Branding as a Competitive Strategy for Demand Management in SMEs

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Abstract: The ability to predict future demand is a need that businesses work towards irrespective of their size. Creating a favourable competitive stance for firm’s output is also a crucial goal of businesses. These two goals are of particular importance for enterprises operating in an environment characterised by rapid changes, shortened lead-times, and exponential innovative activities. This study aims to elaborate on branding as a marketing principle relevant to the entrepreneurial quest for stimulating demand and creating competitive advantage. It also aims to highlight the appropriateness of branding to SME practices and to identify relevant guidelines that SMEs could follow in building a successful brand.

INTRODUCTION

In discussing branding as a marketing practice relevant to SMEs, two crucial areas of importance for businesses are examined. First, demand stimulation for existing products, services, ideas, process; and creating demand for latent offerings resulting from, new product and process innovation in terms of are important issues for enterprises. Secondly, favourable competitive stands in term of existing technology and future ideas within the market in general, is also vital for successful entrepreneurship. The combination of these two needs influences the ‘permanent’ needs for foreseeing and predicting the future (Drucker, 1998). While the first need may have emanated from the specific nature of the practical activity associated with planning and projecting as manifestation of goal setting, the need for creating favourable competitive stance for firms’ output is also apparent as a rationale for prediction. Since any plan or project relates to something that does not yet exist, and has to be created, its evaluation and realisation call for a more or less ‘clear’ picture of the future. Planning and projecting for future demand also exerts an influence on the present, determining the choice of options and the appropriate behaviour.
However, as the competitive turbulence become a constant in business environment, the goal itself is not to predict the future—which Drucker, (1998:vii) regarded as a lofty idea in the first place- but to anticipate a future made possible by the effect of changes taken place … and made possible by the existing process as it intertwined with the present and stimulates the future. Within the framework of this study, the author examines branding as an appropriate marketing principle for SMEs. The study begins with an appraisal of branding as a competition policy followed by explanation for key elements of branding as a marketing principle that serves as the basis for anticipation of future demand amidst ‘permanent change’. It then highlights relevant guidelines that SME could follow in formulating and implementing branding policy.

COMPETITION, DEMAND MANAGEMENT AND MARKETING PRINCIPLE

As the combined effects of technological innovation, increased competition, shorten lead-time and related trends heightens, the importance of marketing competence (Webster, 1997) is apparent in scholarly literature and practice. In this environment, business success not only calls for a clear focus on the identification of customer needs and wants and the means of satisfying them but also there is the need for successful introduction of ‘unknown’ new products, processes, services and obtaining non-customers’ patronage. Yet these are all aspects that have been shown to be littered with failure (see for instance Davis, 1986) or a lack of deliberate concern among firms (Drucker, 1998). Particularly given that competitive activities erode existing gains whilst bringing about new ways of accomplishing customer satisfaction. Marketing as management of demand embodies the principle that an appropriate way of solving today’s problem can never be relied upon for solving the same problem tomorrow (Baker, 1989). This principle inherently links marketing with the SME’s strive for innovation and inventiveness in identifying non-customers and creating demand for previously unknown offerings.

Following from the above, marketing practice represents an organisational wide insightful process for thinking and predicting the nature of future demand and planning for markets that is built on the fundamentals of understanding the dynamics of the general environment amidst perpetual change (Day, 1997; Kotler, 1997). As a concept marketing is the anticipation, and satisfaction of consumers’ need and wants profitably (Baker, 2000). Firms strive for effective, faster and timelier ways of doing this better than their competitors that is at the core of marketing practice.
Within this, brands continuously strive for fresh challenges and ‘new’ and innovative ways of creating customer satisfaction. One could also argue that because branding provides a focus for responding to the inherent market place changes in a competitive environment, that epitomises its effectiveness in stimulating and influencing demand.

SMEs, BRANDING AND COMPETITION – A CONCEPTUAL FRAMEWORK

What does branding as competitive strategy in SME entail? Following Carson, Cromie, McGowan and Hill (1995), SMEs are considered as growing small businesses, medium size enterprises and entrepreneurs. The term entrepreneur is used throughout this study as a “predisposition on the part of individuals or a firm to take a chance in the hope of gain” (Penrose, 1995:33) by committing effort and resources to identifiable activity. In all instances, SMEs represent a departure in size and scope from larger organisations operating with sizeable resources and budgets beyond that which is available to SMEs. Irrespective of their size, and resources, SMEs’ compete in an equally competitive environment and one characterised by the same dynamic market trends as for larger firms. An environment characterised by fierce innovative activities, intense competition, and technological advances provides the interface between SMEs and branding.

As marketing evolves into organisational activity -rather than a functional activity- within the firm (Day, 1997; Webster, 1997), there is a persistent need for developing a framework that captures the interrelationship between marketing practices and creating demand for innovative products and services in a way that existing marketing framework does not espouse. Marketing entrepreneurship is an interface that could fill this void particularly as competitiveness is as increasingly important for SMEs as it is for larger firms.

Branding represents one of the core marketing practices that emphasises the continuity and connectedness of the firm with its external environment of which customers are important constituents. Through branding, firms of different sizes are able to create, nurture and innovate their market-based assets. By creating market-based assets perceivable by the consumer, firms are able to nurture perceived brand value and consumer brand equity, which in turn create profitability for the firm. Brand therefore, represents an
important determinant both of the effectiveness and ability of the firm to link its internal and external environment successfully.

THE NATURE OF BRANDING POLICY

Branding strategy is a policy for creating and nurturing sustainable competitive advantage. It consists of “the development and maintenance of sets of product attributes and values which are coherent, appropriate, distinctive, protectable and appealing to customers” (Murphy, 1992a:3). In this context, branding is a practice which SMEs can successfully build upon and strive for fresh challenges. By building upon inherent tacit knowledge, product, service and process within a firm, brand may serve as a platform for innovative practices for enhancing a firm’s market based assets such as reputation, and enhance and command trust from non-customers.

The argument for increasing the relevancy of branding irrespective of firm size can be based on three main reasons. Firstly, as the crucial challenge for creating a capacity for continuous technological and innovative renewal deep within the company becomes fast paced (Hamel and Prahalad, 1994), brands’ capacity to influence, and mould the plasticity of demand, is more relevant and appropriate for enterprises. Not only because the influence of branding is more apparent in consumer insistence for specific brands but also that the identification of brand ‘name or trademark’ which fuses with the ‘identity of the firm’ (Penrose, 1995:117) is emerging as a significant competitive factor on its own.

Secondly, an established brand enables its owner to introduce innovative and new product offerings into the market place with a better chance of success than would have being otherwise possible without an established presence in the market. Furthermore, the presence of a prior brand in the market presents an opportunity for a comparative assessment of any new offerings with the firms previous known brands, this enables consumer to make confident, purchase decision about the latter. Thirdly, another, positive association that a strong brand could add to the firm is that ‘brand’ can be very difficult for competitors to copy and thus represents a key sources of immutable assets for the firm. This sort of immutable association also represents a strong source of intellectual property for small or medium size companies, as well as source of sustainable growth.
The question now is, how does branding integrate with SMEs competitive activities? In the face of SME marketing often demonstrating an “[over] reliance on restricted customer base” (Stokes, 2000), a situation that is reflected in branding issues such as customer and brand loyalty, examining this question provides an avenue for re-examination of what branding is all about. This is further developed below, before then however, it may be beneficial for one to reiterate the success of a branding policy is not ‘given’ neither is this study arguing that embarking on a branding policy is a ‘cure-all’ for all enterprises. For instance, a persistent source of caution for entrepreneurs on branding is that it may inhibit innovative activities within the firm. It could also curtail further opportunities for exploring and generating new ideas, particularly as brand tends to ‘institutionalise’ existing ideas, process and products - a situation that may lead to an inability to examine ‘future’ technology. Others argued that because of its over reliance on specific loyalty from a known customer base and segment, it may even inhibit entrepreneurship and suppress the spirit for a spontaneous intuitive and venture seeking disposition, and thereby encourage a defensive strategy (see for instance Stokes, 2000). Yet, while all of these are possible shortcomings, it is important to emphasise brand building as an interactive process, and hence, in concert with the entrepreneurial need for development, market acceptance and existing strategy.

BRANDING, COMPETITION AND SMEs

Perhaps the strongest links between branding and SMEs is that of inventiveness, innovation and creative flair. Inventiveness being considered in terms of a ‘new’ way of doing things and the usage of existing product and services that can be leveraged through brand extension (Aaker and Keller, 1993).

The creative application of branding instruments such as patent, trademark, existing reputable name, symbols and logo could enhance market-based factors for SME. A brand name represents a strong communication link between the firm and the market. SMEs are more able to communicate their competence and capacity to offer superior value to customer, compared to their competitors, by building their reputation around a brand as focus of their output. Market-based assets such as consumer trust, perceived quality (Garvin, 1996), and the perceived value that a brand embodies are important factors that could positively influence SME performance.
One example is proactive innovation in which firms’ resources lead to specific and influential usage habit changes, as is the case with the mobile phone industry in the UK. Entrepreneurial capabilities produce economic dynamism when they contribute to efficiency and or effectiveness in developing markets offerings. Such offerings may result in market place positions of advantage, and thereby bring about superior financial performance for these firms. Two UK mobile phone brands -Orange and Vodafone brands illustrate this type of proactive innovation that may lead to a position of advantage despite the presence of larger firms with extensive resources and market presence.

Individuals within a small firm, or entrepreneurs, can exhibit creative flair by utilising their individual personality. Small business may also exude creative flair through sheer ingenuity such as those reflected in memorable symbols, graphic design and communications, and the employing of apt names. These can be reflected in brand naming, jingles and self-publicity. The individual flair of entrepreneurs is a well-recognised source of branding communication, and two obvious examples from the UK would be Richard Branson (Virgin) and Stelios Haji-ioannou (Easyjet).

BRANDING PROCESS FOR SMEs

In common with other marketing practices, branding literature overwhelmingly adopts big business perspectives that are either, not relevant or applicable to SMEs. Particularly as many SMEs are typically confronted with the dual constrains of limited resources and budget compared to large businesses. However, the effect of these dual constrains can be minimised with careful planning, cohesive understand of what branding entails and by involving the whole organisation in building a cohesive brand. Unlike major brands that often have more resources at their disposal, the SME must design and implement branding policy more carefully.

Essentially, application of branding policy involves the same principle as in larger firms. However, the process of implementation with its attendant scope for basic techniques, the discipline of putting systematic planning in place, and rigorous monitoring at implementation stage and beyond, all require an appropriate focus on the scale and degree of complexity suitable for individual SMEs.
Branding process revolves around the coherent integration and deployment of branding instruments such as: trademark, symbols, logo, registered design, brand name and firms’ reputation and integrated communication (see for instance Keller, 1996; Murphy, 1992). While all of these instruments may not be applicable in all instances to firms, it is important to recognise their individual strength, appropriateness and so to blend the usage of these branding instruments effectively. It is this ability to focus and link the basic instruments effectively rather than concentrating on individual instruments such as advertising, that is crucial to the successful implementation of branding strategy.

RELEVANT GUIDELINES FOR BUILDING A STRONG SME BRAND

Many enterprises have successfully created brands that are testimony to the enormous impact that a branding policy can have on competitiveness. Strong brands such as Microsoft, Gap, Starbucks, and Dell Computer are all SME brands created and nurtured from the scratch by small businesses and individual entrepreneurs. These brands represent some of the well-known icons of entrepreneurship branding at its best. But, they represent a very small percentage of enterprises that could benefit from branding policy. Although branding represents a challenge for SME because of the high resources and budget that is required, its impact on creating growth opportunity and a market-based asset (Abimbola, Broderick and Saunders, 1999), underpin its importance for businesses. Also, the coherent, consistent and integrated communication policy that brand awareness can create, represents an important avenue for recognition amidst fierce competition. Such a stance is particularly important for small enterprises given the level of resources that larger firms may have available for corporate communication. SMEs should pay regard to the following five notions:

Consider corporate branding or emphasise only one or two strong brands.

Particularly at the initial stage of a brand, it is important to have a singular focus on of complementary elements of brand such as symbols, logos and names to support other marketing activities around a singular brand/company name. This is to make sure that maximum attention is directed at a single source to avoid confusion with other competing brands from the same stable.
Focus a creatively designed marketing programme on specific brand associations.

It is important to consider the role of brand name and its potential use for other of communication such as advertising, media and packaging (Murphy, 1992:91). This creativity can also influence the future marketing programme for the brand and its possible future extension.

Create a well-integrated set of brand elements that enhance both awareness and brand image.

This should be a memorable, simple, recognisable by the customer, credible and deliverable. (Blackett and Denton, 1992:79)

Design an appropriate campaign for a specific audience.

So that the brand building campaign emphasises and convinces the business customer of the strength of a brand and captures end-user imagination and attention. As small business must often rely on networking and word of mouth to create strong, favourable, and unique associations (Keller, 1998), avenues such as public relation through existing network such as in house-publications, charity events, low cost-promotions and sponsorship can be a very effective and less costly means of brand enhancement.

Leverage as many secondary associations as possible.

By linking your brand with other companies such as those that you have business dealings with, spokespeople, or other endorsers and events that reinforces and augment the general theme of the brand.

While a systematic approach to formulating and implementing branding strategy may improve its effectiveness, the success of a brand is not guaranteed. The high failure rate of brands launched by larger firms is a testimony to the influence of customer as a democratic purchaser. However, the long term prognosis for most brands is better than the short-term measure of success or failure. This may even be more important for SMEs as they have to build extensive network for new brand introduction over a relative longer-term compare to larger firms with large budgets to create ‘spectacular’ launching for brands.
CONCLUSION AND RESEARCH AGENDA

As the marketing enterprise interface develops further, some of the agenda for moving the area forward should become clearer, refined and well articulated. Branding research can provide an appropriate conduit for linkage and integration within the interface. Particularly between the scope of ‘traditional marketing’ enshrined as it is in notions of planning, identifiable and existing customer base and market segment, and ‘real life’ that accords more with the entrepreneurs flair for creativity, fluidity and inventiveness. For instance issues such as idea generation and opportunity recognition are possible areas for investigation. Ideas generation in terms of creative side of brand communication that goes beyond traditional advertising and building brand trust; and opportunities orientation. This could be in terms of branding alertness to market issues such as pricing, access to channel that are sometimes overlooked or may be closed (i.e. channel entry) to enterprises because of existing strong brand names. One could consider also how branding could enhance entrepreneurial gain through exit strategy.

This paper has argued, firstly, that branding is a marketing practice highly relevant to the SME. Secondly that the traditional rigid marketing planning process does not represent branding in practice where innovation, creativeness and the inventiveness that is compatible with entrepreneurship are the rule.

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