

# Business model for SMEs

## Badge engineering helps in product development

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In the automotive industry, badge engineering has become a new norm. It refers to the practice of promoting and marketing a product under different brand names despite the product itself being essentially the same. This strategy is often used to target different customer segments/markets and, thereby, reduce manufacturing and overhead costs.

In India, this practice is prevalent in the auto sector, where global automakers collaborate to capitalise on each other's competencies and capabilities. It typically helps manufacturers save on production and development costs by using the same base model across different brands.

### MULTIPLE VARIANTS

Badge engineering has the potential to offer multiple variants of a base product customised to a specific region's needs and tastes. There are quite a few examples of these in the automobile sector in India. However, badge engineering in small and medium enterprise (SMEs) is relatively unexplored. There's a unique opportunity for SMEs to leverage shared development, production, inspection, quality control, distribution, maintenance, and marketing capabilities while creating differentiated products under different brand names or makes.

However, the challenges and opportunities for SMEs engaging in badge engineering are slightly different from those of large organisations due to resource constraints, limited brand power, inadequate knowledge, and different market needs.

SMEs often face difficulties in negotiating the necessary cost reductions or agreements with larger manufacturers or suppliers for technology transfer and other manufacturing assistance. However, with units of the same scale and size, SMEs will be comfortable developing operational business understanding through badge engineering. Shared manufacturing capacities reduce the financial burden of product design and development and lower the risk of losses from poor market performance. Besides, cost-effective market testing allows SMEs to avoid large-scale failures and refine their offerings before full market rollout.

SMEs can use badge engineering to experiment with



**SMALL SMITS.** Must leverage shared development

new designs or features by modifying an existing product. They can introduce a new variant under a different name and observe market response before investing heavily in a full-fledged product launch. SMEs can introduce multiple models tailored for different consumer segments, thus expanding their reach.

For example, one brand could focus on budget-conscious customers, and another on higher-end premium versions of the same product with slightly improved features and better designs. Likewise, one brand might target rural markets with a focus on affordability, while another on urban professionals with additional tech features or more stylish and aesthetic designs.

SMEs can create customised features for overseas customers without having to invest heavily in new products while keeping production and operational costs competitive. Besides, badge engineering can help SMEs tap into larger established distribution networks that are typically unavailable to smaller players.

By offering products under different makes and brand names, SMEs can form strategic partnerships with bigger players or take strategic advantage of co-branding opportunities that help them access a wider retail or dealership network. It may pave the way for deeper market penetration leading to enhancing their footprint extensively.

A small manufacturing company could partner with a regional distributor or large retail chain to sell their product under a well-known brand. This would open their products to a broader audience without the expense of building a new distribution network. SMEs can access nationwide or even international markets through third-party distributors or franchising, thus gaining exposure that would be impossible with a single brand.

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