

Role of Branding in SMEs and their challenges in India

Ms. Poonam Bassi

Assistant Professor,
Baddi University of Emerging Sciences & Technology,
NH-21 A, Baddi, Distt. Solan, Himachal Pradesh India

Abstract

Brands can perform an important role in market situations in which it is more difficult to compete simply relying on the product quality or price basis. Brand image must be consistently delivered and supported by the organization's values and culture. A well structured strategic planning process requires team consensus on brand strategy and develops integrative sales and marketing promotion programs which must align with the overall business strategy and create brand value. SMEs are not paying sufficient attention on the branding because they are affected by the main factors including budget constraints, procrastination, desire for success and influence of a business manager. Successful SMEs who are able to leverage their competitive advantages easily expand their client base year in, year out. This can only be done through a sustained and integrated brand management strategy. The paper highlights the role of branding in the development of SMEs and to identify the problems and challenges faced by SMEs branding.

Keywords: Brand management, Entrepreneurship, Small to medium-sized enterprises, SME branding

Introduction

The term “branding” is usually dominated by big global businesses which operate on world mostly consumer markets and build their competitive strategies on powerful branding. Small and Medium Enterprises (SME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The SME sector contributes significantly to the country's manufacturing output, employment and exports and is credited with generating the highest employment growth as well as accounting for a major share of industrial production and exports. This sector contributes greatly to growth of Indian economy with a vast network of around 30 million units, creating employment of about 70 million, manufacturing more than 6000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly. Brand management in SMEs can be influenced by three individual inherent characteristics of their entrepreneurs/owners-managers: (i) locus of control (The extent to which people believe they have power over events in their lives.) (ii) Decision making power (centralization of management decision-making power in one owner-manager), and (iii) experiential learning (learning acquired through experience and developed as an accumulation of knowledge and experience built on and from the communication and judgment).

Need of Brand Management in SMEs

Brand management is considered an operational process and it is defined according to a holistic

perspective. It consists in the use of an integrated set of managerial processes, both internal and external to the enterprise, involving marketing activities, tools and initiatives related to the brand conception, organization, strategy, building, and evaluation and improvement. Its teleological objective is to gain sustainable competitive advantages for the enterprise, thanks to the systematic creation of differences and endowing products and services with brand equity.

SMEs have to recognize worldwide a new era of intense global competition and have to confront the same challenges (globalization, deregulation and advanced technologies) that large multinational companies are facing, since the majority of these companies is subject to the rules of international competitiveness (Bedbury, 2002). Brands can perform an important role in market situations in which it is more difficult to compete simply relying on the product quality or price basis. The only way SMEs can reduce their vulnerability to distribution giants and ensure that they are sought after by the market is building a brand which is well-known and with a specific image to the target public (Badoc, 2001; Kapferer, 2002);

Literature Review

Mali (1998) observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up gradation.

Krake (2005) clarifies that the entrepreneur is the source of inspiration and organization within the company, and he/she should act as the messenger of the brand image.

Stokes and Wilson (2006) stated that the SME is defined as a small to medium enterprise managed by its owner(s) in a personalized way with a relatively small share of the market in economic terms, and having 10-49 employees. Medium-sized firms have similar characteristics but usually have between 50 and 249 employees.

Objective of Study-

- To understand the role of branding in the development of SMEs.
- To identify the problems and challenges faced by SME branding.

Role of branding in SMEs

Branding helps to sketch the image of business in the minds of customers. Small and Medium Enterprises (SME's) usually ignore the importance of branding because they are mostly too overwhelmed by the idea of creating a unique brand, as well as the costs involved in generating the brand. Various benefits can be achieved with the help of branding to SME's

- **Recognition**

With the help of branding SMEs can increase their recognition. The brands that are easy to recognize often attract more customers.

- **Competitive Differentiator**

Branding will help the SMEs to create a separate identity from the competitors. This will allow the consumers to relate to their products and services, thus enticing them to become your new customers.

- **Staff Motivation**

A clear branding strategy will help the staff to understand the goals set and strengthen their belief in the organization. A strong branding strategy will ensure the long-term survival of the firm and

that will enhance the motivation and job-security of the employees. Also, employees can puff their chest out and feel proud to be a member of their employers' organization.

- **Referrals Generation**

The best form of marketing is a 'word of mouth' of consumers. A strong brand image will ignite the talks amongst the community which will help generate referrals. The importance of viral distribution of a message through social media can't be ignored and strong branding can help exploit that medium to the fullest.

Branding in Large Organizations Differs from SMEs

- **Difference in Size-** Size is highly relevant to organizational strategy and structure, and understanding the influencing factors is important for management to elect optimal strategic plans.

- **Differences on Budget Constraints-** One other common issue SMEs face is that SMEs have limited time, resources, structures and processes to carry out branding activities (Wong and Merrilees, 2005). The obstructions to branding can hinder SME firms in particular, in carrying out business activities. Small business houses have fewer resources for branding. Due to less availability of resources these small companies are not able to provide sufficient funds to branding.

- **Differences on Staffing-** In big corporation there is a crowd of professional careers, including advertising managers, sales directors, online marketing directors, research managers, customer service manager, and so forth. In contrast, small businesses combine marketing with the leadership role. The organization chart of a small business puts responsibility for marketing in the top box, where the business owner, in the essential role, manages the process of marketing as a hands-on task.

- **Differences on Creativity-** The top notch marketers routinely require six figures to produce ads with the single purpose of establishing brand awareness and market orientation toward their brands – frequently without a single hint about a specific price or product. Small businesses adopt a significantly different method. They need to establish brand awareness just like the big advertisers, but their advertisements have to fulfill two tasks. Small business marketing expenditure has to provide direct and measurable marketing action. Each action has to stir adequate buying activity to compensate the expenditure involved in producing and running the advertisement in the first place. The balancing act is to produce consistency in your marketing communications process so that they establish distinct brand awareness while simultaneously inspiring the required consumer behavior to deliver sales – right now!

- **Differences on Strategy-** In larger businesses, documents of business plans grace the bookshelves, whereas in many smaller businesses, the very term of marketing plan may give you a guilt pang. A global or transnational organization may employ a more structured strategic management model due to its size, scope of operations, and need to encompass stakeholder views and requirements.

- **Increased Cost in Small Organizations-** Smaller firms also tend to focus more on differentiation due to an inability to achieve scale economies. Similarly, larger firms tend to have

more cost-sensitive strategic capabilities.

Issues of branding in SMEs

- **Narrow Interpretation on Brand Management**-The owners do not pay attention to brand management because they have to see the overall control of organization. So less attention is given to brand management in small organizations.
- **Lack of Resource and Time**- One other common issue SMEs face is that SMEs have limited time, resources, structures and processes to carry out branding activities (Wong and Merrilees, 2005). The obstructions to branding can hinder SME firms in particular, in carrying out business activities.
- **Less Attention on Brand Management**- One of the reasons for researching brand management in SMEs is that SMEs have many issues in doing brand management. Many SMEs pay little or no attention on brand management in their daily tasks and their business strategy. SME entrepreneurs usually pay more attention to financial and production issues and less on brand management issues.

Influence of different factors on SME branding policies- SME branding policies are highly influenced by these factors: brand awareness, marketing strategies, brand recognition and resource etc. Brand-building plays an important role of defining your organization in the public eye. It is an integral part of the SME's marketing mix and expenditure, which should also include direct marketing strategies for lead generation and sales entry, as well as social media marketing for consumer engagement strategies. Successful SMEs traditionally display a strong entrepreneurial spirit, and leverage that spirit through a defined culture in order to provide

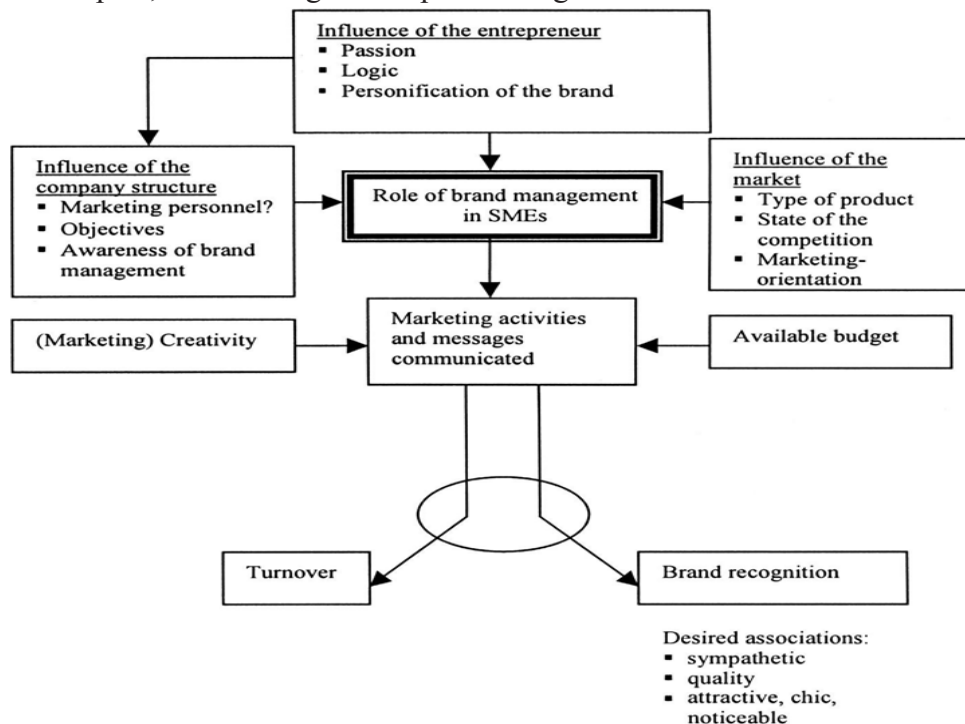


Fig-1.1

Building strong brands for SMEs

Entrepreneurs should take necessary steps to strong the brand of their companies. The brand and product concept has to be distinctive, relevant and appealing to the consumer. When doing business, they should think logically, and keep their behavior consistent with their policy. The entrepreneur should make sure that there is a strong relationship between the character of the entrepreneur and the brand. The entrepreneur should have a passion for the branding within the company.

Conclusion

Branding is not only a large companies' issue but SMEs could benefit from it as well, and they should be more carefully taken into account with small business companies (Ahonen, 2008). As marketing of SMEs differs from marketing of large companies, similarly branding issues of SMEs differ from branding issues of large companies. However, brand building can be done with smaller resources by being innovative, using affordable means of communication, and focusing the branding efforts on the right segments. Entrepreneurs should know their clients' needs. They should plan the marketing strategy, prioritize, and stick to their plan.

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