

THE IMPORTANCE OF BRANDING FOR SOUTH AFRICAN SMES: AN EXPLORATORY STUDY

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Abstract

One of the most challenging micro-environmental variables that small and medium enterprises SMEs are faced with is marketing, and more particularly branding. The research study investigates the importance of branding to South African SMEs and determines whether SMEs comprehend the significance of branding in the business' success. The objective of this paper is to determine how brand orientated SMEs are, their perceived brand distinctiveness and the barriers they are faced with. A questionnaire was conducted and judgement sampling was used to gather the responses of 43 SMEs. The research identified that SMEs are aware of the importance of branding; however some SMEs do not have to necessary resources available for it. The challenge now is to improve the skills and capabilities of SMEs to ensure effective branding, which ultimately influences their success, as they play a vital role in the South African economy.

Keywords: Business Problems, Business Elements, Marketing, Branding, South Africa, SMEs

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Introduction

Due to modern technological developments, small, medium and large organisations are now competing in an environment that is global in nature and scope, rich in information and knowledge based (Abimbola & Vallaster, 2007:341). This presents various opportunities and threats for SMEs, namely that they not only compete with other SMEs, but also well established, large businesses. Pencak (2012) states that branding is a key concept in the marketing field, and that it is important to every business, regardless of the size. A strong and well defined brand drive sales, builds customer loyalty, creates brand value and is seen as a catalyst for business growth (Pencak, 2012). Strong brands convey familiarity and trust, reduces risk and serves as the basis for, and engagement between, individuals and companies (Abimbola & Vallaster, 2007:342).

The role and value of SMEs cannot be negated and they play a crucial role in most third world countries, such as South Africa, by creating employment and contributing to a more equitable income distribution (Fatoki & Garwe, 2010:729). Kongolo (2010:2288) estimated that South African SMEs account for 91% of formal entities that contribute between 51-57% to the GDP and 60% of employment. However, it is estimated that only about 40% of SMEs survive to the second year of trading

due to various reasons (Roberts, 2010). This is not unique to South Africa and one way of trying to stem this tide is by means of a strong brand. Branding is seen as an effective way to facilitate the growth of business which can give an organisation a competitive advantage, attract and keep new customers and generate loyalty from existing customers which can lead to increased profits (Pencak, 2012). Berthon, Ewing and Napoli (2008:28) indicate that the relevance and importance of branding in SME's have been hugely neglected as the focus is generally more on large multinationals.

The focus of this study was on the establishment of the importance of branding of SMEs in South Africa. Previous studies conducted by Abimbola (2001:97) highlighted the relevance of branding for SMEs and identified guidelines that SMEs could follow in order to build a successful brand. In a similar way, Merrilees (2007) investigated how branding could facilitate SME development of new ventures. Berthon *et al.* (2008) assessed the nature and scope of brand management within SMEs and found significant differences between SMEs and large organisations regarding the various brand dimensions that exist. It is also clear from the studies conducted that the focuses have traditionally been on corporate branding and not so much on SME's. It is however clear that branding plays an important role in the success of many businesses but that little research has

been conducted, particularly in developing countries such as South Africa, regarding the importance and role of branding among SMEs.

Many, if not most SMEs fail in spite of government initiatives to assist them, and branding is seen as a possible tool that can assist in the growth and success of SMEs. Therefore, the aim of this research is to identify the perceived importance of branding for South African SMEs and to determine whether SMEs comprehend the significance of branding in the business's success.

Research Objectives

The main aim of the research was to establish the perceived importance of branding in South African SMEs, and more specifically:

- To what extent is South African SMEs brand orientated?
- To what degree is South African SMEs distinctive?
- Which brand barriers have an impact on South African SMEs?

Literature Review

A SME is defined by the National Small Business Act of South Africa of 1996, as amended in 2003, as: "...a separate distinct entity including cooperative enterprises and non-governmental organizations managed by one owner or more, including branches or subsidiaries if any is predominately carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards and can be classified as SME by satisfying the criteria mentioned in the schedule of size standards" (Government Gazette of the Republic of South Africa, 2003). Branding makes it possible for organisations to create, nurture and innovate the market offerings in such a way that it is viewed by consumers as presenting value, resulting in brand equity, and ultimately profitable for the firm (Abimbola, 2001:98). Brand orientation, brand distinctiveness and brand barriers are variables which establish the perceived importance of branding; these are discussed below.

Brand orientation

Just as a consumer orientation has been the focus point of an organisation over the years, there is greater emphasis being placed on a brand orientation by organisations. Many marketers regard branding as the starting point in the formulation of a competitive advantage of a company compared to its competitors (Urde, 1994:18). Wong and Merrilees (2008:374) defined brand orientation as "...a mindset that ensures that the brand will be recognised, featured and favoured in the marketing strategy". This increased awareness in branding can be attributed to the accelerated pace of globalisation and technological

advancements which has resulted in a tougher competitive market and shortened product lifecycles (Bridson & Evans, 2004:403-404). Established brands are seen to be in a better position for competition, growth and profitability (Urde, 1994:18).

Brand distinctiveness

Brand distinctiveness is "...a combination of measures that indicate the uniqueness and superiority of a brand in a market" (Wong & Merrilees, 2008:374). A brand achieves distinctiveness when its identity is unique and unmistakable which is based on a number of things including the brand name, logo, packaging, colours advertising etc (Hollis, 2003:1). Abimbola (2001:101) emphasises that the strongest link between branding and SMEs are inventiveness, innovation and creative flair. SMEs, due to their very nature, are in a good position to be more creative and innovative in its brand offering due to a high level of flexibility in decision making. This often leads to a higher level of distinctiveness in terms of the brand.

Brand barriers

Given the nature of challenges faced by SME's it is a known fact that SMEs are faced with various variables that hinder its success. Marketing, for one, is regarded as an area that is troublesome and problematic for SMEs (Krake, 2005: 229). The lack of resources such as finances, and expertise are also barriers in establishing a brand (Abimbola, 2001:102). This combination of variables, as well as the set of beliefs and actions of the SMEs, can and will obstruct the development of a brand (Wong & Merrilees, 2008:374).

Bearing this in mind, the research was conducted among the SMEs in South Africa.

Research Methodology

The research followed a quantitative analysis of the research question to establish how brand orientated and distinctive South African SMEs are and the branding barriers that they are faced with. To address the problem adequately, the research methodology was based on the primary data collected from South African SMEs. The sample consisted of 43 SMEs operating in the Tshwane area. To achieve a low level of error, judgement sampling method was used. The questionnaire consisted of a set of questions which were divided into two major sections. The first section is the demographic section which describes the profile of the respondents in terms of position, involvement, and level of education, gender, age and race. The second major section of the questionnaire investigates the perceptions of branding experienced by SMEs. The main constructs of this study are brand orientation, brand distinctiveness and brand barriers; these were measured through Likert-type scales. The

basic Likert scale consisted of seven scale points with labels ranging from “strongly disagree” to “strongly agree”. The data will be quantified and analysed by examining the frequency of occurrences and the importance of the problem.

Research Findings

The previous section provided a review of branding within SMEs. This section reports on the key findings

from the research conducted. Completed questionnaires were received from 43 respondents (n=43) who either own or manage a SME in the Tshwane area.

Survey population profile

The demographic profile of the respondents who participated in the study, are as follows:

Figure 1. The type of business

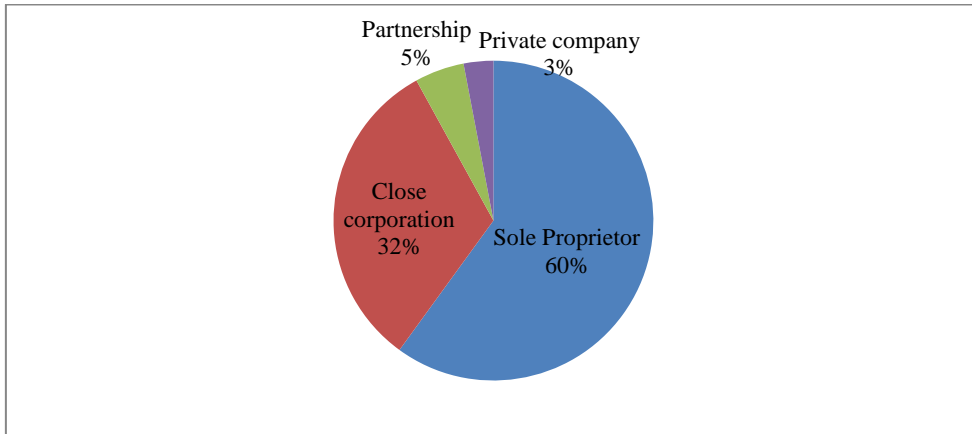
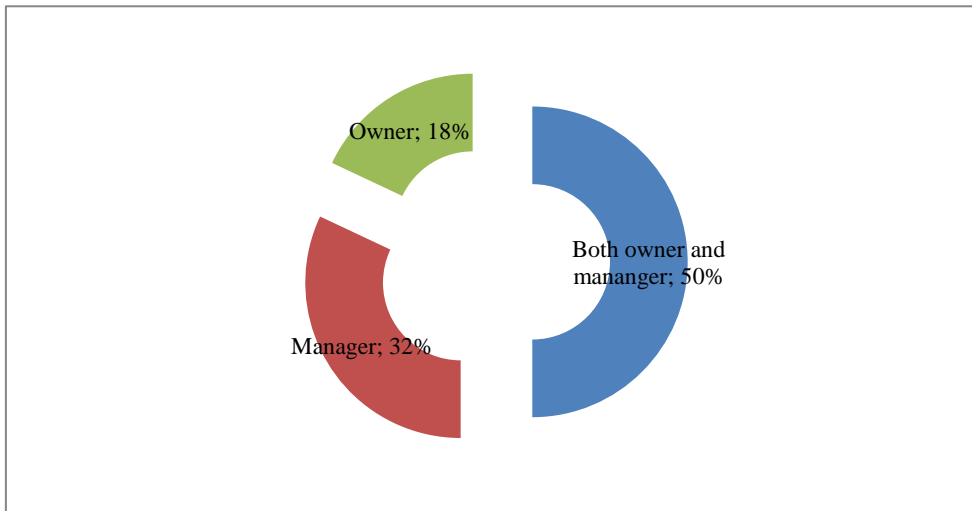


Figure 1 illustrates the sample consisted of 60% sole proprietors, 32% close corporations, 5% partnerships and 3% private companies respectively.

Figure 2 below shows the position held by respondents of the study.

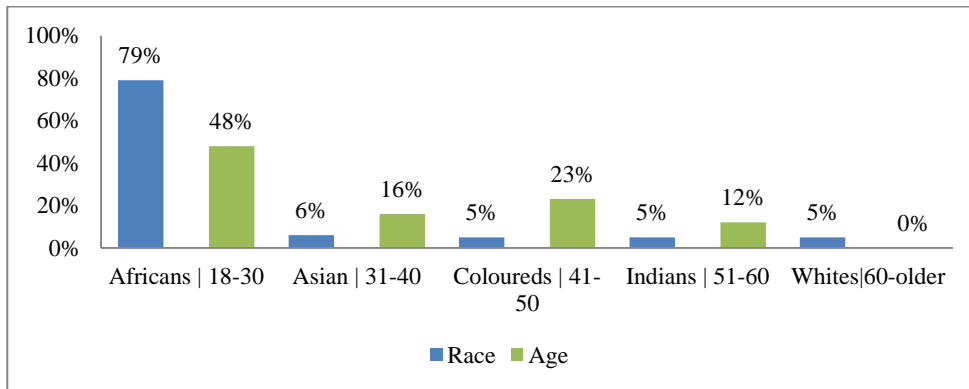
Figure 2. The position held by the respondent



It is clear from the figure that half (50%) of the respondents are both the owner and the manager, whereas 32% are just a manager and 18% are just the

owner. Figure 3 below graphically portrays the racial and age profile of respondents in the study.

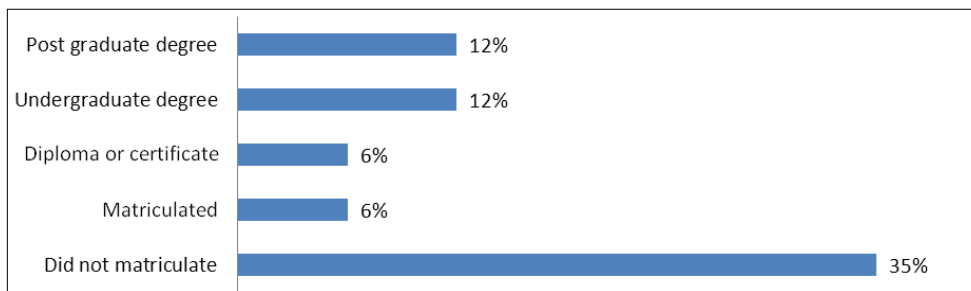
Figure 3. Race and age of respondents



The figure indicated that roughly eight in every ten SMEs (79%) were owned or managed by Africans, 6% by Asians, 5% by Coloureds, Indians and Whites respectively. On the other hand, about half (48%) of respondents are between the ages of 18-

30, 16% between the ages of 31-40, 23% between the ages of 41-50 and 12% between the ages of 51-60. The levels of education of the respondents in the study are shown in figure 4 below.

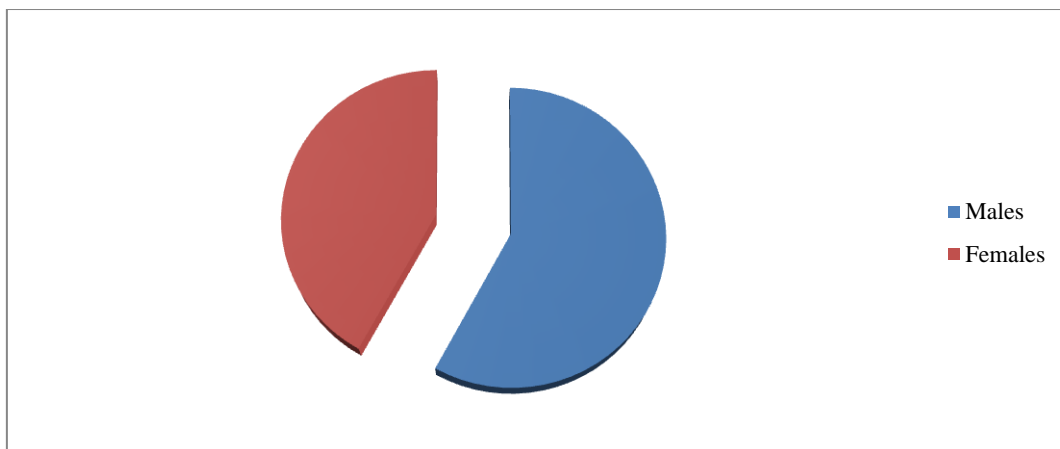
Figure 4. The level of education of respondents



Approximately a third (35%) of respondents did not graduate matric. While the rest have matriculated (6%), a diploma or certificate (6%), undergraduate degree (12%) or post-graduate degree (12%)

respectively. Roughly two thirds of the respondents are male (58%) and the rest are female (42%) represented in figure 5 below.

Figure 5. The gender of the respondents



Brand orientation

This question in the survey was in the form of a seven-point Likert scale ranging from “strongly

disagree” (1) to “strongly agree” (7) with various statements. Table 1 depicts the mean score and standard deviation of the brand orientation of SMEs.

Table 1. Brand orientation

	Item	Mean	St. Deviation
1	Branding is essential to our strategy	5.419	1.435
2	Branding flows through all our marketing activities	3.442	1.680
3	Branding is essential in running this company	3.372	1.480
4	Long term brand planning is critical to our future success	4.139	1.627
5	The brand is an important asset for us	4.395	1.466
	Overall	4.154	1.538

* Measurement was done on a seven-point Likert scale, whereby 1 = Strongly disagree and 7 = Strongly agree.

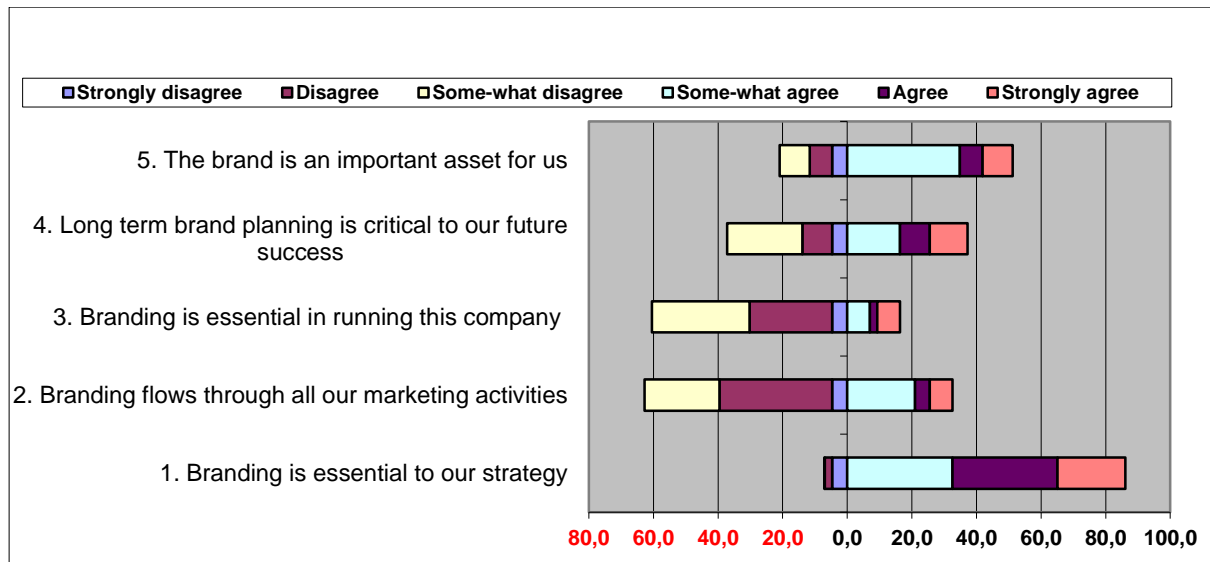
From Table 1 it can be seen that the highest degree of agreement was for statement 1 “Branding is essential to our strategy” (Mean=5.419). The lowest agreement was found to have come from statement 3 “Branding is essential in the running of this company” (Mean=3.372). From the statements that were asked, it is clear that SMEs perceive themselves to be brand orientated, with a total mean score of 4.154 and a standard deviation of 1.538.

To establish whether the five Likert items of the theme or construct *Brand orientation* are related an

item analysis was performed. An overall Cronbach’s alpha value of 0.9749 was recorded for these items. This Alpha value represents acceptable consistency and relationship between the items. An overall theme or construct could therefore be represented by the items.

Figure 6 is thus indicative as to these statements and graphically presents the degree of agreeability and disagreeability.

Figure 6. Brand orientation



The majority (77.4%) of SMEs agreed that branding is essential to their strategy. Less than half of respondents (49.2%) agree that branding flows through all their marketing strategies and that branding is essential in running their company (48.2%).

Brand distinctiveness

Brand distinctiveness was evaluated on a seven-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (7). These statements attempted to determine the how distinctive the companies are. Table 2 depicts the mean scores and standard deviation of the perception of SMEs and their brand distinctiveness.

Table 2. Brand distinctiveness

	Item	Mean	St. Deviation
1	Our firm has a different approach or position in the market compared with our competitors	4.535	1.437
2	Our overall marketing strategy is very distinctive	4.093	1.360
3	We know our main strengths and that really helps us compete in the market	4.00	1.528
4	Our products/services are differentiated from those of competitors	4.00	1.215
5	We know where we are heading in the future and how to market the business to get there	3.581	1.500
	Overall	4.042	1.408

* Measurement was done on a seven-point Likert scale, whereby 1 = Strongly disagree and 7 = Strongly agree.

From Table 2 it can be seen that the highest degree of agreement was statement 1 “Our firm has a different approach or position in the market compared with our competitors” (Mean=4.535). The lowest degree of agreement was found to have come from statement 5 “We know where we are heading in the future and how to market business to get there” (Mean=3.581). From all the statements that were asked, it is clear that businesses perceive their brands to be distinctive and different from that of competitors with a total mean score of 4.042 and a total standard deviation of 1.408.

To establish whether the five Likert items of the theme or construct *Brand distinctiveness* are related an item analysis was performed. An overall Cronbach’s alpha value of 0.9825 was recorded for these items. This Alpha value represents acceptable consistency and relationship between the items. An overall theme or construct could therefore be represented by the items.

Figure 7 illustrates this statement and presents the degree of disagreeability and agreeability.

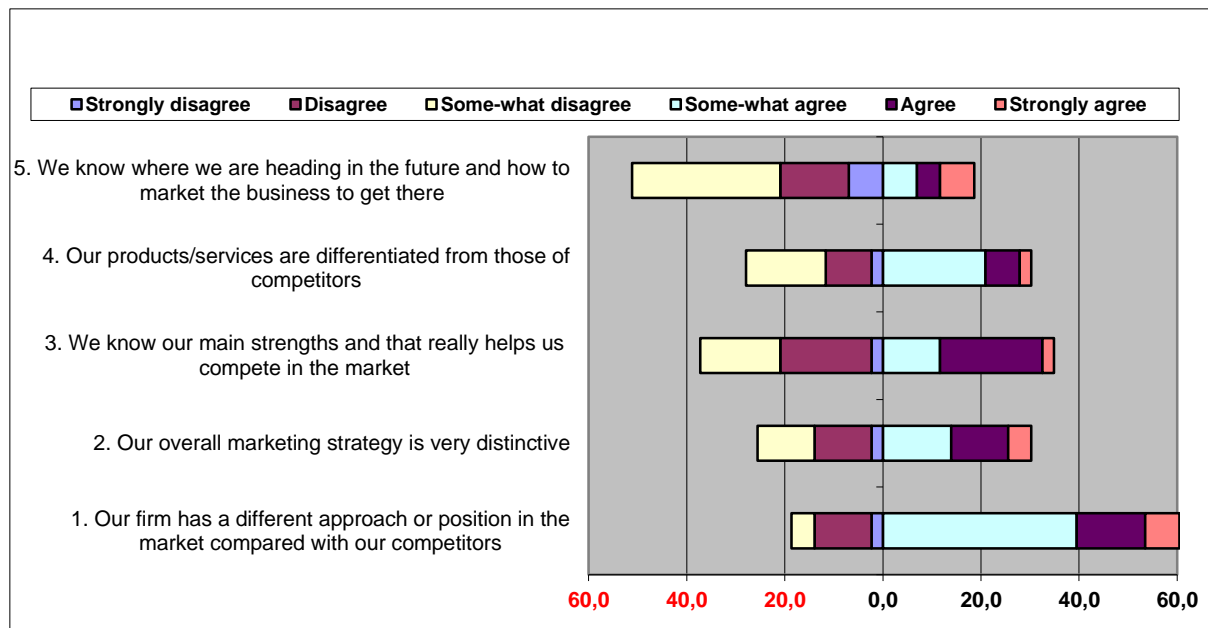
Figure 7. Brand distinctiveness

Figure 7 illustrates how distinctive SMEs perceive themselves to be. The majority (64.8%) of respondents agreed that their business has a different approach or position in the market compared with competitors and about half of the respondents felt that they knew where they are heading in the future and how to market business to get there (51.2%).

Brand barriers

Brand barriers were evaluated on a seven-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (7). These statements attempted to determine the barriers that companies faced with regards to branding. Table 3 depicts the mean scores and standard deviation of the perception of SMEs and their brand distinctiveness.

Table 3. Brand barriers *

	Item	Mean	St. Deviation
1	Branding activities are too costly for us	4.302	1.767
2	We are too busy with the daily operation of the business to worry about our brand	4.744	1.575
3	Branding is not that relevant or necessary for small firms	4.488	1.624
4	Branding is not needed until we grow a lot bigger	4.256	1.677
5	Short term selling is more important than branding	4.162	1.675
	Overall	4.042	1.664

* Measurement was * Measurement was done on a seven-point Likert scale, whereby 1 = Strongly disagree and 7 = Strongly agree.

From Table 3 it can be seen that the highest degree of agreement was statement 2 “We are too busy with daily operations to worry about the brand” (Mean=4.744). The least agreement was with statement 5 “Short term selling is more important than branding” (Mean=4.162). From all the statements that were asked, it is clear that businesses are faced with various branding barriers with a total mean score of 4.391 and a total standard deviation of 1.664.

To establish whether the five Likert items of the theme or construct *Brand barriers* are related an item analysis was performed. An overall Cronbach’s alpha value of 0.9916 was recorded for the items. This Alpha value represents acceptable consistency and relationship between the items. An overall theme or construct could therefore be represented by the items.

Figure 8 illustrates this statement and represents the degree of disagreeability and agreeability.

Figure 8. Brand barriers

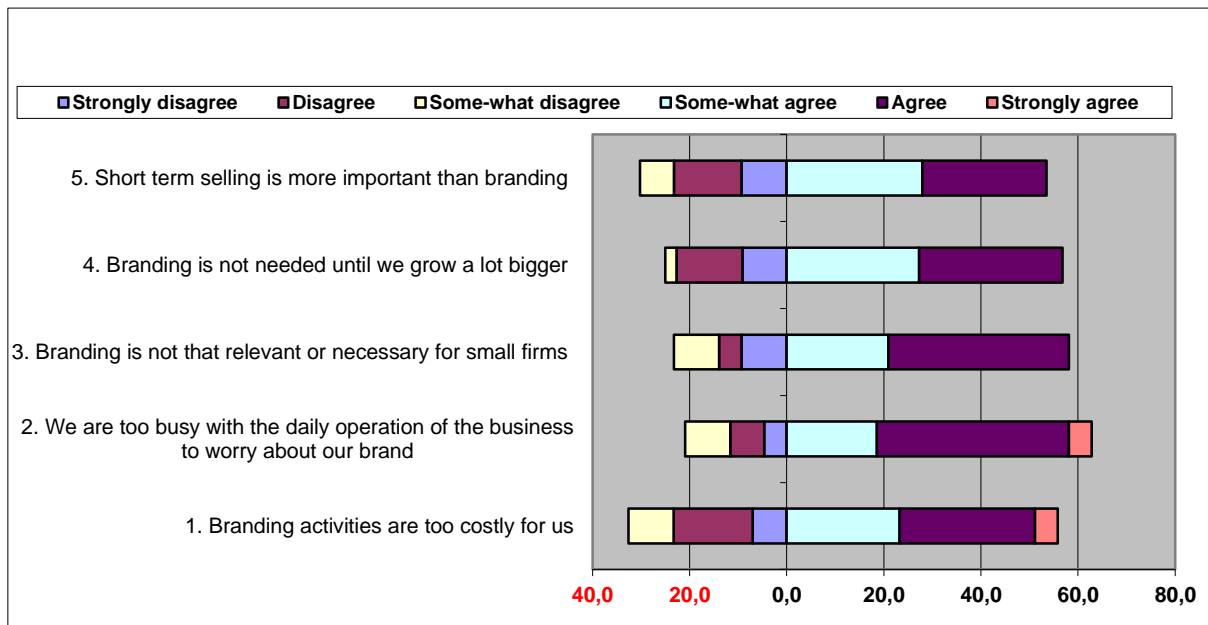


Figure 8 illustrates the barriers that SMEs are faced with. The majority (67.8%) of respondents agreed that they are too busy with the daily operations of the business to worry about the brand and that branding is not that relevant or necessary for small firms (64.1%). It is also evident from figure 8 that branding activities are too costly for businesses

(61.5%), branding is not needed until their business grows bigger (60.8%) and that short term selling is more important than branding (59.5%).

A correlation test was conducted between the mean scores of the themes (*brand distinctiveness, brand orientation, brand barriers*). The correlation coefficients are depicted in Table 4.

Table 4. Correlation coefficients*

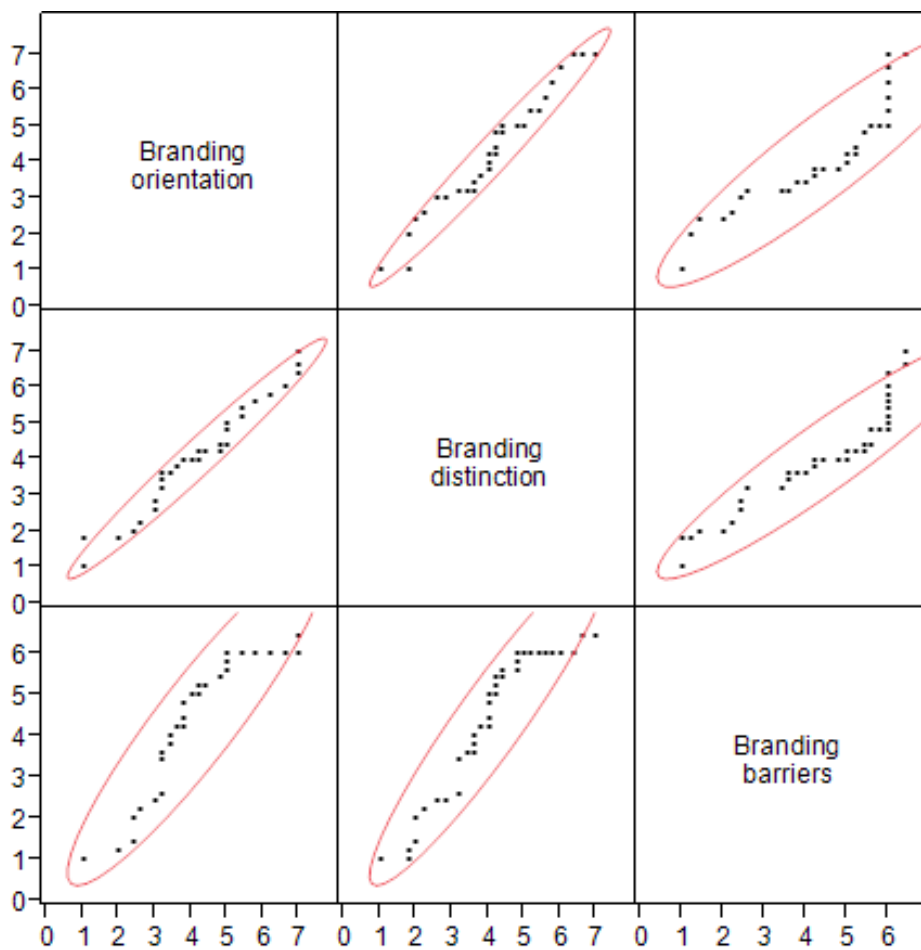
Theme	Branding orientation	Branding distinction	Branding barriers
Branding orientation	1.0000	0.9807	0.9235
Branding distinction	0.9807	1.0000	0.9403
Branding barriers	0.9235	0.9403	1.0000

* A rough guide to interpreting the correlation coefficient: ± 1.0 Perfect linear correlation; ± 0.8 Strong correlation; ± 0.5 Medium correlation; ± 0.2 Weak correlation and ± 0.0 A total lack of correlation.

It is clear from Table 4 that the mean score themes are highly positively correlated with the strongest correlation coefficient (0.9807) between brand orientation and brand distinction.

The following correlation matrix displays the strength of the linear relationship between the themes (*brand distinctiveness, brand orientation and brand barriers*).

Figure 9. Theme score correlation matrix



Limitations

The limitations of this study need to be recognised and taken into consideration. Firstly the sampling size that was used was very small (n= 43), therefore variables identified cannot be generalised to be representative of all South African SMEs. Secondly, since the sample size is so small, it is apparent that not all SMEs were approached therefore the results

cannot be representative of all SMEs in the Tshwane region.

Conclusions

SMEs in South Africa play an essential role in the development of South Africa’s economy and have become the primary source of job creation. These SMEs are faced with a variety of endogenous variables, namely marketing is not only affecting day

to day business, but also long term success and survival. The aim of this study was to determine the importance of branding for South African SMEs. The research formulated three objectives to establish South African SMEs' brand orientation, brand distinctiveness and brand barriers. The results reflected in the study indicated that branding is seen as essential in SME strategies; however it does not flow through all their marketing strategies, nor is it essential in running the business. This can be attributed to the fact that SMEs are too busy with their daily operations to worry about the brand. Future research can be done on other regions and sectors in South Africa and a comparison can then be done.

It is evident that SMEs understand the importance of branding, but do not fully implement it as it does not flow through all their marketing activities and branding is not seen as essential in running the business. Branding is a key aspect in marketing which is receiving more attention due to the macro-environmental changes occurring in society. Consumers are more demanding than ever before and expect more from companies and their brands, especially in terms of interactions. Branding is seen as an important element which should be utilised by SMEs, however currently it is not being implemented and it is perceived as not being essential in running the business.

It is revealed that SMEs are aware of the benefits of differentiation that can be achieved through branding. SMEs due to its nature may find it difficult to build a reputable brand name that consumers acknowledge and trust. SMEs focus mainly on the day-to-running of the business, with little time spent on branding issues as it is not perceived to be relevant or necessary for SMEs. This perception may be due to the fact that SMEs have to deal with other major issues that negatively influence its survival. An example would be that SMEs have too many inventory complications or not enough cash flow, which leads to SMEs agreeing that short term selling is more important than branding.

Branding can assist SMEs to ensure sustained growth and ultimately its survival, however many struggle to integrate it into other daily business operations and build a reputable brand. It is therefore recommended that the training programmes and workshops targeting SMEs should incorporate text on methods that South African SMEs should follow and allow for practical application of concepts and procedures in terms of marketing and branding. Furthermore, associations and representative bodies should be formed which focuses on using other mediums such as social networks to build and grow brands effectively. Lastly, negotiations should be done with local government to increase its roles in supporting SMEs by providing workshops and programmes related to marketing and branding.

It can be concluded that all three the important elements or objectives for establishing SMEs, namely,

brand orientation, brand distinctiveness and brand barriers, have a strong correlation and if one element is left out or is changed, it will negatively affect the other elements. It is therefore imperative that SMEs consider all three elements as a whole and approach it with caution.

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