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**Brand Management as a Trigger in the Success and  
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By Mauricio Jesús Martínez Delfín

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# **Brand Management as a Trigger in the Success and Competitiveness of Mexican Small and Medium Sized Enterprises**

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**Brand Management as a Trigger in the Success and Competitiveness of  
Mexican Small and Medium Sized Enterprises**

**By**

Mauricio Jesús Martínez Delfín

**A DISSERTATION**

Submitted to



**The University of Liverpool**

In partial fulfillment requirements for the degree of

**MASTER OF SCIENCE IN GLOBAL MARKETING**

2013

# **DECLARATION**

A Dissertation

Entitled

**Brand Management as a Trigger in the Success and Competitiveness of Mexican  
Small and Medium Sized Enterprises**

By

Mauricio Jesús Martínez Delfín

We hereby certify that this Dissertation submitted by Mauricio Jesús Martínez Delfín  
Conforms to acceptable standards, and as such is fully adequate in scope and quantity. It  
is therefore approved as the fulfillment of the Dissertation requirements for the degree of  
Master of Science in Global Marketing

Approved

Dr. Roger Davies – General Dissertation Advisor      Date: 20<sup>h</sup> June, 2012

Sandra Mohabir McKinley- Faculty Manager      Date: 20<sup>th</sup> June, 2012

University of Liverpool

2012

## **CERTIFICATION STATEMENT**

I hereby certify that this paper constitutes my own product, that where the language of others is set forth, quotation marks so indicate, and that appropriate credit is given where I have used the language, ideas, expressions or writings of another.

Signed

Mauricio Jesús Martínez Delfín

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## **ABSTRACT**

The exponential growth of trade liberalization, the global economic policies, the uncertainty in international markets, and the lack of competitiveness of the Mexican business sector, have had negative impact over the Mexican SMEs, over the past three decades, In this sense, the lack of competitiveness is the main reason why 80% of SMEs fails in the first five years and 90% during the ten first years.

Competitiveness is an imperative issue for all the countries in order to maintain or increase high levels of income and employment, and it can only be achieved through diversification, keeping away from the dependence on primary –commodity products and moving up to marketing and branded products.

This research investigated the problem of the loss of competitiveness of Mexican SMEs, from the point of view of marketing and brand management, and its main objective is to find the kind of marketing management and branding deficiencies, which are preventing the competitiveness of Mexican SMEs against the global competition.

A triangulation methodological approach (quantitative & qualitative) was used, included questionnaires and group interviews with Mexican SMEs business leaders, in order to get first-hand information of the real Mexican business environment.

The extensive review of literature has shown the enormous lack of knowledge about marketing principles and branding in Mexican SMEs, causing that most of these companies which remains focused only in production and manufacturing, rather than marketing, obtaining low levels of profitability, and making them vulnerable to the international business environment.



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# Chapter One

## Introduction

### 1.1 Introduction

The importance of SMES around the world is undeniable, especially for those countries with emerging economies.

The reasons are obvious: the number of these companies is higher compared with the large Multinational Enterprises (MNEs) in each country, the important number of jobs generated through SMEs which is the most important source of income for most of the population, and finally the several market niches it serves, largely comprised by consumers of the lower socioeconomic levels and which commonly is a market unattractive for MNEs. According to the Mexican Association of Marketing and Public Opinion Research Agency (AMAI, 2010) In Mexico, 60.4% of the total population of the country is ranked between Medium Low Class (D+), Low Class (D), and Lowest Class (E) which represents an estimated potential market of 67,842,845 consumers, The following tables show the detailed classification of the socioeconomic levels in Mexico and their currently Income in USD:

**Table 1 Distribution of Socioeconomic Levels in Mexico**

MEXICO SOCIO ECONOMIC LEVELS							
	A/B	C+	C	D+	D	E	
	HIGH CLASS	MEDIUM HIGH CLASS	MEDIUM CLASS	MEDIUM LOW CLASS	LOW CLASS	LOWEST CLASS	TOTAL
<b>Mexico (Country)</b>	<b>7.40%</b>	<b>7.20%</b>	<b>25.00%</b>	<b>23.50%</b>	<b>27.90%</b>	<b>9.00%</b>	<b>100.00%</b>
Mexico City	7.4	7.9	24	23.6	28	9.1	<b>100.00%</b>
Guadalajara	6.1	7	25	24.2	29.9	7.8	<b>100.00%</b>
Monterrey	9.3	4.8	24.9	24.2	28.8	8	<b>100.00%</b>
Rest of the country	7.4	6.9	25.7	23.3	27.4	9.3	<b>100.00%</b>

Source: AMAI (2010)

**Table 2 Distribution of Socio-Economic Levels in Mexico by Income**

AVERAGE INCOME BY SOCIO ECONOMIC LEVEL (MEXICO)		
Socio Economic Level	Minimum	Maximum
A/B	6,296	upward
C+	2,593	6,296
C	859	2,593
D+	504	859
D	200	504
E	0	200

Source: AMAI (2010)

The data presented above clearly demonstrate the enormous market opportunities that have not been properly exploited by SMEs or even for MNEs, this situation had been warned some years ago by C.K. Prahalad in his book: "The fortune at the bottom of the pyramid: Eradicating poverty through profits" where he explains that in countries such as China, India, Brazil and of course, Mexico, MNEs recognize that only 5 to 10 percent of the population represents a new market opportunity, leaving behind the other 90 or 95 percent.

However, although this potential market is a reality, SMEs are still fighting a difficult battle against their own lack of competitiveness, facing important challenges in order to survive in an increasingly hyper-competitive environment where technological development has played an important role in the globalization of the markets. In this sense, the democratization of the information technologies and digital communications, especially, internet, as well as the development of new digital social media has generated deep changes in the social, political, legal and economical external environment, which have triggered the international competitors in local economies.

At the same time technology also has permeated the way consumers behave, changing their habits, customs and ultimately the way they make their purchasing decisions; in other words, technology is the new driver of a complete new commercial reality where global

markets are prepared to compete in a worldwide-scale of standardized products and taking advantage of economies of scale and making them almost an indestructible rival in their cost structures, pricing, management and marketing.

This is a real threat for SMEs, because they historically have faced important disadvantages compared with MNEs in terms of technology development, financing, management training, marketing and cash flow, making almost impossible that they can compete on equal terms.

## **1.2 Overview Mexican SMEs**

The exponential growth of foreign direct investment (FDI) since the entry into force of the North America Free Trade Agreement (NAFTA) in 1994 has had positive and negative outcomes for the country, the international agreement has had positive effects over the manufacturing sector which is largely comprised by large foreign multinational enterprises, leading Mexico to be one of the most important manufacturing countries in North America.

However, the negative impact of this agreement has been reflected over the Mexican SMEs which were not prepared for large-scale trade liberalization, making almost impossible to compete against foreign multinational enterprises due the larger cultural, technological and managerial divergences between them.

Initially, the promise was that this agreement would increase the productivity, competitiveness and job generation in the country (Gallagher & Zarsky, 2004) however, this was not entirely true, because although NAFTA has increased the job generation over the time, this growth has been up almost exclusively generated by foreign multinational enterprises, which currently represent only less than 30% of the total formal jobs in the

country, leaving behind SMEs, which represent over 35% of the gross domestic product (GDP) and contribute with over 70% of formal jobs in Mexico. (Mexican Ministry of Economy, 2011)

For the former statements, the author really thinks that SMEs are extremely important for the national economy and, unfortunately they face a lack of competitiveness causing that 80% of these companies fail in the first five years and 90% during the ten first years.

In this sense Small and Medium Sized Enterprises cannot succeed if their products are similar to other products in the market, for this reason companies must adopt an appropriate brand strategy allowing them to create brand differentiation able to generate and increase the business value over the time (Kotler, 2009).

In Mexico there are some success stories of companies that began operations as SMEs, therefore, they have become in large multinational enterprises, for example: CEMEX, Bimbo and Corona Brewery Co. So the question is: How have these companies evolved over time to become in global MNEs?

In order to find out the answer, we must consider that the real distinction of these companies is based, in the way they manage their marketing and specifically how they manage their brands.

Well managed and positioned brands allow organizations to sell products with a higher price, increasing their revenues, profits, and finally the total value of the company.



However, to achieve this, SMEs must learn how to create and manage their brands properly through the different marketing mix strategies. In other words: brands must be analyzed through the eyes of product, price, place and promotion variables as well as from a strategic organization focus.

Some studies conducted by (Khan & Edge, 2009) have shown that employees of SMEs play an important role in the brand building. That is why, this research will give an entire chapter dedicated to employees and their key performance indicators (KPIs) as well as their incentive plans in order to know the relationship with their brand strategy.

From the author's point of view, the real problem of the competitiveness of Mexican SMEs is that they still operate in the same way than 30 years ago, through an informal familiar management structure and important market focus absence, for this reason, one of the most important factors in order to achieve development and competitiveness of Mexican SMEs is the change of their corporate culture and conservative- management style for a new one, which allows these companies to adopt a completely new market approach.

This is what this research proposes to Mexican SMEs: to Investigate the specific lack of Marketing management skills in order to produce a complete brand management guidelines directed to Mexican Small & Medium Sized Enterprises.

### **1.3 General Objective**

In one way, it would be necessary to investigate the perception and knowledge of Mexican SME entrepreneurs and CEOs about to the importance of brand management as a strategic tool for the business development and success in a long term, on the other hand

to develop a theoretical framework able to create a complete brand management guideline for SMEs.

#### **1.4 Specific Objectives**

- Determine if Mexican SMEs entrepreneurs are already legally registered brands.
- Determine if Mexican SMEs already have a brand strategy.
- Determine if the brand strategy of the company is aligned with the core strategy.
- Determine if the brand strategy is properly aligned with the mission and vision of the company.
- Determine if Mexican SMEs entrepreneurs know about how to measure the performance of their brand strategies in terms of costs, sales, revenues and profits.

#### **1.5 Research Questions**

- Do Mexican SMEs have legal registered brands?
- Do Mexican SMEs already have a marketing/ branding strategy?
- Do SMEs align their corporate mission and vision with their Brand Strategy?
- Do SMEs really know the importance of brand management of the company's success?
- What is the percentage of the budget expended for brand development?
- Have SMEs realized the importance about the connection between the brand strategy, and their Key Performance Indicators?
- Do SMEs know about the correlation between the brands and the marketing mix variables?

## **1.6 Conclusions**

The author concludes that Mexican SMEs are facing two major challenges which can be summarized in two important questions: Will Mexican SMEs will be able in order to defend their markets against the increasing entry of global brands?, Can Mexican SME'S will be able to create and develop strong global brands?

The author thinks that Mexican SMEs must go not only after a high purchasing socio-economic level and instead of these; they have to look over the middle class, lower middle class and low class, since they represent about 85.4% of the consumer market in Mexico.

The problem is that MNEs are beginning to target these middle and low-end markets, through the development of multiple brands. This is the reason why SMEs will come out and defend these markets. However, to achieve these SMEs must develop their skills in innovation, differentiation, branding and service. In other words strengthen their marketing. However SMEs must really understand the marketing concept and avoid misunderstandings. According to (Kotler, 2009) there are still some problems about how marketing is conceptualized by the Mexican entrepreneurs:

### **1.6.1 In Mexico Marketing is Commonly Confused With Advertising**

One of the main problems is that marketing is commonly confused with "advertising" and "promotion" and is often seen in terms of expense and not as a long-term investment; in fact they also spend large amounts of money on advertising which commonly lead to premature bankruptcy.

## **1.6.2 Limited Use of Marketing Research**

Although, SMEs entrepreneurs already know about the importance of marketing research it is true that they do not trust it.

According to a study conducted by the Center for Mexican marketing information (CIMM, 2009) about 40% of Mexican SMEs do not use market research in order to improve their sales and expand its profitability. In fact, they consider it “unnecessary” due their belief that “business instinct” is more reliable than scientific research.

The CIMM study also explains that about 37% of the executives surveyed consider that they have a complete ignorance about the marketing research benefits, and 30% consider that it is a financial problem and lack of budgeting and 26% consider that marketing research is not necessary at all.

In this sense, it is important to realized, that in Mexico the minimum cost of a basic market study is priced between \$ 1,920 USD- \$2,700 USD, and for more complex study the price commonly exceeds \$3,000 USD.

The author thinks that while market research could be expensive for these companies, it is an excellent “thermometer”, useful to know what kind of strategy will apply in order to satisfy the consumer needs. However, the fact is that most of SMEs do not even know where their competitors and consumers are and how this affects their business performance.

They are not aware either about the importance of a customer's data base and marketing intelligence as an important asset of their business. The fact trying to implement marketing and branding strategies without the backing of marketing research is especially dangerous due the increasing of global competition.

### **1.6.3 SMEs Should Focus Their Efforts in Marketing, Rather than in Production**

Since the entry of NAFTA, Mexican companies are mainly focused in manufacturing activities rather than marketing and brand development. According to this, the Mexican manufacturer of Levi's jeans gets only a 10% of the final price of \$61.53 USD, which is paid by a customer of a Macy's department store; the retailer gets about 60% and the brand owner gets 30%.

In the example above, the Mexican manufacturer has no defense if the Levi's brand owner decides to change to another "less expensive" manufacturer, e.g. China, putting the Mexican SMEs in a vulnerable position against their global competitors. According to the author, Mexican SMEs must take the next step to become from a simple manufacturer to a complete brand developer, in order to increase their profitability and achieving long-term competitive advantage.

They must follow the way of other companies such in India, not only focused in production and engineering, but also focused in marketing and branding.

#### **1.6.4 Mexican SMEs are Over-Focused In Pricing Strategy**

As mentioned at the beginning of this chapter, 80% of the SMEs in Mexico fail before the first five years, and SMEs executives should not ignore these statistics.

According to the Mexican Ministry of Economy (SE, 2011) one of the reasons why they fail is the “belief” that to succeed in business is an imperative to establish lower prices than competitors. Most SMEs managers believe that lower prices could help to get high sales volumes; this is partially true, especially in the commodities markets. An interesting phenomena, is that important brands had become generic brand names, since customers don't perceive important differences in the product attributes.

The fact of implement a low price strategy as the only alternative is very dangerous over the time, since it can erode the brand equity, as well as the financial condition of the company in the short-term. In addition this strategy will put SMEs in a serious disadvantage position against their global competitors with a usually greater financial capacity and risk margin.

Another negative practice of SMEs is to set their “price strategy” only based through a pricing benchmarking, this is very risky, because stronger competitors with better products and brand recognition, may force SMEs to keep or change their prices (usually to lower price), this could lead in to a “Price War” which generally lose the weaker company, in this case the SME.

For this reason, Mexican SMEs must understand that the only way to achieve an increased and sustained market share is through differentiation of the product attributes, rather than low prices, since at the end, customers do not take their buying decisions only in pricing.

The permanent low price strategy usually kills innovation and differentiation, if low prices were the solution to all the marketing problems, then, there was no reason for research and development departments, and there was no reason for a positioning strategy and branding.

Finally, the most important issue is that SMEs, should know about the overall strategy of their competitors in order to determine a 360° integral strategy, able to create a significant differentiation in the marketplace.

## Chapter Two

### Review of Literature on Branding and Brand Management

#### 2.1 Introduction

Branding, brand management, marketing strategy and SMEs, are issues which commonly appear in several academic literature, as well as industry, government and national and international press.

The author has realized that there is an extensive literature about: SMEs, marketing, emotional marketing, market- segmentation, branding, brand management, strategic organizations, international business, cultural dimensions, organizational culture among other topics related to this proposal.

As it was mentioned before the entrance of the NAFTA in 1994 plus the progressive effect of globalization in emergent economies have given an important strike over the SMEs (Prashantam & Birkinshaw, 2008), in this According to (Fliess & Busquets, 2006) some of the problems that SMEs have faced over the years are related to the lack of financing, trading barriers, included unfavorable foreign rules, inadequate property rights protection, restrictive technical and management standards where SMEs are particularly vulnerable.

These management standards are clearly ruled by three important elements: finance, operations and marketing. The author will focus on the importance of marketing and brand management, in order to help SMEs to become over the years in a competitive Multinational Enterprise.



However, to achieve this, the author assumes that beyond all this restrictive financial, technical and trading barriers, Mexican SMEs will also face an important challenge with their cultural adaptation in order to become competitive, especially in a completely new global and changing environment. Cultural adaptation is an issue that has not been analyzed in depth and which has an important impact over the SME's branding strategies.

## **2.2 The Importance of Marketing for Mexican SMEs**

It would be impossible to explain the success of any company without the presence of marketing, but, what is marketing? And why is it so important? According to the American Marketing Association, (AMA, 2011) marketing can be defined as the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.

Other definitions may include marketing as a complete philosophy of doing business (Lafferty, 2001) considered as a "mindset", an "attitude", a way to conceive business through different managerial processes, able to satisfy the customer wants and needs and which can be considered the central ingredient of a successful organization.

As technique marketing is defined as the specific way to implement a long-term exchange relationship, which main objective is to identify, create, develop and serve the demand (Santesmeses, Sánchez & Valderrey, 2003).

Finally, marketing can be explained through two interdependent perspectives: managerial and social perspectives (Kotler & Keller, 2009) the first refers to the marketing seen as an important function within the organization, which cannot be separated from other important departments and functions of the company such: finance, operations, human resources and top management. From this perspective, marketing is seen as "holistic approach"

where “everything matters”, where the business is seen as its final reason of existence: to generate wealth for shareholders through customer satisfaction.

In this sense marketing is also focused as a social process that looks to establish long-term social ties with consumers, intermediaries, suppliers, government, and other key participants in the value chain, creating strong economic, technical and social ties between them, however, this has not always been the focus of marketing, history has shown that marketing has evolved over the time, from an early approach with strong emphasis on production and sales to a modern market- oriented approach.

While In the old sales approach, where, organizations needed to make great and often expensive promotional efforts in order to “persuade” customers to buy enough products of the company.

According to (Levitt, 1986) this approach is centered more on the sellers needs, rather than the customer needs and commonly fails to establish long term relationships and customer satisfaction.

It is possible that this sales approach still “works out” today for some large multinational enterprises, e.g. Coca Cola or Procter & Gamble, which can spend millions of dollars to persuade customers to buy a new brand or product and even they can afford a brand-product failure, however this is something that SMEs cannot afford due their financial weakness.

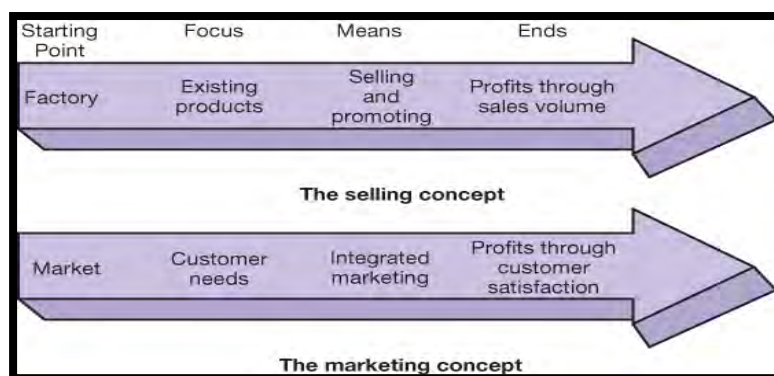
The author assumes that one of the reasons why 80% of Mexican SMEs fail in the first five years is the lack of market orientation. According to (Kohli & Jaworski, 1990 cited in Kara,

Spillan & De Shields, 2005), market orientation is defined as an “organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organization-wider responsiveness to this intelligence”.

In other words, the market orientation approach not only provides with insightful information about the customer’s habits, preferences and buying behavior, but also provides information about the external micro-macro environment including: competitors, social, cultural, political , legal and technological issues that may affect the customers and the company in the long term. For this reason, the market approach is an imperative for all kind of companies, but especially for those SMEs which are seeking for a competitive advantage and superior performance (Kara, Spillan & De Shields, 2005).

Figure 1 explains the marketing and sales concepts contrasted in the marketing evolution:

**Figure 1 Marketing and Sales Concepts Contrasted**



Source: Kotler & Keller (2009)

Mexican SMEs have decided to remain in the early stages of the marketing evolution where the priority is to produce and sell products and services which usually no one has asked for, trying to get sales and revenues through an intensive and expensive advertising and promotional campaigns, in order to persuade potential customers to buy what they don't want and need. While this approach may result in sales and revenue growth in the short term, the fact is that these business practices could undermine the brand equity and the financial health of the company in the medium and long term.

Mexican SMEs are still determined to continue avoiding in creating a long-term customer relationship. Why?

### **2.3 The Cultural Problem of Mexican SMEs**

The author assumes that the problem of this “marketing myopia” is strongly associated with Mexican’s culture, which had not evolved as fast as the modern marketing concept has evolved. According to (Hofstede, 2011) Mexico has virtually no long- term orientation, therefore is not a surprise that the concept of creating medium and long-term relationship with clients and consumers is contrary in a culture whose nature is “short-term oriented” and where general managers SME’s CEO’s are systematically encouraged to apply a short sighted strategy, fast-production of revenues only focused for increase sales at any cost and in the shortest time possible, even if this strategy means the destruction of the brand equity, profits, and finally the total value of the company in the medium and long term.

SMEs should not continue with a strategy where the customer satisfaction and value-generation is the last issue and is not important at all, where the important fact is only to achieve fast-revenues through an extensive coverage strategy, rather than stimulate them

across positive experiences, which over the time will become into a positive word of mouth, able to detonate the re-buying process and the creation of customer- value, brand loyalty and profits through customer satisfaction.

Likewise the high score of Mexico's uncertainty avoidance (82) causes an important innovation resistance, overruled process that not always helps to take better decisions on the correct time.

Mexico's power of distance dimension causes that most of the marketing decision process within SMEs, are usually taken under a centralized and rigid hierarchical organizational structure, usually comprised by the same relatives of the company founder, where top management positions usually have been given more by ascription rather than by achievement and where new ideas and innovation are not easily accepted, causing the company become unable to compete efficiently against MNEs whose main strategy is precisely innovation and constant renewal of its brands and products.

However, it is interesting to remark that many MNEs, which operate in local markets, are largely composed of the same employees, managers and CEOs' sharing the same local cultural patterns, so the question is: Why these national cultural patterns seem not to affect MNEs marketing performance?

The author believes that organizational culture in many of these MNEs is powerful, and eventually it imposes over the patterns, habits and customs of the local- national culture.

This situation allows employees to adopt this new corporate culture to collaborate efficiently and effectively in order to achieve the organization's marketing objectives and strategies. In contrast, Mexican SMEs usually suffer a lack of organizational culture which causes that national culture permeates over the organization structure.

In this sense, a research conducted by (Zurcher, Medow & Zurcher, 1965, cited in Smith, Dugan & Trompenaars, 1996) found out that Mexican employees are much more particularistic than their counterparts in the US.

(Trompenaars & Hampden-Turner, 2000) explain that in particularistic cultures like Mexico, relationships are favored over the rules, making almost impossible to establish a real brand management performance, for this reason, the author believes that there must be congruence among brand Identity, organizational culture and finally the founder ideology.

## **2.4 Branding Strategies and Brand Management on SMEs**

Branding is defined as a marketing principle relevant to the entrepreneurial for stimulating demand and creating competitive advantage" (Abimbola, 2001). At the same time (Kotler, 2009) stated that: "companies cannot succeed if their products are similar to other products in the market". Therefore, companies must adopt an appropriate brand strategy allowing them to create differentiation and authenticity in order to become relevant.

According to this, the real distinction between a successful organization and a failure lies heavily in how organizations manage, but especially how they manage their brands. (Levitt, 1986, p. 87). Meanwhile, (Beverland, 2005) Argues that "Authenticity requires brand managers to downplay their overt marketing ability and instead locates their brands

within communities and sub-cultures”; so brands should become as another member in communities and must be capable to generate timeless values, so it is impossible to separate the brand identity from the founder ideology, corporate culture, national culture and management.

The reason is very simple: the founder’s leadership and his philosophy are the bricks through which organization builds their corporate culture that over the time becomes a brand Identity.

Companies must create their brand positioning through a real congruence among all these elements. This is confirmed by several authors research, the one of (Berthon, Holbrook and Hulbert, 2003) who explained that: “To manage their brands effectively, companies must not only take much more the traditional customer-centric view”, while (Khan & Edge, 2009) has stated that employees of SMEs play an important role in the brand strategy building.

In this same way, the results of the research conducted by (Martine & Hamzaoui, 2010) explained that the SMEs founder’s values and beliefs, as well as the country of origin image are important elements for strengthening the core competencies to be developed and communicated through the brand strategy.

Most managers recognize the importance of marketing and branding strategies for the success of SMEs, however, there is still a lack of knowledge about what the strategy is and how to create it. According to (Garrido, 2004) business strategy is strongly linked with war and politics, this fact is considered as a basic element of business in terms of “confrontation” with other companies, or simply against the external business environment.

In marketing management and branding, as in war, strategies consistently reduce the gap between the organizational objectives and the resources, in order to achieve competitiveness. From this point of view the word "troops" is replaced by the word "resources" just to obtain a very real concept of the business world.

So the strategy becomes an action plan, but performed tactically. It is a resource or a set of interrelated shunting, which are not always planned in advance to respond to the unforeseen events and hostile environment forces (Corey, 1978, cited in Dolan, 1995).

This analogy between war and business strategy is useful to understand the value of the business strategy in marketing and branding, where the battlefield is the market, including the macro environment factors such as political, legal, economic, technological, social and cultural variables.

Other definitions of strategy, which contradict this analogy, are those explained by (Chan & Mauborgne, 2005) who proposed that companies should move away from competition (red oceans) and focus on markets where there is no competition (blue oceans).

Although this is an interesting proposal, the authors have forgotten that all products and brands with a high degree of innovation and differentiation have virtually no direct competition when they're introduced to the market for first time.

However, as time goes by, they will due to hyper-competitive market in which they operate. In addition, environmental factors are unavoidable and the company and its strategy will always be linked to them in a constant battle.

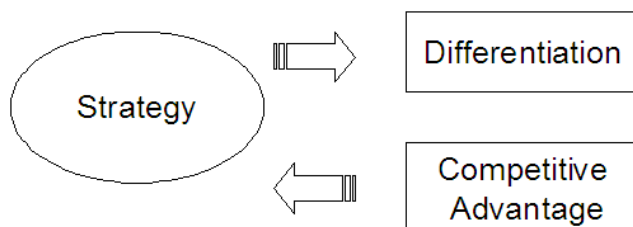


Therefore, there are many ways to define strategy, the author really believes that the strategy itself is much more than simply definition by which the organization can achieve its corporate objectives.

According to (HBS, 2011) “strategy is art and science” at the same time, it is an art, because in many cases the creation and development of the marketing strategy requires a high degree of “creative thinking”, and at the same time the ability to collect and analyze specific information to create possible future scenarios, which can be defined by a visionary leader, who would be able to inform to the rest of the organization and "inspire" them to implement and develop it.

Without strategies there is no clear direction for the company, and over time will become vulnerable to the rapid changes in the environment and competitors. However, if the organization sets its marketing strategies in a correct and creative way, it will provide valuable information for that managers and executives, helping them to define their work-plan, to generate the structural changes related to the way the company does business and the way which it can achieve differentiation from competitors.

**Figure 2 Differentiation as the Source of Competitive Advantage**



Source: Kotler & Keller (2012)

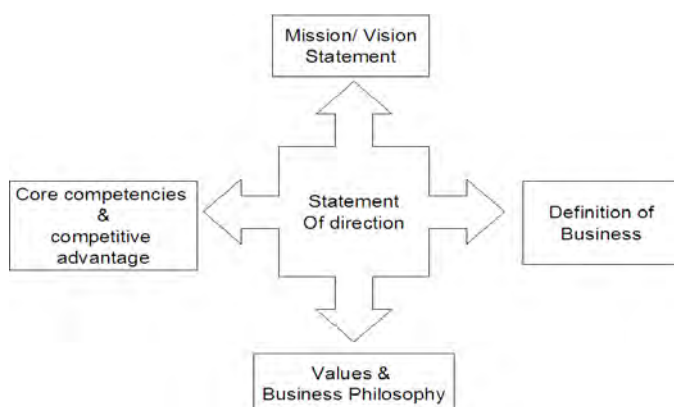
Due to the previously explained, it is very important that each SME will establish a “corporate statement of direction” which represents the structural framework where the corporate strategy will be born.

All the marketing and branding strategies must play a central role in this corporate strategy, and the reason is that it is the responsible of revenues generation for the company. The other components of the overall strategy, such: finance, manufacturing, operations or R&D, will represent only additional ingredients that must support the marketing mission.

For this reason, it is an imperative that during the development process of the marketing strategy the CMO always keep in mind the "statement of direction" which is commonly established by the senior management of the company, the owner or the company founder.

These elements are explained in the figure 3

**Figure 3 Statement of Direction as the Framework of Marketing and Branding Strategy**



Source: Harvard Business Publishing (2012)

### **2.4.1 Mission/ Vision**

Defined as the purpose of the company that is composed by beliefs, culture and values, which are transmitted by the founder to the rest of the organization, and which are the basis for the competitive advantage.

Mission and Vision establishment is one of the most difficult steps in the strategic planning process. Organizations are created to fulfill a specific purpose, for example: some of them could be a soft drinks, tequila or beer manufacturers.

However SMEs managers must understand that the mission/ vision of the company cannot be established only based on markets or industry, instead of this they have to define their business in terms of customers' needs and wants.

Another common problem is that most of the top management on Mexican SMEs, has quickly forgotten the reason why they started their business, and consider the mission and vision declaration as “something” that is taken from an academic book, something that is “fashionable”, and most of the time considered as “useless”, something that is not related with the daily business operations. On the contrary, SMEs must understand that the mission statement really represents and operational framework for how and where, the strategy will be implemented.

A well- established mission must includes the vision and the direction statement that the company will take in the future, and this is the reason why it should be dynamic, because it can change over the time in order to adapt the company strategies to a totally new reality environment and the new market opportunities.

That's why SMEs should start from a flexible long-term oriented mission; however this can be really hard, especially due to the short-term cultural orientation that afflicts Mexican SME entrepreneurs. The author thinks that all Mexican SMEs entrepreneurs have to put an "extra mile" and asking themselves different questions that may be useful to determine the organizational mission /vision of their business and aligning them with the marketing and branding strategies.

According to (Drucker, 1992) some of these questions must include: What kind of business are we in?, Who is our customer?, What is the expected value for our customers?, What will be our business in the future?, This exercise may seem very easy, however it requires a great amount of analysis, creativity and in some cases, must include a small dose of "humility" by top management.

According to the author, it is incredible that also some MNEs such: Kodak, Nokia, Blockbuster, which supposedly have all the marketing intelligence and financial infrastructure have failed to respond to the external business environment.

This suggests that the problem is not only financial or because of technical resources, but it could be a problem of cultural & behavioral issues, which could include: fear, arrogant behavior, selfishness, ethnocentric approach, among others, which usually blinds senior management to recognize when and how the organization needs to change their business model.

Fortunately, Mexico has few examples of how a SME that had become in a MNE through a successful and flexible mission/ vision adaptation. These success examples should be analyzed by every SME which pretends to become in a MNE.

Coca Cola bottler in Mexico (FEMSA) which initially started as SME had realized their mission-vision previously implemented during its founding, as “the largest bottling of soda drinks in Mexico” had fallen behind.

Nowadays, the mission and vision of FEMSA are largely focused not only in a determined market or competitors, but on the “consumer’s stomach” and their preferences for healthier beverages, triggered by the rising obesity, diabetes and heart diseases that affect Mexican population.

For this reason, the company has implemented an important diversification strategy of their brands and products, which has enabled them to achieve an important competitive advantage of 80% of market share against their direct competitors.

This was achieved, by the simple issue of being flexible and worried about listening at the consumer concerns and the market and environmental changes, however, the most important issue is to take action and to implement the correct marketing strategies at the correct time.

In addition to this, every mission & vision statement should begin with a perspective of the future and SMEs should ask themselves: What does the customer keep them delighted and fascinated over the time?

This is not just a semantic difference, SMEs should really understand that brand- loyalty and customer preferences require them to a totally renewed and significant sales experience for their customers; this is only a matter of consistency and congruence between mission, vision and strategies.

## **2.4.2 Business Definition**

Composed of the products and brands current and projected in the future, included services, geographical distribution, technology, customers and market.

SMEs entrepreneurs usually define their business around the products they manufacture. This could be a mistake, since products and services could change quickly over the time, due to the dynamic changes in the business environment. Instead of this, SMEs should focus on the constantly changing needs and wants of customers. According to (Levitt, 1986) the business definition always will be above of product ones, in this same sense (Kotler, 2009) defines it as a process of customer satisfaction, and not a manufacturing process.

To illustrate this, it is enough to remember the sad end of the Kodak Inc, which was unable to adapt itself to the new technological changes in the photography market, causing that top management team was not able to make on time the important changes in their business definition in order to adapt their business strategy to the new market environment.

The lack of consistency between the business definition and implementation of a wrong strategy, as well as the rapid changes in the photographic industry, especially during the transition to the digital era, were the factors that accelerated the premature extinction of Kodak.

What is clear is that the definition of business should not be established only in the product itself, beyond this, should focus directly on the customer's expected solutions.

### **2.4.3 Values, Philosophy and Company Culture**

Organizational culture is defined as a standard set of values and beliefs that help individuals to understand the organizational functioning, and thus provides a set of standards of behavior within the organization. (Deshpande & Webster, 1989) these beliefs and norms are transferred to the DNA brand which commonly is perceived through the organizational culture.

According to (Drucker, 1954, cited in Deshpande & Webster, 1989), culture is defined as a set of beliefs and values, which put the customer at the center of all strategies and operations of the company.

This is an important issue, since a weak organizational culture, irrevocably will transfer their weaknesses to their products and brands, In this sense, it would be impossible to imagine Apple Inc, without their innovation culture, which is transmitted through the stores, services and employees of the firm.

For this reason, values, philosophy and organizational culture of the firm, should remain linked to the branding and overall marketing strategies, and must be consistent and congruent with their business operations and employee behavior.

For this reason, employees and their competencies play an important role, since they are ultimately responsible for delivering their organizational culture through the brand identity.

## **2.5 Topics Still Uncovered of Brand Management and Their Effects on SMEs**

### **2.5.1 Employer Branding and Personal Branding**

The importance of employees and their competences are an imperative in the branding process; it is also called “Employer Branding” (Berthon, et. al, 2005). The employer

branding is defined as targeted long-term strategy to manage the awareness and perceptions of employees and relates stakeholders with regards to a particular firm (Sullivan, 2004, cited in Backhus & Tikoo, 2004).

However, beyond this human resource approach, there is little research about how employees had become an important driver of the brand strategy.

The author thinks that employees are the most important brand representative, their attitudes and behavior toward the brand, the firm and the customer, are important elements in order to give a human personality to the brand.

This is why both, the brand personality and the employee personality are merged for an excellent performance of the marketing and branding strategies.

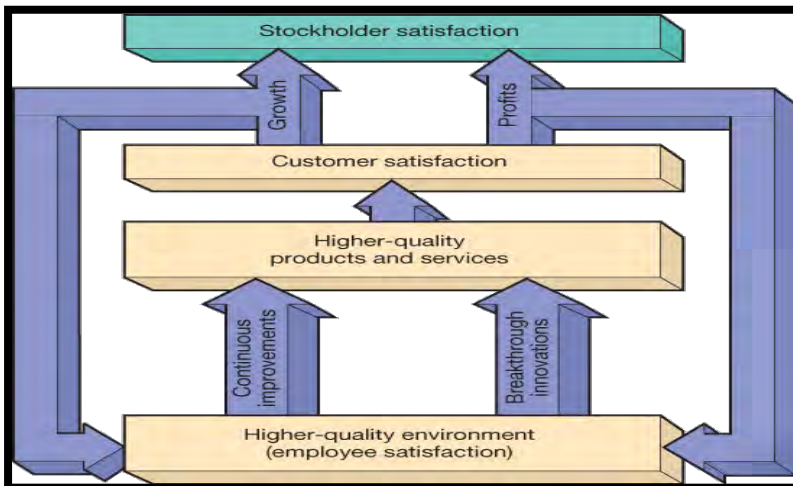
Therefore, it would be impossible to conceive an enterprise like Disney, without their smiling and friendly employees, or a sales representative of Weight Watchers with overweight, and the reason is that every brand needs credibility, the kind of credibility that only a human being can provide to the customers.

Employer branding must establish the identity of a firm or a brand as an employee, including its own satisfaction.

This is very important, especially for SMEs, since the customer experience, organizational culture and brand strategy cannot be separated for the overall marketing strategy.



**Figure 4 Dynamic Relationships Between Customer and Employee Satisfaction**



Source: Kotler & Keller (2009)

Figure 4, explains the relationship between employees who are satisfied with their jobs and their relationship with customer satisfaction. This relationship is closely related to a quality environment at work, and the link between employees and what the brand represents to customers represent an important issue in order to create brand value and profits over the time.

From the author's perspective, SMEs must hire highly motivated employees, vocationally oriented to service, before seeking employees with a “high degree of skills”, since competencies can be acquired through training. However vocation and self-motivation can not be taught, since they are intrinsic to each individual, in this sense, an employee qualified not always will be a motivated employee.

Employees who are happy, motivated and enthusiastic, about the brand and the company where they work will create a positive word of mouth within the organization, strengthening the internal and external brand image of the company.

## 2.5.2 Balanced Scorecard and Their Relation With Brand Strategy

Essentially Balanced Score Card (BSC) is a performance evaluation system which links the vision, mission and core strategy of the firm with its daily operations. (Kaplan & Norton, 1996), this evaluation is carried out by measuring the different key performance indicators (KPIs) for each department within the organization.

A recent study conducted in Mexico by Madero & Peña in 2009, clearly demonstrated that Mexican SMEs, do not have the minimum management tools (Including BSC) in order to be competitive in a global market.

From a sample size of 30 SMEs, the researchers also found deficiencies in other important management tools, including: Mission & Vision Statement (4), Value Chain Analysis (21), Analysis of Business Portfolio (17), Strategic Alliances & Joint Ventures (14), and Balanced Score Card (27).

**Table 3** *Balanced Scorecard in Mexican SMEs*

	Without	It is Planned	It has been used	Currently Used
Strategic Planning	3	6	5	24
Mission & Vision Statement	4	4	4	26
Value Chain Analysis	21	2	3	12
Competitor´s Analysis	10	1	2	25
Analysis of Business Porfolio	17	1	1	19
Strategic Alliances	14	3	1	20
<b>Balanced Scorecard</b>	<b>27</b>	<b>4</b>	<b>0</b>	<b>7</b>
<b>Internationalization</b>	<b>30</b>	<b>3</b>	<b>0</b>	<b>5</b>

Source: Madero & Peña (2009)

This research also demonstrates that only, three SMEs of a sample of thirty, will try to internationalize in the next 10 years.

A few SMEs that already have some kind of performance indicators have stated that they have faced problems with KPIS, since they have not respond directly to the business's core strategy, on the contrary, they respond to the specific interests of the managers of each department, in order to achieve their own economic incentives.

From the author's experience, it is common to find a Mission-Vision and strategic objectives totally disjointed from the way the company measure the performance of their managers and employees.

### **2.5.3 Nation Branding**

Nation branding has been defined as a country's whole image, including political, economic, social, environmental, historical and cultural issues (AMA, 2012).

There is no doubt about the importance of a positive country image for a competitive advantage in a global environment, since a positive or negative nation brand will be inevitably transferred to the companies and brands of these countries, making them credible or not credible in international markets.

Some years ago, during a review of the Mexican-made sportcar Mastretta, the BBC's television show presenter: Richard Hammond called the car in a derogatory manner, as the "tortilla car".

Mr. Hammond also said that cars reflect national characteristics, and he refers to Mexicans as flatulent, lazy, feckless, overweight, leaning against the fence, a sleep looking at the cactus, among other unpleasant descriptions. (CNN, 2011).

From the point of view of the author, the country brand can not represent the whole of the national identity. In the same way of a product-brand, the country brand must be based on the attribute-based positioning.

The country brand can be created in two specific ways:

1 - As a response to the international market needs: in order to provide an identity to a particular product-category. This strategy could carry some risks, since the brand identity can be favorable or unfavorable to a particular national sector.

2 - The country brand can also be an initiative of the same country, as a marketing plan in order to build competitive advantage for a particular industry or product-category.

Positioning is constituted from the most significant attributes of the product, which has been offered to the international market. For example, in the car market, the Italian brand Lamborghini is strongly linked with tradition in design and aesthetics that Italians have inherited for centuries and which are already part of the country's culture.

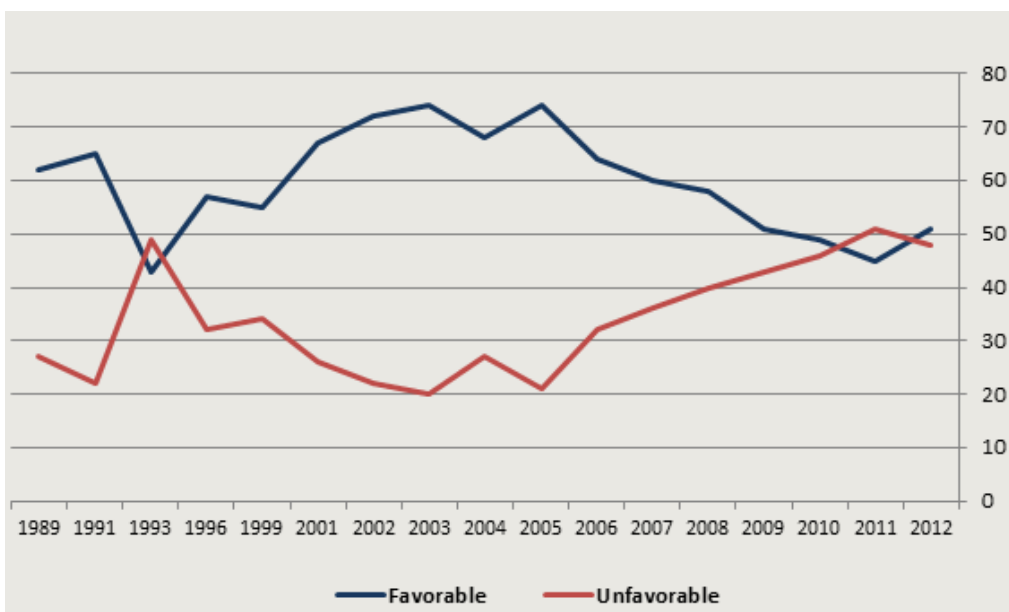
In the case of Mexico, the Mexican beer brand "Corona" has managed to capitalize all the good –perceived values of Mexico and has been reflected to their brands. In this sense, some attributes such: "joy", "beaches", "fun" are constantly reflected in their advertising.

Mexican SMES should carefully analyze if their products are according to the positive attributes of the country in order to strength their brand- value on international markets.

However, Mexican SMEs should also consider that, at this time the country-brand “México” is seriously damaged, and could have a negative effect on the brand positioning internationally.

A recent research conducted by Gallup in 2012, clearly demonstrates the damage of the Mexico's perception in the past six years, which was caused by the increase in organized crime and drug war.

**Figure 5 US Perceptions of Mexico**



Source: Gallup (2012)

Although, it is true that Mexico has faced serious problems of insecurity, corruption and drugs-trafficking, it is also true that there have been significant successes in managing its economy and foreign policy. Its privileged geographic location, as well as the large amount of natural resources could turn Mexico into a major player on the global stage in coming years.

#### **2.5.4 The Dynamic Approach of Branding, Marketing Mix and SIVA**

Everyone in the business world is aware about the usefulness of the well known marketing mix or 4 P's (Product, Price, Place & Promotion) proposed by Jerome Mc Carthy in 1960.

Marketing mix are the basis for the development of marketing strategies, however in many cases these strategies based only on that model, fail in a spectacular manner, to illustrate this, it is enough to remember the marketing mistakes committed by the Coca Cola company in the launch of the New Coke in 1985, or the ones by PepsiCo, when they launch Crystal Pepsi in 1992, or the sonorous fail of Fruitopia in the 90's decade, all of them were major business failures.

It seems that something is not right, why Coca Cola Company never asked if their clients wanted a new Coca Cola? Or Pepsi asked if consumers wanted a transparent Pepsi?

Some firms often lose their focus on customers and the obvious questions here are: why companies sometimes develop products or services that no one will buy? , Setting prices that no one will pay? , Waiting for profit margins they are not going to get?, With distribution channels that do not allow enough access to the clients, as well as advertising strategies that do not provide enough information to the customers.

From the author's perspective it seems that the problem is that the 4 Ps or marketing mix has an inherent weakness: "its sidedness", since product, price, place and promotion strategies are determined and controlled only by the top management within the organization.

These unilateral decisions could be very dangerous and expensive for any firm, because after having invested significant amounts in research and development, the brand may not be well received by customers, resulting in additional costs for its modification.

Therefore, SMEs require a market-centered approach, which represents a correct balance between the traditional marketing mix and customers. SMEs must analyze an alternative model known by its English acronym SIVA, Solution, Information, Value and Access (Dev & Schultz, 2005, cited in Dann, 2011); the SIVA model represents a customer-centered alternative to the traditional 4P's approach.

**Table 4 Marketing Mix and SIVA Model Contrasted**

<b>Marketing Mix</b>	<b>SIVA</b>
PRODUCT	SOLUTION
PRICE	VALUE
PLACE	ACCESS
PROMOTION	INFORMATION

Source: Kolter & Keller (2009)

#### **2.5.4.1 Product –Solution**

Nobody will buy your brand, unless it offers a real solution for the customer.

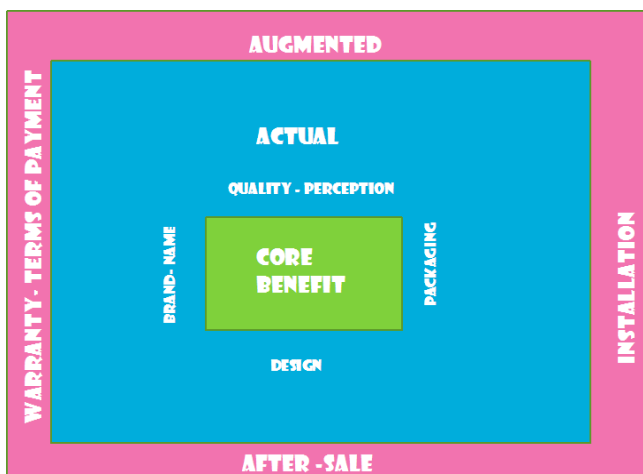
Every year companies spend millions of dollars on research and development in order to create new brands, products, services and technologies; however these do not always report real benefits to the firm and customers. In this sense, SMEs should stop looking for eccentric ideas that seem to be “innovative” and rather of that, they should focus on the following questions: What is the solution that customer is looking for?, How the firm could solve the problem? , How appropriate is the solution to the problem according to the

customer wants and needs? Does the company have enough resources in order to provide the solution?

To achieve this, it is necessary a total congruence between the brand and the functional and psychological attributes of the product. It is common that Mexican SMEs implement inconsistent product strategies between the messages that the brand communicates to their customers, and what the brand can offer to them, this situation can lead to rapid loss of customers and revenues in the short-term.

However, it is difficult for some SMEs know, which one of the product attribute is the correct in order to offer the best solution for the customers, for this reason, the five product level model developed by Kotler in the 60's could help to determine the best product attribute in a competitive market.

**Figure 6 Product Level Model**



Source: Kotler & Keller (2009)

A product can be differentiated in many ways: service, packaging, specific intrinsic or extrinsic attributes, however, this differentiation is determined by the ability of the firm to innovate, as well as the conditions of the competitive environment.



It is true that many SMEs may not have enough financial resources to innovate at the core benefit level of product, since it usually requires technology development, and large financial amounts in R&D, however SMEs may focus in other attributes that may be equally or more valued by consumers.

Sometimes, the solution may be inexpensive and do not require a large amount of investment. According to the author's point of view is just a matter of listening at the "voice of the customer", for this reason, the company can take control in the decisions about the number of products, variations, line extensions, quality, durability, size, packaging , branding, among others. SMEs always must consider, the customers opinion, since they are the only ones, who decide which one of the attributes will really represent a real solution, in order to satisfy their particular wants and needs.

One of the most outstanding examples of this is the computer manufacturing company, Dell, who at the beginning of their operations, some years ago, decided to sell computers manufactured to the precise wants and needs of the customers, providing home- service as a solution. Perhaps Dell was not ready to provide consumers with greater speed and storage capacity on their computers, or a different operating system (Core benefits) because these attributes are controlled by their powerful suppliers such: Intel and Microsoft.

The solutions chosen by the firm must be able not only to meet the customer expectations, but they should exceed those expectations, in order to create a sustainable brand-value over the time.

#### **2.5.4.2 Price and Value**

If SMEs could identify the right solution, then it will be on the right track to generate value and premium price.

Pricing is always a critical variable in the organization and against of what most managers think, it is not only simply based on objective criteria such: costing methods, break even point analysis or benchmarking pricing.

Costing methods, break even point analysis and competitor pricing comparatives are important elements in pricing, however, the truth is that nobody will pay a premium price for a brand that do not offer a differentiated & valuable solution that effectively solve the customer problems.

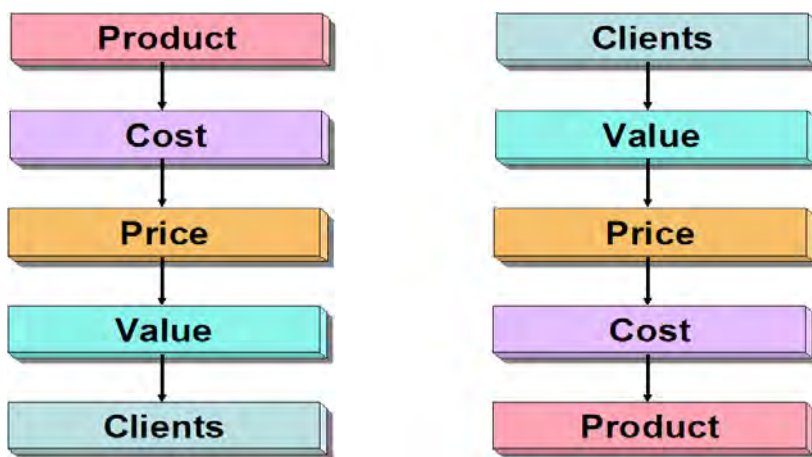
For this reason, price tends to behave as a “subjective variable”, since is strongly linked to the "customer perceived value". In this sense, customer value is defined as “the difference between the customer benefits of owning or using a product, versus the costs of obtaining the product” (Kotler & Keller, 2009).

In fact, some of the problems of SMEs, when they try to make pricing, are that they usually make first cost analysis, setting profit margins, which are given by the company financial area, in order to meet their internal financial goals. However, this is a mistake, because no one in the company can ensure that customers will be willing to pay the prices and profits-margins established unilaterally by the company.

This situation could result in a late redesign of product attributes (size, packaging, brand-name, flavor, color, design, etc.), just to find the proper solution for the clients, resulting in additional costs for the firm.

The author suggests that SMEs should implement a pricing model based on clients and value, rather than a method based primarily on product costing:

**Figure 7 Method Proposed for Pricing in SMEs**



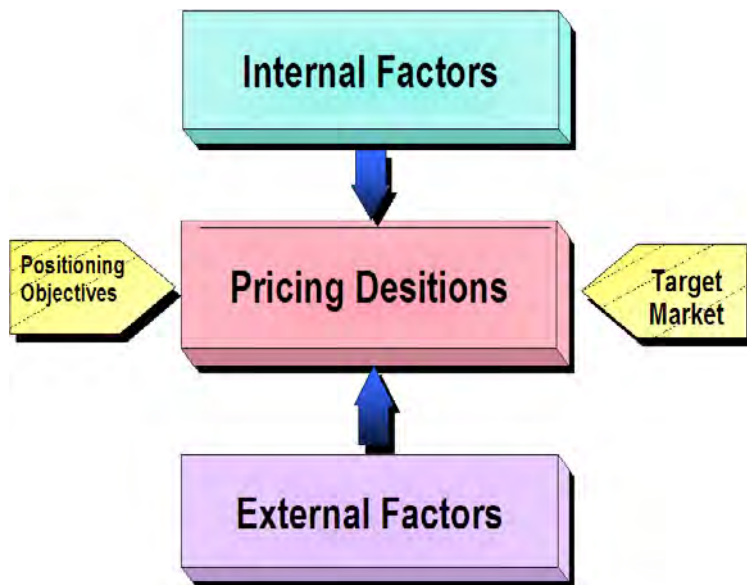
Source: Kerin, Hartley & Rudelius, (2009)

The fact of starting the price analysis, first from the product and costs analysis, leaving behind the customer feedback, could result in financial losses for the company causing bankruptcy in the short-term.

As an example of this, the Apple ibook is offered in the market with a price between 25% or 30% above of the average price of regular Lap-Top's brands.

The author assumes that this product over-price is strongly linked with the brand prestige, however, at the same time, the brand prestige is supported by a differentiated product attributes, which finally represent a real solution for the customer.

**Figure 8 Factors SMEs Must Consider In Price Fixing**



Source: Kerin, Hartley & Rudelius (2009)

In conclusion, price must be set from the client's perspective, and always considering the corporate objectives such: market share, marketing objectives and top management core strategies. Additionally, SMEs must consider external factors such: market characteristics, demand costs, competitors' prices and features of competing products.

### **2.5.4.3 Distribution Channels – Access**

SMEs must think in distribution channels as a powerful tool for brand development.

Marketing channels are defined as a set of institutions, necessary to transfer the products from the point of production to the point of consumption and consist of all the institutions and all the marketing activities in the marketing process. (AMA, 2011).

However, distribution channels are considered by Mexican SMEs only as a simple tool to transfer the product to the customer, rather than that, it must be considered as a real tool for brand development. According to (Kerin, Hartley & Rudelius, 2009), marketing channels help, in order to create value for customers through three important issues: the correct brand and product, at the correct time, with the correct specifications and with enough access to clients.

Many department stores and supermarkets have created their own brand value over the years, which have been transferred from the prestige brands they sell. So we cannot deny that some stores like Harrod's, Neiman Marcus, and here in Mexico, Palacio de Hierro and Liverpool have created high perceived value, based on the designer brands that they sell, e.g. Hugo Boss, Hermenegildo Zegna, Lacoste, among others.

In this same way, the prestige gained by these retailers through prestigious brands, it could be transferred to SMEs brands, which usually are less known, but due to their high differentiated attributes may represent an attractive possibility to retailers and customers.

Once the above has been achieved, SMEs should focus on providing sufficient access to customers, it is useless and costly to have wide-distribution coverage, if at the end of the day, clients cannot access to the most valued brand attributes.

#### **2.5.4.4 Promotion- Information**

The promotional mix, from the point of view of the marketing mix, is composed of the following variables: advertising, sales promotion, personal selling, direct marketing and public relations (Kotler & Keller 2009), all of these variables are important for the development of brand equity in SMEs.

Brand equity has been defined as “The differential effect of brand knowledge on consumer response to the marketing of the brand” (Keller, 1998, cited in Nafiseh, 2012).

Promotional mix represents the marketing efforts to create brand equity, however, in Mexico SMEs are highly focused on advertising and sales promotion, dismissing the other three variables. It seems that Mexican SMEs are more concerned about persuading their customers through expensive and “creative advertising”, rather than in creating an appropriate communication strategy in order to inform the solutions to their customers.

In other words, advertising is useless, unless that it communicates the expected solution to the customer, able to answer his concerns: How much does it cost? Where can I buy the product?, How does it work?

The democratizing of new information technologies and social media, as well as, the large number of stimuli to which customers are exposed day by day, are creating an increasingly new type of customers, more rational and informed when they make their purchase decisions.

For this reason, Mexican SMEs should focus its efforts on providing all the information possible to their customers, in order to create preference for their brands. Good

advertising is not enough. It must be accompanied by the other elements of the promotional mix

## **2.6 Conclusions**

The current environment of globalization is characterized by an increased intensity of competition in the markets for products and services, capital markets and information technologies. All these factors are creating an uncertain and hyper-competitive environment, where both MNEs and SMEs will have to carry out radical changes in their internal structures, mainly focusing on cultural issues, since is in this dimension where companies can find their competitive advantage.

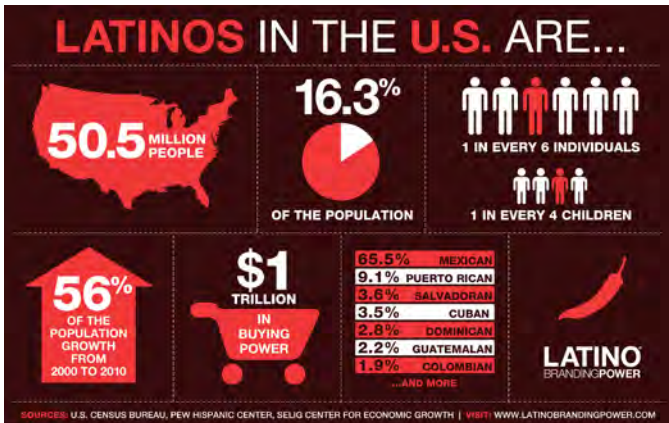
Most of the time, the lack of an entrepreneurial mindset could result by an absence of modern methods of management, a lack of market approach, and quality controls, in order to ensure their competitiveness within and outside the country.

International markets represent an extraordinary opportunity for SMEs around the world.

In a recent research conducted in Mexico, it was stated that there are 4 billion people at the base of the pyramid (60% of the total population worldwide) who earn less than \$ 2.00 USD a day, while in Latin America and the Caribbean, there are over 350 million people that need to be treated as consumers (Lexia, 2012).

Figure 9 explains the Latin Market Growth in the United States.

**Figure 9 Growth of Latin-Market in the United States**



Source: Latino branding power (2012)

Within the United States, 1 in 6 people are Latinos, and 65.5% are Mexicans, with a purchasing power of over \$ 1 trillion USD (LBP, 2012)

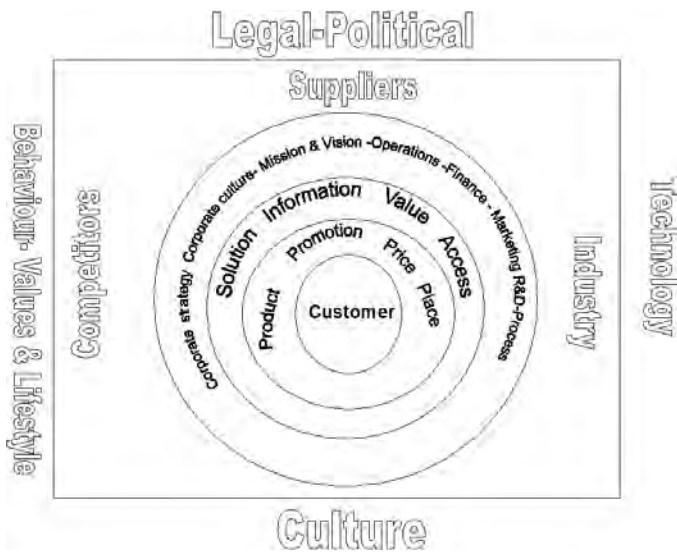
Mexican SMEs require refocusing their corporate culture in order to successfully meet the challenges and opportunities that the global environment offers. If this does not happen in a short term, these companies will be removed from international markets.

It is important to note that from the point of view of the author, culture is the main challenge that SMEs will face in the future so they will create the appropriate mechanisms to enable them to create a sense of belonging among employees, client, suppliers and the general for everyone involved in the process.

The author proposes a model to integrate efficiently the different factors that currently affect SMEs in Mexico, including a mixture between the marketing mix, the SIVA model and internal factors within the organization.



**Figure 10 Integral Model for SMEs Development**



Source: Martinez (2012)

Figure 10, explains the relationship between the macro-environment factors which should be considered when SMEs establish their vision & mission statement. In the case of the SIVA and the marketing mix, both of these tools are considered in the model.

The reason for this is that, while the SIVA model meets the customer needs, the marketing mix, meets the specific needs of the company. In this sense, the author thinks that the SIVA model should not be considered as a substitute for the marketing mix, rather of this, it is a complementary tool in order to create brand loyalty in the long run.

## Chapter Three

### Research Methodology

#### 3.1 Methodological Approach

According to the Secretary of Economy of Mexico, in this country there are about 4,015,000 business enterprises, which 99.8% are considered SMEs, this is about 4,006,970, which are categorized depending on the number of employees in Micro, Small or Medium Sized Enterprises.

The table below shows the Mexican SMEs Classification according to the number of employees and activities of the enterprises.

**Table 5 Classification of Mexican SMEs According to the Number of Employees**

SIZE	SECTOR	NUMBER OF EMPLOYEES
Micro	All of them	Maximum 10 employees
Small	Trade/Commerce	From 11 to 30 Employees
	Industry & Services	From 11 to 50 Employees
Medium	Trade/ Commerce	From 31 to 100 Employees
	Industry	From 51 to 100 Employees
	Services	From 51 to 250 Employees

Source: Secretaría de Economía (2012)

### **3.2 Justification for Triangulation Method**

According to (White, 2002, p. 67) the triangulation method, is a combination of quantitative and qualitative methods which offers an opportunity to use a number of different techniques able to strengthen the overall argument of the dissertation.

The author chose the triangulation method to answer the above explained research questions. The author has applied qualitative & quantitative methodologies to determine a general overview about the different perceptions of CEO's small & medium sized enterprises about the managerial problems that they faced over the time.

In order to achieve this, the author used the data collected to back-up the information gathered through the qualitative research.

### **3.3 Quantitative Research**

The author conducted 100 questionnaires directed to CEO'S and general managers of different Mexican SMEs, through a representative statistical stratified sample size +/- 90% of confidence.

According to (Malhotra, 2007) "Stratified sampling is a two stage methodology which the population is divided into sub-populations also called "Strata", these Strata should be mutually exclusive between them" In this particular situation, different strata have been classified in micro, small and medium enterprises according to the number of employees for each SME. Each one of these elements will be assigned to a particular single stratum.

**Table 6 Number of SMEs According to Their Size**

Size of SMEs+MNEs	% Share	Number of Enterprises
<b>Total</b>		<b>4,015,000</b>
Micro/Enterprises	0.953	3,826,295
Small / Enterprises	0.042	168,630
Medium/Enterprises	0.003	12,045
MNEs (Not Considered)	0.002	8,030

Source: Secretaría de Economía (2012)

$$n = \frac{k^2 * p * q * N}{(e^2 * (N-1)) + k^2 * p * q}$$

n= 4,006,970 k = +/- 90% e= 3%

Total Enterprises: 4,015,000 - 8,030 (MNEs) = Universe: 4,006,970 = 100% SMEs

**Table 7 Sample According to the Size of Each Type of SME**

Size of SMEs	Number of Enterprises	% Share	Sample
<b>Total</b>	<b>4,006,970</b>	<b>95.5%</b>	<b>100</b>
Micro/Enterprises	3,826,295	4.21%	95
Small / Enterprises	168,630	0.30%	4
Medium/Enterprises	12,045	0.03%	1

Universe: 4,006,970 = 100% SMEs

n= 1/e<sup>2</sup> n= 1/ (0.1) (0.1) = 0.0100

$$n = 1/0.0100 \quad n = 100 \quad n_h = (N_h / N) * n$$

### 3.4 Qualitative Research

The author conducted a focus group and deep interviews with general managers and CEOs of different types of SMEs in order to ask and understand the different attitudes, perceptions, opinions of the Mexican businessmen about the brand management, branding strategies and their importance for the business success.

The researcher conducted focus groups with the following respondents:

**Table 8 Sample of Interviewed Executives by SME**

Size of SMEs	Respondents	Position
Micro/Enterprises	2	Owners
Small / Enterprises	2	General Manager/ CEO
Medium/Enterprises	2	General Manager/ CEO

The objective was to obtain the point of view of the owners of SMEs, as well as the opinion of its most important managers.

The author considered that the views of both groups were important, because they have different objectives and positions within the organization and often these opinions were inconsistent due their different responsibilities.

### **3.5 Data Reliability**

As mentioned above, the use of triangulation method has allowed the researcher to engage different data collection methods, both quantitative and qualitative to obtain validity and reliability of the information gathered. According to (White, 2000) a topic may be studied through the engagement of different data collection methods, resulting in a deeper understanding of the research problem, providing a more reliable and diverse information helpful in the reality construction.

The researcher has carefully selected a universe comprised strictly by those people who are in charge of the decision making process within each kind of SME's, and at the same time the researcher has carefully selected a reduced number of CEO's and SME's general managers just to participate in the qualitative focus groups, this research could be useful in order to contrast all this qualitative information against those quantitative information previously collected.

### **3.6 Conclusions**

The author believes that the convergence between these two research methodologies had helped to create reliability and accuracy through the scientific- method, which has allowed applying a rigorous, scientific- framework, consisting in a carefully selected universe and sampling method with a: +/- 90% of confidence, ensuring that the information collected was accurate and reliable. The qualitative research helped to obtain a deep understanding of the underlying social and cultural patterns through a qualitative methodology.

## **Chapter 4**

### **Presentation of Results**

The aim of this chapter is to describe the most important findings and highlights of the quantitative and qualitative research.

#### **4.1 Introduction**

The researcher conducted a battery of 26 questions for each one of the questionnaires, to answer the research questions; they must be analyzed in depth and will be compared with the results of the qualitative research in chapter 5 of this paper.

#### **4.2 Findings of Quantitative Research**

The primary data obtained is the result of 100 surveys conducted with managers, general managers and owners of SMEs in Mexico, with a confidence interval of 90%.

These surveys were carefully selected in order to get only the answers to those owners or CEOs of Mexican SMEs.

The topics covered in this survey addressed different topics about marketing and branding in order to know the current status of these issues in Mexican SMEs.

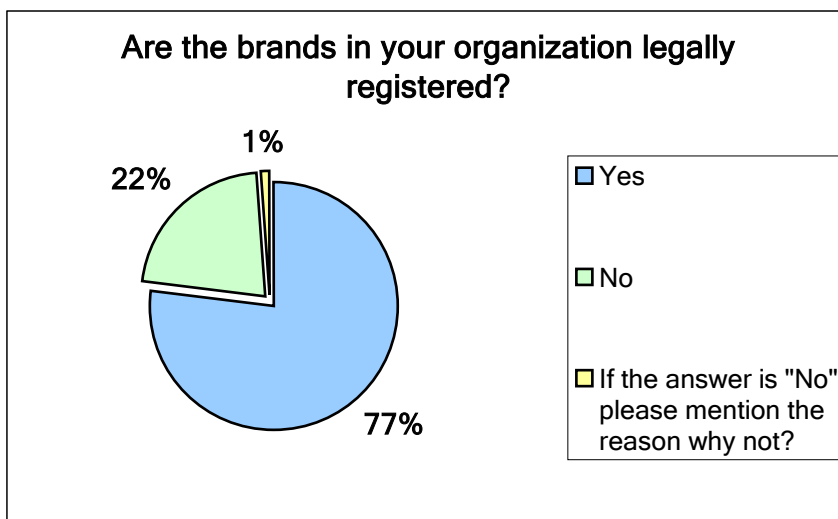
##### **4.2.1 Legally Registered Brands in SMEs**

The first question was conducted to SME entrepreneurs just to know if they currently have legally registered trademarks. The purpose of this question was to determine the degree of importance that brands have for SMEs in Mexico.

This question was especially important considering that SME business managers in Mexico generally do not consider marketing & branding an important asset in their companies.

70% of respondents (77 companies) mentioned that they sure have legally registered trademarks with the Mexican Institute of Industrial Property (IMPI), However, 22% (24 companies) responded that they don't have legal registered brands, and 1% believe it was not necessary to register their brands. This clearly indicates that the brand is seen just as a logo or a name and it is not necessarily perceived as a tool to create value for competitiveness.

**Figure 11 Shows the Percentages of SMEs Interviewed**



Source: Martinez (2013)

#### 4.2.2 Mission and Vision Statement

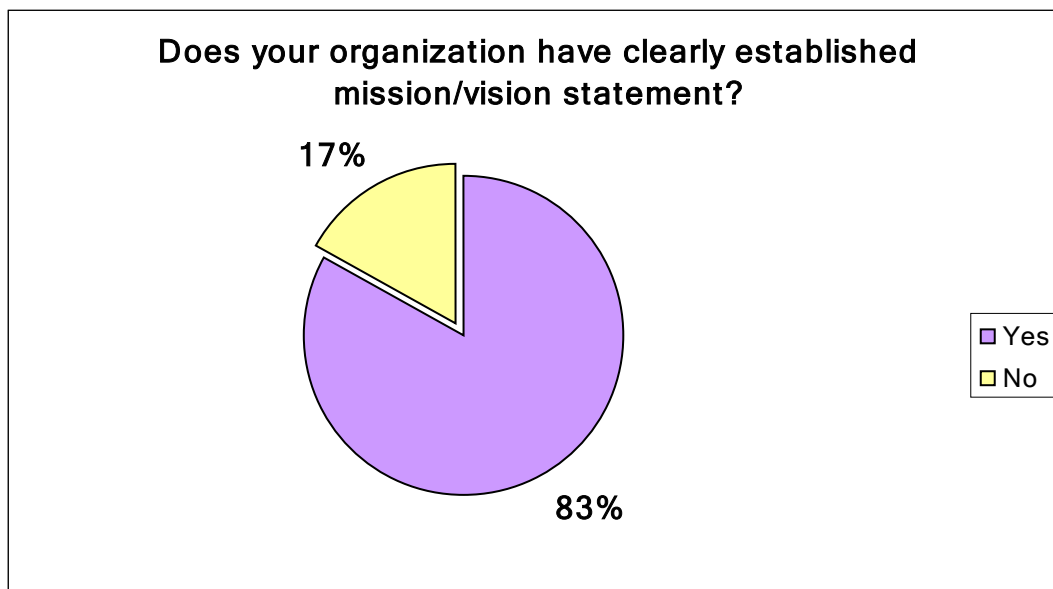


One of the most important factors for the successful development of SMEs is undoubtedly the establishment of the mission and vision of the company and its relationship with the company strategies and finally with their brands.

For this reason, the researcher asked the managers of SMEs, if they have a mission-vision statement within their organizations and also asked if this mission- vision statement was consistent with their brand strategy.

The result was that 83% of the SMEs surveyed responded that they had the vision and mission statement; however a 17% said that the mission and vision statement did not exist in their company. When the researcher asked the reason why they did not have it, their answer was that they couldn't see a reason to define it, because it was not necessary at all.

**Figure 12 Mission and Vision Statement in Mexican SMEs**



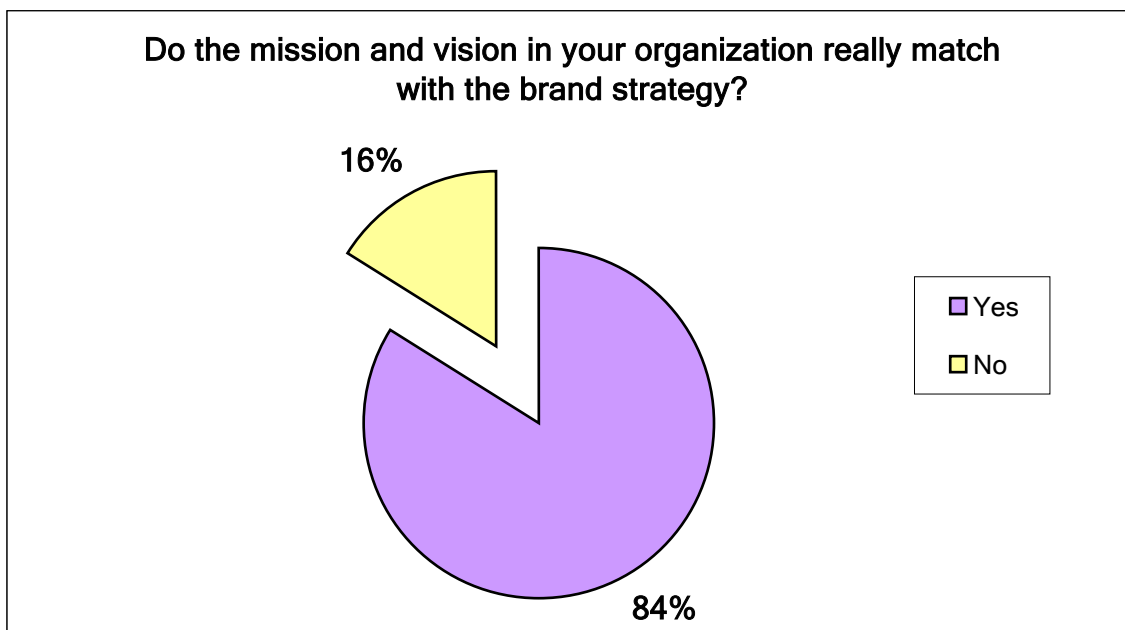
Source: Martinez (2013)

However, the fact that 83% of SMEs already have the vision and mission statement, does not guarantee that this is reflected in the daily operations of the company and especially in brand management.

Therefore, the researcher was given the task of investigating, if this 83% of companies really were reflecting the mission- vision in their brands.

The responses were similar, 84% of companies which already have mission/ vision statement replied that “yes” it was aligned with its brand strategy, 16% answered that their mission- vision had nothing to do with their brand strategies. Figure 15 explains the percentages of responses obtained in the survey.

**Figure 13 Mission and Vision Alignment with the SME Brand Strategy**



Source: Martinez (2013)

**Table 9 Alignment Between Mission- Vision and Brands**

Do the mission & vision in your organization really match with the brand strategy?
--

AnswerOptions	ResponsePercent	ResponseCount
Yes	84.0%	84
No	16.0%	16
Mention why		37
Answered question		100

Source: Martinez (2013)

The answers were interesting and varied, because some managers acknowledged that there was no follow-up by CEOs or managers in fulfilling the mission- vision in the daily operations, others mentioned the fact that the daily operations absorbed them, so it was often impossible to concentrate on the mission and vision of the business and the brand unique selling proposal.

On the other hand, it is interesting to note that 84% of SMEs, which actually had a correct alignment between mission, vision and brands, mentioned they were small franchisee of a multinational enterprise, which required them to fulfill the mission, vision and philosophy of the franchisor in order to stay with the right of franchise or license.

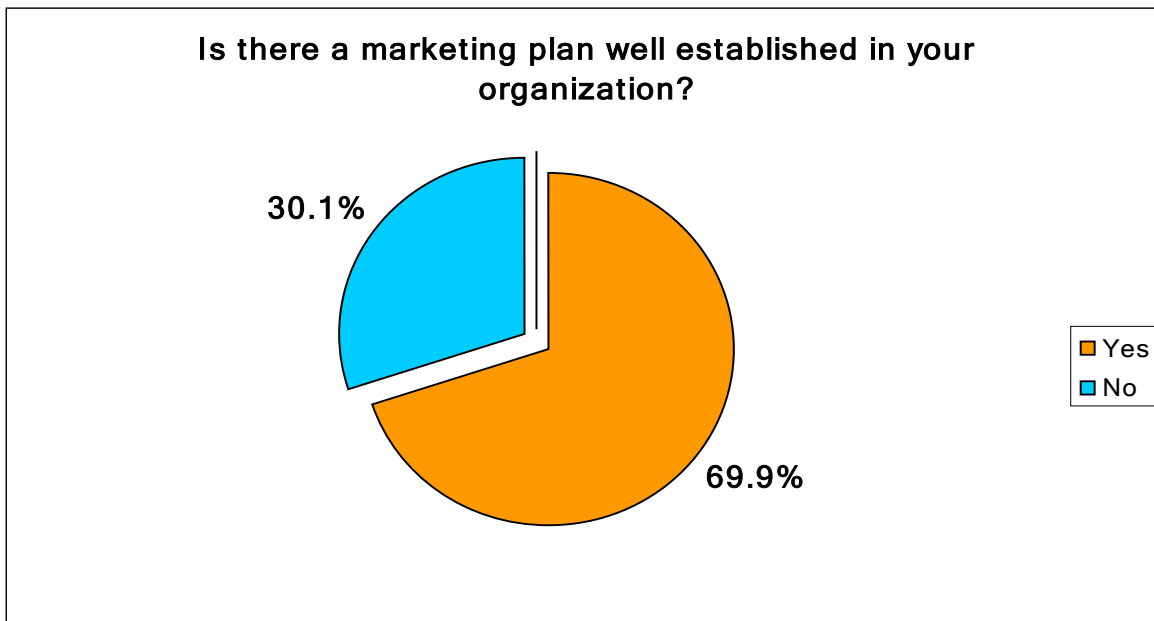
It is important to note that 16% of SMEs that is not related to any multinational appears to be a severe problem with corporate culture, lack of planning and short-term vision. They are often more concerned in solving the daily operation problems which are the result of a poor planning.

#### **4.2.3 Establishment of Marketing Plan in SMEs**

One of the most important questions was if SMEs have a well established marketing plan. This brought up that only a 69.9% have a marketing plan, however, they also commented that in many cases these plans are not well structured and the plan are not communicated to the different departments within the organization.

30.1% answered that they did not have this type of planning. 15 managers of this 30.1%, were encouraged to answer the reasons why they did not have a marketing plan in their business.

**Figure 14 Establishment of Marketing Plan in SMEs**

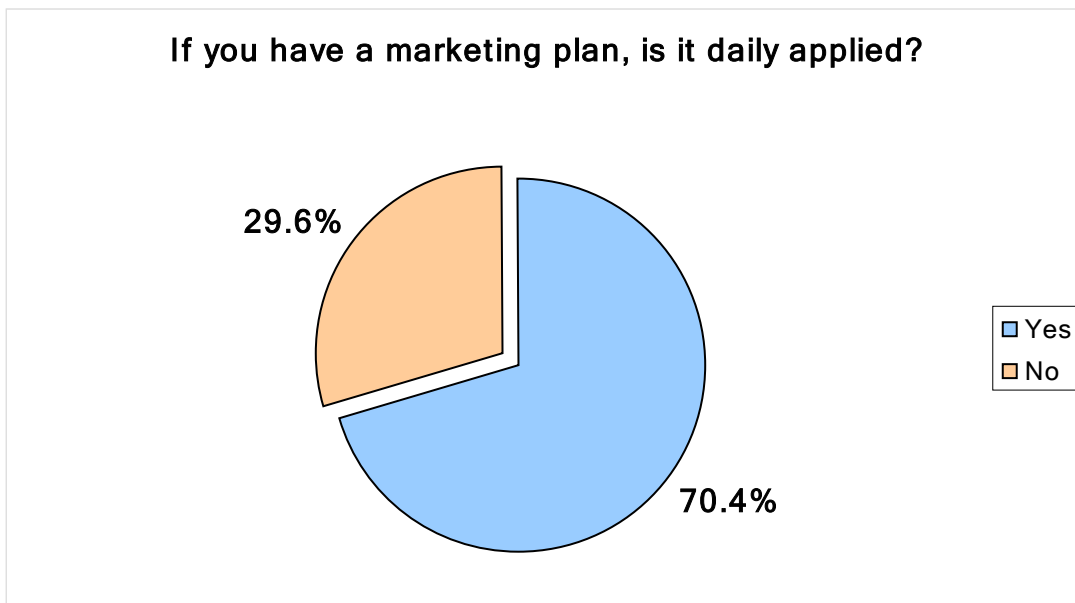


Source: Martinez (2013)

Most of these managers mentioned that the marketing plan was an unnecessary investment; some others said that there was a bad or no organizational planning, as well as a lack of qualified personnel to carry out the marketing plan; finally they said that there was no marketing department for such activities.

Additionally, the researcher asked to this 69.9% that already had a marketing plan, and if this is applied in their daily operations.

**Figure 15 Daily Application of Marketing Plan**



Source: Martinez (2013)

70.4% of CEOs and managers answered that they currently apply the marketing plan into their daily operations and 29.6% answered they did not. They said that the plan is not formally documented or communicated properly. They also commented that the marketing plan is developed unilaterally by the owner without the assistance of other managers or departments within the company.

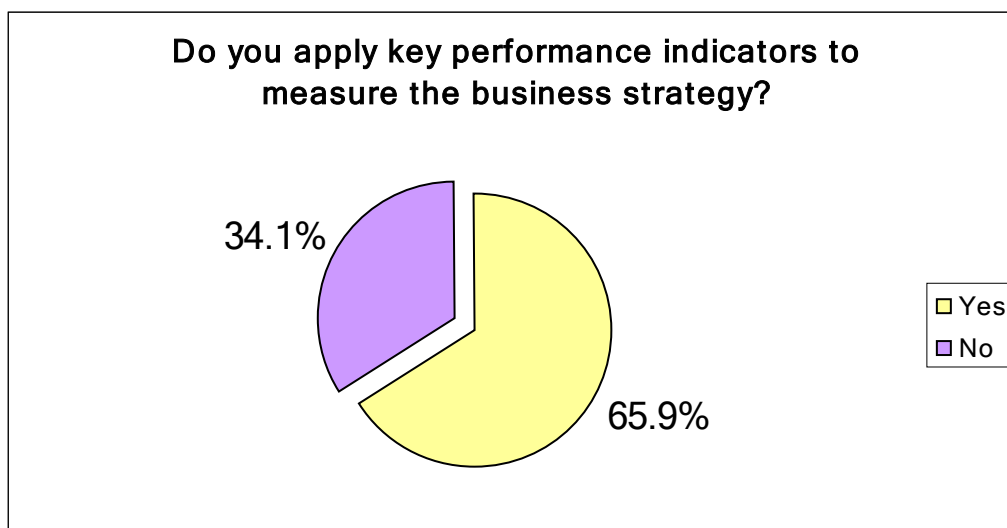
They also said that this is a worrying situation because SMEs CEO's and general managers commonly refuse to communicate the marketing plan, because they are fearful that this plan may fall into the hands of competitors through its own employees.

#### 4.2.4 Key Performance Indicators and their Alignment with the Brand Strategy

One of the key factors in the success of any business is the fact of the alignment between the Key Performance Indicators and brand strategy. When these performance indicators are misaligned, this can result that employees work for a different purpose than the one expected by the organization.

Key Performance indicators should be aligned with the mission, vision and strategy of the organization and according to the literature review, the above does not happen very often in Mexican organizations. For this reason, the researcher asked to the CEOs and managers if they applied the balanced scorecard and key performance indicators in its daily operations and business strategy. Figure 16 explains the percentages obtained for this issue:

**Figure 16** *Key Performance Indicators Applied within SMEs*

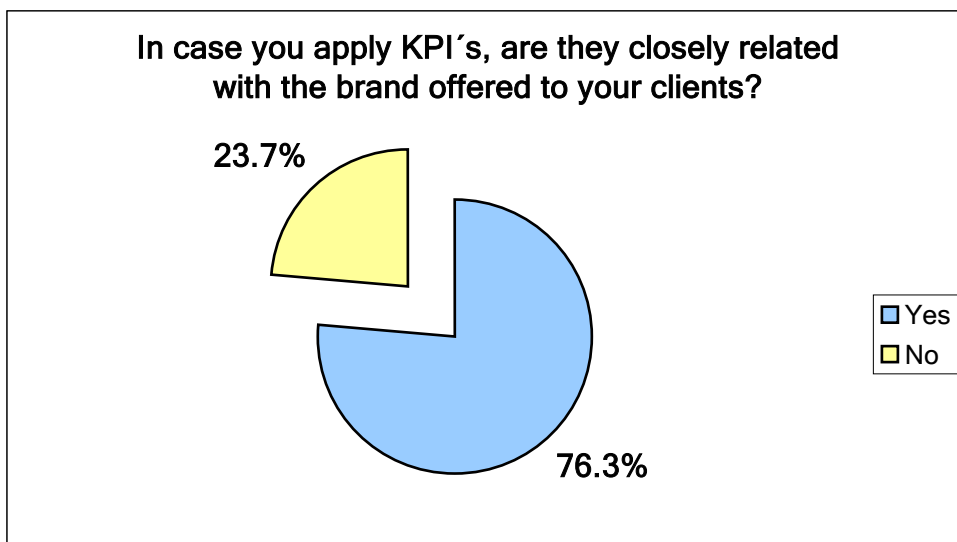


Source: Martinez (2013)

65.9% of those managers answered that they did have performance indicators and 10 managers were encouraged to respond the open questions in order to know if these indicators truly reflect the business strategy of the company. These responses indicated that their KPI's were not established for all operations within the company and also they commented that most of the indicators were to measure only sales volumes, but they did not include indicators about operations, productions, or either financial or cash flow, among other important indicators.

34.1% answered that they did not have these Indicators; however they also commented they were in process of implementing them in the short time. After this, the author asked to this 65.9% if their Key Performance Indicators are properly aligned with their brand strategy.

**Figure 17 Key Performance Indicators and Their Relation with Brand Strategy**



Source: Martinez (2013)

The results of this question were inconclusive, since none of the interviewees responded clearly the reasons why they believed that their performance measures were properly aligned with their brand strategies.

The author assumes that respondents could not answer properly because their indicators are not aligned with their brand strategy, beyond this the author suspects that they do not have a brand strategy in their organizations.

For this reason, the author analyzed this aspect from the perspective of the qualitative research, in order to clarify this situation more deeply. This issue will be addressed in Chapter 5 where the author analyzed the results of the quantitative and qualitative research.

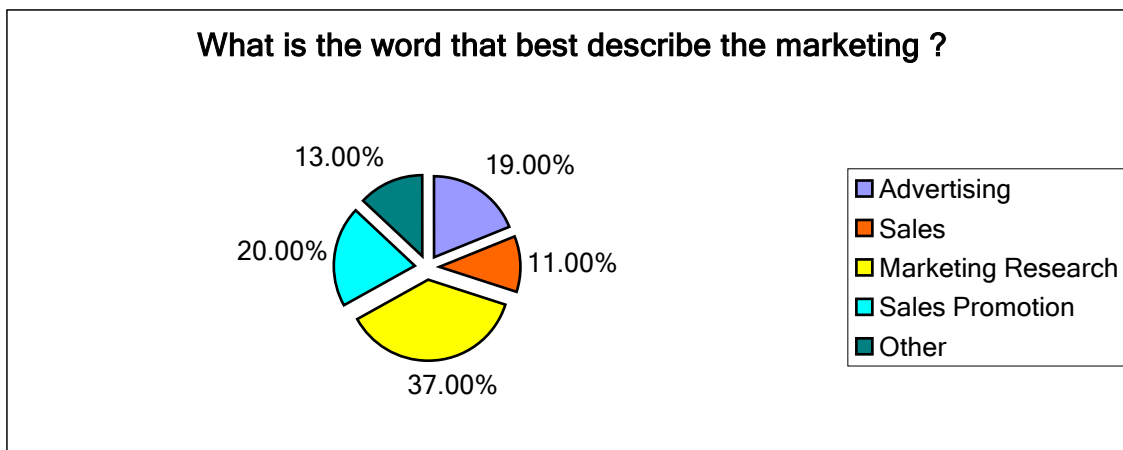
#### **4.2.5 Marketing Concept Since the Perspective of SMEs**

The researcher conducted an open question, to know how they define marketing.

This question was important, because during the literature review the researcher realized that according to (Kotler, 2009) most of the Mexicans businessman and entrepreneurs were unclear about the marketing and branding functions. Figure 18 explains the different answers of managers related to the marketing concept in their organizations.

#### ***Figure 18 Marketing Concept from the Perspective of Mexican SMEs***





Source: Martinez (2013)

The results of this question clearly showed that 37% of the managers interviewed believe that marketing is marketing research; 20% of them responded that marketing is sales promotion; 19% answered that marketing is advertising; 11% consider marketing as sales. It is interesting that only 13% of managers were closer to the correct marketing concept.

Although marketing and branding is a widespread strategic tool for many MNEs, it is clear that they are still very confused about its utility and its functionality.

The conclusion is that managers have reduced the marketing concept to just one variable: the promotional mix. In this sense, other important variables such branding, place, product development and its attributes, as well as pricing were omitted, since they were not considered as a part of the marketing concept.

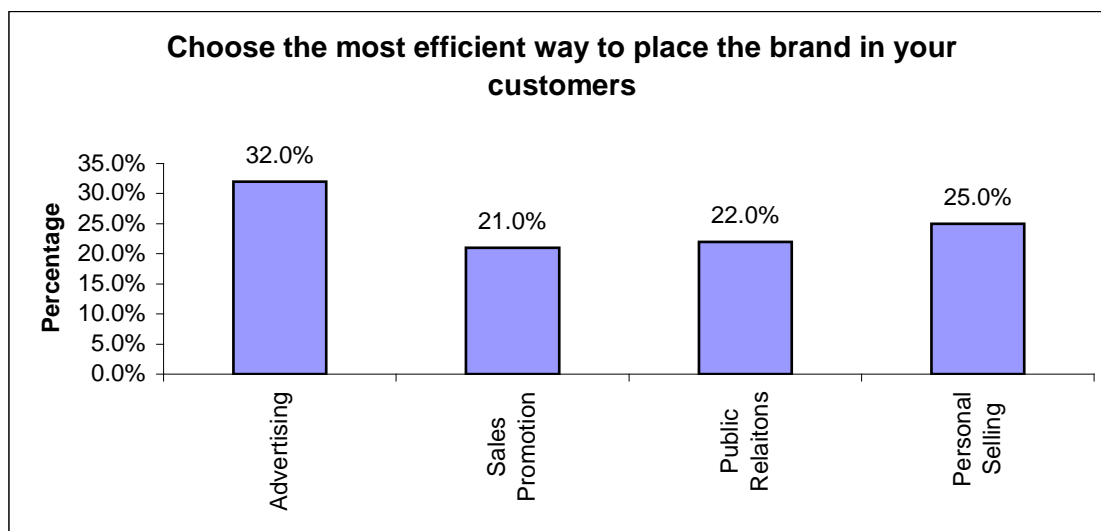
#### **4.2.6 Brand Positioning and Strategies in Mexican SMEs**

Brand positioning is one of the critical factors of success, when a company wants to get a piece of the market. Positioning usually requires that the brand is aligned to a specific and differentiated product attributes, which should be adequately communicated to the

customers. These attributes can be communicated through different marketing tools. For this reason the researcher asked the Mexican SMEs about what the best way is in order to achieve the best way for brand positioning.

After this question the researcher asked the Mexican SMEs entrepreneurs about what the best way is to position their brands in the customers.

**Figure 19 Best Strategies in order to Position the Brand in the Customers**



Source: Martinez (2013)

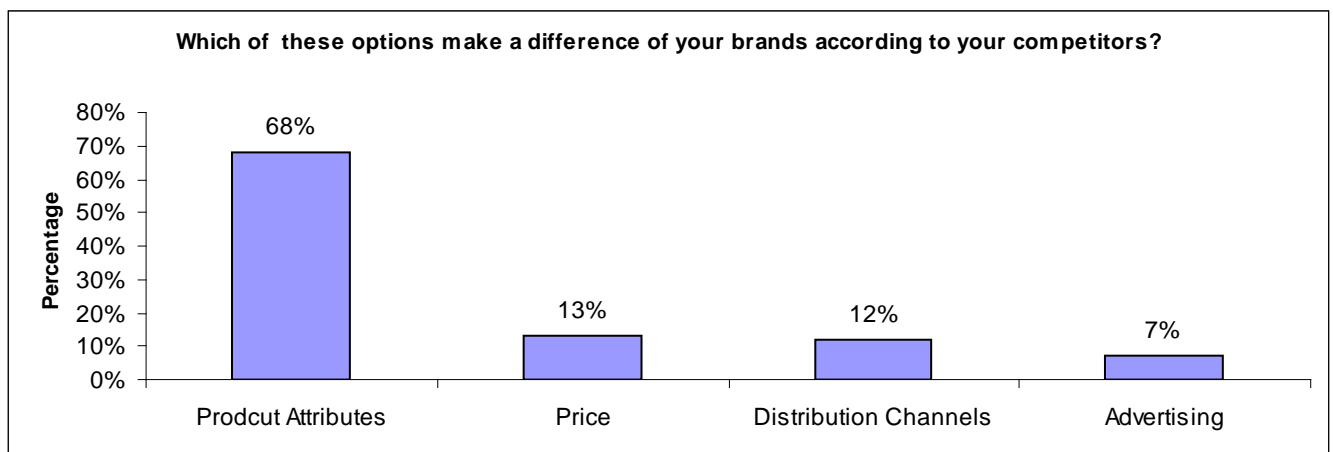
The responses were similar, 32% of the respondents answered that the best way to position their brands is through advertising, 25% answered that is through personal selling, and 21% and 22% respectively commented that the best way to do it is through public relations and sales promotions. From the point of view of the author this answers are essentially correct, however each strategy of brand positioning must be adapted according to the product life cycle stages (PLC).

It is likely that early in the product life cycle information must be communicated through highly trained sales staff and an intensive use of demonstration activities. In contrast when product is in the growth stage advertising must be an important tool to strengthen the brand in the customer through the communication of the brand core attributes.

#### 4.2.7 Competitive Advantage of SMEs

The researcher asked for the most important competitive advantage against its competitors. The research took an unexpected turn.

**Figure 20 Competitive Advantages of SMEs**



Source: Martinez (2013)

68% of respondents answered that the most important competitive tool was the product attributes, 13% answered that pricing was an important element, followed by 12% of distribution channels and finally 7% for advertising.

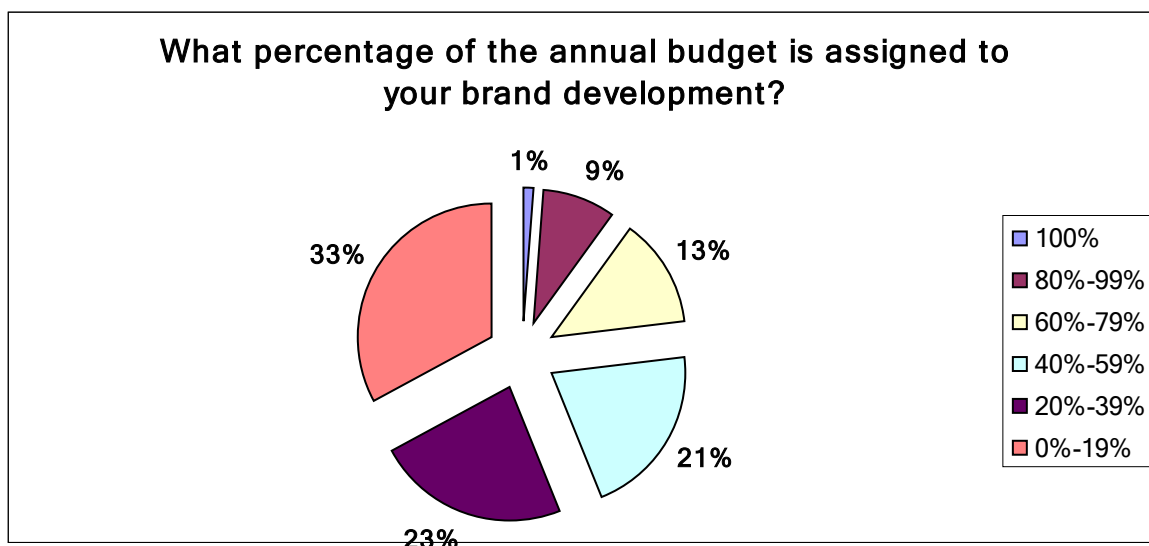
These answers are interesting, since they only consider the product attributes as a competitive advantage, however they never mentioned the brand as an important tool for this differentiation, It is also interesting that, in this case, advertising has been placed at the end (7%) when they previously perceived marketing as advertising.

For this reason, the author assumes that marketing activities are not perceived as a competitive advantage for SMEs, or either as a functional part of the business.

#### 4.2.8 Investment in Marketing and Brand Development

The author asked about the percentage of the budget that SMEs invest in developing their brands. Figure 21 explains these answers which clearly indicate that 33% of them regularly invest about: 0-19% of the budget, the 23% actually invest around 20-39% and 21% about 40-59% on brand development.

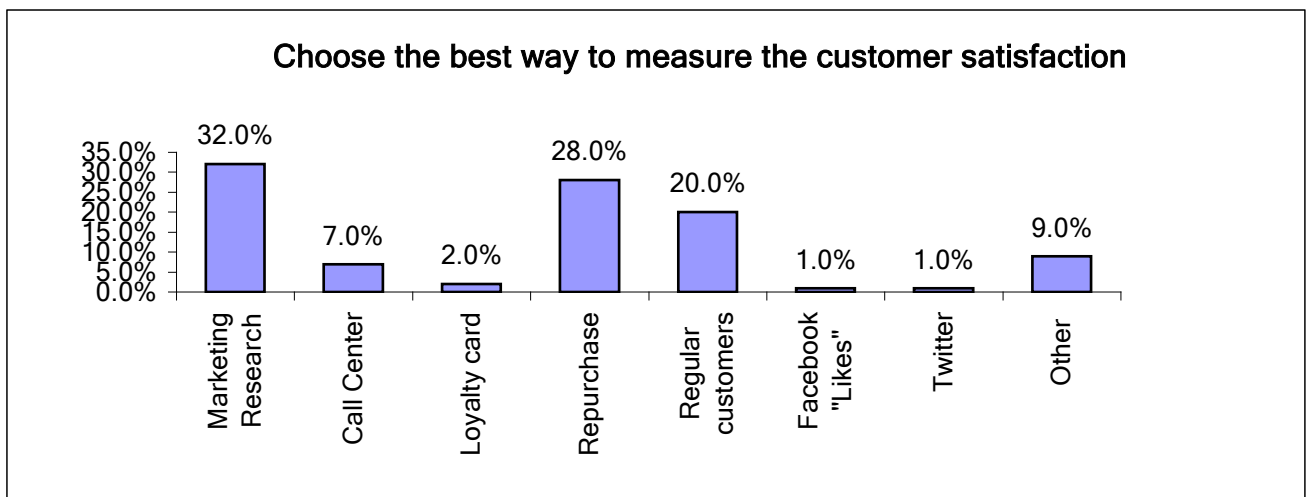
**Figure 21 Percentage of the Annual Budget Assigned to Brand Development**



Source: Martinez (2013)

However due to past trends, the researcher assumes that this budget is directed to perform basically advertising, sales promotion, and special events activities, due to their confusion about the marketing definition.

**Figure 22 Best Way to Measure the SME's Customer Satisfaction**



Source: Martinez (2013)

The researcher asked for the best way in order to measure the customer satisfaction, 32% of the interviewed answered that marketing research is the best way to do it, however, they just mentioned it, which not necessarily means that they actually do it.

28% of respondents identified that repurchasing was the best way to identify customer satisfaction. 20% believe that customer satisfaction must be measured by the number of regular customers. However nobody mentioned how they are identified, or how to measure the repurchasing process. 25 respondents mentioned that they didn't have an integrated

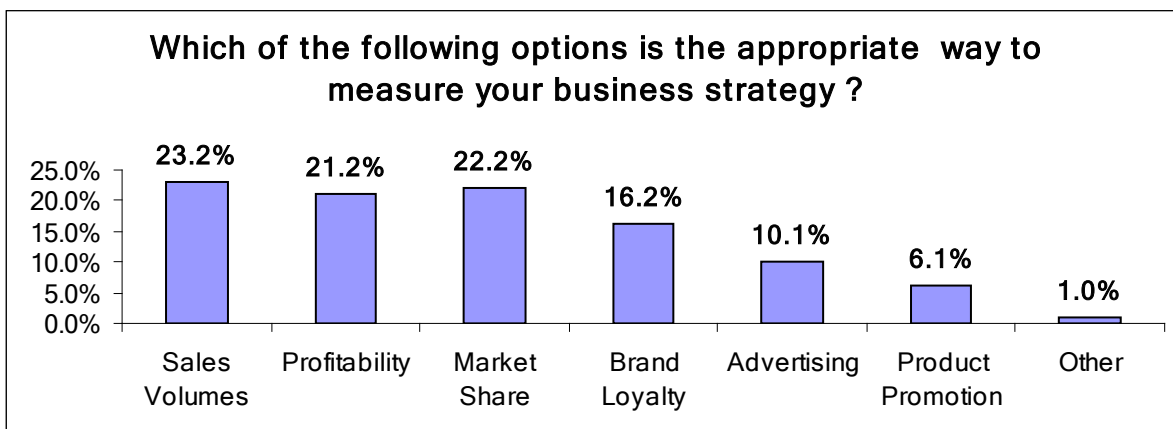
information system that allows them to measure the repurchase process or regular customer identification.

This is consistent with the literature review where it is mentioned that Mexican SMEs have no management tools and technologies such: Customer Relationship Management (CRM) or Enterprise Resource Planning (ERP). Only 7% of the interviewees answered that they use a call-center or loyalty cards (2.0%) and at the end and with very little percentages.

They also mentioned the use of new social media technologies and web 2.0. (2.0%), 9% of these answers were classified as “others” because they mentioned that word of mouth is the best way in order to measure the customer satisfaction, since the positive word of mouth is closely related to the positive buying and post buying experience.

23.2% mentioned that the sales volumes are the best way to measure the business success, 22.2% market share, 21.22% profitability and only 16.2% mentioned brand loyalty and some others mentioned that advertising (10.1%), promotion (6.1%) and others not identified / not answered (1.0%).

**Figure 23 Best Way to Measure the Business Strategy for SMEs**



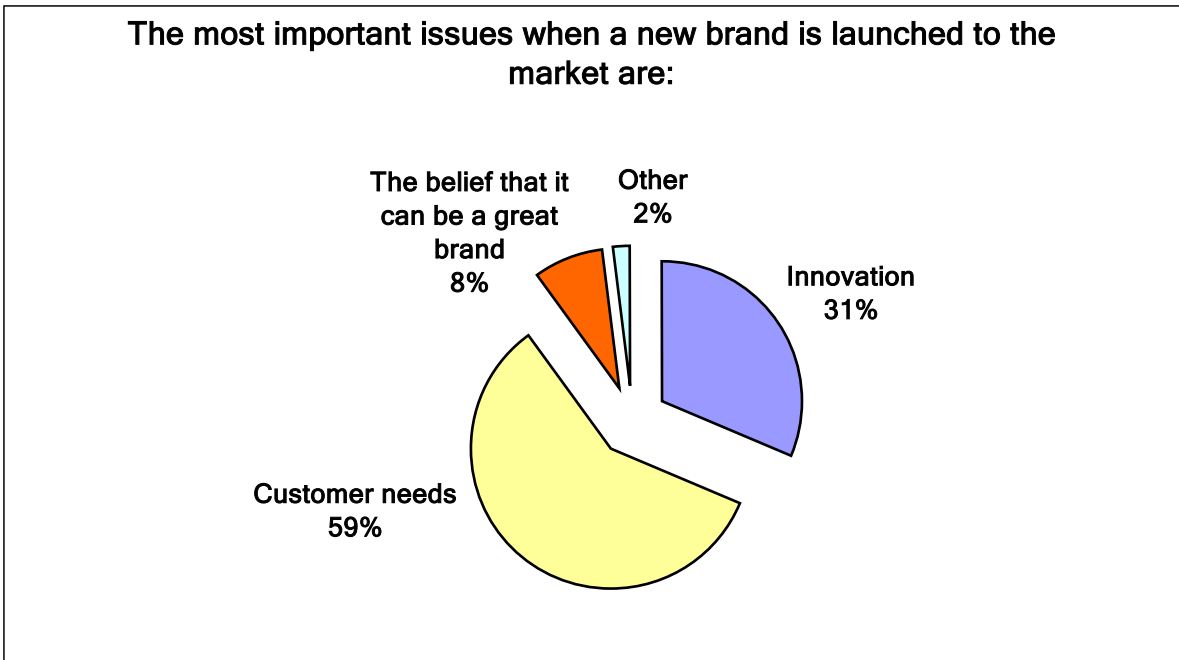
Source: Martinez (2013)

According to these responses can be observed that there are a 23.2% of SMEs that still believe that sales-volumes are the right way to measure their business performance. This is a common mistake, since sales volumes do not necessarily represent market share. The company could be selling 100% more than last year, while the industry grows at rates of 200%.

On the other hand, 22.2% of SMEs measured their performance by market share, which is not bad, but only 21.2% consider profitability as a meaningful way of measuring the business performance.

One of the critical issues of this research was the development of brands in Mexico as a profit-generating strategy. Because of this, the author asked the SME managers for the most important aspects that should be considered in the launch of a new brand.

***Figure 24 Most Important Issues When a New Brand is Launched to the Market***



Source: Martinez (2013)

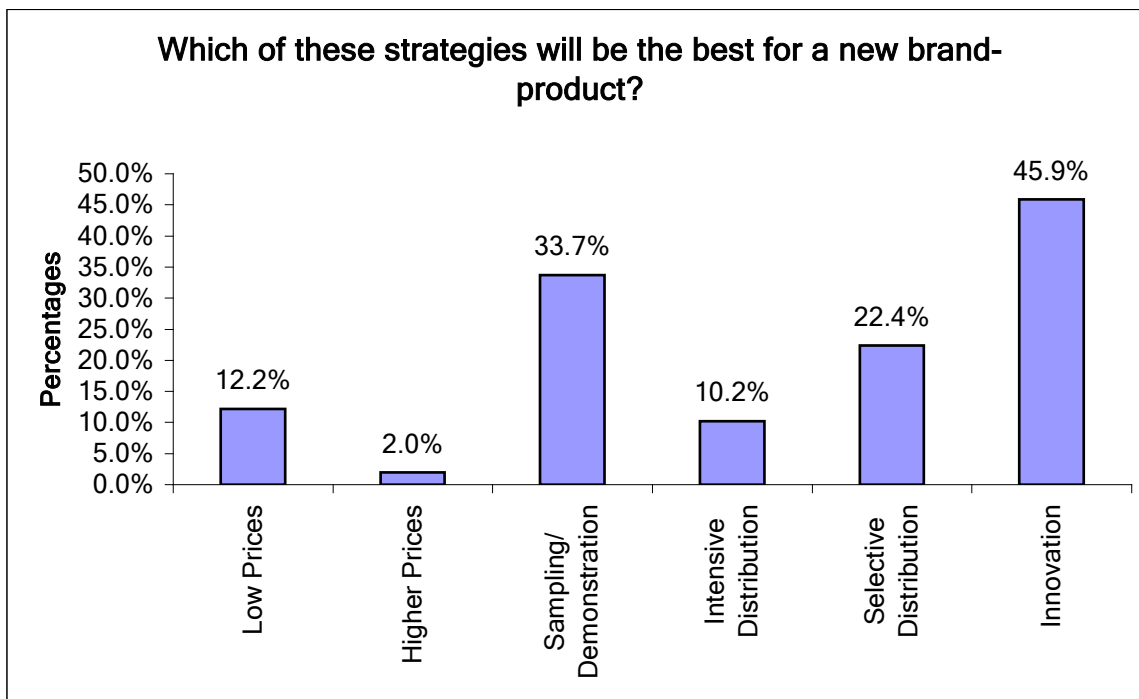
The results were positive, 59% mentioned that the customer wants and needs were important aspects to consider, while 31% said that innovation was an important issue.

"Beliefs" is an important part in the development of brands remained behind with only 8% and "others" not answered with 2%.

The researcher investigated which is the best strategy when a SME launch a new brand to the market, Figure 25 explains these results:

**Figure 25 Best Strategies for a New Brand-Product**





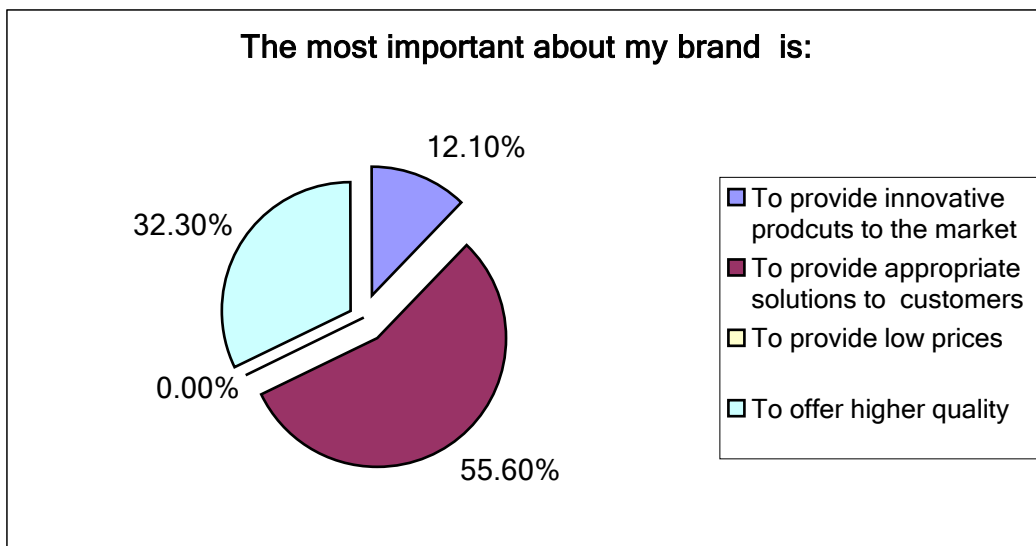
Source: Martinez (2013)

As can be seen from these results, according to SMEs managers, innovation is the best way to obtain success in the development of a new brand (45.9%) followed by (33.7%) of managers which consider that sampling and demonstration activities are important issues to place the brand in customer mind.

#### 4.2.9 Most Important Issues About the Brand Management

The benefits of any brand can be analyzed from two different perspectives, the first from the point of view of the customers and the second from the top management. These two opinions must be consistent with each other, therefore the researcher asked to the SME managers about the most important aspects of their brands regarding the customers.

**Figure 26 Most Important Issues About Branding**



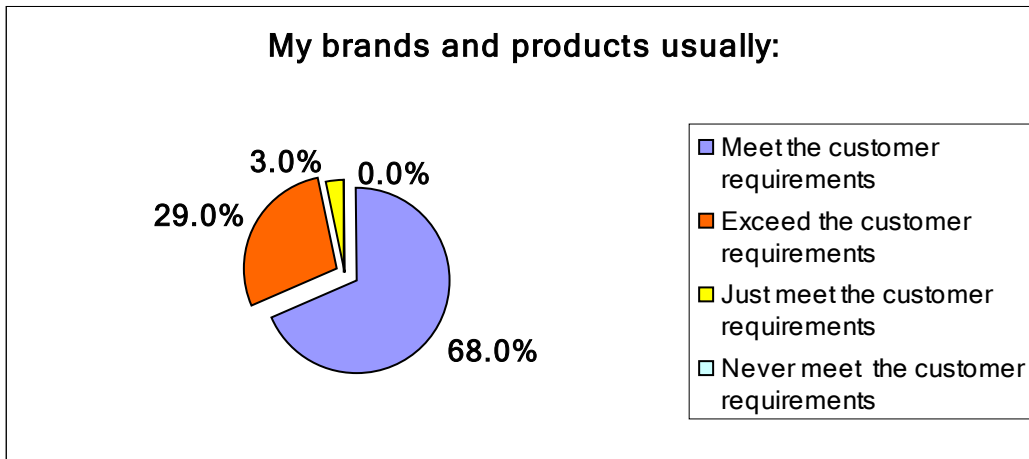
Source: Martinez, (2013)

55.6% answered that the most important aspect of the brand is that it can offer an appropriate solution to the customer needs; 32.3% said that the quality is an important aspect of the brand; 12.1% answered that innovation is more important, and practically nobody said that price was an important factor. However, a large number of SMEs (32.3%) still believe that the best aspect of the brand is only to meet the customer needs.

From the point of view of the author, quality is not enough to compete in a global environment. Quality must be an imperative of the minimum requirement in order to meet the established international quality standards. SMEs should think more in exceeding customer requirements at affordable prices to generate value, competitiveness and profits.

There are a huge difference, between customer satisfaction and customer value. Customer value is defined as the difference between customer benefits from owning and or using a product or service and the costs of obtaining the product (Kotler & Keller, 2009). For this reason the author asked to the SMEs managers about if their brands only meet the customer needs, or exceeds them. Figure 27 explains the results of this issue:

**Figure 27 Perceived Values of the Mexican Brands**



Source: Martinez (2013)

The results were alarming, since 68% of SMEs answered that they only meet customer expectations, while only 29% recognized that not only meet them, but exceed them, in this sense only 3% barely meet the customer requirements and virtually no one recognized that does not meet the customer needs and wants.

### **4.3 Findings Qualitative Research**

Qualitative research was an important part of this paper, since in one hand, it allowed to the researcher to go deeper into the information gathered from the quantitative research, and to meet with the requirements of triangulation methodology. These Interviews include the respondent's name, the name of the company they represent and the text translated from Spanish into English by the author.

#### **4.3.1 Interview Insight # 1**

Interviewee: Andrea Contreras.

Company: Dressme Co, Mexico City

Position: Owner

Type of Company: Clothing

She sells women's clothing and lady accessories to those women employed in different companies. This merchandise is deducted from the employee payroll. Mrs. Contreras has two employees. This company has one year in the market. She considers that her company is successful because they have an excellent market segment, as well as pretty good financing system and an excellent cash flow.

The company does not develop their own brands, instead of they import some brands from other countries, but especially from the United States, taking some advantages from the North America Free Trade Agreement (NAFTA).

She told us that it is easier to import developed brands from other countries, than to develop new brands for the Mexican market. "The fact of develop new brands is expensive and requires a great amount of resources" which usually we don't have.

The company usually reinvests about 50% of their budget in order to have growth opportunities. They consider that most of the Mexican SMEs fail within the first five years because they don't use the correct managerial tools and because they don't have a well-established marketing plan. She also mentioned that due to this lack of planning, most of SMEs have difficulties to carry on the abrupt changes in the market and macro/micro environment.

It is common that owners of SMEs use their profits to spend it for personal issues. They do not look for the business growth in the future. In other words, they don't have a mission-vision statement and they don't have a long-term marketing strategy.

She also commented that a useful tip to avoid these barriers, SMEs should be patient since in this country there is no long-term orientation at all, and it is important to establish a detailed business and marketing plan, but especially, SMEs managers and CEOs should not be despair.

#### **4.3.2 Interview Insight # 2**

Interviewee: Erick Karam Milán

Company: "La Hacienda" Sea Food, Mexico City

Position: Owner

Type of business: Restaurant

Mr. Karam has a seafood restaurant, this SME started selling tacos, but the seafood market is more attractive, it is a company comprised by 5 employees, the business has a family restaurant tradition, but now is independent.

The company has 18 years in the market, and it has already exceeded their first 10 years, which is not very common in a Mexican SME.

In Mr. Karam's opinion SMEs should start by developing products with affordable prices, especially in those segments with low-economic income, but offering good quality. In his

words “SMEs have to adapt their strategy to the different socio-economic level of each area where they intend to operate”

He advises to other SMEs perseverance and always a personal oversee of the business operations, including: product quality, supplying, sanitation, open in holidays, but, especially to be patient and long-term oriented.

This SME reinvest 70% of their profits when the demand is high, and decrease this investment when the demand falls. It is also looking for expansion within Mexico City, although, they plan to expand their operations to Europe in the next 20 years.

### **4.3.3 Interview Insight # 3**

Interviewee: Alberto Gutierrez

Company: Euristicks, Mexico.

Position: General Manager

Type of business: Consulting services of Information technologies (IT)

Number of employees: three consultants, but they hire more staff when is required; the company has a year on the market.

“They are successful because they have worked hard in the market”, this manager commented that obstacles in Mexico are higher for small technology companies” since they don’t have any financial support of government agencies.

They commented that the government agencies only support some university projects, rather than independent entrepreneurs, so, for this reason there is a very little financial aid for SMEs. There is much competition, and other SMEs are very limited due to their organizational structure mainly comprised by the same family relatives which commonly don't have the required skills

From the point of view of the researcher it is important to mention that no one of the interviewees was able to describe their mission and vision statement and their brand strategy during the interview process.

## **Chapter 5**

### **Analysis of data**

#### **5.1 Analysis Framework**

In this chapter the researcher conducted various analyzes information across the different responses obtained through the questionnaire. This was done to obtain relevant information that will help to understand the underlying reasons for the behavior of SME entrepreneurs.

## **5.2 Summary of the Research Qualitative and Quantitative Data**

82% of employers who claim to have established a mission and vision, 69.1% have a marketing plan, while the remaining 13.8% have not.

Of the 69.1% who claimed to have a marketing plan, only 70.4% follow it in their daily operations, the remaining 29.6% admit not to follow it, because of the changing market situations, lack of communication or they don't have it well established, among other equally important cultural reasons.

However, 89 responses which represent 63.3% used key performance indicators (which are mostly focused on sales), while 33.7% have no formal metrics to determine if they are reaching the desired results.

The 30% of respondents operate without planning and with only some performance indicators mostly focused on sales and quality factors of the products. However, they don't measure any qualitative aspects of service processes, employees, customer complaints or customer satisfaction.

The word marketing is strongly associated with meeting the needs of consumers, sales, market research and advertising. 22 of 101 responses considered marketing as a promotion and advertising tool. In the averages of these variables, the product issue was



placed as 2 out of 4 answers as the highest, followed by the price and promotion placed with 3 out of 4 responses.

This creates an inconsistency, since the answers do not associate the word marketing with the place issue. On the contrary they defined marketing as the product attributes, in this sense 69 of each 100 respondents considered the product attributes as the main differentiation factor for competitiveness.

When the author asked about what is the most efficient way to position their brands, 32 respondents determined that advertising and personal selling are the most important issues, followed with 23 of 25 responses which are related to public relations and sales promotion with 21 answers.

However, 32.7% allocated 0 - 19% of their budget to develop their brands, and the remaining 44.6% of the respondents allocated the 60% of their budget in brand development. This is contradictory, since they never mentioned the brand as an important business strategy.

The 31.7% of the respondents determined that the customer satisfaction is measured through market research, followed by repurchase (28.7%) and regular clients with (19.8%). 50 of 94 businesses do not have a record or information technologies to determine their customers needs, and 66% of respondents identified the success of their business strategies according to the achievement of increased sales, profits and repurchase. However, only 17% of managers answered that brand loyalty as an important strategy as a competitive advantage.

Based on the above, 59% of the respondents answered that brands should be oriented to the needs and wants of customers, while 31% are committed to innovation, however 8% admitted that market research was not an important issue, as the opinion of top management.

The 45.5% of respondents answered that innovation is the best strategy in the launch of a new brand to the market, while 34.3% answered that the demonstration / tasting is the correct strategy to encourage the brand preference.

This is an incongruous too, since the 19%- 59% answered that the key strategy for success is to create brands tailored to the customer needs and wants through innovation. However, innovation does not necessary mean customer satisfaction.

67.3% of respondents answered that their brands meet the customer requirements, followed by 28.7% who admit that they currently exceed them.

## **Chapter 6**

### **Conclusions and Recommendations**

## **6.1 Conclusions**

### **6.1.1 Do Mexican SMEs Have Legal Registered Brands?**

According to this research 77 of SMEs (77%) currently have registered their brands and mentioned that this is because they are international franchises, which are forced to follow their corporate guidelines which have been established in the contract awarded by their franchisor. However the other 23 SMEs (23%) which are “Real Mexican SMEs” do not register their brands for three main reasons:

#### **1 Lack of Vision**

Mexican SMEs do not consider itself as companies that over time could become in a MNE. Therefore, this self-misperception leads Mexican SMEs to not consider the registration of their brands, because this is not important in a long-term, which actually does not exist.

#### **2 Informal Distribution Channels**

As mentioned above, most of Mexican SMEs consider itself as weak business, and this is the reason why they are not interested in selling their products within well-established retailers, e.g. Walmart, Target, among other retailers, which require a brand registration as an imperative in order to sell these products in their stores.

#### **3 Brand Registration is Perceived as an Expensive Procedure**

Most of SMEs do not want to invest in records and lawyers, because they think this is an expensive procedure. However, this is a serious threat in the long- term, since many SMEs

managers prefer to invest first, in the development of a web page, in the sign of their stores and in the logo of their invoices and letters, all these before legally register its brands.

They do not investigate since the beginning, if the brand was previously registered by another company, causing that SMEs could be forced to change their brand name or logo in order to not be infringing a third party's right, this may cause that the company loses all the investment previously made.

### **6.1.2 Do Mexican SMEs Already Have Marketing/ Branding Strategy?**

Although, 69.9% of SMEs claim to have a marketing plan and 70.4% also answered to follow it in their daily operations, it is clear for the researcher that actually set their planning more like a sales plan, rather than a marketing plan. For this reason marketing and branding do not exist for these SMEs, since their objectives and strategies are more focused in sale products, but not in develop brands, which usually imply a long-term process.

This is an important difference, because sell undifferentiated products may cause that low prices become its main marketing strategy. In other words they had become in a one "P" strategy. This situation could cause that SMEs become more vulnerable against MNEs, which can be able to reduce their costs due to the high sales volumes and economies of scale, triggering a price war which usually ends up with the financial erosion of the weaker competitor. For this reason, most SMEs cannot stand for a long time in this situation, causing a slow eroding in their profitability, which finally causes their extinction.

### **6.1.3 Do SMEs Align Their Corporate Mission and Vision with Their Brand strategy?**

The research outcome shows that 84% of the respondents mentioned that actually they have a correct alignment between the mission, vision and brand strategies, although, as already mentioned, brand strategy does not exist at all in Mexican SMEs, and however they actually have a mission and vision statement, but only on paper. This is seen only as something they should have, but it not represents a real guideline in order to establish an appropriate strategy and direction for the company

This clearly demonstrates that mission-vision statement is not considered an important practical issue, since neither the owners nor corporate managers are interested in apply it in their strategies and in their daily operations.

#### **6.1.4 Do SMEs Really Know The Importance of Brand Management of the Company's Success?**

Yes, during the interviews, most of the SMEs managers actually recognize the importance of brand management, however, even they know it, they don't consider it important for their own brands and products. In their opinion, it is something reserved only for big MNEs.

This is especially worrying, since 68% of SMEs believe that the attributes of their brands and products only meet the requirements of the customer, but no exceed them.

This is another serious threat to SMEs, since due to their myopia, they have not realized that more and more MNEs are striving to reach the Mexican customers in the base of the pyramid (70%) which is the most important market for SMEs.

SMEs must understand that brand management is an increasingly strategic imperative. The challenge is huge, because it is not limited to simple exercise of thinking of a name, a

logo or how to make it "memorable". This exercise has to be more intense and committed, because branding, as well as brand equity, requires all the resources within the company. For this reason, SMEs must think strategically and with a long-term view, because it is the only way SMEs can aspire to achieve strong brands, which stand over the time. If all these conditions weren't happening quickly, this would continue being only a tactical exercise, without impact in the competitiveness of SMEs.

#### **6.1.5 What is The Percentage of the Budget Expended for Brand Development?**

According to this research, 33% of SMEs invest between, 0-19% of their annual budget in the brand development. However, this investment is partially applied on brand development, since 32% is invested only in advertising and 46% in some type of promotional activity, but never responded about an integrated brand management system, able to evaluate the brand recognition, brand awareness, brand equity, market share, brand costing methods and marketing channel strategies for each one of the brands.

The branding issue is extremely strategic. Decisions regarding branding and its growth always must start with an integral organizational vision, with a deeper knowledge about their foundations and causes, but especially with a long term perspective, which has been explained before, it is not a common characteristic of the Mexican culture.

#### **6.1.6 Have SMEs Realized The Importance Between Brand Strategy and Their Key Performance Indicators?**

According to the research, the 76.3% answered that their brands strategies are aligned with their Key Performance Indicators; however this research demonstrates that this is not true at all. Different departments within the SMEs only align their particular indicators with their specific objectives and strategies, regardless the brand strategy of the firm.

Some of the open questions, indicate that many sales managers are willing to corrupt the branding and marketing strategies, including pricing, targeting, market segmentation and distribution channels, all of these in order to obtain increased sales volumes in a short-term, which are necessary to obtain their own economic incentives, but eroding the brand equity and profitability in the long-term. These are confirmed by the research, since while 23.2% of the managers are oriented to sales volumes, the other 22.2% are oriented to market share.

### **6.1.7 Do SMEs Know About the Correlation Between the Brands and the Marketing Mix Variables?**

The answer is yes, most SMEs are aware about the importance of marketing mix in the development of their brands; however they do not perceive them as an integrated mixture of variables, instead of that, they perceived it as an independent set of elements which are not related between them. In this sense, the data collected in this research demonstrates that 50% of the respondents considered that personal selling (11%), advertising (19%) and sales promotion (20%) are the key elements of the marketing mix. In other words they only are focused in the promotional mix, discarding the product and the marketing channels.

## **6.2 Recommendations**

### **6.2.1 Strategic Orientation**

Senior management and SMEs owners must build a strong culture within the organization, able to break down the national cultural paradigms in order to change the mindset of themselves and the company employees. It is necessary to create a winning mentality,

and commitment, specially, in senior managers, who also should create an atmosphere of trust between them and their employees.

Mexican SME companies should not only concentrate on their day to day operations, instead of that, they should establish long-term oriented business plans, over 5 years, to establish strategic and functional branding plans, through a well-defined operational schedule , which will be properly communicated within the organization.

The mission and vision statement should not only be considered, as a paper, instead of that, it must be like a “mantra”, which should be “tattooed” in the mind of all the organization employees, to remember it all the time and to align it with the branding objectives, strategies and tactics within the marketing plan.

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### **6.2.2 Product Innovation**

SMEs have a great opportunity to change their history and to take advantage of opportunities offered by a market that today does not offer a significant differentiation.

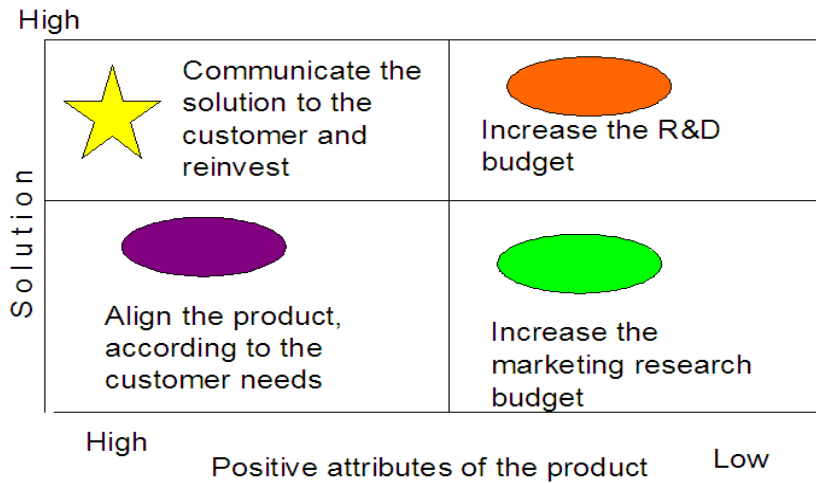
The problem is that Mexican SMEs are limited by their own behaviour to only partially meet what customer requests, instead that, they should investigate the customers insights, to find the real solutions they expect.

It is not only an issue to create differentiated product attributes, beyond this, this is an issue to create real solutions that will be high valued by customers. For this reason, the author proposes a solution-product matrix which could help senior management in order to take the better decision in each one of the possible scenarios



Figure 28 explains these different scenarios and the strategies for each one of the possible situations

**Figure 28 Solution- Product –Matrix**



Source: Martinez (2013)

Additionally, the author recommends that SMEs should analyze the BCG matrix, just to measure the results of each one of their brands, comparing their financial results, market share against external industry data.

Table 10 provides an example of how to build the BCG matrix

**Table 10 Example of a BCG Matrix as a Strategic Tool for Brand Performance**

Brands	% Earnings	Profits	% Profits	Market Share (YTD)	Market Share (YAG)	Market Share Growth %	Industry Growth %
1	36.36%	10,000	39.22%	32.42%	24.95%	7.47%	5.53

2	24.24%	5,000	19.61%	40.00%	10.25%	29.75%	51.49
3	24.24%	2,000	7.84%	10.00%	6.33%	3.67%	9.31
4	12.12%	8,000	31.37%	69.00%	17.95%	51.05%	168.09
5	3.03%	500	1.96%	5.00%	15.76%	-10.76%	62.62
	100.00%	25,500	100.00%				

Source: Martinez (2013)

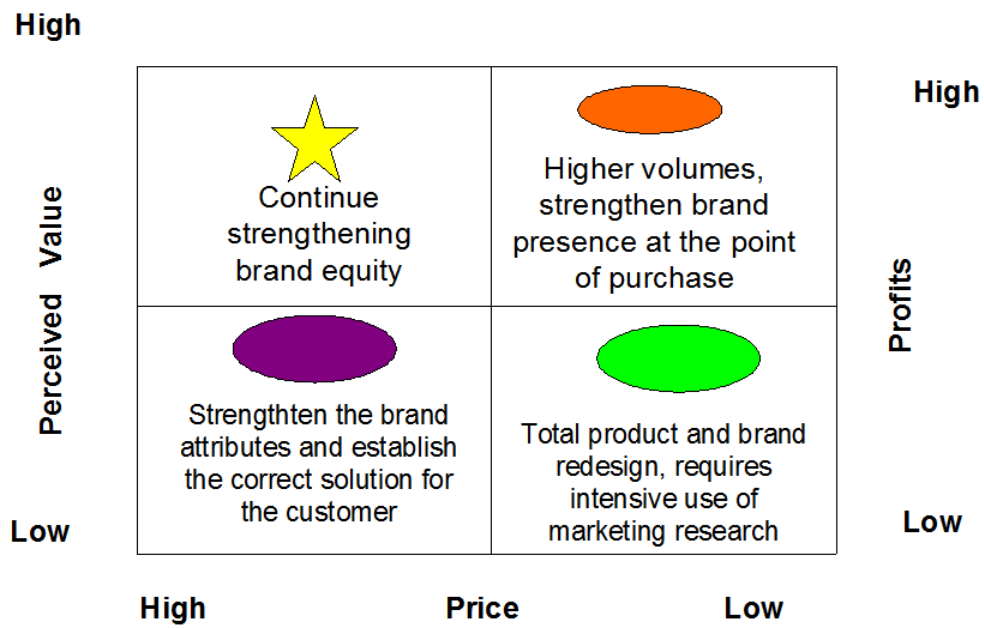
### 6.2.3 Price-Value

The research results showed that SMEs commonly use low prices as a tool to get higher sales volumes. But this can not be done arbitrarily and without prior analysis involved.

For this reason, the author recommends to SMEs, a specific analysis which considers not only the price, but also the value perceived by the customer, as well as the profitability of the brand in different scenarios where the company will be involved.

Figure 29 developed by the author, explains the different scenarios in which the company could be found and the strategies that should be followed, before making decisions on pricing strategy.

### ***Figure 29 Price- Value Matrix***



Source: Martinez (2013)

As higher the value perceived by the customer, then more money will be willing to pay for the product or service, thus increasing profitability and brand preference in the long run. It is Important to remark, that the perceived value plays an important role in the pricing decision-making process.

Sometimes SMES will have to make the decision to strengthen the attributes and brand positioning and sometimes they as well should strengthen brand presence at the point of purchase, or perhaps they should make an intensive market research.

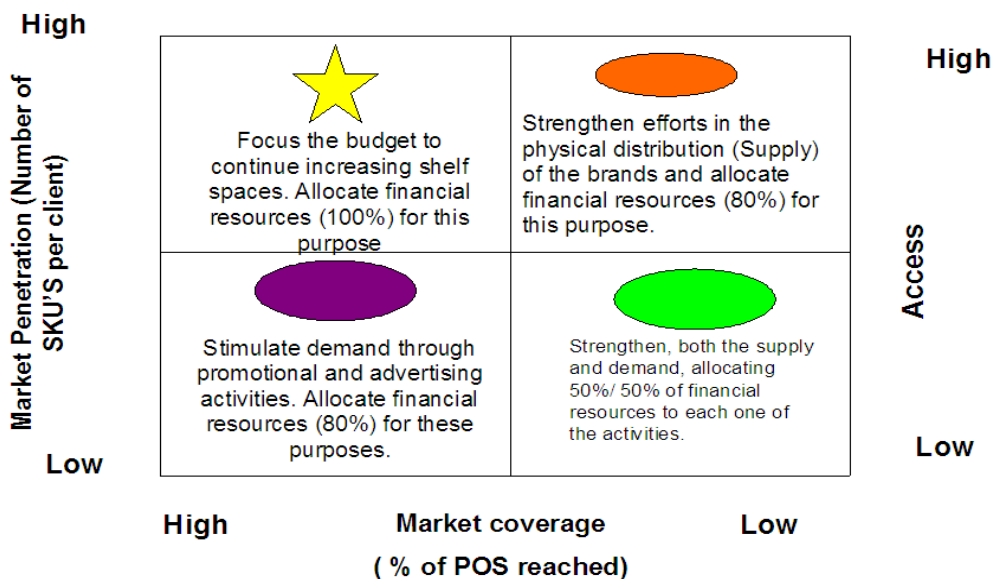
## 6.2.4 Marketing Channels as a Strategy for Brand Building

Distribution channels should not only be considered as a simple tool to take products from one point to another, instead of this, companies should consider their intermediaries as true partners.

However, decisions about distribution strategies must also be analyzed and controlled by evaluating different scenarios, which should include aspects such as: channel coverage, channel penetration and the access level of the brands.

Sometimes the company will have to stimulate the demand in order to achieve their profitability, sometimes the company will have to strengthen the supply and physical distribution to avoid backorders which could damage the reputation of the brand and intermediaries in the short-term. Figure 30 developed by the author explain the different scenarios and strategies that the company should follow in each case.

**.Figure 30 Place-Access Matrix**



Source: Martinez (2013)

### **6.2.5 Human Resources Management and Branding Strategy**

SMEs have to establish management plans and align their human resources with the strategic framework of the brand. From the point of view of the author, SME companies should prefer people committed to service, rather than highly skilled, and the reason is that hiring highly trained people not necessarily means they should be happy doing their job.

The personality of the employee must be consistent with the brand one as a human aspect of the brand, which will be transmitted in a better way through happy and committed employees which will be more productive in a long-term creating brand value through the years.

In this sense, the author recommends to align the employees' key performance indicators with the brand strategies in order to achieve congruence between the different departments within the organization and the marketing plan.

A company cannot offer their customers a "high quality service", while employees are encouraged and focus only on achieving high sales volumes and earnings. It would be a dishonest attitude if they cheat customers in order to achieve their particular incentive plan. Unfortunately nowadays, companies are highly oriented to financial achievement, but leaving behind other important aspects such as customer satisfaction and brand value. This is a big mistake, since companies are only worried about the money, but without consideration of their customers.

## **6.3 Limitations of the Present Study**

### **6.3.1 Lack of national coverage**

Although questionnaires (quantitative) were applied through the web and covered several states of Mexico, qualitative interviews were conducted with managers of SMEs in Mexico City, however some other managers of different states of Mexico were unable to travel to Mexico City in order to answer the interviews.

### **6.3.2 Lack of Technological Resources in SMEs**

The researcher was able to realize that some SMEs do not have an Internet connection, especially those established in rural areas, making difficult for some managers to answers the questionnaires via Internet.

### **6.3.3 Reduced Time to Complete the Questionnaires and Interviews**

Since the research was conducted during the Christmas and New Year's Day, there were delays in obtaining information, because many managers were away from their offices.

### **6.3.4 More Qualitative Research Will be Required**

This research was conducted with important limits of time, space, and financial conditions. Further information is required, especially of those SMEs located geographically within the country. From the author's perspective this work could be enriched with a long qualitative field research in each one of the states of Mexico, in order to obtain the different points of view of the owners and managers of SMEs nationwide. This is especially important because Mexico is a multicultural country, with different behaviors, habits and manners in each one of the different states.

## **6.4 Concluding Remarks**

**6.4.1** According to data collected in this research, Mexican SMEs do not develop a true vision of marketing and branding, in other words they refuse to comply the preferences of customers.

**6.4.2** The lack of customer service is evident, poor location, lack of focus on market segments, inadequate marketing planning, as well as inadequate performance indicators; a poor comprehensive system to detect market opportunities; over-focused on the promotional mix, lack of long- term orientation and without the basic management systems.

**6.4.3** From the point of view of the author and according to the data collected, SMEs managers really know what they have to do, however they don't do it, because they live in the "present" and do not care about "tomorrow".

**6.4.4** The author concludes that these deficiencies are derived from different aspects of Mexican culture, which are strongly held, starting with short-term orientation which collides with the long-term approach of marketing and branding which is required for its development. In this sense there are a subconscious fear and distrust which is not rare in Mexican behavior, this brings up stiffness in the decision making process.

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## Appendix: Questionnaire

1- Choose the number of employees in your organization.

Less than 10 employees	R1	
11 to 50 employees		
51 to 100 employees		
101 to 150 employees		
151 to 200 employees		
201 to 250 employees		
More than 200 employees		

2- Are the brands in your organization legally registered?

Yes	R2	
No		

2.1.-If the answer is “no” mention the reason why not.

R3
----

3- Does your organization have clearly established the mission/vision?

Yes	R4	
No		

If the answer is “no” go to question #4.

4- Is there a marketing plan well established in your organization?

Yes	R5	
No		

4.1.-If the answer is “no” mention the reason why not.

R6
----

8- If you have it, is it daily applied?

Yes	R7	
No		

5.1.-Is the answer is “no”, mention why.

	R8

6- Do you apply key performance indicators to measure the strategy development of your employees?

Yes	R9	
No		

7- In the case you do it, are they closely related with the brand offered related with the brand offered to your clients? (Sometimes the brand stands for quality and however, these indicators couldn't been properly established).

Yes	R10	
No		

7.1.-If the answer is “no” explain the reason why.

	R11
--	-----

8.- Do the mission/vision in your organization match with the brand strategy?

Yes	R12	
E No		

8.1.- Mention why.

	R13
--	-----

9.- Write down the most important brands in your organization.

	R14
	R15
	R16

10.- Give your own definition of marketing.

	R17
	R18
	R19

11- Choose according of importance those variables for your brand. (#1 the most important)

Product	R20	
Place		
Price		
Promotion		

12- Choose the most efficient way to place the brand for the customers:

Advertising	R21	
Sales promotion		
Public Relations		
Personal Selling		
Other:		

13- Which of these makes a difference of your brand according to the competitors?

Product attributes	R22	
Price	R23	
Distribution Channel	R24	
Advertising	R25	

14-What percentage of the annual budget is assigned to your brand development?

100%	R26	
80% - 99%		
60% - 79%		
40% - 59%		
20% - 39%		
0% - 19%		

15- Choose the best way to measure the clients satisfaction.

Marketing research	R27	
Call center		
Loyalty card		
Rebuying		
Regular customers		

Facebook "likes"		
Twitter		
Other:		

16- Which of the following is the most appropriate business in your organization:

Sales volume	R28	
Profitability		
Market share		
Brand loyalty		
Advertising		
Product promotion		
Discounts		
Other:		

17- The most important issue when a new brand is launched:

Innovation	R29	
Clients need and wants		
The belief that it can be a great brand		
Other:		

18- Which of the following is a good strategy for a complete new product in the market:

Low price	R30	
High price		
Demonstration		
Intensive distribution		
Selective distribution		
Innovation		

19- According to the products and brands the most importance issue is:

Offer innovative products to the market	R31	
Offer a solution to the consumer		
Offer low prices		
Offer high quality		
Other:		

20- The organization brands and products usually:

Meet customer requirements	R32	
Exceed these requirements		
Barely meet these requirements		
Never meet these		

requirements		

21- Mention the best way to know if a brand is well accepted.

R33
-----

22- The best way to create an excellent relationship between the brand and clients:

R34
-----

23- Choose the best word to describe "marketing".

Adverting	R35	
Selling		
Marketing research		
Selling Promotion		
Other:		

24- The best strategy to launch a new product or service is:

Produce and then promote your product widely	R36	
Introduce the product with a low and competitive price		
Ask to the client about his needs and afterwards design and produce the product.		
Look for the appropriate distribution channels for a products you have so far.		

25- Do you apply any information or management system that allows you to know the needs of your clients regularly?

Yes	R37	
No		

26.-Which of the following is the best advertising way to communicate your brand or service?

Traditional broadcasting	R38	
Publicity (word of mouth)		
New social media (facebook, twitter)		
The employees recommendation		
Other:		





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