

The importance of Branding for SME's

Summary:

Strategy

Informal relationships in branding consultancy are particularly strong. Personal rapport is very important. This is specially true for branding due to the nature of its activity in which understanding the client's true identity, philosophy, products and aspirations, etc., are essential for delivering a tailor-made quality service in the creation of brand equity and for sustaining on-going, post-sales, services such as brand management. The object of this paper is to highlight the critical importance of appropriate branding strategies for entrepreneurial firms in the global market. S'GAP's proposal is that global branding strategies generally start home.

The new challenges of branding

Since the consulting activity now labeled as branding clearly differentiated itself from advertisement and other more traditional marketing concepts and techniques, its importance has grown exponentially. Most marketing executives of all major industries, and not just consumer related ones, understand key concepts relatively well. New sociological and psychological aspects are identified broadening and deepening the extent to which branding tools can have a dramatic impact in the creation of brand equity, in the penetration of new markets, and in the sustenance of existing ones. Globality, spun by communication and internet trading, has also increased the value, as well as the risks, of branding, raising the stakes even further. The impact of a new global super-imposed consumption culture and the use, as well as the acceptance, of new symbols, of unfamiliar phonetics and of foreign language etymology, has gradually been breaking down long held views on the relative strength, or impermeability, of cultural and language differentiation barriers. Branding, for better or for worse, has effectively been fundamental in creating a new *unhistorical and non-geographical* global social class. The dialectics of global consumption after the birth of this new global aesthetic experience is, however, not static. The aesthetics of visual communication has obviously changed but, what is more important, it is in a proc-

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ess of constant and rapid change. Identifying the new, upcoming currents, and their significance, is probably the single most important challenge facing global industries and branding consulting agencies. The external observable elements of globalised consumption have often been mistakenly interpreted as the most important evidence of the undeterred emergence of a transnational culture. This fact often trivializes the real dynamics of cultural change. Instead of a transnational culture we may be talking instead of a supranational culture. This new culture is not as deeply rooted as once presupposed. The reemergence of strong religious/cultural expressions, of nationalistic movements and the political instability of this new *communications-millennium* is a clear manifestation of the strong diverging forces that still govern human society. It is important that branding agencies understand the sociological and cultural diversity and use this differentiating factors respectfully and imaginatively. Aspects such as ecology and social responsibility, for example, are of a growing importance in creating brand loyalty and corporate culture. Consumers become more demanding and better able to detect manipulative strategies. Understanding this might be very important for the globalization of SMEs and how they need to approach global markets. Cultural diversity allows for the deployment of branding techniques in order to identify, capture, develop and retain niche markets. The adequacy of niche markets can now be seen in a larger framework, that of the global market. Could this be something to consider for SMEs?

The globalization of SMEs

International consumer studies have identified a correlation between perception of quality and the degree of globalization of a product. The greater the “non-locality” of a brand, the greater the perception of quality. This is also referred to as the *global myth*. This global myth theory has, however, recently come under attack, particularly connected to the susceptibility of brands to politics and, specifically to, for example, the anti-globalization movements, global ecology, as well as to the increasing anti-

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Americanism to be found in certain areas of the world. Interestingly enough, certain brands have fared better than others. This seems to underline that certain brands have been more successful than others in adapting its branding and advertising to the supra-national culture. Although this may come as no surprise, there is an important underlying message in connection to the value of transmitting national cultural values. But the dichotomy behind the characterization of national identity values through brand image emerges when certain strong national characteristics receive, instead, very positive brand-recognition. Examples of this are: French perfume, Swiss watches or Swedish cars, to name a few. Understanding these types of relationships is an important part of the process of identifying product and brand attributes. Although this is, no doubt, crucial to entities with true global presence, for SMEs it is equally important, inasmuch as the global span of SMEs might be so much smaller, that is, so much more targeted, so as to allow greater differentiation through branding built on relevant cultural attributes and reputation. The question is who is in a better position to help SMEs to develop this kind of strategy.

Branding misconceptions of SMEs

SME's exposure to international market is a subject of much interest. It is widely recognized that the most typical limitations of SMEs in the internationalization context are connected to the lack of adequate *access* to a whole array of resources. In this connection, knowledge, as a resource, and the whole notion of knowledge-management as an strategic advantage, in today's larger and more complex markets, has emerged as major handicap for the internationalization of SMEs. Available data also suggests that most SMEs are better able to internationalize their input side than their outputs. This internationalization deficit is therefore closely linked to the above mentioned managerial shortfall as an *strategic handicap*. When it comes to branding, large branding agencies have been more adept, and certainly more willing -as a consequence of the pressing needs of the large, growing, multinational clientele- to

The importance of branding strategy for SME's by Ragnar A. Brigg , S'GAP, Ltd.©2005 deal with true global *holistic* brands. In this case, fees are certainly much more substantial than would be the case for smaller SMEs. Also, it must also be said that SMEs frequently lack proper branding strategies particularly for meeting new global market challenges, even when they are fortunately aware of their importance; the latter, unfortunately, being the exception rather than the rule. Due to the large number and variety of SMEs, and lack of proper data, it is difficult to ascertain what are the types of strategies and branding relationships for SMEs. Based on some evidence and first hand knowledge, the manner in which SME's deal with their branding is generally not in line with the branding as it is conceived today.

Briefly we may outline five general dimensions (see fig 1. below):

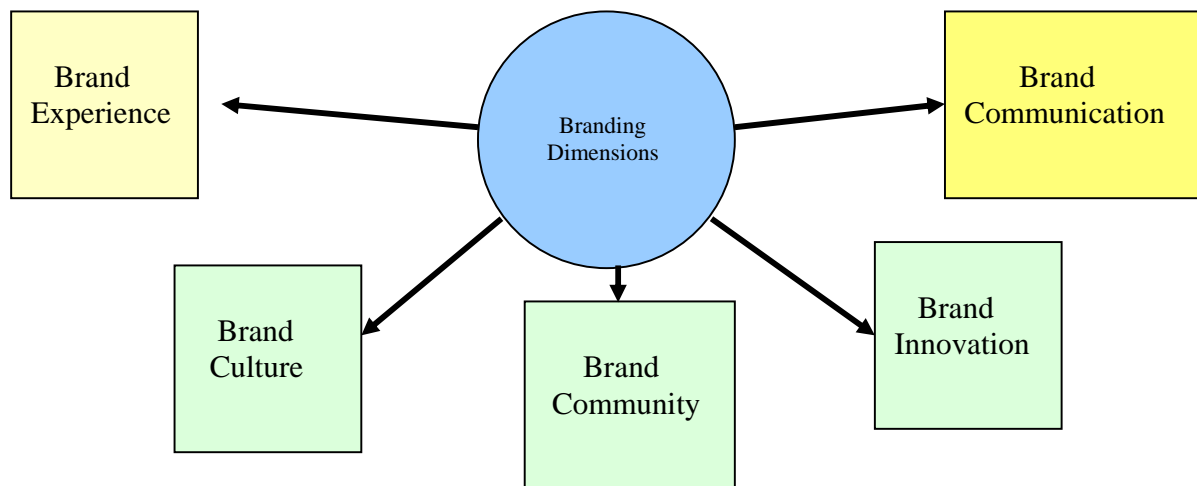


Figure 1

Without describing the above five dimensions in this paper, what must essentially be pointed out here is that traditionally much of the brand creation for SMEs is connected to the drawing rooms of graphic

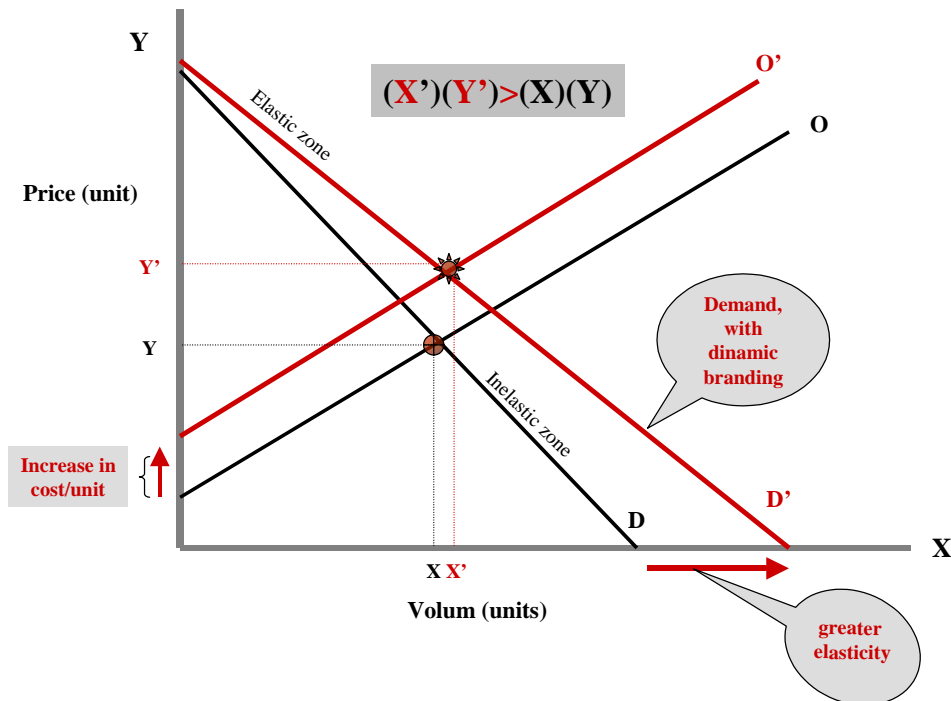
The importance of branding strategy for SME's by Ragnar A. Brigg , S'GAP, Ltd. ©2005 designers and, often, in connection with the services provided by advertising agencies. This is often the case even for brands that have some degree of globalisation. As a result of this, the three dimensions at the bottom of figure 1, are frequently ignored, and the first, brand experience, manifests itself only in a very limited way, that is, only to the extent that brand communication can be said to create a *pseudo-brand* experience.

Needless to say, the above approach falls short of creating true brand value and in this sense they constitute failed branding strategies. For branding to be effective and to be able to create brand equity, brand-building activities must be an important part of an SME's overall business strategy. Summarizing: most SMEs work with a number of misconceptions, one of them, as referred to above, the notion that advertising commands or nurtures brand strategy and in addition that branding is the responsibility of the marketing department. Another fallacy is that influencing consumers is the primary objective of branding. Actually branding audiences, or constituencies, are much broader than that. It should also include investors, employees, competitors, the media, government and institutions and the public at large.

Branding opportunities for SMEs

Very often global branding strategies may constitute a relinquishing of vertical penetration in order to gain horizontal penetration. Although this phenomena changes over time and varies across the spectrum of products (this appreciation does not apply to corporate branding and only to a limited extent *to master brand architectures*) it is important to evaluate both effects in order to understand the economics of branding.

A study to be undertaken in the near future by S'GAP Ltd. will endeavor to determine the micro-economic impact of consumer product branding for SMEs. The following graph (figure 2) addresses partially what is the general conception of supply and demand curves for branding.



The intuition behind such model makes two general assumptions: 1) The demand curve for “0” (zero) brand value of a product is perfectly inelastic and 2), the investments outlays and the costs of branding management, etc. need a different economic treatment than advertising campaigns which should normally be contemplated as sunk-costs. Research is to be done to ascertain the behavior attributed to these different components of demand. The objective of such a study would be to establish some economic modeling theory in order to evaluate the impact of brand equity in demand elasticities across a range, or classes, of products. Finding a market equilibrium along the vectors of a variety of attributes connected to branding can indeed be useful to determine certain supply issues as well as for branding investment purposes.

SMEs strategies will depend very much on a number of factors which we will not enumerate here. The supply side also needs careful evaluation. It is not only a question of production capacity and re-

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sponse. Certainly, investment in brands represent considerable outlays. Factors such as timing, strategic priorities, sustainability, capacity, distribution, service, commitment must weigh heavily in the design of a branding strategy of an SME.

The adoption of globalisation strategies by SMEs must weigh the vertical penetration loss, if any, versus the horizontal penetration gain, if any. Sometimes the gains of the latter do not correspond to the losses in the former when the firm is not positioned adequately along the internal dimensions of the firms, such as capacity, resources, human capital and all of the different parameters that pertain thereto.

Although SMEs have the previously mentioned *access and resource handicaps*, not everything is bad news. SMEs also enjoy certain advantages. Flexibility is probably their most important competitive advantage. With this in mind: how are these global opportunities to be assessed? How should BAE position itself and approach potential costumers for branding services?

This is graphically expressed in Figure 3 below:



Positioning opportunities for SMEs

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Normally nobody questions the importance of brand value in sustaining the demand of products and, even more important, in the design of international growth strategies. What is not generally understood is the extent to which branding is central to a winning global business strategy. In fact, firms with no international expansion plans should not ignore the extent to which local markets closely resemble global markets. The increased mobility of people and products is changing consumer behavior at the local level. Often, successful local companies tend to overlook the effect that the supra-national culture is gradually taking roots in their own front- and backyards. This is a compelling reason for SMEs to re-assess their overall business strategy.

The issue of global branding, or branding for a specific market, is for SMEs very difficult to address without first addressing general strategic issues. The connection between marketing executives and sales and the existence of specific agendas and budgets often strangle or kill such strategic considerations and the free-flow of analytical and creative thinking that must go with it. Consequently, most SMEs should work with strategies that deal with the new globally conditioned local market. In addition, branding strategies must be able to dissect the layered structure of local culture in order to detect the various levels of adopted vs. traditional cultural elements that shape consumer behavior. I would also like to propose the notion of culture and consumer behavior as one that is nurtured by *endemic* and *epidemic* consumer-cultures, the latter perhaps better described as consumer fads. A good example of this is the ability of the toy and the small electronic “gadget” industry to adapt to global fads and profit from short-lived products. Understanding these effects can be of great value to SMEs because of their particular competitive advantage, namely, flexibility.

Following is a 7 step approach for addressing the branding strategic needs of an SME:

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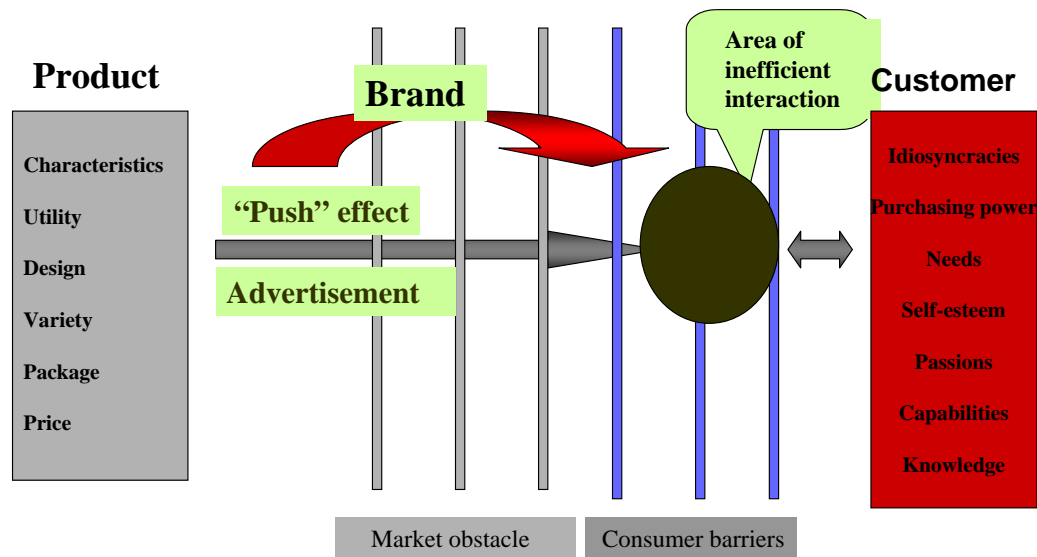
1. Establish the general “global” positioning of the firm
2. Assess the internalities of the firm (Resources, Processes, HR)
3. Know the products (the product's architecture, product attributes)
4. Assess the firm's externalities (clustering of competitor's strategic advantages, market design, etc.)
5. Evaluate the current business strategy and establish a path towards a “global/local fit”
6. Develop a business and branding strategy for this “new global fit”
7. Followed by the actual design, the development, the introduction, the delivery, the management, etc. of the new branding strategy.

A strategy

The above considerations for the delivery of Branding strategies is conditioned by the ability of branding agencies to communicate this philosophy or approach effectively. In other words, the techniques for branding products and entities, though developing along the lines of the depth and breadth of the power of value transmission, etc., inherent to branding, must also be accompanied by the ability to bring branding further down the hierarchy of products and that of company dimensions.

Branding techniques are not enough to develop the market of SMEs. So there is an effective learning curve which must be worked through in order to work with, not against, SME clients.

Figure 4 below is a graphic display of the critical value of Branding when it is actually ineffective in reaching consumers and creating a stable demand.



Therefore, any proposed new strategy should be, first of all, based on three important strategic corner stones:

1. Branding strategies cannot be adopted separately from general business strategy
2. Branding strategies are essentially global by the own nature of the markets
3. An education progress and a learning curve for SME -in connection with the adoption and effective management of Branding strategies- is needed, particularly for SMEs .

These three strategic fundaments are evidently not enough, by themselves, to generate customers and sales. These are only cornerstones of a more general marketing and business strategy. The issue now is to find adequate and effective vehicle(s) for the delivery of a branding strategy, of “winning the hearts over”, so to speak, to the importance of branding for entrepreneurial firms and SMEs, particularly in connection with the penetration of new markets.

Research is currently undertaken along the following lines in order to understand the branding strategic needs of SMEs:

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Clustering analysis of SMEs along a number of different parameters. These parameters can be established along the lines of criteria as varied as, for example, location (geographic, industrial parks, etc.) or by industrial activity, size, product penetration, current type of branding, marketing focus, exports, etc.

To gather some data along the lines of the above parameters, S'GAP is currently undertaking a market-wide research on the basis of a four dimensional performance model. This model is more complex than previous proprietary research, permitting S'GAP to pinpoint interesting mismatches between globalization parameters such as global capacity, vertical vs. horizontal integration, etc. This research will establish certain globalization vectors, or paths, as well as *comfort zones*, the latter being desired equilibrium zones for firms. One of the factors, among over a hundred, contributing to the referred to comfort zone, includes effective dynamic branding, market penetration and spread.

An additional analysis is related to finding points of convergence in connection with serviced rendered to SMEs. It is, however, difficult to obtain market information to determine where and how this relationships are established and maintained. First, it must be stated that SMEs do not often cluster around major service providers, except perhaps ISPs and the like, which are essentially uninteresting or unrealistic as a platform for establishing contact with potential branding costumers.

One of S'GAP's preferred approaches for communicating the importance of Branding to entrepreneurial firms looking for global opportunity gaps is in the use of institutional vehicles or platforms of contact like professional organizations, trade-fairs, chambers of commerce, special events and similar. Informed clients always constitute the best type of clients.