

A Review of Branding Benefits Among Small and Medium Sized Enterprises (SMEs)

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ABSTRACT

Brand Management are very common in large company. Brand Management involves understanding all aspects of a brand and then devising a plan in order to build brand equity. However branding in Small and Medium Sized Enterprises has been relatively new subject. This is partly due to the lack of understanding of the real meaning of branding. It also caused by financial, expertise and resources constraints. Therefore, this study aims to reveal the general idea about SMEs in Malaysia and their growth potential in terms of brand commitment.

Key Words: Small and Medium Sized Enterprises (SMEs), Branding, Brand Management, Brand Equity.

1.1 INTRODUCTION

Brand and branding are not new issues in marketing. It had been discussed so many time in academic platform and also among practitioners. Brand is very important to the companies either they are large organizations or small and medium size organization. Brand is a key success in providing higher profit for firms if it is managed properly. Brand is said to be about building emotional relationship and its results from favorable perceptions, associations, and satisfaction with the brand experience at every touch points (Fauziah Sh. Ahmad & Baharun, 2010). Thus, companies used a branding as a tool or strategy to get and maintain a loyal customer base on cost effective manner in order to achieve the higher possible return on investment.

It is very important for the company to create a brand to their products. Based on The Harvard Business Review , 30,000 new products launched in the USA, 90 percent of them failed because of poor marketing. The other 10 percent went to become successful brand (Chernatony, McDonald, & Wallace, 2011). In Malaysia context, the failure rate of new ventures in the market estimates indicating that 80 to 95 percent of products fail to become sustainable brand (Fauziah Shaik Ahmad, 2009). This shows that by having a strong brand name, it lead the company to be sustainable competitive advantage in terms of superior profitability and market performance.

Brand is not just a logo, a tagline, or an advertising campaign. It's a multidimensional platform that can differentiate the firm performance compared to competitors. It represents both a rational and emotional connection to your various stakeholders and the consumer that ultimately decides to purchase and engage with you. It's important to understand and deploy the power of a fully developed brand.

Small and Medium Enterprises (SMEs) are key generators for growth and employment in the country. Based on the Census Report on SMEs 2011, total of SMEs operating in the market is 645,136 businesses, representing 97.3% of total business establishments. The results showed that 90% of the establishments were in the Services sector, 5.9% in the Manufacturing sector and 3.0% in the Construction sector. The remaining was in the Agriculture sector, 1.0% and Mining & Quarrying, 0.1%. In New Zealand, SMEs represent 86 percent of its 259,000 businesses and these firms account for approximately 27 percent of the total employment (Chong, 2012). In Japan, SMEs count for more than 98 percent of all business establishments and employ over 69 percent of the total workforce (Chong, 2012). When we compare among three countries mentioned in terms of total business establishment, Malaysia is the second high. However, for the nation's Gross Domestic Product (GDP) growth, Malaysia is the lowest which is 32. percent (Foo, 2012). Therefore, a comprehensive plan was developed in order to foster the SMEs growth such as SME Masterplan (2012-2020).

In line with the new economic model, Malaysia aims to have SMEs contribute 41 percent in the county's GDP by year 2020 (Foo, 2012). Therefore, SME Masterplan (2012-2020) was introduced to give more clear direction to SME through six high impact programmes. One of the programmes is to increase the market access by focusing more on marketing and branding.

A strong brand is the key intangible assets for the company. Brands combine with other tangible and intangible assets to create value. Brands are estimated to represent at least 20 percent of the intangible value of businesses for example on a major world stock markets (Chernatony et al., 2011). By having a good and strong brand, it not only helps the customer to identify the company, but also it will increase the value and at the same time will gain a range of economic benefits such as premium pricing, lower cost of sales, lower cost of promotion, high market share and lower employee turnover.

The objectives of this paper is to reveal the general idea about SMEs in Malaysia and the benefits of branding for the SMEs.

2.1 RELATED WORK

Existing literature shown that the interest in branding among SMEs is still at early stages (Fauziah Shaik Ahmad, 2009). It is due to the lack of understanding of the real meaning of branding (Bresciani & Eppler, 2010). Therefore, SMEs entrepreneurs usually give more attention to financial, production and resource management as compare to the brand management. According to Merrilees (2007), many members of the public associate brand with a large advertising expenditure where it reinforce the mindset that only big businesses can be brands, but not small businesses. However, Nordin (2009), argued that branding is relevant for the survival and growth of all companies, big or small. And, branding is even more important and highly relevant to the SMEs (Abimbola, 2001; Nordin, 2009).

The definition of SMEs is differ from country to country. However, SMEs plays the same role in the developing country as a engine of growth. According to SME Corp. Malaysia (Economic and Policy Planning Division, 2013), SMEs are divided into three categories that are manufacturing, services and other sectors. The definitions are vary based on the sales turnover and number of employee. The following table defines SMEs in each of the respective sectors based on size of operation.

Table 1: Definition by Size Orientation

CATEGORY	SMALL	MEDIUM
Manufacturing	Sales turnover from RM300,000 to less than RM15 million OR	Sales turnover from RM15 million to not exceeding RM50

Services & Other Sectors	full time employees from 5 to less than 75 Sales turnover from RM300,000 to less than RM 3 million OR full-time employees from 5 to less than 30	million OR full-time employees from 75 to not exceeding 200 Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75.
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Sources: (Economic and Policy Planning Division, 2013)

There are a broad definitions of the term 'brand'. Brand may be define differently based on the two different perspectives namely consumers' perspective and brand owner's perspective. Additionally, brand can also be defined based on its purpose or by its characteristics. Thus, brand is a multidimensional construct and can be covered from various aspects.

According Chernatony, McDonald, & Wallace (2011), they define brand as a cluster of functional and emotional values that enables organizations to make a promise about a unique and welcomed experience. Aaker (1991), defined a brand as "a distinguishing name and/ or symbol (such as logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors". Branding is the process of creating distinctive and durable perceptions in the minds of consumers. A brand name is any word, device (design, sound, shape or color), or combination of these used to distinguish a seller's good and services (A. Kerin, W. Hartley, Rudelius, & Geok Theng, 2009). According to Fauziah Sh Ahmad, Omar, Zaleha, Rasid, & Amin (2012) brand is not just a distinguishing name, logo term, sign or symbol intended to identify goods or services but rather a complex mixture of tangible and intangible attributes and associations that leads to awareness, reputation and prominence in marketplace for an intended relationship. In consistent with prominent literature, this study views brand as a added value for the companies that lead to be competitive advantage in marketplace. Competitive advantage means the company's ability to perform in one or more ways better than competitors can do (Kotler & Keller, 2012).

A brand name is any word, device (design, sound, shape, or color), or combination of these used to distinguish a seller's good and services (A. Kerin et al., 2009). Companies can choose to use brand name as a abstract, symbolic associations or physical associations. There are guidelines in considering criteria for effective brand names (Keller, 2003).

- a. The brand name should be simple
- b. The brand name should be distinctive
- c. The brand name should be meaningful
- d. The brand name should be compatible with the product
- e. Emotion helps for certain products
- f. The brand name should be legally protectable
- g. Beware of creating new words
- h. Extend any stored-up equity
- i. Avoid extensive use of initials
- j. Develop names that allow flexibility
- k. Develop names that are internationally valid.

Today, brand play important roles which it improve consumers' lives and enhance the financial values of firms. It also can differentiate companies' product with competitors product. There are several benefits of branding:

Firstly, branding will benefit in terms of customer recognition. The brand image play an important role when a customer decide to buy one product over another. Usually well-established brands have a good reputation and can immediately recognizable to the consumer. Basically, well known brands are

likely to be purchased rather than those brands that are unknown. People often trust what they know and distrust or at least feel suspicious with unknown brands.

Secondly, loyalty and price. A powerful brand will help the company to find and get new customers. At the same time, it will also help to keep existing customers loyal. Usually, customers who are satisfied with the company's product, believe in the product's reputation and happy with their purchased are not simply change their choice and favor to the other new product. They will continuously buy the product even though there is a changes in terms of price. This will lead to increase the profits and enhanced market share and build prestige for the brand.

Thirdly, introduction of new product. By having a strong brand name, it will make the process of introduction of new product less risky. For example, if a customer already purchased and satisfied with one of the company's product in terms of good quality and value, he or she will be more likely and willing to try the new product introduced by the company.

Lastly, targeted message. In order to create a strong brands, the management should choose a clear message, keep it consistent and focus on the right audience segment. If the company fail to convey the marketing message to their target market, it caused to the unsuccessful to build a strong brand.

3.1 CONCLUSIONS

Based on the above discussion, brand building in SMEs is still in its relatively early stages. There is a lot of work that need to be done. With the government assistance in terms of financial, resources and training, hopefully it will success. SMEs entrepreneur must be prepared to invest on promoting their company's brands. This is a precondition for going global.

Second, Malaysian SME should encouraged to adopt efficient supply chains. They must be assisted to 'orchestrate' their purchasing, production and distribution networks in ways that are consistent with the building of brand equity. Lastly, SMEs need to give an attention on quality assurance and audit programmes. Many products have had their image wrecked by poor standards and performance, leading to loss of the substantial investments made. Quality assurance and audit programmes is one of the mandatory requirement under National Mark of Malaysian Brands Programmes handled by SME Corp..

Branding is a vital determinant influence companies' marketing strategy. It is not only to the large company but also small and medium company. However, building brands for a small and medium enterprises give more challenges to the entrepreneur due to limited resource, financial budgets and characteristics of SME itself. Hence, branding management on Small and Medium Enterprises offer an interesting area to study.

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