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The Analysis of Influencing Factors of Trademark Strategy Implementation in Chinese Small and Middle Enterprises

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Abstract

It is an era of knowledge economy and globalization nowadays. Intellectual property has increasingly become a competitive weapon and strategic wealth of the company. Market competition has risen to brand competition. The well-known trademarks became the most valuable infinite asset of the enterprise. However, there is a widespread phenomenon that small and middle enterprises (SMEs) do not have their own trademark, which causes they just get a small part of the profits as well as low competitiveness. Through the SWOT analysis the article discusses important factors that influence the effectiveness of the implementation of the trademark strategy of SMEs, supporting SMEs to cultivate their own trademarks, building well-known trademarks and enhancing the core competitiveness of enterprises.

Key words: SMEs; Trademark strategy; SWOT analysis; Small and middle enterprises

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INTRODUCTION

The 21st century is the age of knowledge economy. In addition to relying on the traditional products, services, technology and other advantages to seize the market share. We also need to enhance the core competitiveness through trademarks and other intellectual property rights.

Brand, especially the well-known trademarks, determines the overall level of the enterprise. At present the number of the SMEs in the business registration has more than 1100. Small and medium-sized enterprises occupy the 99.6% to 99.9% of all kinds of enterprises. The creation of GDP, imports and exports, tax respectively accounts for more than 60%, 68% and 50% of the country, providing 75%-80% of jobs in cities and towns for our country, as also as completing 70% of the invention patent. As we can see that SMEs have become the backbone of innovation, which is a major driving group to promote the comprehensive development of China's economy. However, subject to the constraints of their own internal strength and external environment, SMEs are still lack of well-known trademarks and intellectual property rights, and even some companies do not have a registered trademark. They only participate in the production in the downstream of chain of production in the industry. So the profit margin and market share are far lower than the famous brand enterprise. It is difficult for the SMEs to break through the barriers in the development.

1. THE CONCEPT OF TRADEMARK OF THE SMES

Trademark is not only the quality symbol of the products and services, but also a comprehensive carrier of the operators' unique personality, cultural taste and business reputation. It is the intangible assets for operators to create creature. The so-called trademark strategy, means that in the developing and competitive market, in order to obtain long-term survival and development, the enterprise formulate a overall design of product brand, including creation, development and protection (Jiang, 2011).

Trademark strategy makes essentially full and effective use of the properties and functions of their own trademark to service their own company's development. Implementing the trademark strategy is conducive to

enhance the visibility of companies and their products, thereby increasing the intrinsic value of the product, helping enterprises extend the product's market advantage to improve product competitiveness on the basis of good quality, as well as helping businesses change some nameless products into well-known brand products. The key to the market competition of the world in the future is brand competition. The successful implementation of trademark strategy will decide whether they can stand out in the fierce competition. Only in the case of knowing their own defect, the SMEs can achieve good marks and occupy a strong market position during the implementation of trademark strategy.

2. THE SITUATION OF TRADEMARK DEVELOPMENT OF THE SMES

Since the 1990s, SMEs have obtained a rapid development. Its creation of GDP in the proportion of the GDP is growing, while the number of SMEs across the entire enterprise groups accounts for about three-quarters. We can see that SMEs play a pivotal role in social development. However, due to our long-standing neglect of intellectual property, including trademarks, until 1983 the government promulgated the "Trademark Law", trademarks and other intellectual property rights entered into people's vision. But most companies, especially SMEs, seldom applied to these. They are lack of attention to the trademark, this kind of intangible asset. It is because of the lack of attention to the trademark. SMEs rarely adhere to grow up to be stronger in the market (Chen, 2013). The cause of this phenomenon is largely due to the following problems:

2.1 Lack of Trademark Awareness

Lack of trademark awareness reflects in two aspects: first, they are lack of the awareness to register the trademark. Most business owners believe that only large enterprises need to consider the issue of trademark strategy implementation, etc. SMEs do not yet reach mature development. There is no need to relate to the trademark implementation. SMEs have not been formed. So they do not need to relate to the trademark. There is a direct causal relationship between the opinion of the SME entrepreneurs and the behavior that companies do not register trademarks at the beginning. So it is difficult for the SMEs to have a long-term business development in the subsequent competition in the market.

Second, they are lack of the awareness to build trademark. As the country vigorously promote the importance of intellectual property, including trademarks, SMEs operators have gradually come to realize the value of trademark strategy, but in the specific implementation they are always looking forward and Backward. Though a lot of SMEs have been registered their own trademarks, while they do not put into practical and then left side after registration. This

nonfeasance of trademark strategy is very disadvantageous to the long-term development for the SMEs.

2.2 Lack of Planning from the Global Perspective of Trademark Strategy

If we want to develop into a well-known trademark, which is not just relying on trademark strategy, it is closely related with the strategic decisions of company's operation and management, such as product quality, enterprise culture, technology research and development, trademark design, personnel training and so on. And at this stage, a large number of SMEs just put the trademark as a separate part, and hand over the product promotion to a department or even outsource to advertising agencies, which is not an overall planning of the trademark. These behaviors will result in lacking of deep understanding of trademarks for business owners, as well as ignoring important influence of trademarks. By gradual brands tend to lose competitiveness.

2.3 Confusion About Trademark Administration Caused by the Lack of Talent

From domestic enterprises' situation, many large enterprises still cannot establish a sound trademark management system. SMEs with limited resources make it harder to construct trademark. According to statistics, more than ninety-five percent of the companies did not specifically set up management department or equip with professionals who are familiar with trademark. Second, for some enterprises which realize the importance of trademark, due to the limited resources, the design, application, registration of trademarks, use, propaganda and protection process are lack of complete rules and regulations. Finally, nurturing and subsequent constructing of a trademark require high-end IP professionals. SMEs, due to limited conditions, are difficult to introduce specialized intellectual property professionals. Thereby the companies are lack of well-known trademarks to build the foundation, causing difficulties in cultivation of trademarks (Liu & Wang, 2010).

3. SWOT ANALYSIS OF THE FACTORS OF TRADEMARK STRATEGY OF SMES

The essential idea of SWOT analysis is to seize external opportunities, avoid external threats, play internal strengths, and overcome internal weaknesses. Through SWOT analysis, we set out internal strengths, internal weaknesses, external opportunities and external threats which will influence the study object, then conduct the evaluation system, and finally set out the business strategy which will be suited with the actual situation of the company.

This paper, by using the SWOT analysis, analyses the current situation of trademark strategy development of SMEs in our country and discusses the choice of trademark strategy of SMEs.

3.1 Analysis of Internal Strengths

(1) SMEs usually have a good sensitivity to the market, along with great operational flexibility. Demand for technology innovation of the enterprises keeps a large number of SMEs to seek innovations, which exacerbate the degree of product competition. Research shows that, compared with large enterprises, SMEs have a comparative advantage in technology innovation and implementation of the trademark strategy. And this advantage is decided by the characteristics of SMEs. These features include: small scale, relatively low management costs, great operating flexibility, and rapid response to market information. They are not limited to fixed ideas of the traditional development model and be more receptive to new development concepts. All these determine the SMEs' operators can be able to develop strategies which are based on the actual situation of enterprises. Besides that, in the subsequent implementation of trademark strategy, depending on changes in the external and internal environment, the strategy can be adjusted accordingly.

3.2 Analysis of Internal Weaknesses

(1) Enterprises have a vague understanding of trademarks. Companies do not have a clear understanding of the process and the purpose of the implementation of the trademark. General business rarely prepares trademark trainings for the staff. So most enterprises have a smattering knowledge about trademark registration, protection, management and other processes, as well as the purpose to apply for trademark. They do not know that applying for a trademark is to enhance the company value, protect technology and dominate the market in the long term (An & Zhang, 2010).

(2) Enterprises have a severe shortage of professionals. Implementation of trademark strategy should put related professionals as a guarantee. While the urgent problem of trademark construction in domestic SMEs is lack of talent. They are lack of a talent team equipped with trademark concept and strategic layout. Without professional team equipped with the overall planning, implementation of trademark strategy is a job of making bricks without straw, leading to be unable to move.

(3) Corporate trademark management system is not perfect. Since China started late on trademark law, in terms of construction of the trademark, companies is in start level, many SMEs have not set independent trademark management departments and related personnel. In the subsequent business development some enterprises added to the trademark construction, but from the whole, the enterprises' planning are not harmonious in different stage, coupled with communication barriers, making the trademark construction so immature.

3.3 Analysis of External Opportunities

(1) The intellectual property system is increasingly

perfect. Relevant intellectual property system in the domestic is increasingly perfect. Currently a relatively systematic legal system has been formed, and at the same time we strive to have laws to abide by. In terms of law enforcement, it has formed double safeguard mechanism combining judicial supervision with the administrative protection (Zhao, 2008). There is a good atmosphere that the government is strict in enforcing the law and dealing with law breakers.

(2) The government actively guides the implementation of the trademark management. In June of 2008, China promulgated "the outline of the national intellectual property strategy". The related content of the right to the exclusive use of registered trademarks was called as the "trademark strategy" for the first time. Since that the status of trademark strategy greatly improved, and got widely attention. While SAIC organized "SAIC promote trademark strategy implementation meeting" so as to put intellectual property including trademark to a prehistoric unprecedented height. The level of emphasis on trademark strategy in all levels of society rose to a new stage.

3.4 Analysis of External Threats

(1) Foreign enterprises, especially large multinational companies, use the trademarks to seize the Chinese market. In modern economic life, intellectual property rights have been integrated into modern enterprise in business development, and are closely related with the enterprises' competitiveness. Due to the exclusive characteristics the patent has, as long as companies get a patent, it is equivalent to occupy the target market (Zhang, 2005). Since China's accession to the WTO, foreign large enterprises and multinational companies are targeting China, this huge cake. By registering trademark in domestic, they establish a solid protection network for its own enterprise trademark in all areas. It is no doubt a huge challenge for domestic SMEs who are still weak.

(2) There is a lack of financing policies the government supports for SMEs. SMEs often encounter the difficulty of financing in the process of development. They are generally small-scale, limited financial resources, lack of financing channel. The existing funds directly invest in the business in order to achieve rapid gains. Trademark development needs a lot of manpower, material and time, and it promises no quick results. So a small part of the limited funds are spent on trademark management. Because of every single individual of SMEs has not much effect on the market, the SMEs are often ignored by the government in the strategic position in the market. These entire make the government has little financial support for SMEs. Special investment for the trademark is even fewer.

Through the above analysis, the structure of SWOT analysis has shown in Figure 1:

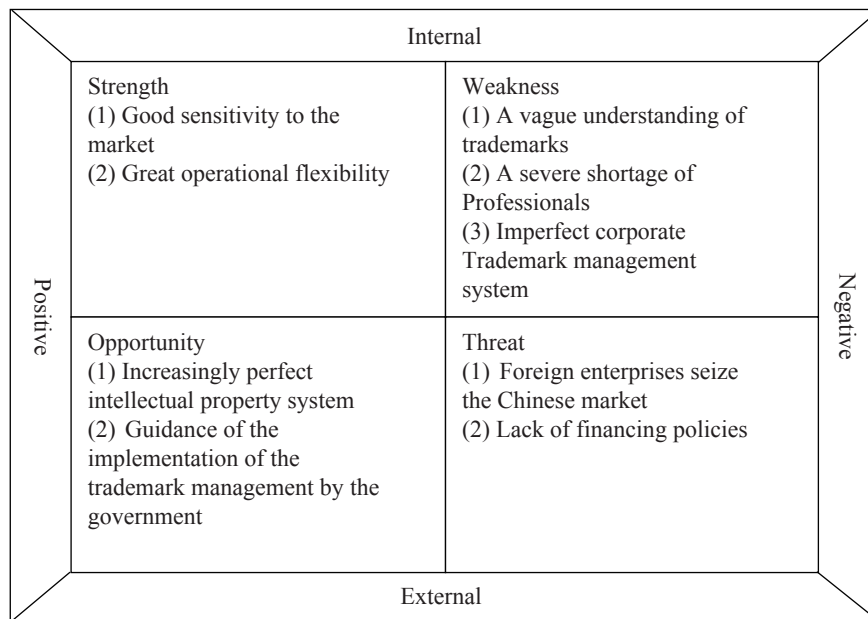


Figure 1
The Structure of SWOT Analysis of Influencing Factors of Trademark Strategy Implementation in SMEs

4. MEASURES TO IMPROVE SME' TRADEMARK STRATEGY BASED ON SWOT ANALYSIS

Because our country is in the early stage of constructing the socialist market economy, the corresponding market economic operation mechanism, the trademark management system and the external environment is imperfect. The level of domestic SMEs' scientific research, quality and quantity of the trademarks and economic strength can't compete with large enterprises in domestic and western multinationals. Most SMEs do not have their own core technology. The core technology research and development requires huge capital investment, while SMEs are difficult to do this because of their own limitations. According to the above analysis, the formulation and implementation of trademark strategy can be improved from the following aspects:

(1) We should improve the internal awareness of trademark strategy and enhance the training of internal trademark professionals. The core wealth of the business is people. Only on the basis of owning a group of professionals who are familiar with trademark strategy, the enterprises can improve the overall capacity of the trademark strategy. In addition to introduce outstanding talents directly from the external, the enterprises should strengthen the training of professional trademark. We should keep instilling the knowledge of trademark to the managers, especially the corporate leaders as an important aspect in the training.

(2) We should formulate and make use of trademark strategy. In fact, any strong enterprise is developed from the SMEs. They flexibly choose different trademark

strategies to implement at different stages of the development, which maximize the effectiveness of trademark strategy in conformity with the actual situation. Only by combining theory with practice, added with flexible choices, specific strategies which are most suitable for enterprises in certain stage of development can be worked out. In the early development SMEs is limited by small-scale and little resources, which make them cannot spend a lot of publicity costs on the promotion of brand. But they also must consider the long-term development of enterprises. Thereby using the single trademark strategy is a wise choice. To the enterprises, a trademark can cover all the product or service. Not only can significantly reduce its advertising & publicity expenses, but also benefit the effectiveness of publicizing a product to other products and services.

(3) We should strengthen the protection of trademark. After "WTO", on the one hand, domestic enterprises enjoy the opportunity of openness preferential treatment and participate in international competition in a more advantageous position; On the other hand, we also face the challenge of more intense competition in the market brought by foreign multinational companies who entered China market since then. The current market competition has entered the stage of brand competition. Enterprises must intensify protection of trademarks to survive and develop in the fierce market competition. Therefore, enterprises should familiarize with the revised rules of trademark protection, so as to avoid infringing someone else's trademark due to lack of knowledge about trademark. At the same time, we should initiatively take advantage of trademark protection rules to combat infringing act and safeguard legitimate trademark rights

and interests of enterprises. Enterprises should promptly and fully register trademarks to establish trademark rights, which are not only involved in the current use but also in the future.

CONCLUSION

According to SWOT analysis to the SMEs' trademark strategy, we know that we face the coexistence of the opportunities and threats in the process of enacting trademark strategy, as well as strengths and weaknesses. Therefore, in the overall planning and specific implementation process of trademark strategy, we need to be flexible to use the combination of the results of the analysis, make full use of external opportunities and internal advantages, and do our best to minimize the impact of the external threats and internal disadvantage, in order to obtain rapid development in the fierce market competition.

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