

Building a Sustainable Competitive Advantage for Small & Medium Enterprises of India – A Perspective

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Abstract: Elaborate and extensive literature is available on every aspect of branding. But these are restricted to established brands of large organisations. The discussion of branding among Small & Medium Enterprises (SME) is very rare especially in the Indian context. The rapidly changing business environment in India is providing the right impetus for the global companies to make India an important partner. This environment is an ideal platform for SMEs to showcase their offerings, product or service. Branding will play a key role in creating the differentiation. This study highlights these aspects and also outlines the future research direction.

Keywords: SME, GDP, Branding, Economy, Make In India, Sustainable, Differentiation, Corporate Identity, Competitive advantage.

I. INTRODUCTION

This article gives due importance to the SME sector in India, looks at specific definitions and their contributions to the Indian economy establishing a platform for the significance of the sector towards the economy and market at large. The author then focuses on the impact of certain policy level changes and entrance of international corporations on the SME sector.

Further, the author explores the importance of branding amongst SMEs, the scant literature around the concept and how branding could serve as a sustainable competitive advantage in an ever growing competitive landscape.

II. SME IN INDIA

DEFINITION:

Table I. (Source: MSME Annual Report 2012-13)

Classification	Manufacturing	Service
	Investment in Plant & Machinery (Rs)	Investment in Equipment (Rs)
Micro	Up to Rs 25 lakh	Up to Rs 10 lakh
Small	Rs 25 lakh- Rs 5 cr	Rs 10 lakh- Rs 2 cr
Medium	Rs 5 cr- Rs 10 cr	Rs 2 cr- Rs 5 cr

While there are many scholarly definitions of SMEs such as the ones by Gibson, Van Der Vaart (2008) and Petrakis and Kostis (2012), this article uses the classification basis financial holding as recognised by the commerce guild and other Indian government institutes for ensuring consistency and relevance to the subject discussed.

CONTRIBUTION OF SMES IN THE INDIAN ECONOMY:

Table II. (Source: The SME Whitebook 2015-16)

45% of industrial output	36 million units
40% of exports	Drivers of innovation in manufacturing and service sectors
Employing 60 million people	Major link in the supply chain to corporate and PSUs
45.20% of units located in rural India- crucial for balanced growth as it can create jobs	8% contribution to GDP
>6000 products for domestic and global markets	Crucial for the success of Make In India

The contribution of 8% by SMEs to India's GDP is one of the lowest in the world e.g. in UK it is 50%, in South Africa it is 57%. This needs to and can clearly improve. The contribution of the SMEs towards India's goal of achieving 25% contribution from Manufacturing by 2025 is crucial. The right impetus is needed

There are certain key enablers which the SMEs can leverage. The digital and infrastructure development t is on a fast track. The rapid growth of start ups is a significant opportunity. SMEs need to find methods to replicate the China model of manufacturing by leveraging technology. Policy makers and banking institutions need to provide access to institutional finance at competitive interest rates. SMEs play an important role in the business portfolio of Banks. According to Arundhati Bhattacharya, Chairperson, State Bank Of India (The SME Whitebook 2015-16) " The bank's SME Business Group had a portfolio of nearly Rs 1,81,474 crore as of end- March 2015 , equal to 13.59% of the bank's advances.." The growing importance of the Services and Healthcare sectors across demographics and geography is clearly an opportunity. Positive sentiments of the economy across almost all parameters are just the impetus that the SMEs need.

THE IMPACT OF POLICY CHANGES AND INTERNATIONAL BRANDS ON SMES:

The Lok Sabha election in India May 2014 gave the National Democratic Alliance (NDA) an emphatic mandate and the country an optimistic economic and policy making outlook post the United Progressive Alliance regime of policy paralysis (PTI, 2013)

Control of inflation, employment generation, social equity and a consistent management of the vital parameters of the economy became some of the priority agenda items for the new Government at the centre (The EconomicTimes, 2014)

One of the most significant initiatives towards making India a low cost manufacturing hub for global companies was the announcement of "Make In India" initiative. Some of the key points are highlighted as below; (PMO, 2014)

- Make the labour intensive manufacturing sector an important contributor to the GDP- to reach 25% of the GDP by 2025 (Sangeeta Mishra & Anup K Suresh- Estimating elasticity of growth for the Indian economy- rbi.org.in)
- The India Invest Unit of the Ministry of Commerce will act as a single window clearance
- 25 key sectors identified
- Make In India week held in Mumbai in February 2016 attracted investment commitments worth Rs 15.2 lakh crore according to Department of Industrial Policy & Promotion (DIPP)

However, despite the positive outlook of the initiative and its potential impact on the SME sector in India, there are fundamental grass root level problems and hurdles which need to be cleared before the full potential of the program can be brought to fruition. Some of the larger issues are as highlighted below; (PMO, 2014)

Missing Links:

- Lack of infrastructure, inadequate ecosystem, failed Public-Private Partnership initiatives have negatively impacted the growth of the manufacturing sector
- Foreign trade policies have to be integrated in the process, so that the usual lacunae of bureaucratic pitfalls and innumerable regulations are avoided

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- A World Bank report of 2015 placed India at rank 142 out of 189 countries surveyed in the area of ease of doing business
- It is critical for India to become a part of the Global Value Chains (GVCs) as “the products manufactured in GVCs constitute a large 70% share of world trade in non-fuel manufactured products” (Ajay Srivastava, The Times of India). Quick import export is the key in this area

Keeping in mind all the above discussed problems and stumbling blocks faced by the program, it is however important to note that, while the government would be making sure these problems are dealt with the accelerate the initiative, for the SMEs it is business as usual.

Further with the advent of international corporations such as IKEA and Foxconn entering the market and seeking business partners across various categories such as raw materials, spare parts, finished goods and services the competitive landscape for SMEs is constantly heating up and will continue to do so (Financial Express, 2016). According to the authors, there is a legitimate reason to therefore shift ones gaze towards the principle of branding to create differentiation and explore the potential of using branding to create sustainable competitive advantage.

III. SMES AND BRANDING

CURRENT SCENARIO & EXTANT LITERATURE:

As discussed earlier, Indian SMEs already contribute a significant percentage to the overall economy. Similarly the world over, the contribution of SMEs towards any country’s GDP, employment and export performance is significant (Culkin & Smith 2000, Graham 1999). In Germany, the Mittelstand companies- SMEs- account for almost 50% of the GDP and employ nearly 70% of the workforce in the organised sector. The available literature on brand management majorly covers large, multinational brands. While the study of branding and brand management within SMEs hardly find any mention and the literature surrounding the topic is scant at best.

This is despite the fact that SMEs are numerically the majority of organisations world over. One of the primary reasons could be because SMEs are short of resources compared to larger organisations (Knight 2000, Cohn & Lindberg 1972).

SMEs fail to realise that brands can in fact be established and maintained on relatively modest budgets (Aaker & Joachimsthaler 1999). Below is a table with some of the key works done within the field of SME and brand management for reference:

Table III. (Source: Ahonen, 2008)

Author(s)	Approach	Theoretical background	Type	Data	Respondents/Interviewees	Amount of respondents	Unit of analysis	Industry	Company's business
Abimbola (2001)	Brandng as a competitive strategy for demand management	Demand management; policy; competition; process	Conceptual	-	-	-	-	-	-
Aish et al.	Cross-cultural perspective on branding	Bank selection criteria for business customers	Qualitative-quantitative	Interviews Mail survey	Owners/Managers	21 interviews Sample 1250, 316 resp	S	Services bank	B2B
Boyle (2003)	Entrepreneurial brand building	New product development brand image and personality, brand management	Qualitative case study Historical research	Published documentary			PC	Manufacturer vacuum cleaners	B2C
Inskip (2004)	The role of branding among B2B SMEs		Qualitative case study	Interviews Mail survey	Managers	3 interviews	C	Service+Manufact.	B2B

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Yakhlef & Maubour-guet (2004)	Brand affiliation/endorsement as a mode of internationalisation	Networks, Internationalisation, Branding, Strategies (product), brand endorsement	Qualitative case study	Interviews Mail survey	Managers	11 interviews	C	Services hotels	B2B, B2C
Krake (2005)	Brand management in SMEs	Brand management (product)	Qualitative	in-depth interviews	Owners	10 interviews	PC	Consumer goods manufacturer	B2C
Mowle & Merrilees (2005)	Branding approaches of SME wineries	Product brand functionality, symbolism	Multiple qualitative holistic case study	in-depth interviews, direct observation, documents	Owners/Managers	8 interviews	PC	Products - winery	B2C
Rode & Vallaster (2005)	Corporate branding for start ups	Corporate branding	Qualitative case study	Unstructured interviews, participatory observations	Founders	1+8	C	Tourism industry + multiple	
Wong & Merrilees (2005)	Role of branding strategy in SMEs	Brand strategy	Qualitative case study	In-depth interviews	Owners	8 interviews	C	Services - Multiple	B2C, B2B?
Holverson & Revaz (2006)	Effectiveness of branding through franchising	Hotels franchisee brands (hard/soft),	Quantitative	Questionnaires	Managers	Sample 29.	CS	Services - hotels	B2C, B2B
Kollman & Suckow (2007)	Corporate naming	Corporate names	Quantitative	Online questionnaires	Entrepreneurs	Samples 319	C	Multiple - enterprises	B2C, B2B?
Merrilees (2007)	Branding in news ventures	SME Branding	Conceptual - case studies	Published documentary		10 cases	CP	Multiple - service, manufacturing, Retailing	B2C
Opoku et al (2007)	Website brand communication. Brand personality.	Brand personality (product)		Textual information from the websites		5 companies	C	Services - Food, restaurants, franchisees	B2C
Powell & Ennis (2007)	Organisational marketing in SMEs	Organisational marketing	Qualitative	Interviews Mail survey	Owners, managers, junior members	31 interviews	C	Services - design consulting, architect	B2B
Berthon et al (2008)	Brand management	SME marketing management, brand management, managing brands in SME	Quantitative	Questionnaire (email survey)	CEO	Sample 1000, 263 resp.	CP	Multiple - service + manufacturing	B2C

IV. BRANDING, THE SUSTAINABLE COMPETITIVE ADVANTAGE – A PERSPECTIVE

The SME sector generates employment opportunities at a comparatively lower capital investment compared to large industries and also helps in the industrialisation of rural areas of India. It can provide a major traction in the process of inclusive growth. But when it comes to branding it is considered an expense not an investment. The main objection to this investment decision is that most SMEs are suppliers to other businesses and therefore there is a belief that sales objectives can be met with direct selling alone. The primary focus of the SME's is towards improving its operations and considers investments on core branding as a non-priority item on their business agenda

However, in today's global and competitive world where more and more products are getting commoditised, how does an SME stand out with a sustainable brand and customer base? The authors believe differentiation, perception, imagery and drive are some of the key factors which would differentiate one SME from another.

The opportunity for global corporations to set up a manufacturing hub in India through the 'Make In India' initiative can have a direct positive impact on SMEs in India. These companies will be scouting for business partners with various competencies to contribute products or services to their supply chain.

These companies, who are established large scale brands of their own with robust branding practices, will prefer long term partners who share their vision and values. The perception about an SME brand will be as important as the product and service offering of a company.

Branding if planned and implemented correctly has a contributory impact on the organisation's image- externally and internally. This can contribute towards development of a favourable corporate reputation (de Chernatony, 1999)

Branding helps in creating:

- Differentiated value proposition
- Defines and refines internal value systems
- Conveys brand promise
- Develops tools for visual identity- from logo to other marketing collaterals

This cohesive and collaborative effort goes a long way in projecting the brand's or the company's image and reputation which eventually leads to better business. An SME which invests in the company brand communicates to all its stakeholders- past, present and potential, they are a company with a fundamental vision of long term sustainability. The authors suggest that, all principles of branding if conducted in a professional and holistic manner could serve as a sustainable competitive advantage for the SMEs in a highly competitive environment.

However, it is imperative to note that branding and brand management alone cannot sustain businesses. It can act as a differentiator, an image creator, perception builder and internal motivator, but the product/service, the corporation's people, and robust processes also need to play their role in ensuring the brand stays ahead of competition and builds on all opportunities which are coming India's way.

V. CONCLUSION

As discussed earlier the extant literature around branding and SMEs is scarce internationally but especially in India. Further, the article also outlines the importance of SMEs and the potential impact branding can have on the companies within the space.

Given the scenario, there are many gaps in the academic study of branding and SMEs, across various verticals. Some of which could be a discussion on Corporate Identity the efficacy of well managed Corporate Identity amongst SMEs, the difference in Brand Management practices between large scale and SMEs or even the importance of corporate reputation and its impact which identifying business partners.

It is important to note there has been a study done on the 'Brand Management in Small to Medium-sized enterprises' by Berthon, Ewing and Napoli (2008), the focus was on international SMEs without any mention of India or Indian SMEs.

Further, the author of this article is also in the process of undertaking an exhaustive India centric study of the importance of Corporate Identity management among Indian SMEs. It still leaves many opportunities for further research within the broad and untouched areas of the subject.

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