Article

The Influence of Selected Marketing and Branding Practices on the Financial Performance of Family SMEs

Shelley Farrington
https://orcid.org/0000-0003-3423-4529
Nelson Mandela University, South Africa
Shelley.Farrington@mandela.ac.za

Elmarie Venter
https://orcid.org/0000-0002-2626-7171
Nelson Mandela University, South Africa

Bianca Richardson
Nelson Mandela University, South Africa

Abstract

The primary objective of this study was to investigate the influence of selected marketing and branding practices on the "perceived financial performance" of family SMEs. A survey using a structured questionnaire was used to gather the necessary data. The population consisted of all owners of family SMEs operating within the borders of the Eastern Cape province of South Africa. Criterion and convenience sampling were used, and questionnaires were administered by field workers. In total, 325 questionnaires were useable for statistical analysis. Scale validity and reliability were assessed, descriptive statistics calculated, and Pearson's product moment correlations established. Multiple regression analysis was undertaken to investigate the hypothesised relationships. The results show that only "product differentiation" influences the financial performance of family SMEs, but given the low beta reported for this relationship claiming any serious linear relationship would be erroneous.

Keywords: small- and medium-sized enterprises (SMEs); family SMEs; family business; marketing; branding; financial performance

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Introduction

It is well documented that family businesses make an important contribution to the economies of countries (Family Firm Institute 2015; Yu, Lumpkin, Sorenson and Brigham 2012). However, they face many challenges that result in a high rate of business failure (Kaunda and Nkhoma 2013). Consequently, many of their potential contributions never come to fruition. According to several authors (Hnatek 2015; Kaunda and Nkhoma 2013), many of the challenges faced occur because of the unique nature of family businesses, and as a result of the interaction between the family and the business, and vice-versa. It is this interaction between the various subsystems, namely family, management and ownership, which hampers the longevity of family businesses (Taruwinga 2011).

Several authors (Craig, Dibrell and Davis 2008; Zellweger, Kellermanns, Eddleston and Memili 2012) are, however, of the opinion that family businesses can in certain cases use the family subsystem as a marketing tool to enhance their longevity and that marketing could play a vital role in the success of family SMEs (Astrachan and Astrachan 2015; Craig et al. 2008). Many (Chirico, Ireland and Sirmon 2011; Micelotta and Raynard 2011) contend that family businesses are in a fortunate position, in that they can utilise their "family business" status as an important marketing and branding tool. Family businesses can leverage family involvement to develop a unique family-based brand identity, which can improve the longevity of family SMEs (Sundaramurthy and Kreiner 2008; Zellweger et al. 2012).

According to Craig et al. (2008) and Chirico et al. (2011), a strong family brand represents competitive bundles of resources that are not only intrinsic to the family, but are also valuable, rare and difficult to imitate. Thus, family businesses can leverage their familiness to achieve a sustainable competitive advantage over non-family businesses (Carrigan and Buckley 2008). Astrachan and Astrachan (2015) and Craig et al. (2008) concur that family businesses may benefit from promoting their family business status. However, more in-depth research is needed on how family business marketing and branding practices can influence the performance of their businesses (Craig et al. 2008; Zellweger et al. 2012). Although marketing in the context of family business has generated little interest, research on family business and brand management presents several interesting issues to address (Bravo, Cambra, Centeno and Melero 2017). Hence the focus of this study is on selected marketing and branding practices of family SMEs.

Problem Statement and Primary Objective

Although literature (Blombäck and Craig 2014; Craig et al. 2008) suggests that family businesses can leverage their familiness to develop a unique business brand, limited information exists on the marketing and branding practices of family SMEs (Benavides-Velasco, Quintana-Garcia and Guzman-Parra 2011; Craig et al. 2008; Krappe, Goutas and Von Schlippe 2011; Pohjola 2016; Pounder 2015). In addition, little is known about the premise of marketing and branding a business as family owned and how this influences business performance (Craig et al. 2008). Against this background, the primary objective of this study was to investigate the influence of selected marketing and branding practices on the "perceived financial performance" of family SMEs. To achieve this objective, the research questions are posed as follows: Does a customer service orientation or a product differentiation orientation influence the financial performance of family SMEs? Does the promotion of the family SME as a family business to stakeholders enhance financial performance? Does using the family name as a brand when doing business influence financial performance? Little is known about the premise of marketing and branding a business as family owned and whether this contributes to the financial performance of family SMEs operating in developing countries such as South Africa. In answering the research questions posed, the current study contributes to closing the aforementioned research gap.

In this study, family SMEs refer to small businesses where at least two family members actively work in the business, whereby a single family owns more than a 50 per cent share in the business, and the business has been in operation for at least one year, employing more than five, but fewer than 200 full-time employees. This description is based on the family business definitions of other South African authors (Van Der Merwe 2010; Visser and Chiloane-Tsoka 2014), whereas the employee numbers criteria was based on the National Small Business Amendment Act 23 of 2003 criteria (Bosch, Tait and Venter 2011). Family SMEs were specifically chosen as the focus of this study because of their contributions to the economies of countries (Family Firm Institute 2015; Yu et al. 2012), including developing countries such as South Africa.

Literature Overview and Hypotheses Development

It is well supported in literature (Blombäck and Botero 2013; Kotler and Armstrong 2010) that the marketing and branding practices adopted by a business influence the financial performance of that business. Marketing practices commonly adopted by family SMEs include those that have a product (Pérez-Cabañero, González-Cruz and Cruz-Ros 2012) or consumer orientation (Binz, Hair, Torsten, Pieper and Baldauf 2013; Ntanos and Ntanos 2014; Terzidis and Samanta 2011), or strategies that differentiate themselves from other businesses based on these orientations. It is also a well-recognised proposition in literature (Craig et al. 2008; Flören, Jansen and Berent-Braun 2015) that a differentiation-competitive orientation is more applicable than a low-cost leadership strategy to both family and non-family SMEs. More specifically, Craig et al. (2008, 355) assert that a "customer service differentiation competitive orientation" (also known as customer-centricity) and a "product differentiation competitive orientation" (also known as product-centricity) are the strategies most often used by SMEs. For this reason, the marketing strategies or differentiation competitive orientations investigated in this study are "customer service differentiation" and "product differentiation." Researchers (Memili, Eddleston, Kellermanns, Zellweger and Barnett 2010) have successfully demonstrated that the promotion of the business as a family business, with a family business image, can play an important role in the performance of family SMEs. Similarly, many others (Craig et al. 2008; Gundala and Khawaja 2014; Zellweger et al. 2012) contend that family business branding can influence business success. Against this background, several relationships are hypothesised. From Figure 1, it can be seen that "customer service differentiation", "product differentiation", "promotion of family business" and "use of family business image" serve as the independent variables, and "perceived financial performance" serves as the dependent variable in this study. Each of the aforementioned variables will be elaborated on in more detail below. Evidence to support the hypothesised relationships is presented in the paragraphs that follow. "Perceived financial performance" will first briefly be described.

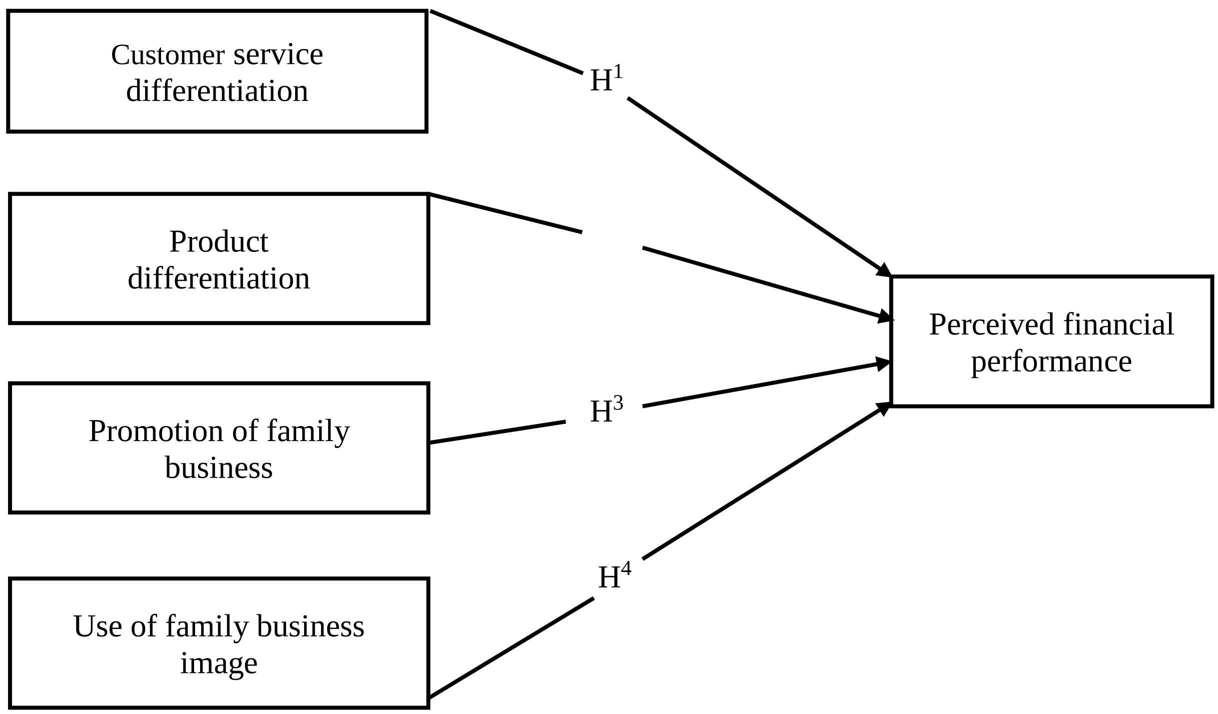

Figure 1: Hypothesised relationships

Dependent Variable: Perceived Financial Performance

According to Herath and Mahmood (2013), business performance originally referred to the achievements of the business, as well as to the ratio of value created by the business over the value expected by the owners. Herath and Mahmood (2013), as well as Chen, Tsou and Huang (2009), explain that business performance focuses on achieving the objectives of the business, which are often both financial and non-financial in nature (Dirisu, Iyiola and Ibidunn 2013). Because of its multi-dimensional nature, the measurement of business performance is not an easy task (Gerba and Viswanadham 2016). Business performance includes both financial and non-financial measures, with the latter focusing on achieving operational objectives, including but not limited to increasing customer satisfaction and loyalty (Dirisu et al. 2013; Whittington 2015). The financial performance of a business is most commonly assessed using economic factors that are quantitative in nature, such as profitability and growth (Chong 2008; Gerba and Viswanadham 2016). Although some researchers (Lumpkin and Dess 1996; Wiklund and Shepherd 2005) highlight the advantages of using both financial and non-financial measures of performance, other researchers (Sharma 2014; Talib and Shafie 2016) have consistently used only financial measures of performance as a means to measure success in family businesses. Chong (2008) highlights the importance of profitability as a measure of financial performance by stating that profitability reflects the business's ability to achieve its long-term goals. Memili et al. (2010) and Wiklund and Shephard (2005) assert that growth is a critical measurement of performance in smaller family businesses, since it is likely to be reported more accurately than other measures such as profitability. According to Davidsson, Achtenhagen and Naldi (2005), researchers should use different measures of growth, including growth of sales, profits, and number of employees when measuring financial performance (Chong 2008; Gerba and Viswanadham 2016).

Empirical studies often use perceived measures of performance when conducting research related to business performance. Perceived measures of performance are based on subjective views of growth and profitability, and not objective information gathered by reviewing performance records (Soininen, Martikainen, Pumaonen and Kylaheiko 2012; Talib and Shafie 2016). In the current study, financial performance will be based on the perception of the owner of the family SME and will measure aspects of profitability, growth and financial security. More specifically, "perceived financial performance" is operationalised as the family SME being profitable, financially successful and secure, as well as experiencing growth in profits, turnover, and number of employees over the last two years (Farrington 2009; Matchaba-Hove 2013).

Customer Service Differentiation and Perceived Financial Performance

Customer service differentiation refers to a business providing customers with a service that is different to the service provided by that of competitors (Chandrasekar 2010). Several authors (Dess and Davis 1984; Ross 2015) broadly describe customer service differentiation as going beyond treating customers better than competitors. Instead, emphasis is placed on providing a unique customer experience by incorporating value-added differentiating factors (such as after-sales support, quick response time, innovative marketing techniques) that are meaningful to customers in the service offering of the business. For the purpose of this study, a "customer service differentiation" competitive orientation refers to the family business distinguishing itself from other businesses through innovation in marketing techniques, higher quality standards than competitors, by keeping a tight control of expenses, and by means of quick delivery and responding immediately to customer orders.

Anecdotal evidence (Lovelock, Patterson and Witz 2015; Nasir 2015) suggests that there is a positive relationship between a customer service differentiation and business performance. This orientation is known to foster customer satisfaction and thus loyalty among customers, which in turn is critical to business performance. In this regard, businesses experience growth in revenues as a result of repeat purchases made by loyal customers (Eggert, Thiesbrummel and Deutscher 2014; Lovelock et al. 2015; Nasir 2015).

Similarly, several authors (Botero and Blombäck 2010; Carrigan and Buckley 2008; Pérez-Cabañero et al. 2012; Terzidis and Samanta 2011) contend that family businesses pride themselves on the differentiated experience they offer customers; their focus on customers enables them to develop interpersonal relationships with these customers. The customer orientation culture in family businesses in turn enables them to gather market intelligence directly from customers, resulting in these businesses having a better understanding of customer needs (Intihar and Pollack 2012; Tokarczyk, Hansen, Green and Down 2007; Zachary, McKenny, Short and Payne 2011). More importantly, these businesses are then able to disseminate market intelligence with the intention of enhancing their understanding of customer needs, which enables them to adjust their market offerings to the preferences of customers, thereby playing a critical role in the financial performance of the family business (Tokarczyk et al. 2007; Zachary et al. 2011).

Numerous empirical studies confirm a positive relationship between a customer service differentiation and business performance in general (Eggert et al. 2014; Chen et al. 2009), and family business performance in particular (Craig et al. 2008; Okoroafo and Koh 2009). Okoroafo and Koh (2009) examined the impact of marketing activities of family businesses on customers' purchase intentions in the United States. They found that the customer service provided by family businesses positively influences customers' purchase intentions (Okoroafo and Koh 2009). Craig et al. (2008) investigated whether a family-based brand identity can be used as a tool to facilitate business performance by means of competitive orientations in family SMEs (customer service differentiation and product differentiation). They found that among smaller family businesses, customer service differentiation mediates the relationship between promoting the family business status and business performance (Craig et al. 2008). Therefore, the following hypothesis is formulated: H^1 There is a positive relationship between the use of a "customer service differentiation" competitive orientation and the "perceived financial performance" of family SMEs.

Product Differentiation and Perceived Financial Performance

Product differentiation refers to the process of incorporating unique high-quality features or attributes into products that enable the products to stand out in comparison to other similar products. In addition, product differentiation includes elements that customers perceive to be unique, resulting in customers not considering alternative products (Mustafa, Rehman, Zaidi and Iqbal 2015). For this study, a "product differentiation" competitive orientation refers to the family business distinguishing itself from other businesses by developing and/or selling new and speciality products and/or services, investing in research and development facilities, upgrading existing products' appearance and performance, and emphasising product and/or service for highly priced market segments.

Several authors (Daft and Samson 2015; Ferrell and Hartline 2013) assert that the value of product differentiation is rooted in its ability to draw on customer loyalty. Ferrell and Hartline (2013) as well as Pérez-Cabañero et al. (2012) explain that the underlying goal of product differentiation is to ensure a less elastic demand curve, which implies that the ultimate economic goal of product differentiation is to ensure customers are less sensitive to price changes. It is recognised that loyal customers are willing to pay a premium price for a product that is perceived as non-substitutable as a result of its unique features or attributes. The premium price charged translates into higher profit margins and higher sales revenue (Eggert et al. 2014; Kasemsap and Rajabhat 2015).

Several empirical studies provide evidence of a positive relationship between product differentiation and business performance in large (Dirisu et al. 2013; Nolega, Oloko, William and Oteki 2015), small (Craig et al. 2008; Johnson, Dibrell and Hansen 2009), and family businesses (Pérez-Cabañero et al. 2012). In their study, Johnson et al. (2009) found that product differentiation in family and non-family SMEs positively influences business performance. Similarly, Craig et al. (2008) confirmed a positive relationship between product differentiation in family SMEs operating in the United States, and growth in market share and sales, and in financial performance. Pérez-

Cabañero et al. (2012) investigated the impact that various marketing capabilities have on the financial and non-financial performance of family SMEs operating in the manufacturing industry in Spain. In contrast to other studies, they found that product differentiation did not directly influence the financial performance of family SMEs, but instead product differentiation directly influences the non-financial performance of these businesses (Pérez-Cabañero et al. 2012). Their study found that product differentiation directly contributes to stakeholder satisfaction, which in turn positively influences financial performance. The following hypothesis has been formulated: H^2 There is a positive relationship between the use of a "product differentiation" competitive orientation and the "perceived financial performance" of family SMEs.

Promotion of Family Business and Perceived Financial Performance

Family businesses can differentiate their family business in a crowded marketplace by promoting the business as family owned to various stakeholders (Botero 2010; Sundaramurthy and Kreiner 2008). For the purpose of this study, "promotion of family business" is action-orientated and refers to the family business *being promoted* as a family business to suppliers, customers, potential employees and financiers. Several authors (Botero, Thomas, Graves and Fediuk 2013; Gallucci, Santulli and Calabrò 2015) contend that not only are family businesses who promote their family business status to stakeholders able to develop a sustainable competitive advantage over non-family businesses, but that promoting the family business status also positively influences business performance. Family businesses are not only able to promote their family business status but are also able to promote their heritage and family values (Zellweger, Eddleston and Kellermanns 2010). These businesses are particularly interested in promoting their corporate heritage because the heritage of the business and that of the owner family are often closely related (Balmer 2017). Promoting the business as family owned to employees can result in employees having a sense of belonging and subsequently viewing the family business as an extension of themselves. Consequently, employees are more willing to participate in the activities of the family business, which can ultimately lead to enhanced family business performance (Botero et al. 2013; Micelotta and Raynard 2011).

Several studies (Beck and Kenning 2015; Kashmiri and Mahajan 2014; Micelotta and Raynard 2011) provide empirical support for a positive relationship between promoting the business as a family business and business performance. For example, Kashmiri and Mahajan (2014) found that family businesses who highlight their family business status and use the name of their founding members perform better than family businesses who do not. However, Craig et al. (2008) found that in smaller family businesses, promoting the family business to stakeholders does not directly influence business performance. Instead, they found that customer service differentiation partially mediates the influence of promotion of family business on business performance (Craig et al. 2008). Given the aforementioned discussion, the following hypothesis has been formulated and will be subjected to empirical testing: H^3 There is a positive relationship between "promotion of family business" and the "perceived financial performance" of family SMEs.

Use of Family Business Image and Perceived Financial Performance

It is well known that family businesses are particularly proficient in developing a unique corporate image owing to the interaction of the identity of the family and that of the business (Sundaramurthy and Kreiner 2008; Zellweger et al. 2012). According to Blombäck and Ramirez-Pasillas (2012) and Memili et al. (2010), a family business image is created by presenting the business as a family business to stakeholders and by advertising and communicating a desired family business brand and image to the public. For the purpose of this study, use of a family business image is content-orientated and refers to the family business basing its marketing strategy on the fact that it is a family business, and in doing so, including the family business status in advertising material and using their recognised family name as a brand when doing business.

Several authors (Kashmiri and Mahajan 2014; Zellweger et al. 2010) contend that a relationship exists between organisational image and business performance. It is also suggested that the image of a family business influences the level of family business performance (Memili et al. 2010). For example, Blombäck and Craig (2014) highlight the fact that the term "family" in a family business is known to create positive associations in the minds of stakeholders, since the term often induces positive feelings. Furthermore, family businesses that promote their heritage and values are able to induce an emotional response from customers, providing customers with a sense of familiarity, trust and affiliation, which in turn strengthens the business's attempt to encourage customers to base their purchasing decisions on the values that they associate with the family business (Blombäck and Craig 2014; Botero et al. 2013).

Several studies (Beck and Kenning 2015; Botero et al. 2013; Kashmiri and Mahajan 2014; Memili et al. 2010; Zellweger et al. 2012) provide empirical support for a relationship between family business image and business performance. Beck and Kenning (2015) examined whether the family business image of retailers influences customers' sense of trustworthiness of a product and the influence on customers' purchase intentions. Their study revealed that the more the retailer is perceived by customers as a family retailer, the higher customers' perceived sense of trustworthiness of the retailer is. Second, their study showed that the family business image of the retailer has a significant influence on the customer's purchase intentions and thus also on business performance (Beck and Kenning 2015). Similarly, Okoroafo and Koh (2009) investigated the purchase intentions of customers in relation to family businesses. Their study demonstrated a positive relationship between the purchase intentions of customers and the recognition of family ownership, and they concluded that family businesses should communicate their family business status as well as their familiness in their marketing activities (Okoroafo and Koh 2009). Against this background, the following hypothesis has been formulated: H^4 There is a positive relationship between "use of family business image" and the "perceived financial performance" of family SMEs.

Methodology

This study adopted a positivistic research paradigm and implemented a quantitative research approach which was deductive and cross-sectional in nature. A survey with self-administered and structured questionnaires was used to gather the necessary data. The development and distribution of the questionnaire was subjected to the research ethics approval procedures at the Nelson Mandela University, and it was concluded that no potential harm to the respondents existed.

Population and Sample

The population consisted of all-family SMEs operating within the borders of the Eastern Cape province of South Africa. To date, there is no national database or list of small businesses in South Africa or in the Eastern Cape, therefore criterion and convenience sampling was used to identify potential respondents. In this study, a family SME was defined as one where at least two family members actively work in the business, whereby a single family owns more than a 50 per cent share in the business, and the business has been in operation for at least one year, employing more than five, but fewer than 200 full-time employees. The aforementioned criteria were considered in the sampling process. The SME owners were the unit of analysis.

Measuring Instrument and Data Collection

The measuring instrument requested demographic information relating to the owner of the family SME as well as the family SME. A question verifying that the respondent and family SME met the criteria for participation was also included. In this way it was possible to minimise non-response errors. SME owners were also required to respond to several statements measuring independent and dependent variables. The statements were presented in terms of a five-point Likert-type scale, interpreted as: Strongly agree (5), Agree (4), Neutral (3), Disagree (2), and Strongly disagree (1). All items were sourced from previous studies. The number of items for each of the aforementioned, as well as the sources for these items, are summarised in Table 1.

Table 1: Measuring instrument

Independent variables	**Items**	**References**
Customer service differentiation	5	Flören et al. (2015); Johnson et al. (2009); Craig et al. (2008); Davis, Dibrell and Janz (2002); Dess and Davis (1984).
Product differentiation	5	Johnson et al. (2009); Craig et al. (2008); Davis et al. (2002).
Promotion of family business	4	Astrachan and Astrachan (2015); Craig et al. (2008).
Use of family business image	7	Flören et al. (2015); Zellweger et al. (2012); Memili et al. (2010); Craig et al. (2008).
Perceived business performance	6	Matchaba-Hove (2013); Farrington (2009).

SME owners responded by means of self-reporting to the independent and dependent variables at the same time and from the same measuring instrument. As such, concerns relating to common method were raised (Meade, Watson and Kroustalis 2007, 1). Several procedural methods were implemented proactively to reduce the possibility of common method bias (CMB). The items on the scale were kept simple, specific and concise, and were constructed carefully to avoid ambiguity, vagueness and being double-barrelled (Podsakoff, MacKenzie, Lee and Podsakoff

2003, 888). In addition, respondents were assured of anonymity and that no answers were right or wrong (Podsakoff et al. 2003, 888).

Potential family SME owners were approached by fieldworkers and requested to participate in the study. Five hundred questionnaires were personally delivered and then collected upon completion. Completed questionnaires were examined to ensure that they met the criteria for participation and were correctly completed. Those that did were captured onto an Excel sheet. The mean-substitution approach was used to replace missing values. This approach was considered suitable as the levels of missing values were very low (Hair, Black, Babin and Anderson 2010). Of the 500 distributed questionnaires, 403 were returned but only 325 met the criteria for participation and were useable for statistical analysis. An effective response rate of 65 per cent was achieved. Given the response rate, non-response bias was not considered to be a problem in this study.

Data Analysis

The statistical software, STATISTICA version 13 was used to perform the analysis in this study. Factor analysis was used to examine the construct validity of the scales measuring the independent and dependent variables. More specifically, tests for unidimensionality were used. A measurement is regarded as unidimensional when an individual underlying trait is responsible for all common variance among item responses (Robins, Fraley and Krueger 2009). These tests were deemed appropriate given that the scales measuring the independent and dependent variables had been used in previous studies. Principle components analysis was specified as the extraction method to produce an unrotated factor matrix. Factor loadings of greater than 0.5 (Hair, Black, Babin and Anderson 2014) were considered significant. Cronbach's alpha (CA) coefficients were used to assess internal reliability of the various scales and alpha values of greater than 0.7 were regarded as providing sufficient evidence of reliable scales (Nunnally 1978). Thereafter, descriptive statistics were calculated to summarise the sample data, and Pearson's product moment correlations calculated to establish the correlations between the factors under investigation. Multiple regression analysis was undertaken to test the hypothesised relationships in this study. Multiple regression analysis aims to determine the nature of the linear relationship between one dependent variable, and multiple independent variables (Collis and Hussey 2014) as was the case in the current study.

Empirical Results

Sample Description

The majority of respondents who participated in this study were male (79.92%) and over the age of 40 years (59.38%). In terms of the ethnic affiliation, the majority were white (56.92%), followed by black (18.15%) and coloured (12.31%) participants. The majority (70.77%) also possessed a tertiary qualification. Nearly half of the respondents (47.69%) indicated that they had been the owner of the family business for between 1 and 10 years, whereas only 16 per cent indicated having been the owners for between 16 and 20 years. The majority of family SMEs were owned by first generation family members (56.62%), 32.63 per cent by second generation family members and 10.76 per cent by the third or later generations. The majority of the family SMEs employed fewer than 20 employees (66.15%) with most operating in either the service industry (43.39%), and retailer and/or wholesaler (32.00%) industries.

Validity and Reliability

The results of the tests for unidimensionality show that all constructs reported factor loadings of above 0.5 (Bakar, Rahim and Ibrahim 2015) (see Table 2). Except for "customer service differentiation", all constructs reported CA coefficients greater than 0.7 (Nunnally 1978). With a CA coefficient of 0.548, "customer service differentiation" was not considered for further statistical analyses.

Table 2: Validity and reliability results

Variables	**Original items**	**Items loadings**	**Minimum and maximum loadings**	**CAs**
Customer service differentiation	5	5	0.693 – 0.554	0.548
Product differentiation	5	5	0.770 – 0.594	0.755
Promotion of family business	4	4	0.871 – 0.812	0.858
Use of family business image	7	7	0.815 – 0.601	0.859
Perceived business performance	6	5	0.887 – 0.822	0.903

Based on the results of the factor analyses, the operational definitions of the dependent and independent variables are summarised in Table 3.

Table 3: Reformulated operational definitions

Factor	Operationalisation
Product differentiation	*Product differentiation* refers to the family SME distinguishing itself from other businesses by emphasising products and/or services for highly priced market segments, developing/selling new products and/or services, investing in research and development facilities to develop and sell speciality products and/or services, as well as upgrading existing products' appearance and performance.
Promotion of family business	*Promotion of family business* refers to the family SME being promoted as a family business to suppliers, potential employees, financiers and customers.
Use of family business image	*Use of family business image* refers to the family SME using its recognised family name as a brand when doing business, and to the fact that they are a family business as a basis for their marketing strategy and material.
Perceived business performance	*Perceived financial performance* refers to the family SME being financially secure, experiencing growth in turnover and profits over the last two years, as well as being financially successful and profitable.

Given that "Customer service differentiation" was no longer subject to empirical testing, the hypotheses were renumbered as follows: H^1 There is a positive relationship between the use of a "product differentiation" competitive orientation and the "perceived financial performance" of family SMEs; H^2 There is a positive relationship between "promotion of family business" and the "perceived financial performance" of family SMEs; H^3 There is a positive relationship between "use of family business image" and the "perceived financial performance" of family SMEs.

Data Description

Harman's single-factor test was used as the *post hoc* statistical technique to assess the existence of CMB. All the items measuring all the constructs were included in the analysis. A single factor emerged explaining 22.36 per cent of the variance in the data; well below the threshold of 50 per cent. This suggests that CMB is not a matter of serious concern in this study. Although the usefulness of Harman's single-factor test has been questioned (Podsakoff et al. 2003, 889), alternative techniques also suffer from limitations and are not recommended until effectiveness has been shown (Conway and Lance 2010, 332).

To undertake the inferential statistical analyses in this study, the distribution of the data needed to be approximately normally distributed. The Shapiro-Wilk W test was undertaken to assess for normality and reported the W statistic as significant ($p < 0.001$) in the case of all the factors under investigation in this study, except for "use of family business image." As a result, the hypothesis that all the respective distributions are normal should be rejected for all factors except "use of family business image" (StatSoft 2013). Despite this violation, it is argued by some (Field 2009) that when the data set is large enough, the violation of normally distributed variables does not have a significant effect (Piirala 2012; Tabachnick and Fidell 2007). Hair et al. (2014) suggest that normality can have serious effects on small samples (fewer than 50 cases), but the impact effectively diminishes when a sample's size reaches 200 cases or more. Although the sample size in this study was far greater than 50, the results of the statistical analysis should be interpreted in light of this violation.

Descriptive Statistics

For discussion purposes, the response categories on the five-point Likert scale were categorised as follows: $1 <= x < 2.333$ were categorised as disagree; $2.333 <= x < 3.667$ as neutral; and 3 667 <= x <= 5.000 were categorised as agree. The descriptive statistics for both the dependent and independent variables are presented in Table 4.

Table 4: Descriptive statistics

Factors	**Mean**	**Std. dev.**	**Disagree %**	**Neutral %**	**Agree %**
Product differentiation	3.773	0.682	2.154	40.923	56.923
Promotion of family business	3.462	1.022	14.770	36.620	48.610
Use of family business image	3.220	0.885	17.846	49.231	32.923
Perceived financial performance	4.215	0.633	1.231	15.077	83.692

"Product differentiation" returned a mean score of 3.773 with the majority respondents (56.923%) agreeing that they adopted this strategy. "Promotion of family business" returned a mean score of 3.462 with most respondents agreeing (48.61%) with the statements measuring this factor. More than one third (36.62%) were, however, neutral regarding the business being promoted as a family business to stakeholders. "Use of family business image" returned a lower mean score ($\bar{x}$=3.220), with nearly half of the respondents being neutral (49.23%) with regard to the statements measuring this factor. The dependent variable, "perceived financial performance," returned a mean score of 4.215, with the majority of respondents agreeing (83.692%) that their family SME was financially secure, had experienced growth in turnover and profits over the last two years, and was financially successful and profitable.

Inferential Statistics

From Table 5, it is evident that there is no significant correlation between the factor *Product differentiation* and the other independent variables in this study. A significant ($p < 0.05$) strong positive correlation ($r = 0.687$) (Choudhury 2009) was, however, reported between "promotion of family business" and "use of family business image." R-values of between 0.163 and 0.083 were reported for the associations between "perceived financial performance" and the various independent variables. Only "product differentiation" and "use of family business image" were found to be significantly ($p < 0.05$) and positively correlated with "perceived financial performance." However, the r-values ("product differentiation" $r = 0.163$; "use of family business image" $r = 0.115$) reflect weak associations (Choudhury 2009).

Table 5: Pearson's product moment correlation coefficients

Factors	**1**	**2**	**3**	**4**
1 Product differentiation	1.00	-	-	-
2 Promotion of family business	0.072	1.00	-	-
3 Use of family business image	0.088	**0.687**	1.00	-
4 Perceived financial performance	**0.163**	0.083	**0.115**	1.00

(**Bold** = $p < 0.05$)

Multiple Regression Analyses (MRAs)

Given the correlations reported, multicollinearity was not considered a problem when estimating the regression model using the data collected in this study. Furthermore, to ensure that the results of a MRA are valid, several assumptions must be met. These assumptions were tested by performing a residual analysis. The Cook's distance method failed to identify any outliers or influential observations. The normal probability plot of the residuals deviated somewhat from a straight line, and the normality assumption was not confirmed by the histogram of the residuals. As previously mentioned, it is argued (Field 2009; Piirala 2012) that the violation of the normality assumption does not have a significant effect (Piirala 2012; Tabachnick and Fidell 2007). A Durbin-Watson *d* value close to two (2.111) indicated that no residual correlation was present. The residual variance for each independent variable appears to be evenly distributed indicating that the equal variance assumption is satisfied.

In the multiple regression analysis, several demographic variables were controlled to account for possible confounding influences; these were ownership generation, owner qualification and business size. Given that the global *F*-test's p-value value was significant ($p = 0.014$), at a five per cent level of significance, the model is adequate for prediction purposes. The results of the MRA show that the control variables and the independent variables ("product differentiation", "promotion of family business" and "use of family business image") explain only 4.86 per cent of the variance in "perceived financial performance" (see Table 6). A significant positive linear relationship ($b = 0.1223$; $p < 0.05$) was reported between "product differentiation" and "perceived financial performance." The findings, however, show that there are no statistically significant relationships between the independent variable "promotion of family business" and "perceived financial performance," or between "use of family business image" and "perceived financial performance." The results of the testing of the hypotheses are summarised in Table 7.

Table 6: Independent variables and perceived financial performance

Perceived financial performance	**R^2 = 0.0486**		
	Beta	t-value	Sig.(p)
Intercept	3.441	15.147	0.000
Ownership generation	-0.0236	-0.5699	0.5691
Owner qualification	0.0510	0.6690	0.5040
Business size (employee numbers)	0.0020	1.8806	0.0609
Product differentiation	**0.1223**	**2.3361**	**0.0201**
Promotion of family business	-0.0107	-0.2270	0.8206
Use of family business image	0.0915	1.6512	0.0997

(*p < 0.001)

Table 7: Summary of hypotheses tested

	Hypotheses	**Decision**
H^1	There is a positive relationship between the use of a "product differentiation" competitive orientation and the "perceived financial performance" of family SMEs.	Accept
H^2	There is a positive relationship between "promotion of family business" and the "perceived financial performance" of family SMEs.	Reject
H^3	There is a positive relationship between "use of family business image" and the "perceived financial performance" of family SMEs.	Reject

Discussion and Managerial Implications

The majority of respondents agreed that their family business distinguishes itself from other businesses by emphasising products and/or services for highly priced market segments, developing/selling new products and/or services, investing in research and development facilities to develop and sell speciality products and/or services, as well as by upgrading existing products' appearances and performances ("product differentiation"). This finding is supported by both Pérez-Cabañero et al. (2012) and Craig et al. (2008) who contend that family businesses often differentiate themselves in the market through product differentiation. Such a product orientation emphasises innovation, research and development and the delivery of high-quality products to highly priced market segments. The results of this study are, however, in conflict with those of Flören et al. (2015) and Craig et al. (2008) who maintain that smaller family businesses are more likely to use a customer service differentiation competitive orientation (commonly referred to as a customer-centric orientation) than a product differentiation competitive orientation.

In this study, less than half of the respondents agreed that they promoted the business as a family business to suppliers, potential employees, financiers and customers ("promotion of family business"). This finding contradicts those of Astrachan and Astrachan (2015), who found that most family businesses in their sample did indeed promote the business as a family business to various stakeholders. Astrachan and Astrachan's (2015) sample consisted of much older family businesses than the sample in the current study, where many were first-generation family SMEs. This sample difference could explain the contradictory findings. Another possible explanation for the current findings is that family SMEs are known to have limited resources (Laforet 2013; Price, Stocia and Boncella 2013) with limited finances in particular. These limitations, together with the fact that establishing a family business brand is time consuming and expensive, could result in family SMEs not investing the required resources needed to promote the business as family owned (Miller 2015; Schwass and Glemser 2014).

Only one-third of respondents agreed that their family business used its recognised family name as a brand when doing business and that they used the fact that they are a family business as a basis for their marketing strategy and material ("use of family business image"). The studies of Memili et al. (2010) and Zellweger et al. (2012) reported similar results, with most of their respondents also being neutral about using the family name as a basis for branding and marketing. A possible explanation why family businesses refrain from establishing a family business image can be that when marketing and branding a business as family owned, the identity and the image of the business overlap with those of the family, resulting in a mirror effect. In other words, if the image of the family business is under scrutiny by the public, it can also negatively affect the image of the family itself (Flören et al. 2015; Memili et al. 2010).

Although a significant p-value value for the global *F*-test was reported, implying that the regression model was adequate for prediction purposes, the model only explains 4.86 per cent of the variance in "perceived financial performance." This is "an extremely low squared multiple correlation that calls for caution" (Lee 2014, 504). Furthermore, although a significant positive relationship was reported between "product differentiation" and "perceived financial performance," the beta reported for this relationship was very low (0.12). Claiming any serious linear relationship would be erroneous and the statistical significance of this relationship is possibly more likely the result of a relatively high power by virtue of sample size (Lee 2014). According to Lee (2014, 504), "in almost any standard interpretation of regression results, R^2 statistics of less than .10 and beta coefficients of less than .20 would usually not be seen to respectively show either fit to a linear model or strong linear relationships."

Given this weak relationship between "product differentiation" and "perceived financial performance," one could claim that the findings of the current study are somewhat in line with Pérez-Cabañero et al. (2012) who found no significant relationship between product differentiation and financial performance of family businesses. According to them, adopting a product differentiation had no direct effect on the financial performance of family businesses. However, emphasising new product development, innovative product designs and high-quality products leads to greater levels of customer satisfaction, and greater customer satisfaction in turn leads to increased profitability, returns and margins (Pérez-Cabañero et al. 2012).

The empirical results of this study show no significant relationship between "promotion of family business" and "perceived financial performance." This implies that whether or not the family business is promoted as a family business to suppliers, potential employees, financiers and customers, has no influence on the family business being financially secure, experiencing growth in turnover and profits over the last two years, or being financially successful and profitable. This finding is similar to that of Craig et al. (2008) who also reported no direct relationship between the promotion of the family business and family business performance. However, the finding of the current study contradicts those of several others (Beck and Kenning 2015; Kashmiri and Mahajan 2014; Micelotta and Raynard 2011) who provide empirical support for a positive relationship between promoting the business as family owned and business performance.

A possible reason why no relationship is reported between "promotion of family business" and "perceived financial performance" in the current study could be that most respondents indicated that the marketing strategy of their family business was not based on the fact that it was a family business. Another explanation for the finding could be the size of the sampled family SMEs in this study. The majority of family SMEs in this study were in their first generation and employed fewer than 20 employees, which may point to these businesses not yet being large enough to invest money and other resources in family business branding. Family SMEs are known to have various resource restrictions (Laforet 2013; Price et al. 2013). These restrictions, together with family SME owners having limited marketing knowledge, could have prevented them from successfully promoting the business as a family business to stakeholders (Miller 2015; Schwass and Glemser 2014).

The empirical findings of this study also show that no significant relationship exists between "use of family business image" and "perceived financial performance." In other words, whether or not the family business uses its recognised family name as a brand when doing business, or the fact that they are a family business for their marketing strategy and material, has no influence on the family business being perceived as financially secure, experiencing growth in turnover and profits over the last two years, as well as being financially successful and profitable. This finding is somewhat supported by Memili et al. (2010, 205) who found a marginally significant relationship between family business image and family business performance. In contrast, Zellweger et al. (2012) reported a significant relationship between family business image and family business performance. A possible explanation for this finding could lie with the characteristics of the family businesses sampled. In the study of Zellweger et al. (2012), the family businesses sampled were on average much older (69.08 years old) and larger (340.97 employees) than the family SMEs participating the current study. In the current study, most indicated the length of ownership as being less than 16 years and the number of employees as less than 20. Only one-third of respondents agreed that a family business image was projected to stakeholders, implying that most family SME owners either felt neutral about, or strongly disagreed, that their family business used its recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material.

Limitations and Contributions

Several limitations should be taken into account when interpreting the results of this study. The sample selected was limited to family SMEs operating in the Eastern Cape only. Furthermore, the sampling technique adopted prevents the findings of this study being generalised to the entire South African family SME population. The sample was also skewed in that the majority of respondents were from one ethnic group and thus the sample was not representative of all ethnic groups in South Africa and that most family business respondents were first-generation family SMEs. Some may even question as to whether first-generation family SMEs can as such be classified as family SMEs. Most previous studies on branding among family businesses have been done on older and larger family businesses; therefore, caution should be taken when comparing the findings of the current study to those done previously. Furthermore, the industry categories available to respondents for describing the nature of their family business operations were very broad, including retail, wholesale, manufacturing and services. Studies show that branding the business as family owned varies between industries (Blombäck and Craig 2014; Gallucci et al. 2015; Zellweger et al. 2012). Controlling for industry and business size could have provided additional explanations for the findings of this study.

The responses provided by respondents in this study were based on the individual responses of the family SME owners, which in turn were based on their own perception and self-reporting measures. This introduces some degree of bias in the responses provided, which could ultimately influence the validity of the data (Kim and Kim 2013). A further limitation of this study is that the construct “customer service differentiation” was not found to be reliable and could not be used in this study. Comparisons with existing studies are therefore not possible.

Another limitation of this study is that it only investigated the influence of selected marketing and branding practices on the financial performance of family SMEs. Future studies could include investigating customer satisfaction as a mediating variable between selected marketing and branding practices and financial performance. As suggested by Pérez-Cabañero et al. (2012), marketing and branding practices could contribute indirectly to the financial performance of a family SME through customer satisfaction. This study evaluated the competitive orientations of family businesses using only one of Porter’s orientations, namely differentiation. Although differentiation was investigated from a customer and product perspective, future studies should include the low-cost and focused strategies, because different industries require business to emphasise different competitive orientations. The MRA also revealed that the independent variables investigated explained a very small percentage of the variance in the dependent variable.

Despite the limitations identified, the current study makes several recommendations. The scales used in this study were sourced from existing studies. All the items loaded as expected and CAs of greater than 0.7 were reported for "product differentiation," "promotion of family business" and "use of family business image." as such, the validity and reliability of the scales measuring these constructs were confirmed in the South African context. the scale used to measure "perceived financial performance" has been used previously in South African studies (Farrington 2009; Matchaba-Hove 2013) and once again was shown to be valid and reliable in this study.

Despite this ability to use the family subsystem as a marketing tool, research on marketing and branding practices among family businesses, specifically family SMEs, has largely been unexplored by researchers. Additionally, little is known about the premise of marketing and branding a business as family owned, and how selected marketing and branding practices contribute to the financial performance of family SMEs operating in developing countries such as South Africa. As such, this study has contributed to the body of family business knowledge.

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