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THE ROLE OF BRANDING IN SME START-UPS

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ABSTRACT

Brands play an integral role in differentiating one company's product or service from that of another. Brands are normally associated with big business however, brands are also critically important in small to medium enterprises (SME's). SME's play an important role in stimulating economic growth, job creation, poverty alleviation and the general improvement of living standards.

The objective of this report was to gain a better understanding of what role branding plays during a SME's start-up phase. The researcher's objective was to answer four research questions by conducting in-depth face-to-face interviews with ten entrepreneurs.

Research findings pointed out the impact and benefits of using network marketing. Respondents indicated that networking was the most prominent and effective means to create brand awareness, especially during the SME's start-up phase. Word of mouth was also found to be an important component in the creation and establishment of a SME's brand.

Financing was shown to be a key prohibitor to brand establishment, respondents were unclear on the cost to benefit ration of investing in their brand. Lastly, results reflected the key role played by the entrepreneur in establishing the SME brand.



DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

Ricardo Paulo Gonçalves Carvalho

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QUOTE

**“A brand that captures your mind gains
behaviour;
A brand that captures your heart gains
commitment”**

- Scott Talgo, brand strategist



TABLE OF CONTENTS

ABSTRACT	II
DECLARATION	III
ACKNOWLEDGEMENTS	IV
QUOTE	V
TABLE OF CONTENTS	VI
LIST OF FIGURES	X
LIST OF TABLES	XI
LIST OF ABBREVIATIONS	XII
1. INTRODUCTION TO THE RESEARCH PROBLEM	1
1.1. Introduction	1
1.2. Importance of brands	2
1.3. Role of SME's in economic development	3
1.4. SME start-up phase	4
1.5. The research problem	6
1.6. Research objectives and scope	6
1.7. The relevance of the research topic	7
2. LITERATURE REVIEW	8
2.1. Introduction	8
2.2. Brand – Definition	9
2.2.1. Brand strategy	11
2.2.1.1. Brand orientation	11
2.2.1.2. Brand barriers	12



2.2.1.3. Brand distinctiveness	12
2.2.1.4. Brand marketing performance	12
2.2.2. Brand Management	13
2.2.3. Brand equity	14
2.2.4. Brand building	16
2.2.5. Brand loyalty	18
2.3. Small to Medium Enterprise (SME)	19
2.3.1. Lifecycles in SME's	21
2.3.1.1. The start-up phase	23
2.4. Marketing and Branding for SME's	24
2.4.1. Word of Mouth	28
2.4.2. Marketing by networks	29
2.4.3. Building strong brands for SME's	30
2.5. Literature conclusion	31
3. RESEARCH QUESTIONS	32
3.1. Research questions	32
4. RESEARCH METHODOLOGY	34
4.1. Research design	34
4.2. Population and sampling	35
4.3. Research instrument	37
4.4. Interview process	38
4.4.1. Face-to-face interview	39
4.5. Data analysis process	40
4.6. Research assumption	41



4.7. Limitations	42
5. RESULTS	44
5.1. Introduction	44
5.2. Representation of results	44
5.3. Demographics of SME entrepreneurs	45
5.4. Research questions	49
5.5. Additional findings	54
5.5.1. Branding seen as professionalism	54
5.5.2. Brand and values	55
5.5.3. Remain small	55
5.5.4. Differentiating factors.	56
6. DISCUSSION OF RESULTS	57
6.1. Introduction	57
6.2. Demographics	57
6.3. Research questions	60
7. CONCLUSION	75
7.1. Summary	75
7.2. Key findings	76
7.2.1. The power of networks	76
7.2.2. Nothing like word of mouth	77
7.2.3. Money too tight to mention	77
7.2.4. Role of the entrepreneur	78
7.3. Recommendations	79
7.3.1. Build your network	79



7.3.2. Invest in your brand	79
7.3.3. Move beyond the entrepreneur	80
7.4. Recommendations for further research	80
7.5. Final word	81
8. REFERENCE LIST	82
9. APPENDICES	92
9.1. Appendix 1 – List of owner/managers	92
9.2. Appendix 2 – Interview Document	93



LIST OF FIGURES

Figure 1 – Brand Resonance Pyramid	17
Figure 2 – Lifecycle growth stages	22
Figure 3 – Branding archetypes ladder	27



LIST OF TABLES

Table 1 – SME Classification	20
Table 2 – Age of Entrepreneur	45
Table 3 – Gender of SME Entrepreneurs	45
Table 4 – Years in Business	46
Table 5 – Turnover	46
Table 6 – Number of Employees	47
Table 7 – SME Category	47
Table 8 – Business Type	48
Table 9 – Importance of Branding	49
Table 10 – Logo and Pay-off Line	50
Table 11 – Advertising Medium	51
Table 12 – Brand Communication via	51
Table 13 – Enablers and Prohibitors	52
Table 14 – Brand Equity	54



LIST OF ABBREVIATIONS

AMA	American Marketing Association
EU	European Union
GDP	Gross Domestic Product
PAYE	Pay as you earn
SARS	South African Revenue Service
SESE	Survey of Employers and Self Employed
SETA	Sector Education and Training Authority
SME	Small to Medium Enterprise
SMME	Small- Micro- and Medium-sized Enterprise
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WOM	Word of mouth

1. INTRODUCTION TO THE RESEARCH PROBLEM

1.1. Introduction

The evidence of brand and branding activity surrounds us. Brands have been described as a dimension that is added to a product or service that in turn differentiates it in some way from other products or services. Brands allow us to make emotional connections with products and services. “Ultimately a brand is something that resides in the mind of consumers” (Kotler and Keller, 2005, p. 275)

The impact and importance of branding and brand management has been well documented however, most research has been based on large companies and multinationals (Krake 2005). Comparatively very little research has been done on this matter in the SME context (Wong and Merrilees 2005).

Companies like Coca Cola, Microsoft and Nike are all multi-million dollar organisations ranked in the top 100 brands in the world, and so the idea of branding and brand management is typically associated with big business. Marketing academics such as Aaker (1991) have tended to focus on brand equity and brand management in large corporations. Krake (2005) recently stated that theories on brand management have only been based on big companies and multinationals.

This research investigates the importance of branding in small to medium sized enterprises (SME's) during the start-up phase. SME's play an important part of any country's economy and thus the researcher explores how SME's use branding to establish their product or service in order to differentiate themselves from the market.

1.2. Importance of brands

Brands play an important role for firms as they compete vigorously with each other to gain market share. Almost all products and services can be easily replicated, and so we see commoditisation of products and services. Kotler and Keller (2005) state, that through product experience and marketing activities, brands offer firms a means of differentiating their product or service from that of their competitor by creating a lasting impression in the minds of individuals and organizations. The affiliation to a brand, referred to as brand loyalty, can result in a willingness by the consumer to pay a price premium, sometimes as much as 20 to 25 percent (Kotler and Keller, 2005).

Brand loyalty provides predictability and security of demand for a firm's product or service, thus ensuring future revenue for their owners. Firms view the value and benefit of brands from two perspectives. Firstly, in terms of the potential future profits that can be obtained from these brands. Secondly, as barriers to entry in terms of cost and difficulty for competitors to establish a similar brand from scratch. It is believed that strong brands result in better financial performance for the firms, which in turn benefit all stakeholders.

Aaker (1991) stated that the most important assets of any business are intangible: its company name, brand, symbols and slogans, and their underlying associations of perceived quality, name awareness, customer base, and propriety resources, which include patents, trademarks, and channel relationships. Branding enables business growth, which increases profitability and helps create an intangible asset (Kapferer, 2007).

Opoku, Abratt, Bendixen and Pitt (2007) have highlighted the critical importance of branding in the small to medium-sized enterprise (SME) sector. Comparatively little research has been undertaken into SME branding, which leaves us with unanswered questions as to where brand fits into SME marketing strategies (Wong and Merrilees 2005).

1.3. Role of SME's in economic development

Various formal bodies including the European Commission have recognised the importance of SME's in industrial development and market penetration (Hibbert, 2000). "Two thirds of all European employment is provided by companies with less than 250 employees" (Hibbert, 2000, p.1). In a recent article Ayyagari, Beck and Demirgüç-Kunt (2005) quoted the World Bank Group as being committed to the development of SME sectors, as they saw this as a core element in its strategy to foster economic growth, employment and poverty alleviation.

The South African government has also recognised the vital role that small businesses play in stimulating economic activity, creating jobs, alleviating poverty and improving the living standards of all South Africans (South African Revenue Service, 2007). Since 1995 South Africa's small-, micro- and medium-sized enterprises (SMME's) have been actively promoted, in order to achieve the objectives of economic growth, through competitiveness on the one hand, and employment generation and income redistribution as a result of this growth on the other (Berry, von Blottnitz, Cassim, Kesper, Rajaratnam and van Seventer, 2002).

SME's play a valuable role in a country's economy, and according to Storey (quoted in Krake 2005) at least 95% of all businesses belong to the SME group. This coincides with Jentzsch (1998) who quoted that in Australia SME's accounted for 95% of on-going annual business activities. Results from Survey of employers and self employed (SESE) conducted by Statistics South Africa in March 2001, "estimated that 2,3 million people who were owners of at least one non-VAT-registered business generated a total turnover of R2 617 million from their main businesses in the month prior to the SESE interview." (Statistics South Africa, 2002, p. 1)

1.4. SME start-up phase

Various academic authors have indicated that all SME businesses encounter different lifecycles during its existence. Churchill and Lewis (1983) developed a model which depicted five lifecycle stages to SME business. However, not all business moved through all of these stages.

The five stages are:

- **Existence stage** – The owner/manager does everything. The focus is on finding customers and providing them with the required product or service.
- **Survival stage** – The company has a small customer base. Marginal profits are earned and the business can remain at this stage for many years.
- **Success stage** – The company has built up a reasonable size client base which ensures economic success and earns average or above average returns. At this stage you may find the owner disengaging from the business.
- **Take-off** – The company experiences rapid growth, which it is able to finance. Owner maintains stock control, although partially removed their presence is still felt.
- **Resource mature** – Management is decentralised experienced and the company is adequately staffed. The owner and the business are reasonably separate, both financially and operationally.

Churchill and Lewis (1983) point out that at the start-up phase, business activity will focus on product orientation and gaining customer recognition. Firms move beyond the start-up phase, as they move into the success stage. At this stage the owner/manager has two options, firstly “use the company as a platform for growth or as a means of support for the owners as they completely or partially disengage from the company” (Churchill and Lewis, 1983, p.34).

1.5. The research problem

Despite the importance of branding, academic research into how to enable this in the SME context, particularly with reference to the important phase of start-up, has been limited. As a result the researcher has tried to gain a better understanding as to what role branding plays during a SME's start-up stage.

1.6. Research objectives and scope

Broadly speaking, the researcher set out to highlight the need and importance of understanding the effects of branding on SME's. More specifically, the objectives of this research are to investigate what role branding plays during a SME's start-up stage. Gaining a better understanding as to what value effective brand management can have on a SME, will significantly improve its ability to grow and move beyond the start-up phase.

The researcher has approached this study by first investigating what literature says about SME branding. He has broken the literature search into three sections:

- Brand and its related elements – brand strategy, brand loyalty etc.
- SME's and their lifecycles – in particular the start-up phase.
- Marketing and branding for SME's – Word of mouth, networks etc.

The researcher conducted ten in-depth face-to-face interviews with various SME owners and sought to answer four research questions.

1.7. The relevance of the research topic

SME's not only make up a large percentage of the South African economy but also contribute significantly towards stimulating economic activity, creating jobs, alleviating poverty and improving the living standards of all South Africans. Positive brand management can assist SME's growth and success.

This study increases and adds to the limited knowledge and research that exists around branding and SME's. It will also provide insight for entrepreneurs, managers and owners of SME's, on what brand management activities should be followed in order to develop a strong brand.

As pointed out at the start of this research report, people normally associate brands with big business, however, it is important to note that even companies like Coca Cola, Microsoft and Nike all started out as small businesses but through the creation of powerful brands they have grown into global giants (Sampson in The Encyclopaedia of Brands, 2001).

2. LITERATURE REVIEW

2.1. Introduction

Extensive research has been done into branding and brand management and as a result theories have been formulated and valuable literature has been produced. However, most of this research has been based on large companies and multinationals (Krake, 2005). Small firms are increasingly becoming an important part of the global economy, as a result “more and more researchers are seeking to understand the practices and activities of these enterprises” (Hill and McGowan, 1999). Wong and Merrilees (2005), state that comparatively little research has been undertaken into SME branding.

The literature has been reviewed, focusing on various aspects relating to brand, so as to obtain a better understanding as to the role brand plays in a SME start-up phase. Literature has also been reviewed into what factors lead to the creation of a strong brand and successful brand management. Companies who build strong brands have an alternative to competing on price and specifications (Aaker, 1992).

The literature reviewed covers three sections. The first section focuses on brand and its various attributes and activities. The objective is to gain a better understanding of what value brands offer to both consumers and firms, as well as what branding activities companies use to grow their business. The second section focuses on SME's, and what impact and contribution they have on a country's

economy. Finally, the third section examines how branding affects and impacts on SME's

2.2. Brand – Definition

Most of the literature definitions of brand refer to that of the American Marketing Association (AMA) which defines a brand as “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate from those of competitors” (Lake, 2007, p1). Kotler and Keller (2005) describe a brand as a dimension that is added to a product or service that in turn differentiates it in some way from other products or services designed to satisfy the same need.

Simões and Dibb (2001, p.217) stated that “there is general agreement in the marketing literature that the brand is more than a name given to a product; it embodies a whole set of physical and socio-psychological attributes and beliefs.” These intangible aspects of a brand can be described as a collection of feelings and perceptions about quality, lifestyle, image and status. In the eyes and mind of the customer a brand creates the perception that there is no other product or service on the market that compares to it (Building Your Brand, 2007).

It is evident from the AMA definition of a brand that there are various components which can be used to define a brand. De Chernatony and Riley (1997) identified nine themes regarding the nature of a brand which conceptualises it as:

- A legal instrument
- A logo
- A company
- An identity system
- An image in consumers minds
- A personality
- A relationship
- Adding value
- An evolving entity

“Having a strong brand enables companies to not only facilitate distinguishing their offer from the competition, but to create customer confidence and loyalty in their performance, exert greater control over promotion and distribution of the brand, as well as commanding a premium price over the competitors; all while impacting the valuation of the business (Pass *et al*,)” as quoted by (Holverson and Revaz 2006, p399).

According to Keller (2003) consumers find out over a period of time, which brands satisfy their needs and which do not based on their past experiences with a product or service and its marketing program.

2.2.1. Brand strategy

Branding is clearly becoming increasingly important as companies seek to differentiate themselves in a global and competitive marketplace (Research: - Brand Management: Tried and trusted branding, 2006). Brands are constantly under pressure and thus “in order to build customer trust and loyalty, a brand must be easy to identify and consistent in quality” (North, Kotzé, Stark and de Vos, 2003, p159). Abraham (2005) reiterates the importance and need of a brand strategy to ensure brand growth.

Wong and Merrilees (2005) point out four key components to brand strategy i.e. brand orientation, brand barriers, brand distinctiveness and brand marketing performance.

2.2.1.1. Brand orientation

Brand orientation is defined as “an approach in which the process of the organization revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands” (Urde, 1999, p. 117).

Wong and Merrilees (2005) note that the critical role whether a brand is to be utilised, is driven by the firm’s attitude towards brand orientation during the marketing planning stage. They go on further to state that brand orientation is therefore a choice of strategy, which can determine a firm’s competitive edge, which in turn can ensure future survival in the long term.

2.2.1.2. Brand barriers

In a globally competitive market, firms seek ways to differentiate their products or services from those of their competitors. Firms use brand as a means of differentiation and invest huge amounts of money to build up brand equity. Clive Butler, corporate development director of Unilever, quoted by Sampson (2003), stated that it took about \$120 million to launch a brand in the US. This expense is seen as a huge barrier to competitors as they seek to create similar brands from scratch (Kotler and Keller, 2005).

2.2.1.3. Brand distinctiveness

Brand distinctiveness offers firms a competitive marketing advantage as firms position their goods or services in a unique manner, which distinguishes them from their competitors (Wong and Merrilees, 2005). Simões and Dibb (2001, p.218) stated that “the uniqueness of the brand is a crucial attribute and the brand itself plays a vital role in grounding marketing activity”.

2.2.1.4. Brand marketing performance

There are various means of evaluating the performance of a brand. Wong and Merrilees (2005, p.157) quote various authors methods in measuring brand performance based on “financial value (Feldwick, 1996), or on its equity (Aaker, 1996), or through the brand report card (Keller, 2000), or on the brand building process (de Chernatory, 2001)”. These methods can be further broken down as in

the case of Lashansky (2000) who used various techniques to evaluate the value of brand equity.

One of the most publicised brand marketing performance reports is that of market research firm Millward Brown, who release their annual Brandz Top 100 Most Powerful Brands rankings using brand value as their determinant. A combination of various evaluation methods enhances the possibility of a true picture of the performance of a brand (Wong and Merrilees, 2005).

2.2.2. Brand Management

Keller (2003) points to brand management as the implementation of a brand strategy, and the management of the brand as not a once off exercise but as a daily recurring aspect of its marketing policy. Krake (2005) acknowledges that brand management lies with the director or owner. CEO involvement in brand management is increasingly crucial as brand value is influenced by a wide range of factors including product quality, customer service, web presence, employee behaviour and community relations (Building Brands: How do you build and maintain a global image?, 2007). Abraham (2005) reiterates the importance of brand protection through effective brand management strategies.

Companies manage their brands by implementing effective marketing strategies that focus on building sustainable advantages over the competition (Kapferer, 2007). Krake (2005) suggests that marketing strategies are focused on two key factors i.e. differentiation and value add.

- **Differentiation**

Differentiation is defined as the distinctiveness of a product from that of its competitors. In a global and competitive market companies are turning to branding as a means of differentiation (Research: - Brand Management: Tried and trusted branding, 2006).

- **Value add**

According to Gilmore, Carson, O'Donnell and Cummins (1999, p27) "value is added through the firm's product offering, its pricing strategy, delivery system, sales activities, promotional campaigns and customer service provision".

Rust, Zeithaml and Lemon (2004, p.1) refer to growing the lifetime value of their customer relation, by "building loyalty and retention, cross selling related goods and services, broadening offerings to fulfil more customer's need," as ways of adding to overall customer equity. Lewis referenced in Gilmore *et al.* (1999) states that it costs a company five times more to attract a new customer than to retain a current one. Companies must therefore focus on customer equity rather than brand equity (Rust *et al.* 2004).

2.2.3. Brand equity

The American Marketing Association (2007) defines brand equity as the value of a brand. From a consumer perspective, brand equity is based on consumer attitudes about positive brand attributes and favourable consequences of brand use. Aaker (1991) argues that the most important asset of any business is its intangible

assets. It's the company name, its brand, its symbols, and its slogans. He goes on further to state that all this is underpinned by the perceived quality, name awareness, customer base and propriety resources in the form of patents, trademarks, and channel relationships.

There are various ways of evaluating the strength of a brand, more commonly know as brand equity. Lashansky (2000) noted five key aspects to be considered in calculating a brand's equity i.e.

- What additional price premium the product can command over a generic?
- How much additional market share can be gained?
- What are the cost savings that can result from ones ability to exercise increased control over the channel?
- What additional revenue can be gained through licensing, brand extensions etc?
- What are the additional costs that need to be incurred (both marketing and any additional cost in providing the point of differentiation).

Therefore the value of brand equity is far greater than the sum cost of all the physical assets.

2.2.4. Brand building

Building brands allows companies to grow their business, make them even more profitable and create an intangible asset (Kapferer, 2007). Aaker (1992) lists four dimensions that help create a strong brand i.e.

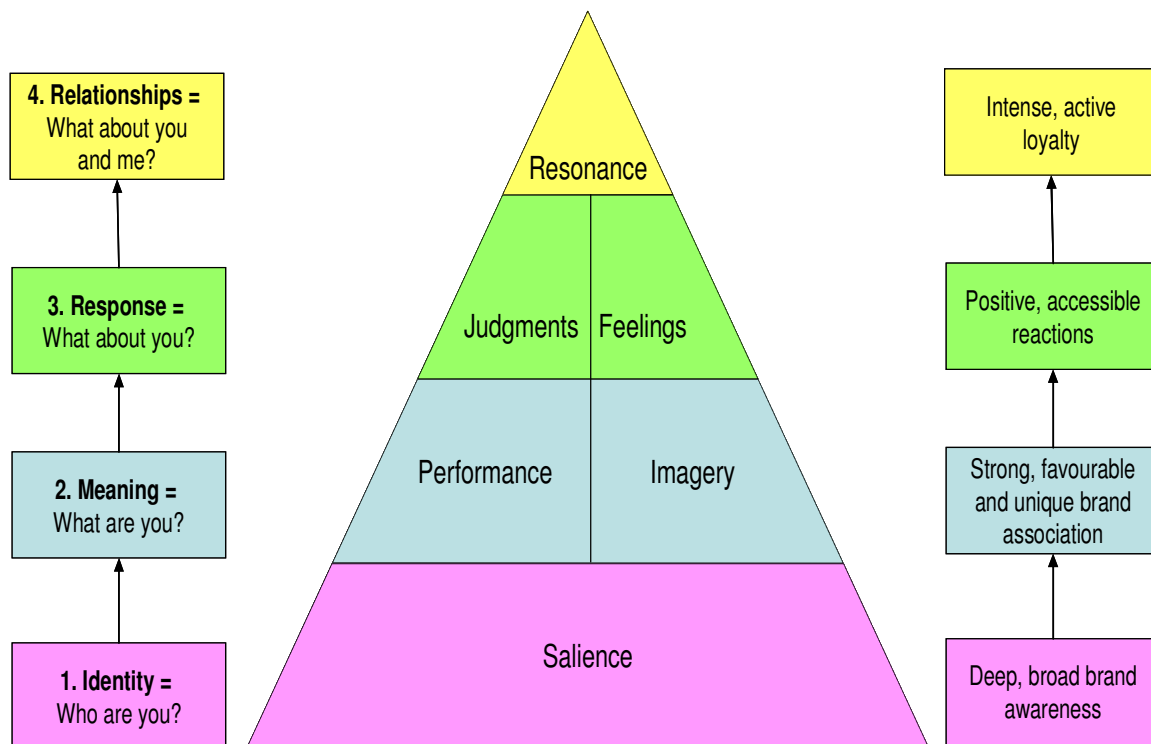
- Awareness
- Associations
- Perceived quality
- Brand loyalty.

He goes on further to state that “companies who have built strong brands have an alternative to competing on price and specifications” (Aaker, 1992, p.56).

Kotler and Keller (2005) refer to a brand resonance model, which views brand building as an ascending, sequential series of steps, from the bottom up. The first step involves creating an identity for the brand, which customers recognise and associate with a specific product class or customer need. The second step involves establishing an encompassing meaning of the brand in the customer’s mind, by strategically linking a multitude of tangible and intangible brand elements. The third step is to evoke the proper customer response in terms of brand related decisions and opinions. The fourth and final step revolves around converting brand response to create an intense, active loyalty relationship between customers and the brand.

In order to perform the four steps, firms need to establish six brand building blocks with customers. These blocks can be assembled into a pyramid as per Figure 1. “The model emphasises the duality of brands - the rational route to brand building is the left-hand side of the pyramid, whereas the emotional route is the right-hand side” (Kotler and Keller, 2005, p280).

Figure 1 – Brand Resonance Pyramid



Source: Kotler and Keller, 2005, p280

2.2.5. Brand loyalty

The most common and natural way to increase a firm's profitability is to increase its sales, and so firms seek out more customers to sell their product or service to. However, this is not enough they should also ensure that they maintain their existing customers through brand loyalty.

“Brand loyalty generally entails a strong commitment to a particular brand on the part of the consumer” (Bandyopadhyay, Gupta and Dube, 2005, p.415). Jarvis and Goodman (2005 p.295) define loyalty “as higher than expected purchase frequencies for the brand”. Ehrenberg and Goodhardt, (2002) state that according to a phenomenon, known as Double Jeopardy, smaller brands attract less loyalty than bigger brands.

2.3. Small to Medium Enterprise (SME)

The definition of a SME differs from country to country, however, Hibbert (2000, p.5) points out that “as a class are clearly distinguishable in any country, developed or developing. The factors that set them apart are essentially qualitative and comparative“. On the qualitative side it’s their internal management structures, financial practices, decision making processes, trading styles (Hibbert, 2000), and human resource base (Morison 1998). The comparative factors relate to how SME’s measure up against large enterprises.

Ayyagari, Beck and Demirgüç-Kunt, (2005) point out that different countries use different means for defining SME’s. Some countries will use turnover, while other may use number of employees as criteria. However, not even this is consistent as some countries may “define an SME to be an enterprise with less than 500 employees, while another country may define the cut-off to be 250 employees” (Ayyagari *et al.* 2005, p.3).

Table 1 below reflects how certain countries and bodies classify SME’s. In South Africa, small enterprises are generally classified as having an annual turnover of less than R6 million and no more than 50 employees. However, depending on the industry this amount can be as low as R3 million or as high as R19 million. Medium sized enterprises are generally classified as having an annual turnover of less than R26 million and no more than 250 employees. Again, depending on the industry this amount can be as low as R5 million or as high as R64 million.

Table 1 – SME Classification

As per:	Turnover	Number of employees
European Union (1)		
Small	< €7million	< 50
Medium	< €50million	< 250
United Kingdom (2)		
Small	< £5.6 million	< 50
Medium	< £22.8 million	< 250
World Bank (3)		
Small	< \$ 3 million	< 50
Medium	< \$ 15 million	< 300
South Africa (4)		
Small	< R 6 million *	< 50
Medium	< R 26 million ^	< 200

Note

* - Depending on the industry, will range from R3mil - R19mil

^ - Depending on the industry, will range from R5mil - R64mil

(1) Source: Krake, 2005, p229

(2) Source: Tax Update – Revenue changes SME definition, 2004, p103

(3) Source: Ayyagari *et al*, 2005, p3

(4) Republic of South Africa, 2003, p5-6 and SARS, 2005, p3

SME's play a significant role in any countries economy. "It is internationally accepted and acknowledged that the small medium and micro enterprise (SMME) sector is an essential factor in promoting and achieving economic growth and development and the widespread creation of wealth and employment." (Nieman, 2001, p.445) According to Ntsika and Stats SA quoted in Berry, von Blottnitz, Cassim, Kesper, Rajaratnam and van Seventer (2002) 66.3% of the South African work force is employed by SMME's.

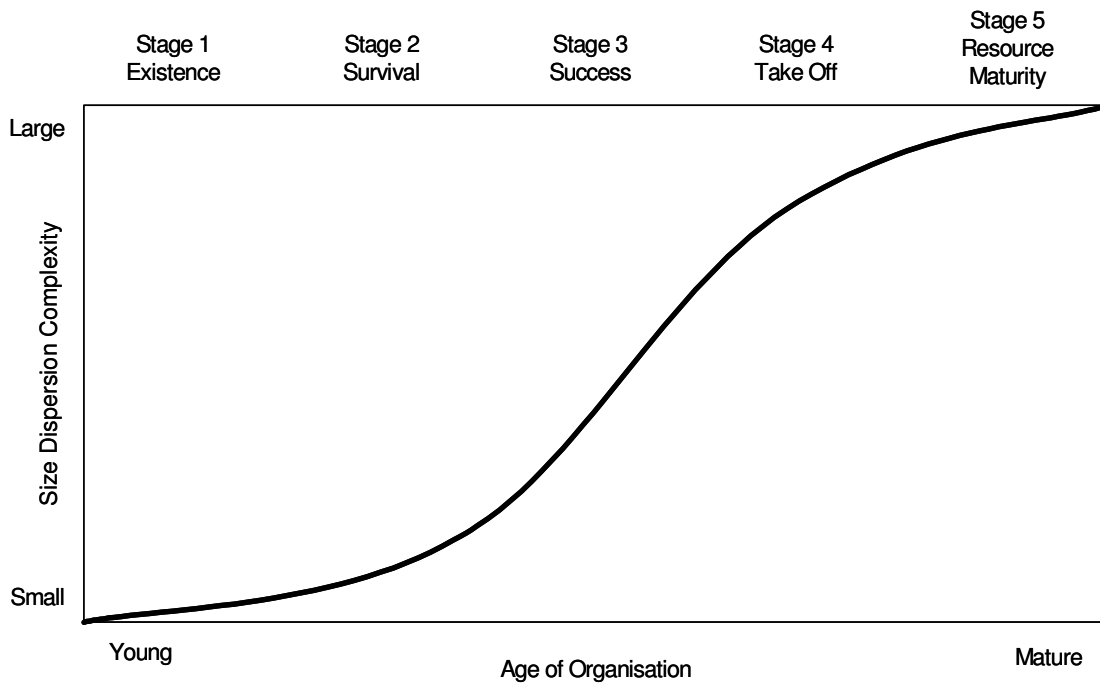
The importance of developing the SME sector around the world is perhaps highlighted by the fact that the World Bank Group has approved approximately \$2.8 billion in support of SMME (Ayyagari *et al.* 2005). The African Development Bank provided a R45 million loan to help develop SME in South Africa (South Africa finance: AfDB provides loan for SME development, 2004)

Ayyagari *et al.* (2005) notes, as countries develop economically the importance of informal enterprises decrease; however, the importance of formal SME increases. As countries grow wealthier, there is a shift in the labour force, particularly in the manufacturing sector, as SME's start to employ more workers than large enterprises. According to Ayyagari *et al.* (2005), in South Africa, SME account for 81.5% of the formal work force.

2.3.1. Lifecycles in SME's

Hill, Nancarrow and Wright (2002 p.362) stated that various growth models have “concentrated, on the types of problems encountered and the subsequent business activities and marketing behaviour of the small business decision-maker, entrepreneur or owner-manager”. Arguably one of the best known models is that of Churchill and Lewis (1983) Figure 2 below.

Figure 2 – Lifecycle growth stages



Source: Churchill and Lewis (1983) p.31

Churchill and Lewis (1983) described the five lifecycle stages as follows:

- **Existence stage** - normally characterised by the entrepreneur/owner-manager, who does everything. The main objective is to find customers and provide these customers with the required product or service.
- **Survival stage** – the business has built up some form of customer base which it is able to supply and maintain. Marginal profits are earned and the business can remain at this stage for many years.
- **Success stage** – the business has achieved sufficient size and product market penetration to ensure economic success and earns average or above

average returns. At this stage you may find the owner disengaging from the business.

- **Take-off** – this stage is characterised by rapid growth and the ability to finance this growth. At this stage the owner and the business have become reasonably separated, however, the company is still dominated by the owner's presence and stock control.
- **Resource mature** – At this stage the business has arrived. Management is decentralised, experienced and adequately staffed. Systems and procedures have been effectively and efficiently developed and implemented. The owner and the business are reasonably separate, both financially and operationally.

Scott and Bruce (1987) noted that not all businesses that survive grow into large businesses. This may be as a result of the nature of the industry or as a result of the personal ambitions and desires of the owner-manager. As a result many businesses do not move beyond the survival or success stage.

2.3.1.1. The start-up phase

Churchill and Lewis (1983) point out that at the start-up phase, business activity will focus on product orientation and gaining customer recognition. Firms move beyond the start-up phase, as they move into the success stage. At this stage the owner/manager has two options, firstly “use the company as a platform for growth or as a means of support for the owners as they completely or partially disengage from the company” (Churchill and Lewis, 1983, p.34).

2.4. Marketing and Branding for SME's

Storey (1994) challenged earlier assumptions that small businesses were scaled down versions of large businesses. Hill, *et al.* (2002, p.362) points out that “SME's have their own particular characteristics that effect the way they operate and that largely determine their preoccupations and concerns”. One such concern is how they deal with Double Jeopardy, where smaller brands attract less loyalty than bigger brands (Ehrenberg and Goodhardt, 2002).

Due to its size, SME's have less market share and their customers are less loyal to their brands than those of big brands. There is substantial evidence to support this view according to Donthu, Fader and Schmittien (quoted in Chaudhuri 1995). “The theory specifies that small market share brands are at a disadvantage, relative to large market share brands, in two ways. First, they have fewer buyers and, second, they are purchased less frequently by these few buyers.” (Chaudhuri, 1995, p. 27).

Double Jeopardy is perhaps best explained by Riebe, quoted in Jarvis, (2005, p.293) as “smaller brands have less people that know about them than bigger brands, and they are used by these fewer customers less often. This is because the customers of small brands also know of and use the bigger brands in the market. Their purchases from the category are split between the big brands and the small brands, whereas many of the big brands' customers are not aware of the smaller brands and so do not have to share their category purchases out amongst brands”.

One way to counter act the double jeopardy scenario, according to Jarvis and Goodman (2005) is for SME to be more precise about market niches. “Niche being used to describe small share brands with high loyalty” (Jarvis and Goodman, 2005, p.292). Companies that have been able to focus on market niches have in effect been able to increase their loyalty for their small brand and have thus become market leaders within a small market. Bandyopadhyay and Gupta (2004) have suggested that marketers of small brands should not only focus on niche markets but also focus on a specific region.

Hill (2001, p.175) points out that “existing conventional or formal marketing approaches are inappropriate for small firms, as small firms are different.” According to Hill (2001) marketing was not necessarily heavily influenced by the founding entrepreneur, as was previously suggested in small firms marketing literature. However, Krake (2005), points out that the entrepreneur plays an active role in achieving brand recognition, through their passion for the brand throughout the company.

Wong and Merrilees (2005, p155) states that “SME business nature is fundamentally intrinsic to and compatible with marketing philosophies. Consequently, it is possible to amalgamate marketing and SME activities”. Carson and Gilmore (2000) believe that a SME specific version of marketing mix, based on the traditional 4 P’s of marketing can guide the SME thinking in doing business.

According to Cravens, referenced in North *et al.* (2003, p.170) “small- and medium-sized manufacturers often do not have an established brand identity (no brand identity) and lack the financial and marketing capabilities to build buyer awareness in the marketplace”. Wong and Merrilees (2005) point out that many SME’s view lack of time and resources as brand barriers in terms of conducting branding activities.

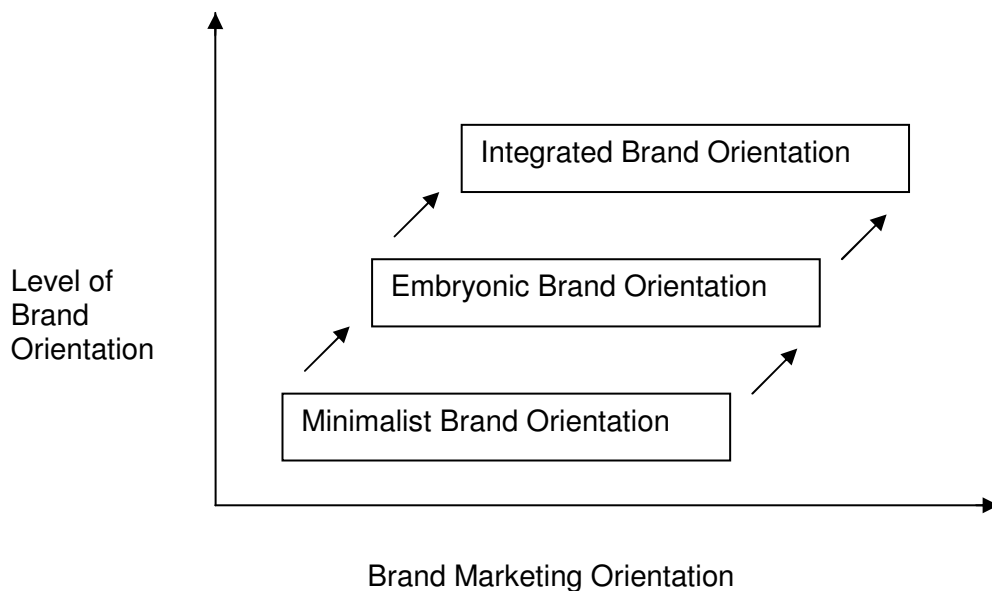
South African SME’s are no different, Luiz (2002) highlights access to finance as one of the challenges in his study on small enterprises in South Africa. North *et al.* (2003) questions how South African marketers can create a brand that will engage the customer and build long-term sustainable relationships.

A study by Hill (2001) confirmed that a positive relationship between vigorous sales orientation in an SME and the character of their marketing. In other words, it is sales and not marketing in the early start-up phase which will lay the foundation for growth and development in SME’s (Hill, *et al.*, 2002) As a result, the building of a strong brand is difficult.

Carson and Gilmore (2000) point out that not only do SME’s have financial barriers, which prevent them from engaging in expensive marketing programmes, but that their products and services have minimal differentiating factors from those of their competitors. As a result SME’s need to make use of innovative marketing, which “is not simply focused on product innovation, instead it covers the whole spectrum of marketing activity within an SME” (Carson and Gilmore, 2000, p.4).

In order to gain brand recognition SME's need to focus on developing and growing their brand. Wong and Merrilees (2005) developed a model, the Branding-archetypes ladder as per Figure 3 below, which depicts brand orientation moving from minimalist- to embryonic- and finally to integrated approach, as brand marketing performance increases. Integrated brand orientation can only be achieved by firms who display both a different mindset about the importance of branding in the marketing strategy and a willingness to invest in the brand in the way they implement their brand strategy.

Figure 3 – Branding archetypes ladder



Source: Wong and Merrilees, 2005, p158

2.4.1. Word of Mouth

“Word of mouth is the honest, genuine sharing of real opinions and information about products and services” (Balter and Butman, 2005, p8). Buttle (1998) refers to Arndt as one of the first researchers to investigate the influence of word of mouth (WOM). He defined WOM as verbal, face-to-face communication, where spontaneous messages are passed from one person to the next. The use of technology has resulted in WOM no longer needing to be face-to-face, it can now occur via text messages sent via e-mails or SMS, web postings on message board, online profile pages and blog posts.

Hughes (2005) argues that WOM marketing is so effective due to the fact that when people talk to each other they have their undivided face-to-face attention. The benefit of this form of communication is that it carries a huge amount of credibility. People are more inclined to believe WOM promotion rather than other formal forms of promotion for example advertising, because it’s assumed that their comments are unsolicited and rather those of a satisfied customer.

Evans (2007) points out the importance of WOM, highlighting the fact that referrals drive sales directly. (Hughes, 2005, p.49) states that “the early growth of brand is critically dependent on WOM”. WOM marketing is the most powerful form of marketing on earth (Hughes, 2005, p.106). (Research: Advocacy drives growth, 2005, p.45) states that “word of mouth is a key driver in buyer behaviour”.

2.4.2. Marketing by networks

Gilmore, Carson and Grant (2001, p6) “advocate that networking is an inherent tool of marketing which is wholly compatible with SME decision making characteristics in relation to marketing activities.” The authors further note that marketing by networks is based on people-orientated activities, which are informal, interactive, integrated, interchangeable, habitual and often discreet. Carson and Gilmore (2000, p4) state that “networking is both a natural and an acquired skill or competency of the entrepreneur”.

Newman (2001) quoted the famous early empirical study by Stanley Milgram on the structure of social network, the study investigated how many social links did it take on average to get a letter cross country to a specific person. “The instructions were that the letters were to be sent to their addressee by passing them from person to person, but that they could be passed only to someone whom the passer knew on a first name basis.” Milgram discovered that the average number of steps taken to get the letters across was only about six.

This study gave rise to the small world phenomenon. Strever (2005, p7) quotes Duncan Watts’s definition of the small world phenomenon, which states, “you are only ever six degrees of separation away from anyone else on the planet”. With this in mind it is not surprising that SME owner/managers place a high level of importance to networking, as they view this as being a useful and integral part of doing business (Carson and Gilmore 2000).

2.4.3. Building strong brands for SME's

Robertson referenced by North *et al* (2003) suggests four key elements to create powerful brands;

- “A reason to be” – The brand and product concept has to be distinctive, relevant and appealing to the consumer.
- Create a cohesive brand.
- Emphasise the role of brand values.
- Strive to build unique and robust brands.

With the SME in mind, Keller (1998) offered the following guidelines for building a strong brand;

- Concentrate on building one or two strong brands.
- Focus a creatively developed marketing programme on one or two important brand associations, to serve as the source of “brand equity”.
- Use a well-integrated mix of brand elements that support both brand awareness and brand image.
- Design a “push” campaign that aims to build the brand, and creative “pull” campaign that will attract attention.
- Broaden the brand with as many secondary associations as possible.

2.5. Literature conclusion

The purpose of the literature was to investigate the importance of branding during the start-up phase of a small to medium sized enterprise (SME) within the South African context. Vast amounts of literature have been published on brand management in general, with most theories and case studies based on large multinationals. However, Wong and Merrilees (2005) point out that little research has been undertaken into SME branding. This research will add to the limited literature which exists around the branding and marketing activities of SME's.

Some of the main themes that emerged from the literature review were:

- Firms use brands as a means of differentiating their product or service from that of their competitors.
- Brands are managed through effective marketing strategies.
- In SME's brand management lies with the entrepreneur, owner/manager.
- SME play an important role in fostering economic growth.
- Strong brands are built by creating: awareness, association, perceived value and brand loyalty.
- During early start-up phase, network marketing and word of mouth marketing play integral roles in establishing SME brands.

3. RESEARCH QUESTIONS

3.1. Research questions

The purpose of this research was to gain a better understanding of what role brand and branding has during the start-up phase of a SME in South Africa.

Zikmund (2003) states that formulating a series of research questions can add clarity to the research problem. Welman & Kruger (2001) recommend that once research problems have been identified, the problem be further refined by posing one or more research question.

The following questions were identified as relevant to the research problem:

1. Research question 1 – Importance of branding

- How important is the creation of a brand to the entrepreneur during the start-up phase?

2. Research question 2 – Branding communication

- What branding communication did the entrepreneur use during the start-up phase?

3. Research question 3 – Prohibitors and enablers

- What factors prohibited or enabled the entrepreneur in establishing their SME brand?

4. Research question 4 – Brand equity

- With whom does the brand equity lie? Is it in the SME product or service, or is it with the entrepreneur?

4. RESEARCH METHODOLOGY

4.1. Research design

This research study sought to gain a better understanding of what role brand played during the start-up phase of a SME. Most research related to the role of brand has been done mainly on large multinationals (Krake, 2005) and comparatively little research has been done on SME branding according to Wong and Merrilees (2005).

As a result of minimal prior research having been done, it was deemed prudent to conduct exploratory research into the problem (Neville, 2005). Exploratory or explanatory research seeks to investigate or understand relationships between variables and so the researcher is required to probe – diagnosing situations; explore – screening for alternative; or seek – discovering new ideas around a particular problem (Neville, 2005) and (Zikmund, 2003).

A qualitative approach to the research was taken, where the aim was to examine and understand rather than measure (Zikmund, 2003). Qualitative research is subjective in nature and involves examining and reflecting on the less tangible aspects of a research subject, e.g. attitudes, values and perceptions (Neville, 2005)

Qualitative research methods are considered particularly suitable for gaining an understanding of decision making in SME's (Carson, Gilmore, Cummins, O'Donnell and Grant, 1998). There are various qualitative research methods that can be used, however, based on the specific aims of this research; the in-depth interview was deemed most appropriate (Gilmore *et al*, 2001).

Krake (2005) stated that a distinctive characteristic of SME's was that of the all-controlling and all-deciding role of the owner/manager of the company. Krake (2005) also believed that it was highly probable that the same owner would take the lead in setting guidelines and making decisions with regards to the role of brand management.

Interviews were therefore conducted with the entrepreneur or owner/manager, who had knowledge and insight of the branding and marketing activities during the start-up phase. Interviews were semi structured with the interviewer probing various issues. This methodology was in line with a number of previous SME studies (Holmes and Zimmer, 1994; Gilmore *et al*, 1999; Gilmore, *et al*, 2001; Mankelow and Merrilees, 2001).

4.2. Population and sampling

The population consisted of individuals, both male and female and of varying ages who were owner/managers of SME's. These SME's formed part of the population irrespective of industry sector or whether the SME offered a product or service. The individuals were either involved or had integral knowledge of the SME's start-

up phase. The population was however, limited to individuals residing in the Gauteng area. The population size was not determined.

The researcher made use of a non-probability sample, “a sampling technique in which units of the sample are selected on the basis of personal judgement or convenience” (Zikmund, 2003, p.380). A disadvantage of using a non-probability sample was that there were no appropriate statistical techniques for measuring random sampling error.

For reasons of convenience and as a result of the actual size of the population not being known, the researcher made specific use of the convenience sampling technique, as this was deemed most appropriate. Neville (2005) describes a convenience sampling as the sampling procedure where access is convenient and immediately available.

The sample consisted of ten SME owner/managers who employed less than 250 employees and whose turnover fell within SARS definition of a SME, as defined in Chapter 2. The researcher used both personal judgement and convenience as a means of gaining some diversity across industries, products and services. Wong and Merrilees (2005) pointed out that with most qualitative research; the aim was to include as much diversity as possible in the selection sample.

Personal information regarding the entrepreneur was recorded and each individual was asked probing questions related to their views and experiences regarding branding of during the start-up phase of their SME. Interviews were recorded and later transcribed. The list of owners/managers is shown in Appendix 1.

4.3. Research instrument

The research objective was to answer four research questions. The researcher conducted semi-structured in-depth interviews. Semi-structured or unstructured interviews have been found to be particularly effective for collecting data from owner/managers of small enterprises (Curran and Blackburn, 1994).

The researcher made use of an interview document during the interview process.

The document, as shown in Appendix 2, was split into three sections:

- Section A – Respondent details
- Section B – Branding elements
- Section C – Discussion guide

The discussion document was designed in such a way that it provided the researcher with a framework which enabled the researcher to asking probing questions that would ultimately provide answers to the four research questions. It also served as a check list ensuring that the researcher probed all necessary research areas.

There was no strict order to the probing questions in the discussion document, which allowed the researcher the freedom to adapt his questions so as to maintain the flow of the conversation with the respondent. As per Gilmore *et al* (2001) the interviewer gave the respondents the fullest opportunity to relay stories and events which they deemed relevant.

4.4. Interview process

The researcher scheduled and conducted ten face-to-face interviews over a period of a week. Interviews were held at various locations, including business premises, coffee shops and individual's homes. The researcher sat with each individual and explained the purpose of the research, i.e. to gain a better understanding regarding what role brand played during the start-up phase of SME's.

The researcher pointed out that there were no right or wrong answers and that he was merely interested in how and what they did during their start-up phase, rather than focusing on what their definition and description of branding was. This was an important part of the study as it hopefully avoided the respondents providing theoretical answers which they felt the interviewer was expecting.

The researcher collected data by making use of the in-depth interview method; one of the most commonly used qualitative research methods (Wright, 2001). The researcher then proceeded to complete Sections A – Respondent details and Section B – Branding elements, of the interview guide document. With the

participant's permission the researcher proceeded to digitally record, their responses to the probing questions posed in Section C - Discussion guide.

Although the interview was recorded the researcher made personal notes of certain key points during the interview. The interview session was completed once the interviewer had completed asking the necessary probing questions and felt that all relevant information had been extracted. The researcher once again thanked the participants for making the time to partake in the research study. The approximate time for each interview was half an hour.

4.4.1. Face-to-face interview

There are certain advantages and disadvantages to using face-to-face data collection method (Welman and Kruger, 2001) and (Zikmund, 2003).

The advantages are:

- The interviewer is in control of the interview process, which allows the interviewer to clarify any misunderstandings or pose further rephrased probing questions, allowing the respondent the opportunity to answer the questions fully. This allows for high quality data.
- The interviewer is also in the position to offer feedback to the respondent if they have any queries regarding any part of the interview process.

- The interviewer has the respondent's undivided attention as a result of them agreeing to set time aside to conduct the interview. This allows for high quality data.
- The response rate is very good, often better than telephonic interviews, and postal or e-mail surveys.

The disadvantages are:

- Respondents can not always be guaranteed anonymity and therefore may be reluctant to provide sensitive or confidential information.
- The manner, tone, or rephrasing of questions could result in interviewer bias, thus possibly influence the respondents answer.
- Costs are generally higher in comparison to telephone interviews and postal or e-mail surveys. These costs include both travel and time costs related to preparing and conducting the interviews.
- Interviewees may also give responses that they think the interviewer wants to hear.

4.5. Data analysis process

The process involves the researcher applying reasoning in order to understand and interpret the data collected. "In simple descriptive research, analysis may involve determining consistent patterns and summarizing the appropriate details revealed in the investigation" (Zikmund, 2003, p.73).

Data analysis was driven by the need to answer the research questions. Data analysis was divided into two sections; demographics and research questions.

- Demographics – This covered information obtained in Section A – Respondent details, of the interview document. This information was captured onto Microsoft Excel for analysis.
- Research questions – This covered information obtained in Section B – Branding elements and Section C – Discussion guide, of the interview document. Digital recordings of the in-depth interviews were transcribed into Microsoft Word for analysis.

The analysis of the findings is discussed further in Chapter 6.

4.6. Research assumption

As previously mentioned in the literature review, a firm moves beyond the start-up phase, as they move into the success stage. At that stage the owner/manager has two options, firstly “use the company as a platform for growth or as a means of support for the owners as they completely or partially disengage from the company” (Churchill and Lewis, 1983, p.34). Therefore moving beyond the start-up phase is not a question of time but rather an issue of growth.

Scott and Bruce (1987) noted that not all businesses that survive, grow into large businesses. This may be as a result of the nature of the industry or as a result of the personal ambitions and desires of the owner/manager. As a result many businesses do not move beyond the survival or success stage. Included in the

research sample were such companies who have been in business for more than ten years.

The assumption was therefore that despite more than one firm in the research sample being in business for more than ten years, the owner/manager's responses were not clouded by poor recollection of the early years, which could potentially invalidate responses.

4.7. Limitations

Perhaps the greatest limitation is a result of the methodology used. Neville (2005) stated that qualitative research is subjective in nature and involves examining and reflecting on the less tangible aspects of a research subject, e.g. attitudes, values and perceptions. As a result it would be very difficult for another researcher to reproduce and test these findings.

The researcher made use of in-depth interviews. Zikmund (2003) pointed out that not everyone has the ability to conduct proper good quality interviews. Interviewing is in fact a skilled profession which is learned over time and involves receiving extensive training. The researcher of this study had no formal training, which potentially could have lead to interviewer bias and impacted on the research results obtained during the interview process.

The researcher made use of a non-probability convenience sample and although subconsciously the researcher aimed at obtaining respondents from across different industries, the sample was by no means representative of the population. The sample size may not be large enough to draw any accurate and conclusive results.

The researcher sought to investigate what role brand played during the SME start-up phase. Although some of the SME's sampled were per definition still in the start-up phase the owner/managers recollection of the early years may have been clouded as some of these businesses have been in business for more than ten years.

5. RESULTS

5.1. Introduction

Data collected from the interviews with 10 SME entrepreneurs were subjected to content analysis by the researcher. Content analysis entails the objective, systematic and quantitative description of a message (Zikmund, 2003).

Data was categorised into 3 sections:

- Demographics of SME entrepreneur
- Research questions
- Additional findings

5.2. Representation of results

Data obtained from the semi structured interviews was analysed and the results have been presented in table format. Tables have generally been split into constructs and counts.

- Constructs – The variable which is being analysed.
- Count – The number of responses which coincided with the construct.

5.3. Demographics of SME entrepreneurs

Data obtained from Section A in the Interview document, Appendix 2, assisted the researcher in presenting the following results:

Table 2 below, represents the age of all the SME entrepreneurs. The mean age was 36.6 years. The mode age was 39 years.

Table 2 – Age of Entrepreneur

Age	Count
39	3
38	2
37	2
36	1
34	1
29	1

It was interesting to note that the mean age of the sample group coincided with the age of the researcher. Perhaps this was due to the fact that the researcher made use of a non-probability convenience sample which included friends, acquaintances and colleagues.

Table 3 – Gender of SME Entrepreneurs

Gender	Count
Male	7
Female	3

Table 3 illustrates that the majority of SME entrepreneurs interviewed were male.

Table 4 – Years in Business

Years in Business	Count
1 – 5	5
6 – 10	2
11 – 15	2
16 +	1

Data collected relating to years in business is represented in Table 4. The mode for the sample group was the period 1 – 5 years in business, with five of the ten respondents falling into this time frame. The overall range of the construct was from 1 year to 16 years. The mean, for years in business, was 7.4 years. It is however, important to note that SME lifecycles are defined not in terms of years, but rather in terms of development stages as discussed previously in Chapter 2

Table 5 – Turnover

Turnover	Count
< R6 million	6
> R6 million but < R26 million	4

Table 5 related to the companies annual turnover. Results fell into one of two categories. Those with a turnover of less than R6 million and those that were above R6 million but less than R26 million, as per the SME definition discussed in Chapter 2. Six of the ten SME's had an annual turnover of less than R6 million.

Table 6 – Number of Employees

Number of employees	Count
1 – 5	5
6 – 10	3
11 - 15	0
16 +	2

Table 6 indicates that the mode number of employees were between 1 and 5 employees. The mean number of employees was 16.6 employees. The SME with the least number of employees was 1, however originally this SME started out with two employees, while the most number of employees in the sample was 95.

Table 7 – SME Category

SME Category	Count
Small	6
Medium	4

SME classifications are based on turnover and the number of employees as previously discussed and represented per Table 1 in Chapter 2. Table 7 represents the classification results, which show an almost even split between small and medium size enterprises.



Table 8 – Business Type

Business Type	Count
Advertising & Marketing	2
Services	2
Construction	1
Education	1
Manufacturing	1
Material Handling / Logistics	1
Retail	1
Wholesale	1

Table 8 shows that there were eight different business types in the sample. This was as a result of personal judgement used by the researcher, in an attempt to obtain as much diversity as possible across the sample.

5.4. Research questions

Results obtained from the interview document, Appendix 2, under Section B – Branding elements, and Section C – Discussion guide, assisted the researcher in answering the research questions.

Question 1 - How important is the creation of a brand to the entrepreneur during the start-up phase?

Each entrepreneur was asked probing questions relating to how they viewed the importance of branding when starting up their business. The data in Table 9 below indicates that four respondents believed that branding played a key or critical part. Three respondents believed that branding was important but it was not the most important aspect of an SME's start-up phase. The remaining three respondents from the sample group believed that branding was not at all important.

Table 9 – Importance of Branding

Construct	Key / Critical	Important	Not important
Brand creation	4	3	3

Table 10 shows that all ten respondents had developed some form of logo, which they believe helped identify and represent their SME brand. Nine respondents had also made use of a pay-off line. Majority of these were one-liner, however, one entrepreneur used a quote from a brand strategist.

Table 10 – Logo and Pay-off Line

Response	Logo Count	Pay-off Line Count
Yes	10	9
No	0	1

Question 2 - What branding communication did the entrepreneur use during the start-up phase?

Firstly, in order to communicate the SME’s brand, a brand identity needed to be established. Table 10 above reflects that all ten entrepreneurs had created a brand identity in terms of a logo and name.

In communicating their brand, the respondents made use of different forms of advertising medium, as depicted in Table 11 below. Five SME’s had made use of brochures to advertise their business. Six respondents stated that they had made use of banners or signage boards. However, it must be pointed out that of the six respondents, two said that although they had banners printed they had only made limited use of them. Despite the digital age that we live in, only six respondents made use of company websites.

Table 11 – Advertising Medium

Response	Brochure Count	Website Count	Banner/Signag e Count
Yes	5	6	6
No	5	4	4

Results from the research also indicate that there was four other key brand communication activities which respondents felt helped in creating awareness for their brand. These are depicted below in Table 12.

Table 12 – Brand Communication via

Construct	Count
Word of mouth	7
Networking	5
Advertising	3
Cold calling	2

Seven respondents indicated that they believed that their brand was being communicated via word of mouth and not directly by themselves. Five respondents stated that they had made use of their networks to communicate their brand. Three respondents made use of paid advertising, these included The Yellow Pages, trade magazines and adverts on suburban sign posts, including dustbins. Only two respondents said that they had made use of cold calling as a means of communicating their brand.

Question 3 - What factors prohibited or enabled the entrepreneur in establishing their SME brand?

Results shown in Table 13 below were obtained as a result of probing questions during the in-depth interviews. Respondents were not given any options to choose from, and thus the results per construct do not tally to the total number of respondents in the sample group.

Table 13 – Enablers and Prohibitors

Construct	Enabler	Prohibitor
Word of mouth	7	0
Experience/skills shortage	7	2
Network	6	0
Angel investor	1	0
Financing	0	5
Consumer ignorance	0	4
Legislation	0	3
Logistics	0	2
Survival	0	2

Seven respondents noted that positive word of mouth had enabled them to grow and establish their brand. Seven respondents said that their previous work experience had played a significant role in establishing their brand. However, two respondents indicated that a skills shortage was preventing them from further establishing and growing their brand.

The use of networks was pointed out by six respondents as being a key factor to establishing their brand. One respondent indicated that having an angel investor played a major role in establishing his brand.

The most prominent prohibitor to SME brand establishment according to five respondents, was lack of finance. Four respondents also indicated that consumer ignorance was a major prohibitor in establishing their brand. Legislation was also referred to as prohibitors by three respondents. These respondents felt that a lack of an enabling environment was negatively affecting them in establishing their brand.

Two respondents noted logistics as factors prohibiting their brand establishment. Lastly, two respondents pointed out that they were so busy just trying to survive in terms of cash flow that they did not have time to concentrate on establishing their brand.

Question 4 – Where does the brand equity lie? Is it in the SME product or service, or is it with the entrepreneur?

Data collected pertaining to this questing is presented in Table 14 below. Five respondents believe that the brand equity lies with their product or service. Two respondents were very clear that the brand equity lies with them. One respondent went as far in saying “I am the brand”. Three respondents felt that the brand equity vested with both them and in their product or service.

Table 14 – Brand Equity

Construct	Product/Service	Individual	Both
Brand equity	5	2	3

5.5. Additional findings

The researcher identified additional findings from the research data beyond those set out by the research questions. These finding are set out below.

5.5.1. Branding seen as professionalism

An interesting observation that came to light as a result of probing into the importance of branding, was that six respondents believed that by developing a brand for their SME, they had in fact created a perception of professionalism in the eyes of the consumer. Their observation was that branding not only translated into professionalism, but also gave them credibility.

5.5.2. Brand and values

Six respondents felt that their personal values should be reflected and incorporated into their brand. One respondent stated “that you can portray the values and the purpose of the company in your brand”. Three respondents also pointed out the importance of culture and values, and that these should be carried throughout the organization. The researcher has thus inferred that this culture and values are extended to the brand.

5.5.3. Remain small

As discussed in Chapter 2 organizations can potentially move through five different lifecycles; existence, survival, success, take off and resource mature. Not all organizations move through all stages of their lifecycle. An additional finding from the results was that four respondents stated that they were happy to stay small and not grow thus ensuring that they did not move to the next lifecycle.

Some respondents noted that they had tried to grow but that it had not worked out. Others feared losing control if they grew too big. They believed that their brand value would suffer if they personally could not manage and control the quality of their product and service.

5.5.4. Differentiating factors.

An interesting additional finding was that six respondents said that they saw their superior quality as a differentiating factor when compared to competitor's products and services. Two respondents believed that they had very unique service offerings and therefore believed that they did not have any direct competitors.

6. DISCUSSION OF RESULTS

6.1. Introduction

The purpose of this research was to gain a better understanding of what role brand and branding played during an SME's start-up phase. The researcher conducted in-depth face-to-face interviews with a small sample group. Ultimately the researcher was interested in answering four research questions. Data from these interviews were collected for further analysis.

Results have been recorded in Chapter 5. This section further discusses the results and compares these findings to the literature. The discussion of the results has been split into two main sections; demographics and research questions.

6.2. Demographics

The respondent's age ranged from 29 to 39, with the mean age being 36 years old. Although this research report is of a qualitative nature the researcher wondered how this compared to the entrepreneurs age range at the time of starting up their business. To do this the researcher deducted the number of years in business from their current age. Based on these findings the researcher noted that the ages ranged from 23 to 34 years, with the mean age being 29 years old. No clear correlation could be made without further quantitative analysis.

With regards to gender, the results reflected that seven of the ten respondents were male, however, based on the size of the sample, no generalisation or inference can be made into the fact that SME owners were predominantly male.

As previously discussed in Chapter 2, Churchill and Lewis (1983) stated that there are five different lifecycles that SME's can move through, however, not all SME's will move through each lifecycle. Lifecycles are not defined in years, but rather in terms of stages, which can vary from one company to the next. None of the companies had reached the final lifecycle stage; resource mature.

The results from Table 4 – Years in business, indicate the range as between 1 and 16 years, with the mode response being companies between 1 and 5 years old. Four respondents stated that they chose to remain small which agrees with Scott and Bruce (1987), who noted that not all businesses who survive grow into large businesses. This may be as a result of the nature of the industry or as a result of the personal ambitions and desires of the owner/manager.

One of the measures for defining a SME business is the number of employees. Results from Table 6 in Chapter 5, reflect the mode response was between 1 and 5 employees, with 5 respondents falling into this range. The mean response however, was 16.6 employees, which is more than three times the mode response. This was the result of an outlier in the sample group, where one respondent had 95 employees.

In terms of annual turnover, the general rule is; a firm is considered to be small if its turnover is less than R6 million and medium if its turnover is less than R26 million. However, depending on the industry, as in the case of Company B, Appendix 1, who is in the manufacturing industry, the limit for medium sized classification is less than R51 million.

Company B was by far the largest company in terms of number of employees as well as in terms of turnover. However, it was only third in terms of number of years in business. The research therefore shows that there seems to be no correlation between turnover and years in business.

Despite only Company B exceeding the maximum limit of 50 employees, for small enterprise classification, Table 7 reflects that three other companies were also classified as medium sized; this as a result of their turnover exceeding the maximum level for small business classification. The researcher therefore implies that there seems to be some correlation between number of employees, Appendix 1, and being classified as medium sized, as these three companies had the next three highest numbers of employees after Company B, yet within the small business classification.

As per Table 8 – Business type, results reflect that there were eight different types of businesses in the sample group. The researcher used both personal judgement and convenience sampling as a means of gaining maximum diversity, this in line with the recommendation by Wong and Merrilees (2005), who pointed out that with

most qualitative research, the aim was to include as much diversity as possible in the selection sample.

Taking into account that the research was marketing related, the researcher felt that it be prudent to include at least one respondent who had a marketing background; Company A, Appendix 1; so as to compare if their responses were in anyway different from those of the other nine participants.

Although Company A's respondent was very clear on the benefits and value of branding, her responses were by no means unique from those of the other nine respondents. The only clear difference was that where eight respondents who used a one liner payoff line, Table 10. Company A respondent used a quote from Scott Talgo, a brand strategist.

6.3. Research questions

The researcher posed four research questions with the intention of gaining a better understanding as to what role brand played during the SME start-up phase. This section focuses on the researcher's evaluation of the respondent's results, whether the research questions were successfully answered and whether the results support or challenge the academic literature. The research questions are discussed further in more detail below.

Research question 1 - How important is the creation of a brand to the entrepreneur during the start-up phase?

According to literature, brands allow us to make emotional connections with products and services and “ultimately a brand is something that resides in the mind of the consumer” (Kotler and Keller, 2005, p.275). This view was confirmed by one of the respondents who commented:

“...branding is all about perceptions, so you have got to with your brand create the perception that you are professional.”

Results from Table 9 indicated that only four of the ten respondents viewed brand creation as key or critical during the start-up phase. One respondent noted that:

“...the idea for us was always to create awareness with our clientele. It is difficult if you are independent, because you have to start from scratch basically, but it is critical to become a household name so to speak in your area.”

Respondents also felt that by creating a brand they were portraying a professional image and thus gaining credibility in the market. One respondent highlighted the importance of professionalism and was quoted as saying:

“...if you can put up that professional appearance from the start, you have got a foot in the door.”

Three respondents felt that brand creation was important but not key. One respondent explained:

“...it plays a role, I think obviously when you are starting up a business what you want to do is sell, because that is the priority at the end of the day. If you don’t sell and generate the revenue, you cannot dedicate time to creating the image or expanding the brand.”

Brand creation was not at all important to three respondents. They believed that what mattered was whether they were meeting their customer’s needs. One respondent stated:

“I am not convinced that at the start-up phase that the brand is all that important. I think if you are called A, B or C and you have a banner or logo X, Y or Z, I don’t think that is the most important aspect with respect to my business.”

Despite not all respondents viewing brand creation as important during the start-up phase, all ten respondents had developed some form of logo, which they believed helped identify and represent their SME brand. One respondent commented:

“...our logo goes hand in hand with the company name and the description of what we do – so it doesn’t exist in isolation.”

Thus indicating that brand is more than just a logo or a name. This concurs with literature as Simões and Dibb (2001, p.217) stated that “there is general agreement in the marketing literature that the brand is more than a name given to a

product; it embodies a whole set of physical and socio-psychological attributes and beliefs.”

As previously pointed out, one of the greatest limitations of qualitative research is that it is subjective in nature and involves examining and reflecting on the less tangible aspects of a research subject (Neville 2005). Small sample groups do not allow you to make any generalisation or definite inference.

Based on the mixed results from research question 1, the researcher is unable to categorically confirm or deny the importance of branding during the start-up phase and therefore is unable to agree or disagree with Opoku *et al* (2007) who highlighted the critical importance of branding in the SME sector.

Research question 2 – What branding communication did the entrepreneur use during the start-up phase?

In order for SME's to communicate their brand, they first need to establish a brand identity. Brand distinctiveness is key when communicating your brand, Simões and Dibb (2001, p.218) state that “the uniqueness of the brand is a crucial attribute and the brand itself plays a vital role in grounding marketing activity”. This view was shared by one of the respondents:

“I think that the primary thing with branding is obviously the name”

Results from Table 10 indicate that all ten respondents had not only a name but also had created a logo for their business. They had shown that they had spent some time and put in considerable thought and effort into their brand name and logo. Most respondent believed that their name should be appropriate and relevant. One respondent explained;

“I think the most important thing is to get the right name, a name that can either imply what your business does or a name that is not used before.”

Results from Table 11 show that six respondents had made use of banners or signage boards as a means of advertising. Five SME's had made use of brochures to communicate their brand. Surprisingly, despite the digital age that we live in, only six respondents made use of company websites. These marketing tools were however, not the most effective means of brand communication.

SME owners referenced the use of other marketing methods as a means of creating awareness and communicating their brand. Results from Table 12 indicated that seven respondents believed their brand was being communicated via positive word of mouth marketing and not directly by themselves. Some of the respondents noted on the power of WOM as follows:

“...it basically grew from WOM”

“...people talk and WOW advertising if you want to call it that is a critical thing; we get people who come in and tell us that they have been told of us by other people”.

The importance and effectiveness of WOM is highlighted by various authors. Evans (2007) points out the fact that referrals drive sales directly and (Research: Advocacy drives growth, 2005, p.45) states that “word of mouth is a key driver in buyer behaviour”. (Hughes, 2005, p.49) comments “the early growth of brand is critically dependent on WOM”. He goes on further to state that WOM marketing is the most powerful means of marketing on earth.

Networking was pointed out as another effective means of brand communication. One respondent pointed out that networking was her form of marketing, she explained:

“...going to the right events, going to the right conferences, staying in touch with people that I think would potentially have an opportunity to do business with.”

Another respondent made his views clear on the matter:

“...networking is the most fantastic business tool that there is and WOM is the best thing”.

Carson and Gilmore (2000) stated that SME owner/managers place a high level of importance to networking as they view this as being a useful and integral part of doing business.

Results from Table 12 reflected that three respondents made use of paid advertising, these included The Yellow Pages, trade magazines and adverts on suburban sign posts. The effect of paid advertising cannot be underestimated as pointed out by one respondent:

“...it was from the time that it was in the public eye, in terms of the yellow pages, which is traditionally where people go and look. That’s when it picked up”.

Krake (2005, p.231) stated “the most commonly used media for advertising are word of mouth, newspaper advertisements, brochures and PR exercises.”

Based on the results obtained from research question 2 – branding communication, the researcher found that respondents made use of both advertising methods i.e. brochures and print advertising as well as marketing methods i.e. networking and WOM. These findings agree with academic literature in particular Evans (2007), Hughes, (2005), Carson & Gilmore (2000) and Krake (2005).

Research question 3 – What factors prohibited or enabled the entrepreneur in establishing their SME brand?

Prohibitors:

Results from Table 13 indicated that according to five respondents the dominant prohibitor to SME brand establishment was financial constraints. Respondents noted that they were cash strapped and therefore restricted to investing large sums of money into branding exercises. Three examples are given below:

“...we each put in R500 and that is how we started, even now it is not viable. We’re not making a whole bunch of profit.”

“...we don’t have the financial ability to do the same amount of advertising that Builders Warehouse does for example”

“...financing is a key role, unless you have a lot of money to back you....the pressure in the beginning – that’s why you see companies in the first three years, specially small companies, it’s touch and go all the time”

Respondents not only felt financially constrained but were unclear on the cost to benefit ratio of investing in branding activities. Wong and Merrilees (2005, p159) stated that SME’s “view branding as a cost factor rather than an investment for business growth. Not being certain of the benefits of carrying out branding activities, they believed the risk to be too big for them”. North *et al* (2003) referenced Craven in stating that SME’s lacked financial and marketing capabilities to build buyer awareness.

Four respondents agreed that consumer ignorance was a major prohibitor to brand establishment. Respondents felt that getting the public to understand their product or service benefits was tricky. One respondent highlighted that:

“...ignorance on the public side and client side, where your knowledge is a bit more vast than the general shopkeeper has, and getting that across and trying to educate people on how to look after a business that they already deem as theirs is difficult”.

Respondents noted that legislation and the lack of an enabling environment was not only making it difficult to operate as an SME, but ultimately also negatively affecting them in trying to establishing their brand. Respondents felt that they were spending too much time taking care of legal administrative stuff and not enough time marketing and selling their product or service. Respondents noted some of their difficulties as:

“...the biggest challenge we had was getting a name approved by CIPRO, the company registrar’s office.”

“...the government does nothing to help you as a start-up business. In fact, they make your life very difficult. I couldn’t believe the amount of admin I had in terms of running a business, UIF, workmans compensation, VAT, PAYE, regional services levies, all this stuff – things that you have to submit, then you have your SETA stuff. Nobody makes it easy for you.”

These comments seem to seriously contradict the intentions of the South African government as noted in the literature. Berry *et al* (2002) stated that since 1995 South Africa’s SMME’s have been actively promoted, in order to achieve the objectives of economic growth, through competitiveness on the one hand, and employment generation and income redistribution as a result of this growth on the other. SARS has also recognised the vital role that small businesses play in stimulating economic activity, creating jobs, alleviating poverty and improving the living standards of all South Africans (South African Revenue Service, 2007).

Two respondents noted that skills shortages were holding their growth potential back and thus ultimately also hampering their brand establishment. A respondent noted:

“We have tried to expand into more than one team on two occasions over the last four years. Both of which have not worked because of a lack of expertise by the people we put in charge and I think the lack of management from our side.”

Literature has confirmed skills shortage as a prohibitor in brand management. Hibbert (2000) noted that lack of knowledge, technical skills and financing all affected SME's in carrying out marketing and promotional campaigns. Krake (2005) cited capacity (personnel) and budgets as specific problems faced by SME brand management.

Enablers:

Seven respondents noted WOM, as the key enablers to SME brand establishment. Respondents believed that if they offered quality products and services; customers would communicate their positive experiences to other people via WOM; which in turn would result in these people becoming customers. Respondents noted:

“...we have done very little, other than do what we do well... and then rely on word of mouth marketing.”

“...it basically started off with doing small jobs for family and friends and it basically grew from WOM.”

“...and that client... has subsequently referred us to other people.”

WOM has been beneficial to brand establishment and has been cited in literature, in particular (Hughes, 2005, p.49) states “the early growth of brand is critically dependent on WOM”. He continues to point out that WOM marketing is the most powerful means of marketing on earth.

Entrepreneur’s previous work experience was also referred to, by seven respondents, as being enablers to their brand establishment. Respondents noted:

“...people look for the credibility of an established brand... they look at what experience you have had. Have you done something similar to their thing before?”

“...I am not talking about myself, I am talking about my colleagues as well, if you compare what we have with a place like Builders Warehouse; there is a vast difference. Those guys don’t know what we know.”

Six respondents mentioned the use of networks as enablers to brand establishment. Respondents found that in most cases, especially during the start-up phase, they grew their brand by making use of networks. Respondents conveyed their experiences as follows:

“...how do we go about actually approaching schools? People don’t know us... in the first year ... we got 7 schools. It was schools that I had taught at before.”

“I have always been a great believer that your first point of contact is with people that you know.”

One respondent had a different take on networks. She not only used networks to increase sales and brand awareness, she used networks to help run her business more effectively, thus freeing up her time to build her brand. She had this to say:

“...it is almost like you use your network to outsource certain things so that you can focus on doing what you do best.”

Networks clearly play a significant role in establishing a SME's brand identity. These networks not only help grow sales and the brand, but also lend itself to further growth via positive WOM marketing. Carson and Gilmore (2000, p.4) point out that “networking is such an intuitively natural dimension of entrepreneurial SME activity, it represents a significant strength for marketing purposes”. The use of personal contact networks is also referred to by Hill (2001) as characteristics of SME marketing.

Hibbert (2000, p.4) perhaps summarizes the importance of networking best, “in the marketing spheres, the most difficult step is still the first one – securing market entry and building up market and customer credibility. Market identification, promotion and development seem to be based largely on personal contacts and information gathered from informal sources.

The researcher therefore concurs with literature regarding the various enablers and prohibitors to brand establishment. There is no denying the all important role played by the entrepreneur as discussed by Krake (2005). Based on the research results to question 3; there is no doubt in the researchers mind that this question has been successfully answered and concurs with all referenced literature mentioned in answering this question.

Research question 4 – With whom does the brand equity lie? Is it in the SME product or service, or is it with the entrepreneur?

Results represented in Table 14 indicate that five respondents felt the brand equity lay in the product or service; three respondents indicated it lay in both the product/service and in the individual; and two respondents stated brand equity vested in the individual. Results were recorded based on respondent's initial answer as some respondents seemed unclear as to where exactly the brand equity lay. The following extract bears testament to this:

“I think we are branding the product... I don't know... branding myself through a relationship... I think mainly it is the product and the content of the product.”

As previously mentioned two respondents felt very strongly that the brand equity was with them. Respondents were quoted saying:

“...in my case it is me...the intellectual property is me... I sell my experience... so when you employ Angela Bruwer Consulting, you get Angela Bruwer.”

“...the short answer would be it lies with both Willem and myself... without Willem and myself, this is not a company I can sell to you.”

Three respondents felt that the brand equity vested in both the individual and in the product or service. One respondent commented:

“...I think it is a combination of everything...we are a store... so you need to brand the store... customer experience becomes synonymous with Cedar Paint Emporium... certain people ... come back for the person.”

The majority of respondents; five of the ten, believed that the brand equity was in the product or service and not necessarily in the entrepreneur. Two respondents had this to say:

“It was nothing to do with me. Nobody had any idea who was behind it. It was the service.”

“...our early clients... potentially want to deal with me... clients that we have picked up later, they see it as a company and not a person.”

Krake (2005) stated that the entrepreneur was the brand. However, he recommended that the entrepreneur appoint a suitable individual within the organization who is responsible for the daily brand management tasks. The brand needs to resonate throughout the organization and therefore the entrepreneur can not keep it all to himself.

Based on the results from research question 4, the researcher has concluded that if SME's brands are truly to establish themselves, they need to move beyond the entrepreneur and that brand equity must reside with the product or service. The researcher's views seem to be backed by literature if one is to consider Churchill and Lewis's lifecycle model, which state that firms move beyond the start-up phase as they move into the success stage. At which stage the owner/manager has two options, firstly "use the company as a platform for growth or as a means of support for the owners as they completely or partially disengage from the company" (Churchill and Lewis, 1983, p.34).

7. CONCLUSION

7.1. Summary

It is clear that SME's play a significant role in South Africa's economy, not only in terms of GDP but also in terms of employment. SMME's account for roughly 66% of the total work-force. The South African government has recognised the importance of the SME sector and organizations like the African Development Bank has specifically set funds aside for SME development.

Despite the noble intentions and commitments of the South African Government to support the SME sector; the reality is that SME's believe that they are subjected to too many legislative regulations and therefore feel that this is not a conducive work environment.

Most SME's have limited resources, in particular financial resources, and they find themselves subjected to vigorous competition, not only from large corporations but also from other SME's, offering the same or similar products and services. So how exactly are SME's to compete in such a competitive environment? Literature suggests the development of a strong brand.

The purpose of developing a strong brand is twofold: Firstly, brand offers organizations an alternative to competing on price, and secondly it serves as a means of differentiating one company's product or service from another;

Brand accounts for a large amount of a company's value. Brand equity is driven by brand loyalty, which effectively guarantees a company's future sales and future profits. Brand clearly plays a critical role in the success of a company and so the researcher questioned what role branding plays during the SME's start-up phase.

7.2. Key findings

It's important to note that this research study was conducted using a qualitative research method and therefore by its very nature, it is subjective. The sample size of ten entrepreneurs/ owner-managers is by no means large enough to draw any conclusive evidence or to make broad generalizations. However, based on the results from the ten in-depth face-to-face interviews, the researcher has been able to draw some parallels between the findings and the literature.

7.2.1. The power of networks

There is no denying the benefits and impact of using networks to grow and establish not only your business, but ultimately your brand. Respondents indicated that this was the most prominent and effective means to create brand awareness, especially during the start-up phase.

Although this research did not investigate precisely the nature of the networks, respondents did indicate that networks included family, friends and previous work colleagues. These networks not only provided a potential client base, but in return they also contributed towards the next key finding; word of mouth.

7.2.2. Nothing like word of mouth

Literature points out that SME's should focus on building their brand. It is suggested that SME's focus on four key dimensions; awareness, association, perceived value and lastly brand loyalty. Brand management therefore becomes a daily task for the entrepreneur, though interestingly one of the key finding of this research report related to an activity that was not directly controlled by the entrepreneur.

Results indicated that one of the greatest sources of brand building and brand communication was WOM. Customers were sharing their positive experiences with other people, which in turn lead to these people trying the SME's products or services. This is extremely difficult to control and manage, due to the fact that WOM by definition; is the transfer of unsolicited information. The best form of control that SME's could focus on was offering quality products and exceptional service.

7.2.3. Money too tight to mention

A clear prohibitor to brand establishment, in particular during the start-up phase, was lack of financial resources. Respondents noted that their key focus during the start-up phase was sales and that funds were limited in terms of engaging in brand building activities. Respondents questioned the cost to benefit ratio of brand building.

7.2.4. Role of the entrepreneur

Hibbert (2000) pointed out that anywhere around the world SME's as a class are clearly distinguishable. It's their trading styles, financial practises and internal management practises. This is mainly as a result of the all-controlling and all-deciding role of the owner/manager (Krake, 2005).

The entrepreneur plays a critical role in the SME, in particular during the start-up phase. Their ability to network is a common means of brand establishment during the existence and survival stage. If SME's are truly to establish their brand beyond the entrepreneur they need to grow and foster a relationship between customers and the product or service and not with the entrepreneur.

By definition SME's move beyond the start-up phase as they move into the success stage, where the business has achieved sufficient size and product market penetration to ensure economic success and earns average or above average returns. At this stage it is common for the entrepreneur to withdraw from the SME.

In summary the entrepreneur plays a critical role during the start-up phase however, over time as the SME's brand gains recognition and moves through its lifecycles, it comes into its own and is able to stand independently from the entrepreneur. At that point true SME brand equity has been achieved.

7.3. Recommendations

Based on the findings of the research study, the researcher has highlighted certain activities which can dramatically assist SME owner/managers in establishing their brand.

7.3.1. Build your network

The researcher recommends that SME owners actively seek ways to build and grow their networks. Owner/managers should not forget the small world theory, that ultimately there are only six degrees of separation between everyone in the world. It is recommended that owners conduct network “audits” and earmark potential business networks as means of growing and establishing the SME brand.

7.3.2. Invest in your brand

Financing has clearly been highlighted as a dominant prohibitor to brand establishment however, owner/managers need to look at different innovative means of branding that do not require huge sums of money. Correctly targeted advertising can increase not only your sales but ultimately your brand awareness, this despite some respondents being unsure of the cost to benefit return of investing in their brand.

7.3.3. Move beyond the entrepreneur

The research agrees with Krake's (2005) findings and suggestion that the entrepreneur appoint a suitable individual within the organization who is responsible for the daily brand management tasks. The brand needs to resonate throughout the organization and therefore the entrepreneur can not keep it all to himself.

7.4. Recommendations for further research

Based on the research sample size, no true correlations could be made between different variables. The researcher recommends that a quantitative analysis be done on a much larger sample group and investigate if there are any correlations between different variables e.g. age of entrepreneur and success lifecycle stage.

Results from this research clearly indicated the important role that the entrepreneur, owner/manager played however, the researcher is not convinced that the distinction between the entrepreneur as a brand and the SME product or service brand has been clarified. The researcher therefore recommends that a new study be conducted into this matter.

7.5. Final word

In the competitive environment within which SME's compete, it is critically important that SME's create brands that are not only identifiable but that reflect a perception of professionalism and quality for their product or service. SME's need to ensure that the correct brand image is created during the start-up phase, so as to avoid losing brand equity later should they need to rebrand. This is important based on the understanding that company's sell brands and not products.

As SME's attempt to establish and grow their brand they should not lose sight of the fact that it costs a company five times more to attract a new customer than to retain a current one (Lewis referenced in Gilmore *et al.* 1999).

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9. APPENDICES

9.1. Appendix 1 – List of owner/managers

Code	Interviewee Name	Age	Gender	Number of Employees	SME Category	Years in Business	Business Type	Description of Business
A	Angela Bruwer	37	Female	5	Small	3	Advertising & Marketing	Brand Marketing Communication Strategists
B	Brent Andreka	39	Male	95	Medium	11	Manufacturing	Manufacturing and sales of radio communications components for the security industry
C	Buzz Beyers	38	Male	8	Small	4	Construction	Building contractor
D	Carol Greyling	37	Female	1	Small	4	Education	Educational study material
E	Craig Bradford	34	Male	28	Medium	9	Material Handling/ Logistics	Fork lift hire, sales and maintenance
F	Fernando Mendes	36	Male	2	Small	5	Services	Procurement agent
G	Pam Andreka	38	Female	5	Small	15	Advertising & Marketing	Advertising and Graphic Design
H	Peter van der Zee	29	Male	3	Small	1	Services	Provides a hassle free means of changing your postal address with various service providers
I	Theunis Venter	39	Male	10	Medium	6	Retail	Paint and hardware store
J	Tony Nogueira	39	Male	9	Medium	16	Wholesale	Importer and distributor of live ornamental fish and aquarium plants



9.2. Appendix 2 – Interview Document

SECTION A – RESPONDENT DETAILS

Entrepreneur:

Age:

Gender:

Number of employees:

Annual turnover: <R6mil if not <R13mil to <R51mil (depending on industry)

Company name:

Year's in business:

Nature of business:

SECTION B - BRANDING ELEMENTS

Logo:

Pay off line:

Brochures:

Banners:

Website:

Advertising:

Other elements of the promotional mix: e.g. publicity, personal selling and sales promotion:

Appendix 2 – Interview Document (Continued)

SECTION C - DISCUSSION GUIDE

Note: Remember to focus on start-up phase

Q1 - What branding tasks need to be accomplished during start-up for SME like yours?

- **Probe** - How relevant this is to other activities
- **Probe** – What is being branded, product/service or individual

Q2 – Tell me how you went about establishing your brand?

- **Probe** – Enablers and challenges during the process
- **Probe** - What have you done to further grow your brand?

Q3 – What makes your brand different from that of your competitors?

- **Probe** – Where do differentiators lie? Company or Individual
- **Keep probing - How so? Why is that?**

Q4 – When customers buy your brand, what are they buying?

- **Probe** - Their perception of how they feel customer see them?
- **Probe** - How does this differ from what your competitors offer?