Influence of Supply Chain Management Practices to Branding In Fast Moving Consumer Goods Industry in Kenya
A Case Study of Thika Small and Medium Enterprises

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Abstract
Supply chain management is vital in creation of brands by small and medium enterprise in the fast moving consumer goods industry in Kenya. This case study focused on studying influence of Supply Chain Management Practices to branding of fast moving consumer products by small-and-medium enterprises in Kenya. This study being a descriptive research adopted both qualitative and quantitative research approaches in gathering, recording analyzing presenting and interpreting the findings and came up with various conclusions and recommendations. Both primary and secondary data were collected from both primary and secondary sources. Questionnaires were issued and also the existing literature reviewed. Data collected was then analyzed through descriptive statistics. Percentages and frequency tables are used to summarize the research findings. The results of the study have been used to generalize on supply chain management practices for branding by small and medium enterprises in Thika Town and in Kenya as a country. Finally recommendations have been made from which various strategies that favour branding can be founded.

Keywords: Supply Chain Management, Branding

1. Introduction
Branding theory has its origins in the consumer product markets with brands targeting end consumers by guaranteeing a certain level of quality, choices, and specific needs at a given time (Crespin-Mazet and Sitz, 2008, Uusitalo, Wendelin & Mahlamaki, 2009). Onset of globalization increased competition rate rapidly, making businesses to go beyond competing through pricing only but strive to achieve unique and strong brands to gain both return on investment and customer loyalty. To compete effectively, organizations set out to improve on their brands through supply chain management to achieve sustainable operations, increase product sales and power of value chain. In the market today, many of the strongest brands belong to SMEs not large enterprises and this successful brand establishment has been the key to achieving sustainable operations.
The innovative and creative capacity of SMEs is not fully exploited because many SMEs are not aware of the intellectual property (IP) systems or protection it can provide for their inventions, brands and designs.

1.1 Statement of the Problem
In today’s competitive world, many SMEs have turned to the use of their own brands to capture customers’ attention and gain their loyalty while reducing marketing cost and give the firm a competitive advantage. However, (Dankwa, 2012) noted that most Small and Medium-sized Enterprises (SMEs) are lagging behind in branding strategies due to limited capitals, infrastructure and management. To alleviate this, there is need to create strong brands to gain competitive advantage possible through a continuously effective adoption and institutionalization of supply chain management (Arawati, 2011).
In Kenya today, biggest challenge for SMEs is how to deliver the promises made to customers (Ulas & Calpiner, 2008) of the right product, at the right time, right place and at a reasonable cost. Failure to meet this in turn leads to customer disloyalty and lack of brand market share. Therefore, the objective of this study was to establish how SCM practices influence branding of FMCGs by Kenyan SMEs.

1.2 Objective of the Study
The general objective for the study was to determine influence of supply chain management practices to branding of FMCGs by small-and-medium enterprises in Kenya. The specific objectives for the study include:
1. To find out how technology innovation practices in the process of SCM influences branding of FMCGs by SMEs.
2. To examine the influence of strategic relations management practices on branding of FMCGs by SMEs.
3. To determine the effect of outsourcing practices within the supply chain to branding of FMCGs by SMEs.

2. Literature Review
This chapter looks at the existing literatures the theories done by other researchers, reviewed from reference books, the internet, journals, reports, periodicals and working papers and identify knowledge gap to fill.

2.1 Theoretical Framework

2.1.1 Resource-based Theory
Under Resource-based view, SCM seeks improved performance through better use of internal and external capabilities to create a seamlessly coordinated supply chain, thus elevating inter-company competition to inter-supply chain competition. This theory focuses on tangible and intangible resource utilization or ability of the firm to manage resources on its disposal to deliver sustainable competitive advantage such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Crook et al., 2008). To compete successfully, SMEs need to develop and adopt more strategic branding practices by adopting SCM practices that support strategies aimed at long-term gains for the firm. Also, carefully manage the supply chain to optimize production and supply cost management and in turn optimize advances in customers integration into a given innovation
pathways for a competitive advantage by raising the “barriers to brand” that competitors must overcome.

2.1.2 Channel Coordination Theory
Channel coordination aims at improving supply chain performance by aligning the plans and the objectives of individual enterprises, which control the flows of information, materials (or service) and financial assets along the chains, focusing on inventory management involving multi-echelon inventory theory, multiple decision makers, asymmetric information, as well as recent paradigms of manufacturing, such as mass customization, short product life-cycles, outsourcing and delayed differentiation. The idea of channel/ supply chain coordination stresses on mutual relationship between brand and supply chains as the bases of product design and development (Dilber & Hatice, 2008). Supply chains of well known brands are continuous, coordinated and effective as a result of density of orders that expand operations field making it fast, reliable and effective to strengthen the brand.

2.1.3 Just In Time Theory
Just in time (JIT) also known as lean production was developed by Toyota in the 1950’s and became known as Toyota Production System and later adopted by other Japanese companies and in the U.S. It is a production strategy that strives to improve a business return on investment by reducing in-process inventory and associated carrying costs (Christopher et.al, 2004). To achieve this, brand supply chain network must be designed and managed efficaciously based on appropriate strategies and tools (Mira, 2012), and focus on flow, employee involvement and continuous quality improvement. All the connections between production and consumption center a vital process of conveying right goods to the market in optimal time, at optimal cost (Dilder & Hatice, 2008). All the day-to-day operations are driven by continuous replenishment of customer-demand-driven finished goods inventory targets.

2.2 Empirical Review of Variables

2.2.1 Supply Chain Management Practices
SCM includes all the connections between production and consumption, vital in conveying goods and services to the market in optimal time, at optimal cost (Dilber & Hatice, 2008) and which provide an opportunity for the organization to focus on product design, production and quality improvements. A study by Yidan, (2009) found out that a great factor in branding is defining and presenting a point of differentiation in operating field to stand out strongly against competitors which can be achieved through brand SCM. A study by Zhang (2001) and Arawati (2011) found that SCM enabled organizations to achieve increased productivity, reduce inventory and cycle time, increase market share and profits within a specific brand supply chain and overall organizational through customer loyalty, increased return on sales, assets and market share.

Technology innovation
It involves the application of either in-store or e-function of the latest technology discoveries to the design of operations and production processes in SCM (Arawati, 2011). Such ability help firms create and reach customers with a brand that delivers enhanced values (Seggie et.al, 2006) thus better sales and market share; enhance the retailers’ innovative ability thus
accelerated retailer pace in own brand development (Keynote, 2003); strengthens ability to produce more sophisticated products (Veloutsou et al., 2004) in terms of quality and responsiveness to the rapidly changing consumer needs (Consuegra, 2006; Francis, 2009); and enhance faster response to market demand (Arawati, 2010; Gaither, 2002).

Another study by Park & Kim (2008) found that use of internet and business websites enables consumers share experiences and opinions about a product via electronic exchange activity offering easy and cost-effective opportunity to share product information, high levels of market transparency and take on a more active role in the value chain to influence products quality, design and prices according to individual preferences (Park & Kim, 2008).

**Strategic Relations**

Strategic Partnership involves developing trust and collaboration among supply chain partners as well as customers (S. Li, Ragu & Rao, 2006; Arawati, 2011) to promote shared benefits among the parties and ongoing participation in one or more key strategic areas. This is done through teaming up, sharing information and providing a powerful platform on which to build collaborative working relationships across the supply chain (Christopher, 2011). A study by Bruer (2006) found out that customer relationship practices enable the organization to offer mass customization and personalized service to customers, allow differentiation of products from competitors, sustain customer loyalty, and extend the value it provides to its customers thus gain corporate survival. On the other hand, strategic partnerships with suppliers enable organizations to work more effectively with a few important suppliers who offer more cost effective design choices, help select the best components and technologies, design assessment, work in teams and eliminate wasteful time and effort (Suhong et al. 2004).

**Outsourcing**

Outsourcing involves finding more partners to provide critical functions which allow the company to enhance the core capabilities that drive competitive advantage in their industries and spurring rapid growth (Bruer, 2006). In a study on SCM by fast fashions, Mira (2012) found out that the company outsourced some of its operations from smaller companies whilst it concentrated on its core competences facilitating greater control of all processes, ensured quality products and timely response to market needs. Results of a study by Cheng & Choi (2010) found that some firms keep the capital-intensive parts of the operation ‘in-house’, contracting out to SMEs the labour-intensive phase of production which enables the businesses to mix and match their buyer/supplier portfolio and types of relations with those in order to reach ideal level of flexibility. Branding opportunities associated with out sourcing examined by Jennings (2002) include cost reductions, access to superior quality (source with those individuals who are experts in the production of a certain product), flexibility (not constrained by the firm’s internal production capabilities and expertise), focus leverage and diversification (firm focus on management, innovation or customer service as opposed to all areas of the business including production).

**2.2.2 Branding**

According to Yidan (2009), branding as the marketing practice of creating, defining and differentiating a name, symbol or design that identifies a product from other competitor products. Fast moving consumer industries can identify branding in terms of improved
organization’s competitive advantage through price/cost, quality, delivery dependability, time to market, and product innovation. This process guides the company to (Fanny & Maja, 2012), develop an effective SC structure on which it builds its brand, enhance its popularity, ensure reliability of the quality and create market demand for the product and the company. Consequently, branding generates an intense bond between the consumer and the brand enabling smooth communication of the product and the company thus growth of the business; enable organizations to perform and achieve its branding goals related to increased productivity, reduce inventory and cycle time, increase market share and profits within the specific brand supply chain and overall organizational performance on both financial, market term and overall competitive position (Zhang, 2001; Arawati, 2011; Investorwords, 2010).

**Brand market share**

Arawati, (2011) defines brand market share as a brand's share of the total sales of all products within the product category in which the brand competes determined by dividing a brand's sales volume by the total category sales volume.

**Brand equity**

It is the positive differential effect that knowing the brand name has on the customer response to the product or service (Yidan, 2009). It’s the value accrued from the benefits of brand manifest at customer level (attraction or repulsion from a particular product generated by the ‘non-objective’ part of product offering), product level (additional value of a brand to growth and expansion) and financial level (the price a brand brings or could bring in the financial market). A measure of brand equity is the extent to which customers are willing to pay for the product or service. High brand equity provides a company with many competitive advantages.

**Brand loyalty**

This is the commitment by a customer to buy a certain product or service again consistently in the future, causing repetitive same-brand set purchasing, despite situations and marketing intensity having the potential to cause switching behavior. (Bruer, 2006; Bengtsson & Vilic, 2012)

**3 Research Methodology**

The research design used was descriptive which sought to provide further insight into the problem influence of SCM practices on branding by SMEs in Kenya adopting both qualitative and quantitative approach. The population for study was all fast moving consumer goods enterprise in Kenya and the target population of 135 SMEs in Thika was used in this study. Data collection methods used included use of questionnaires and interview guides. In-depth interviews were conducted with executive and/or product development managers for further insight.

The study collected primary and secondary data. Primary data provided a presentation of the actual information that was obtained to accomplish the aim of the study. This primary data was gathered using both open and closed ended questionnaires. The questionnaires were self administered to the respondents who were picked for the purpose of analysis. Empirical and theoretical books, research papers, journals and the internet were sourced for the purpose of collecting the secondary data.
Descriptive statistics in form of percentages, frequencies and inferential statistics were used for analysis in the study. Statistical Packages for Social Sciences (SPSS) computer software was used to present data in the form of frequency tables, pie charts, graphs and percentages.

4. Results of the Study

4.1 Supply Chain Management Practices

The researcher sought to find out the category of products handled, type of technology used and the medium of brand advertising. The entire respondent said that they dealt with branded products, either as their own labels or brands from other supplier enterprises. The majority of the enterprises dealt with processed food as shown by 40.2%, 26.2% dealt with soft drinks, 23.6% dealt with clothing, 8.5% dealt with toiletries while 1.5% dealt with drugs. The majority of the respondents as shown by 68.3% said that they used both in-store and e-commerce, 15.5% said that they used in-store technology, 9.2% said that they used e-commerce technology, while 7.0% said that they used other technologies.

![Figure 4.1 Technology application](image)

The study sought to find out the medium of communication branding enterprises used to reach suppliers and customers as well as the nature of their relationship. Majority of the respondent as shown by 46.0% said that they use a combination of media to get in touch with their suppliers, partners and customers, 33.3% said that they use social network, 13.3% said that they use telephone, 3.7% said that they use audio-visual including television and radio, while 3.7% said that they use print media such as newspaper. 39.3% of the respondents said that they had good relation with their suppliers, 38.5% said that they had an average relation with their suppliers, while 22.2% said that they had a very good relation with their suppliers. None had a very poor or poor relation with their suppliers.
40.0% of the respondents said that they had a very good relation with their customers, 37.0% said that they had a good relation with their customers, while 23% said that they had an average relation with their customers. None had a very poor or poor relation with their customers.

Table 4.1 Relation with customers and suppliers

<table>
<thead>
<tr>
<th>Strategic relations</th>
<th>VG</th>
<th>G</th>
<th>A</th>
<th>P</th>
<th>VP</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relation with suppliers</td>
<td>Frequency</td>
<td>30</td>
<td>53</td>
<td>52</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>22.2</td>
<td>39.3</td>
<td>38.5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Relation with customers</td>
<td>Frequency</td>
<td>54</td>
<td>50</td>
<td>31</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>40.0</td>
<td>37.0</td>
<td>23.0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Key: VG-Very Good, G-Good, A-Average, P-Poor, VP-Very Poor.

On the question about outsourcing, the researcher sought to find out the nature of goods or services outsourced. Majority of the respondents given by 52.0% said that they outsourced a combination of goods and or services, 18.5% outsource accounting function, 8.5% outsource distribution function, 7.7% outsource packaging function, 7.4% outsource marketing function, while 3.7% and 2.2% outsource security and IT functions respectively.
The researcher wanted to find out from where the respondents outsource the various functions from. 40.2% said that they outsource their respective functions from other companies and specific individuals, 33.9% said that they outsource solely from other companies while 25.8% said they outsource from specific individuals.

![Figure 4.2 Outsourced services](image)

4.2 Branding

The study sought to find out the level of branding by small and medium enterprises in terms of brand loyalty on brand equity and brand market share. 31% of the respondents said that price influenced loyalty of the customers to a give brand at a very great extent, while 42% said that influenced was to a great extent, 21% said it was moderate, while 5% and 1% said it was least extent and not at all respectively. 89% said brand quality influenced loyalty to a very great extent, 7% to a great extent while 2% said the extent was moderate. None of the respondents said that quality influence on loyalty was to a lesser extent or was not there. On influence of market accessibility on loyalty, 53% said the extent was very great, 26% said the extent was great, 19% said it was moderate, 2% said the extent was least while none said there was no influence. When asked about influence of packaging on loyalty, 28% said the extent was very great, 33% said great extent, 10% moderate, and 28% least extent while 1% said there was no influence at all.
Table 4.2 Brand Loyalty

<table>
<thead>
<tr>
<th>Brand loyalty</th>
<th>VGE</th>
<th>GE</th>
<th>ME</th>
<th>LE</th>
<th>NAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of the brand</td>
<td>31%</td>
<td>42%</td>
<td>21%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Brand quality</td>
<td>89%</td>
<td>7%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Brand market accessibility</td>
<td>53%</td>
<td>26%</td>
<td>19%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Packaging used</td>
<td>28%</td>
<td>33%</td>
<td>10%</td>
<td>28%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Key: VGE-very great extent; GE-great extent; ME-moderate extent; LE-least extent; NAA-not at all

**Inferential statistics**

All the independent variables of study had a significant positive relationship with branding. However, the level of significance varied as technology innovation had the strongest significant positive relationship (.681) with quick response. It implies that an increase in technology innovation will lead to quick response. Strategic relations had a strong significant positive relationship (.643) meaning that an increase in strategic relations with customers, suppliers and partners will lead to an increase in brand equity. Lastly, outsourcing had a positive relationship (.387) implying that an increase in outsourcing practice will lead to increased brand equity as show in the following table.

Table 4.3 Correlation between branding and supply chain management practices

<table>
<thead>
<tr>
<th>variable</th>
<th>R</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology innovation and quick response</td>
<td>0.681</td>
<td>0.030</td>
</tr>
<tr>
<td>Strategic relations and brand equity</td>
<td>0.643</td>
<td>0.019</td>
</tr>
<tr>
<td>Outsourcing and brand equity</td>
<td>0.378</td>
<td>0.65</td>
</tr>
</tbody>
</table>

P<0.05  
n=135
Conclusion
This study sought to find out the influence of SCM practices on branding. The independent variables were each found to have a significant positive relationship with branding. This means that SMEs were applying SCM practices in production and control of their brands in the market. This therefore asserts the outcomes of a study by Arawati (2011) on The structural influence of SCM on product quality and business performance, that SCM provides an opportunity for the organization to focus on product design, production and quality improvements hence survive competitiveness in the market through customer loyalty, increased return on sales, assets and market share gain.

Recommendations
This study has presented information on how small and medium sized enterprises utilize SCM practices in branding of goods and services. Thus such enterprises within the republic of Kenya can therefore use such information to determine how they carry out branding and further train their own human resource to achieve strong brands for increased benefits. In my own opinion therefore, SMEs should be educated on the importance of creating a brand identity and also be encouraged to build a unique brand identity that can successfully compete in both local and international markets.

A further research is however recommended on the area of outsourcing in branding to provide more knowledge and insight on the same. Outsourcing appears to be an area in branding that has not been well covered and yet seems it can have a very great significance in brand creation if SMEs and other organizations in branding are provided with insight of its application. Also in this study, the research realized that little relevant literature was available with respect to outsourcing in branding.

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