

SRC ASSOCIATES

POSITION PAPER – 1 – JAN 2004 SME BRANDING

SME marketing and branding have become very topical issues in recent years as China gains access to the WTO and many Asian firms move from OEM status to OBM (original brand manufacturer). The major reason being control over their own destiny and market performance that potentially far outweighs being in the position of an OEM or ODM. Research by the HKTDC (HK Trade Development Council) shows that 41% of Hong Kong firms are either considering or have moved to OBM.

Whilst at SRC we believe that this is to be commended and indeed, Asian brands have shown their ability to make it (consider Tiger Balm or Samsung), problems have now arisen for the SME manager on how to go about moving from OEM to OBM status, and all the many decisions that this entails. The response by the private and public sector has been mixed, but education programmes seems to be one of the key tools that bodies such as the HKTDC and the HKPC (Hong Kong Productivity Council) have decided are appropriate to lead SME managers in the right direction.

However, therein lays some major questions and problems about whether SME branding and large firm branding are the same or even warrant the same methodologies. One of the key problems for the SME is the resource constraints that they often operate under. Money is of course one of the key limited resources, but so is time and skilled personnel. This is one of the major reasons we have seen substantial growth in the many new brand consultancies popping up claiming to offer the latest methodologies to push your brand into orbit. Many of these firms are very good but unfortunately, many are also following traditional paths in encouraging the SME to spend disproportionate sums on advertising and clever logo designs. Whilst a nice logo and brand distinctiveness are important, these can hardly make a brand, at least for the vast majority who just do not have the necessary resources to pump into such activities.

The problems with many of the education programmes being offered to SME's in this area is the fact that many of the case studies and approaches are based on world famous brands such as Coca Cola and Walt Disney. Whilst one can learn much from these great brand managers and corporations, when the SME manager hears that last year Coke spent double his/her entire turnover on advertising alone, what valuable lessons can the SME manager walk away with to apply within their own business.

At SRC we are suggesting that branding for the SME must take into account the nature of such firms and the resource constraints that they face. Evidence is clear that big firm marketing and SME marketing are fundamentally different and recommending watered down approaches from large firms is not going to help the SME manager operate in a context that is uniquely different from that faced by larger counterparts.

There are very few books or courses that deal with the SME context specifically and this is an area which needs addressing. One of the best examples that addresses the needs of the SME in Asia is *Competing for Markets* (see our book review page) which provides a range of competitive strategies applicable to the SME although branding is not dealt with specifically.

For the SME brand builder, marketing programmes must be carefully targeted and applied with minimum wastage of resources. Additionally, using unconventional approaches and leveraging the capabilities of PR can be extremely valuable. One of the key factors is to build a strong and compelling identity for the organization that establishes and communicates key values to all stakeholders. The Body Shop is a classic example of the power of corporate values in brand building. Without any advertising and almost relying solely on word of mouth, Anita Roddick took The Body Shop public only 5 years or so after opening the first shop in the UK.

Additionally, one cannot disconnect branding from the organization as a whole. It only takes one negative experience with a staff member for a brand image created by communications and product quality to be destroyed. Branding occurs at every possible contact point with the organization and SME managers should not forget this as they attempt to create awareness and brand recognition.

Asian brands can and will be world beaters in the future, but for the SME owner/manager, attempting to copy the branding process of large firms with their huge resources is a recipe for disaster. In Hong Kong, we need SME marketing and branding education and advice that is specific to the context within which these firms operate and at present this is not happening.