 2022). Because of the importance of the term branding, as considered by most countries, both rich and poor countries make every effort to launch branding initiatives that pave the way for building cooperation and success. As a result, country branding is a broad phrase and a potent tool for gaining a competitive advantage (Ünalın et al., 2020).

Competitive advantage is an essential idea, whether in businesses or countries because everyone strives to obtain a competitive edge that distinguishes him from others in order to provide value to customers (Fabrizio et al., 2022). The existence of a competitive advantage for the nation is very important as it distinguishes it from the rest of the country and also guarantees the country's economic income and prosperity (Warlina et al., 2023). The competitive advantage development is concerned with the integration and use of both resources and capabilities. Companies seeking a competitive advantage will implement strategies that capitalize on both internal and external capabilities (Che-Ha et al., 2016). Marketing firms use branding strategies that make it difficult for competitors to imitate them. As a consequence, the brand serves as the basis for a company to achieve long-term strategic advantage (Brodie et al., 2017). Despite the fact that the commercial aviation sector is important but still underdeveloped in many developing countries. Investment in air transport infrastructure has increased dramatically in emerging markets over the last two decades, fueled primarily by increased traffic and facilitated by economic and institutional reforms. Furthermore, higher gross domestic product (GDP) growth, combined with middle-class growth and increased regional and global economic integration of developing and emerging economies, suggest that the aviation sector in these regions will continue to grow at a healthy rate over the next few decades, assuming adequate infrastructure development. Notwithstanding recent high growth rates, African nations continue to experience critical infrastructure supply constraints, particularly in air transportation infrastructure.

It has been projected that Africa would need to develop several airports in order to meet the expected rise in demand of over three million more passengers per year by 2040. International Air Transport Association (IATA) publications also stress the need for enhancing Africa's international airports. According to the International Monetary Fund (IMF), greater investment is needed in Egypt to expand transportation infrastructure and maintain good connections between ports, airports, and markets via well-connected road and train networks. Egypt's entire investment gap in transportation infrastructure for the next ten years is expected to reach US\$70 billion, or around 27% of the current GDP (Njoya & Ragab, 2022).

Therefore, this research aims to investigate the impact of *country branding* on *competitive advantage*, applying to the commercial aviation industry in Egypt. To achieve this goal, the study seeks to answer the main research question:

RQ1: What is the impact of country branding on the competitive advantage in the Egyptian commercial aviation industry?

The remainder of the paper is structured as follows. Section 2 presents the literature review and hypothesis development. Section 3 details the research methodology and sample construction, while Section 4 provides the results and discussion of the results. Section 5 concludes the findings of this study.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Country branding and its dimensions

Country branding is the process through which a country defines its identity, promotes itself, attracts attention, and distinguishes itself from others (Bexzod, 2022). Country branding is defined as "all perceptions of a country in the minds of its international stakeholders" (Wu, 2017, as cited in Shahrokh & Sepahvand, 2022, p. 49). Country branding, on the other hand, are a collection of factors and connections such as physical location. Country branding is a 21st-century economic strategy adopted by nation-states to boost their global competitiveness (Lee, 2023). Anholt (2011) compares developing a country's image to branding a product or company since nation branding needs deep participation, identification, and emotion.

Country branding, on the other hand, are not actual things or services, but rather a collection of variables and relationships such as geographical location. Many countries are attempting to do branding in order to build relationships between various actors that are not confined to states and extend to the state's public and private sectors and aid in nationalism and participation in multilateral projects. Country branding strives to assess, establish, and manage a country's reputation and is closely tied to brand positioning. The authors describe "national brands" in diplomacy in a globalized world: theories and practices as the application of corporate marketing principles and practices to countries in order to promote their reputation in international relations (Kerr and Wiseman, 2017, as cited in Rojas-Méndez & Khoshnevis, 2022).

The physical dimension of the state brand: brand is a sign that distinguishes the goods or services of a company in a specific country from the goods or services of other companies in other countries. Trademarks are protected by intellectual property laws.

Human capital: alternative human capital is a collection of characteristics (all knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively by individuals in a population). These resources are a people's overall capacity, which is a type of wealth that may be directed to meet the aims of a nation or state, or a portion of those goals (Rojas-Méndez & Khoshnevis, 2022).

Export is the selling of goods from one nation to another in accordance with a recognized system and rules and regulations that support imports from consuming countries and exports from exporting ones (Rojas-Méndez & Khoshnevis, 2022).

Investment: adding additional production capacity to the community's existing productive assets by starting new projects, extending existing ones, or replacing or renewing initiatives.

Foreign direct investment (FDI) refers to international capital movements that attempt to establish, grow, or sustain more foreign subsidiaries and/or wield control or considerable influence over the foreign company's management (Rojas-Méndez & Khoshnevis, 2022).

Culture and heritage: the cultural tide constitutes a prominent importance in identity as it derives its roots through long centuries of the nation's history, which prompts it to maintain its roots extending into the depths of its history associated with its vocabulary and elements rooted in its origins.

Social: from the social point of view, the marketing man must recognize the role that groups, personal means of communication, family, mass communications, and the commercialization and culture of society play in the decision-making process that the consumer plays when purchasing.

2.2. Competitive advantage and its dimensions

Competitive advantage has long been seen as an essential business concept (Cenamor, 2021; Kryscynski et al., 2021). In management research, competitive advantage has been utilized as both a direct and indirect concept (Teece, 2020). Competitiveness is defined as the capacity to outperform competitors in order to accomplish the following goals: 1) profitability, 2) stability, 3) expansion, 4) innovation, and 5) renewal (Saeidi et al., 2019). According to Chao et al. (2022), competitive advantage is a circumstance that positions a firm in an advantageous or superior business position in comparison to its competitors. He also feels that gaining a competitive edge is critical in a competitive market since customers base their purchasing decisions on a comparison of the company's offers and those of rivals.

The effects of competitive advantage can be overcome by competitors if the project depends on only one advantage and the solution is to make new designs for the product at the lowest cost and work to reduce and reduce the cost of raw materials. And it is also by multiple sources of competitive advantage, so it is difficult for the competitor to imitate. Regarding the degree of continuous renewal, development and improvement of competitive advantage: organizations seek to create new and advanced advantages in a faster way than the speed of competitors imitating the current competitive advantage. Organizations must change the old advantage with a new one and create advanced and modern competitive advantages. It is not enough that the organization has a competitive advantage, it must be able to develop knowledge in the performance of this advantage. Excellence over competitors calls for relying on a real competitive advantage that is created after deep awareness and thinking in order to ensure the organization is highly competitive as well as stay within the group of competitors and grow in the market. Competitive advantage is an attribute that distinguishes competitors from others because it is considered a goal or objective that puts the competitor in an appropriate position to create value (Papp-Váry, 2018). Competitive advantage has long been seen as an important term in management (Cenamor, 2021; Kryscynski et al., 2021).

While previous research in business management (between 1985 and 2000) focused on developing company strategies to acquire a competitive advantage (Porter, 1989), later studies (between 2000 and 2015) dealt with firm capabilities that supplement firm plans to gain a competitive

advantage (Park et al., 2012). Studies in recent years (since 2015) have focused on shifting organizations' perspectives from economic benefit to social advantage (Cantele & Zardini, 2018).

2.3. The relationship between country branding and competitive advantage

The concept of country branding is important in attaining country competitiveness for a variety of reasons, including poor performance, weaker products and services, and a bad attitude in this sector, which can tarnish the reputation and capacity to compete on a global scale. As a result, successful branding may benefit a country by providing a competitive edge (Ünalán et al., 2020). According to a study by Li and Feng (2022), country branding is a strategic marketing tool to increase the country's competitive advantage, so it stipulates the need to attract investment, talent, and tourists, in order to enhance the competitive advantage, which distinguishes the country from competitors in the global market, the goal of building a brand for country branding is to increase sales, exports, increased stability, and job creation for the local population. The study of Rop (2022) established a link between nation branding and competitive advantage, and the results showed that the relationship is statistically significant.

The purpose of the study of Boan (2022) is to determine the significance of a country's brand and how country branding might employ marketing methods to obtain gains through their brand. The study demonstrated the significance of a strong brand for the country and how it may provide many competitive advantages in addition to political and economic benefits. Numerous studies have established the link between nation branding and competitive advantage, such as Che-Ha et al. (2016) for Malaysian case.

According to the findings, Malaysia may be depicted positively through export, human capital, culture and legacy, and political initiatives. While certain factors (human capital, culture and heritage, and politics) are crucial for instilling pleasant feelings in its population, others (export, human capital, and politics) are seen as critical instruments for gaining a competitive edge. This study also emphasizes the significance of branding toward a country's population and disclosing the unique preferences influencing individuals' emotions and perceptions of competitive advantage. Moreover, Brodie et al. (2017) developed a new theoretical framework to examine the strategic advantage of branding, which is applied at both the firm level and the marketing of individual and corporate brands. This framework presented branding as a dynamic capability held by a marketing agent within a market network. Two interrelated processes are involved: managing brand identity and facilitating integration with the social processes that co-create brand meanings for buyers, sellers, and other actors. The social complexity of this dynamic capability makes the brand difficult to imitate and so provides a strong strategic advantage for the marketing organization.

Based on the above objective, this study has the task of measuring the impact of country

branding on competitive advantage in Egypt's commercial aviation industry.

Thus, this study tests the following main hypothesis:

H1: There is a positive impact of country branding on competitive advantage in Egyptian aviation industry.

This hypothesis is divided into the following sub-hypotheses:

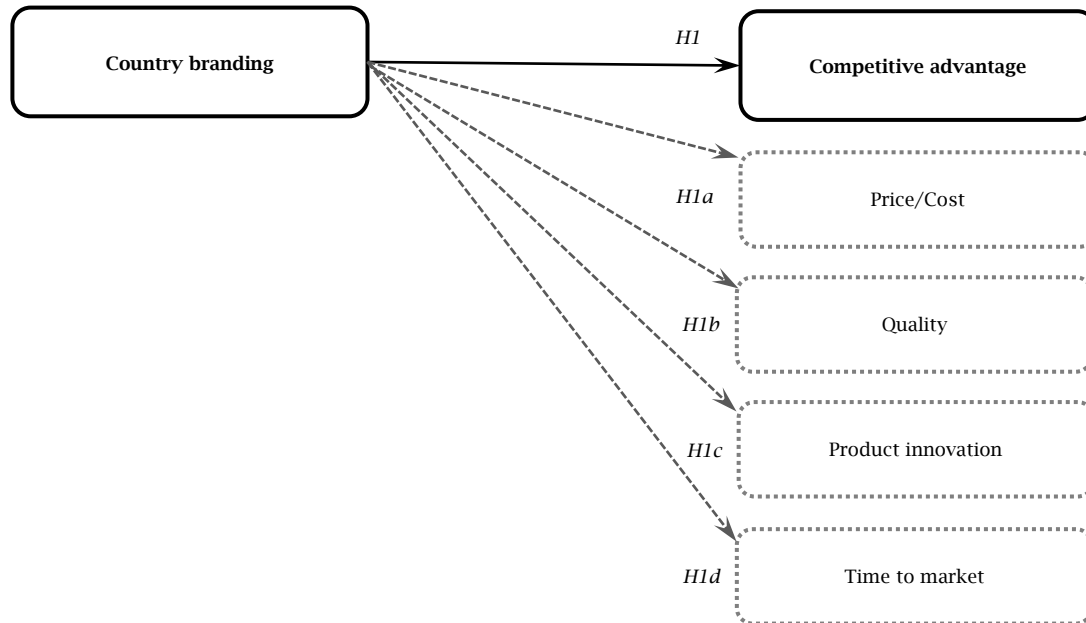
H1a: There is a positive impact of country branding on price/cost in Egyptian commercial aviation industry.

H1b: There is a positive impact of country branding on quality in Egyptian commercial aviation industry.

H1c: There is a positive impact of country branding on product innovation in Egyptian commercial aviation industry.

H1d: There is a positive impact of country branding on time to market in Egyptian commercial aviation industry.

Figure 1. Conceptual framework for research variables



Source: Developed by the researchers.

Any country can be viewed as a brand as it can be viewed as a compound of contemporary and historical associations that have relevance for marketing. Country branding concerns applying branding and marketing communications techniques to promote a nation's image. Despite the growing interest by scholars, practitioners and public policymakers, research on country branding is still in its infancy stage, and the topic itself remains a complicated and somewhat confused construct (Hao et al., 2021; Fan, 2006).

3. RESEARCH METHODOLOGY

3.1. Samples and data collection

The study adopted a positivism philosophy with a quantitative research method to confirm the proposed framework. This study utilized stratified sampling. Primary and secondary data were used during this study. The primary data was collected via questionnaires which were designed on Google form and shared on social media. Secondary data was the reports, literature, and data about the field available on the internet. According to Malhotra and Peterson (2001), a questionnaire is a suitable method to collect quantitative primary data. Also, Saunders et al. (2009) illustrated that a questionnaire is the most appropriate way for explanatory research.

The research population is represented by all customers of commercial aviation in Egypt as a group of stakeholders in the aviation industry. Due to the lack of a population research framework and the difficulty of determining the size of the population, emphasis has been placed on the number of customers who use aviation in Egypt. According to Saunders and Townsend (2016), the appropriate sample size depends on several factors such as the type of statistical analysis used in the research, the margin error, the level of confidence, and the population size. Because the population size exceeded 500,000 individuals, the appropriate sample size would be 384 individuals at a 95% confidence level and a margin error that equals 5%.

Research period: All data for the study were collected in the period from 12/18/2022 to 01/30/2023.

3.2. Measures

A questionnaire using a 5-point Likert scale (5 = strongly agree to 1 = strongly disagree) is employed to collect measures for the main constructs. Scales to measure each of the constructs are developed based on the prior literature and use existing scales where possible. *Country branding* scale presented by Che-Ha et al. (2016) divided country branding into seven dimensions which are:

1) physical, 2) human capital, 3) exports, 4) investments (FDI), 5) culture and heritage, 6) social, and 7) political. The competitive advantage (CA) has been measured using the scale developed by Li et al. (2006) that divides CA into four dimensions which are: 1) price/cost, 2) quality, 3) product innovation, and 4) time to market.

4. RESULTS AND DISCUSSION

4.1. Descriptive statistics

Table 1 exhibits the descriptive analysis for each of the variables used in the study and their corresponding scale items. As we can see, all variables/items contained missing data, but no single item exceeded 5% missing. Thus, we choose to

keep the variables and replace the missing data by reviewing neighboring data and replacing the data using the mean replacement method. Normality analysis indicated that the skewness and kurtosis statistics for all variables were found to be less than ± 2.2 (Sposito et al., 1983). Thus, the researcher will go on further steps of inferential statistics to test the proposed hypotheses. For Likert-type scale items, the sample tends to agree on all items as all means were greater than 3, except the items M3_3: (Egypt has a low tax rate), and M4_5 (the language barrier in Egypt is low) as the sample tends to disagree these items. Additionally, there is no dispersion in the opinions of the respondents, as seen by the low levels of standard deviation for every item.

Table 1. Descriptive statistics for measurement items

Variable	Measurement items	Mean	Std. deviation	Skewness	Kurtosis
Physical	M1_1	3.54	1.033	-0.508	-0.286
	M1_2	3.83	0.900	-1.043	1.244
	M1_3	3.09	0.999	0.169	-0.446
	M1_4	3.88	0.842	-0.901	1.264
	M1_5	3.45	1.042	-0.579	-0.111
Human capital	M2_1	3.19	1.029	-0.340	-0.629
	M2_2	3.83	0.939	-1.055	1.264
	M2_3	4.12	0.904	-1.296	1.954
	M2_4	4.31	0.714	-1.302	3.611
	M2_5	4.42	0.688	-1.214	2.055
Export	M3_1	4.09	0.696	-0.544	0.514
	M3_2	3.69	0.964	-0.763	0.182
	M3_3	3.99	0.779	-1.041	2.030
	M3_4	4.02	0.826	-1.182	2.338
	M3_5	3.55	0.989	-0.532	-0.193
Investment/FDI	M4_1	3.64	0.843	-0.443	-0.358
	M4_2	3.73	0.770	-0.422	0.510
	M4_3	2.90	0.941	-0.009	-0.197
	M4_4	4.00	0.725	-0.576	0.513
	M4_5	4.02	0.826	-1.182	2.338
	M4_6	3.85	0.802	-0.876	1.403
Culture and heritage	M5_1	4.02	0.790	-0.918	1.601
	M5_2	3.75	0.840	-0.471	0.015
	M5_3	3.63	0.776	-0.134	-0.175
	M5_4	3.78	0.871	-0.662	0.341
	M5_5	2.98	0.866	0.089	0.032
	M5_6	3.56	0.975	-0.520	-0.445
Social side	M6_1	3.04	0.830	-0.055	0.529
	M6_2	3.58	0.968	-0.728	0.329
	M6_3	3.72	0.897	-0.932	0.986
	M6_4	3.82	0.851	-0.878	1.194
	M6_5	3.78	0.871	-0.662	0.341
Political side	M7_1	3.63	0.776	-0.134	-0.175
	M7_2	3.78	0.871	-0.662	0.341
	M7_3	3.04	0.830	-0.055	0.529
	M7_4	3.58	0.968	-0.728	0.329
	M7_5	3.85	0.802	-0.876	1.403
Emotional side	M8_1	4.12	0.904	-1.296	1.954
	M8_2	4.31	0.714	-1.302	3.611
	M8_3	3.83	0.900	-1.043	1.244
	M8_4	3.09	0.999	0.169	-0.446
Cost	Y1_1	4.00	0.901	-0.965	0.775
	Y1_2	3.56	0.920	-0.183	-0.433
	Y1_3	3.8	0.848	-0.888	1.310
Quality	Y2_1	3.09	1.100	-0.351	-0.757
	Y2_2	3.48	1.018	-0.691	-0.106
	Y2_3	3.68	0.952	-0.991	0.873
	Y2_4	3.42	1.053	-0.705	-0.055
Innovation	Y3_1	3.32	1.152	-0.457	-0.571
	Y3_2	3.33	1.167	-0.389	-0.727
	Y3_3	3.49	1.013	-0.828	0.262
Speed of delivery	Y4_1	3.59	0.906	-0.820	0.828
	Y4_2	3.76	0.846	-0.635	0.692
	Y4_3	3.13	0.761	-0.156	1.552
	Y4_4	3.86	0.670	-0.456	0.573

Source: Prepared by the researchers according to statistical analysis.

4.2. Measurement assessment model

As can be seen in Table 2, convergent validity is well established for all multi-item constructs since Average Variance Extracted (AVE) is higher than 0.5 for each construct. The reliability analysis based on Cronbach's alpha and composite reliability results show each valid construct can be reliable since all coefficients are higher than 0.7. Since the theoretical model fits the data according to the evaluation criteria of the theoretical model, the theoretical model becomes the measurement model, and

the evaluation of the theoretical model is the same evaluation of the measurement model. Thus, the researcher will go for hypotheses testing. Likewise, discriminant validity is evaluated. The correlations between the factors and the square roots of AVEs, and also present that the values of the square root of AVE are higher than the inter-constructs correlations (Fornell & Larcker, 1981). Thus, discriminant validity is accomplished. Lastly, the measurement model satisfies all factors utilized to measure validity and reliability.

Table 2. Theoretical model evaluation

Construct	Average variance extracted (AVE)	Cronbach's alpha	Composite reliability
Physical	0.712	0.827	0.859
Human capital	0.761	0.899	0.905
Export	0.909	0.986	0.923
Investment/FDI	0.677	0.927	0.937
Culture and heritage	0.657	0.882	0.913
Social side	0.873	0.877	0.897
Political side	0.851	0.863	0.889
Emotional side	0.793	0.826	0.891
Cost	0.847	0.884	0.839
Quality	0.684	0.928	0.954
Innovation	0.636	0.910	0.943
Speed of delivery	0.747	0.922	0.913

Source: Prepared by the researchers based on the results of statistical analysis of the data.

4.3. Structural model and hypotheses testing

Using the structural equation modelling (SEM) the researcher will check the model fit and then will test and explain the research hypothesis. The model fit results are presented in Table 3.

Table 3. SEM model fit measures

Fit Measures	Actual values	p-values
Average path coefficient (APC)	0.44	p < 0.001
Average R-squared (ARS)	0.62	p < 0.001
Average block VIF (AVIF)	2.14	< = 5

Source: Prepared by the researchers based on the results of statistical analysis of the data.

Based on Table 3 the model fit measures are within the accepted range, where, the average path coefficient is 0.44 with a p-value less than 0.01 and the average R-square is 62% with a significant level (p-value) of 0.01 and the average variance inflation factor is 2.14 less than 5. The following step was to test the research hypotheses through path coefficients and significance level to accept or reject the proposed hypotheses. The following Table 4 shows path coefficients and levels of significance for all research hypotheses and whether each hypothesis is accepted or rejected. Dahiru (2008) stated that p-value could be significant when p-value \leq 0.05. The results of the hypothesis based on

the statistical analysis are accepting the hypothesis that there is a positive impact of country branding on competitive advantage in Egyptian commercial aviation industry. We also split this main hypothesis into sub-hypotheses. From the statistical analysis, we find a positive impact of the country branding on the *price/cost*, where the path coefficient is 0.42, based on the above results we can accept *H1a* which means there is a positive impact of the *country branding* on the *price/cost* in Egyptian civil aviation industry.

From the statistical analysis, we find an impact of the country branding on the *quality*, where the path coefficient is 0.34, and the direction of the impact is positive based on these results we can accept *H1b* which means there is a positive impact of the *country branding* on the *quality* in Egyptian commercial aviation industry. From the statistical analysis, we find a positive impact of the country branding on *product innovation*, where the path coefficient is 0.54, based on these results we can accept *H1c* which means there is a positive impact of the *country branding* on *product innovation* in Egyptian commercial aviation industry. From the statistical analysis, we find a positive impact of the country branding on *time to market*, where the path coefficient is 0.46, based on these results we can accept *H1d* which means there is a positive impact of the *country branding* on *time to market* in Egyptian commercial aviation industry.

Table 4. Summary of hypotheses results

Hypothesis	Independent variable	Dependent variable	Path coefficient	p-value	Decision
H1a	Country branding	Price/cost	0.42	0.00	Accept
H1b	Country branding	Quality	0.34	0.00	Accept
H1c	Country branding	Product innovation	0.54	0.00	Accept
H1d	Country branding	Time to market	0.46	0.00	Accept

Source: based on the statistical analysis of the data.

5. CONCLUSION

The aim of the study was to investigate the direct impact of country branding on the competitive advantage and its application to the commercial aviation industry in Egypt. The results of the statistical analysis showed that there is a positive relationship between the country's brand and the competitive advantage in the Egyptian commercial aviation industry. This result is consistent with the study (Rop, 2022), which proved that there is a statistically significant relationship between the country's brand and competitive advantage. The results also agreed with the study (Boan, 2022), which clarified the importance of having a strong brand for the country and a competitive advantage.

Therefore, researchers see the importance of developing strong marketing strategies for the country in order to create a variety of competitive advantages, as the country's brand can achieve several benefits for the country by improving its political and economic position. Moreover, the study (Che-Ha et al., 2016) emphasized the importance of the country's brand in improving the country's competitive advantage. Al-Tamimi et al. (2023) stated that the country's brand positively affects political and economic activity in the country and that the efforts made to promote the country's brand led to an increase in the demand for sports and tourism activities in the country.

The results also agreed with the study (Li & Feng, 2022), which proved that the brand of the country is a strategic marketing tool to enhance the competitive advantage of the country, so it is concerned with attracting foreign investments to the country, and raising the value and importance of talents, in addition to attracting tourists. It will lead to an increase in sales and exports, an increase in economic growth rates, and job creation. Therefore, researchers emphasize the importance of the concept of the country's brand, as it has an important role in increasing the country's competitiveness. It is possible, through paying

attention to the country's brand, to improve economic performance and improve the image of the country's products or services.

The current research contributes to providing knowledge of the existing literature on the country's branding and competitive advantage. With a focus on knowing the impact of the country's branding on the competitive advantage, this study has practical implications as follows:

- Improving the services provided at Egyptian airports and facilitating travel and arrival procedures, while completing them in a short time.
 - Increasing the capacity of airports.
 - Continuing to support and develop the air fleet in quantity and quality.
 - Raising the efficiency of the Egyptian aviation sector; in order to achieve distinction from competitors.
 - For assessing competitive advantage, questionnaires filled out by customers concerning their thoughts should be employed.
 - It is vital to develop a country branding strategy that involves treating customers with respect, establishing incentive systems, upholding promises, and maintaining high involvement.
 - The necessity of concluding strategic alliances for the purpose of establishing new airports and developing the existing ones and increasing the air fleet; in order to accommodate and increase the number of flights and achieve a competitive advantage, thus creating a good reputation for the country and a brand for the nation.
 - The concept of "the country brand" should be regarded as a critical goal in the transition of "ordinary customers" to brand ambassadors.
- This study has some limitations due to the fact that the studies were limited to the air sector clients in Egypt. Based on the above, the researcher recommends these topics for future research: 1) studying the effects of research variables applied to the tourism sector in Egypt, and 2) studying the impact of country brand on building sustainable competitive advantage.

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