

CHALLENGES FOR ROADSIDE FOOD VENDORS BE TURNED INTO BRANDS: A CASE FROM DHAKA

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ABSTRACT

‘Informal sector’ or the unregistered activities of an economy is an integral part of many developing nations, like Bangladesh. If the entrepreneurs can graduate from the status of ‘informality’ into ‘formality’ there would be double benefit both at the micro and macro level. This study looks into the issue of transformation from the angle of branding. A total of 77 informal entrepreneurs from process food vendors are chosen from Dhaka Metropolis. A structured questionnaire survey was conducted with the owners of the businesses. The study reveals the Food Vendors suffer from problems ranging from a lack of security due to threats from law enforcers, Lack of fund due to low capital base as well as credit sales and frequently shifting locations. These problems hinder the graduation of the informal businesses into brands. The limitation of this study includes the fact that it has been undertaken only in Dhaka Metropolis. Food Vendors from other metropolis of Bangladesh should also be included in further researches in order to gain better insights.

Key words : Informal sector, Branding, Dhaka, Security, Credit Sales, Shifting locations

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INTRODUCTION

Traditionally, branding is known as a subject matter of big business. Through branding big businesses appear as household names and enjoy high reputation in the minds of customers (Merrilees, 2007). The influence of branding is omnipresent in today's world, which is clearly dominated by big businesses, covering a wide spectrum of activities ranging from cleaning teeth to what we drink at parties. (Wong and Merrilees, 2005).

In the province of small to medium-sized enterprises (SMEs), branding is often seen as oxymoron (Merrilees, 2007) and remains an unanswered question as how does it fit into the world of SMEs. (Wong and Merrilees, 2005). On one side, there is claim by Keller (1998), Wong and Merrilees, (2005) followed by Ojasalo *et al* (2008) that brand strategy is not only meant for large organizations, but also offers some relevant suggestions for SMEs. On the other, there is more commonly held belief that SMEs lack the financial resources to have much of an impact, suggesting a limited role of branding for them. On the backdrop of this debate and given the status of “infancy” in the body of literature on SME branding (Boyle, 2003; Krake, 2005) Wong and Merrilees (2005) felt agnostic to explore the issue of branding for SMEs.

This paper is not about branding on SMEs rather on branding for ‘informal sector’. The term informal sector is as old as around 40 years (Bangasser, 2000; ILO, 2002; Haan, 2006; Fox and Gaal 2008). In the literature, the informal sector is known in many names: as black market economy, shadow economy, illegal economy, corruption economy, not registered economy, underground economy, informal economy, and so on. Nevertheless, all these definitions refer to unregistered activities within the economy. (Macias and Cazzavillan, 2010). SIDA 2004) defines the term “informal economy” as all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. In fact, at one end of the spectrum of the informal economy are small-scale modern manufacturing and service enterprises. At the other end are street vendors, shoe shiners, junk collectors and domestic servants.

What makes the point for this paper to focus on ‘informal sector’ is twofold. Firstly, due to its substantial contribution to economy and in employment generation and secondly, literature on ‘informal sector’ is rich on issues; like; importance in economy, demographics, typology,

measurement , motivation, barriers; (SIDA 2004, Moris *et al* 1996, Joshi *et al* 2009, Amin 2002, Trinci 2006, Farjana 2008) but the issues of branding related to ‘informal sector’ has remained substantially untouched. Knowledge derived from branding on SMEs forms a basic conceptual foundation to understand the environment of branding in ‘informal sector’.

The extensive contribution of ‘informal sector’ is undeniable. This sector is estimated to contribute somewhat between 16 and 75 per cent of gross domestic product in many Third-World countries (Abedian and Desmidt, 1990) In Bangladesh, informal economy has a significant role in employment generation. In 1983/84, informal economy contributed to 96.4% of the total employment which found to drop to 84.5% in 1995/96. Informal economy continues to grow annually at the rate of 2% in Bangladesh. (Quasem *et .al* 1998).

The contribution of ‘informal sector’ is found to vary. SIDA ,2004 observes that the growth or decline of the informal economy is linked to the growth or decline of formal economy. In some countries in Asia, informal economy boomed during economic recession and declined during economic boom. Further, literatures document that if economic growth is not matched with employment generation and improvement in income distribution, informal economy is found not to shrink. The informal economy is increasing continuously in most of the developing countries.

Given this long standing socio-economic fact that ‘informal sector’ does exist and contribute significantly there exists a looming debate whether informal economy should be left as ‘marginalized’, ‘survival’ economy or vibrant, entrepreneurial part of the economy. Sparks and Barnett, (2010) have argued on this issue for Sub Saharan Africa; De Soto (SIDA, 2004) for Peru, strongly voting for the latter doctrine. SIDA (2004) clearly spells out that transformation from informal *per se* ‘marginalized’ into formal status would bring in a “win win” for both the parties; namely: the government and the entrepreneurs of informal sector. The authors of this paper echo the same that the informal economy should be seen in the entrepreneurial light rather letting it go to remain ‘marginalized’. In that sense, transformation of the businesses from a status of ‘informality’ into ‘formality’ becomes the cornerstone. This paper looks at the ‘transformation’ issue through the lens of branding opportunities for the ‘informal sector’ entrepreneurs.

Purpose of the study and methodology

Design of this paper stems from a previous study by the same authors Alam and Biswas (2011) where they explored branding potentials in 'informal sector' in the landscape of Metropolis Dhaka. The study covered 4 strata; namely: roadside processed food vendors, raw food vendors, clothing hawkers and service selling entrepreneurs. The study showed that out of the 4 strata, processed food vendors possess higher potential for branding owing to brand distinctiveness unlike the other 3 strata.

The purpose of this study is to explore further to gain insight into the branding issues of 'informal sector' *per se* the roadside processed food vendors. Research work on informal branding is non existent at present. The research method we choose for this study is structured questionnaire.

The benchmark length of businesses considered for this study is set at a minimum of 2 years on the rationale that 2 year is reasonably sufficient to have better understanding of the customers' needs and wants which can be a platform for future branding opportunities.

Data was intended to be collected from 140 respondents from roadside Food Vendors in Dhaka Metropolis. However, we managed to collect data from 77 entrepreneurs. Our response rate is about 55%. We followed random sampling of entrepreneurs without replacement. Data was only collected from those Food Vendors who were interested to participate after knowing our research objective.

In this research, we examined the branding opportunity for informal business in terms of

A. Location shifting: Informal enterprises having problem with space. These include a lack of working spaces and poorly developed market. Due to poor infrastructure, they have to shift their location more frequently that affects their business performance.

B. Credit Sales: Most of the customers of the informal enterprises shop on credit rather than cash, which affects the cash flow of the business that hinders their business operation.

C. Security issues: Security is a serious concern to run the Food Vending businesses smoothly. Security threat from the law enforcing agencies and others pose a threat on the business stability that discourages further investment into the business.

Findings:**Profile of the respondents**

From our survey it was revealed that most of the enterprise owners are school drop out (54.5%). Interesting finding is that their fathers do not have any fixed profession (55.84%). The age of the respondents varied between 20 to more than 40 years. The profile of the sample respondent of this study is shown in Table-I.

Table-I Sample Profile

	No of Respondents	Percentage
Age		
20-25	5	6.49
25-29	12	15.58
30-34	27	35.06
35-40		
More than 40	33	42.86
Years in Business		
2- 5 years	37	48.05
5-10 years	20	25.97
More than 10 years	20	25.97
Education		
No schooling	31	40.25
School Drop out	42	54.5
More than schooling	4	5.19
Father's occupation		
Job	5	6.49
Informal business	29	37.66
No fixed profession	43	55.84
Marital Status		
Married	52	67%
Un married	25	32%

Business Information

53.24% of the respondents are in this business because they do not have any other alternatives to live. Around 44.15% borrow money from others to start business and the initial capital was between 1000-3000 taka for 63.63% (1 taka =.0125 USD). The other business related information is on Table –II.

Table –II Business Related Information

	No of Respondents	Percentage
Motivation to start business		
To become Independent	20	25.97
Unemployed and without job	41	53.24
Miscellaneous reason	16	20.77
Source of starting Capital		
Loan from Others	34	44.15
Loan from Parents	10	12.98
Savings and others	33	42.85
Starting Capital (Taka*)		
1000-3000	49	63.63
3000-6000	13	16.88
>6000	15	19.48
<i>(1 Taka = 0.0125 USD)</i>		
Source of Material		
Wholesaler	50	64.93
Retailer	27	35.06
Daily average sales		
Less than 500 taka	23	29.87
500-800 taka	44	57.14
More than 800	10	12.98

Branding and Informal entrepreneur

Most of the respondents have expert knowledge in producing a wide variety of processed food (Breakfast, Lunch, Afternoon, fast foods are the main).55.84% respondent do not have idea about branding. However, all of them are aware that if foods are not tasty and served hot, customers do not come to their shop. At the same time, price of the food is one of the main factors to choose food. 45.45% of the respondents believe that the volume of sales is an indicator of good quality food. This shows a clear lack of insight about the business due to a lack of education and low family background among the food vendors.

They are not registered because they do not know the procedure. In addition, they have a perception that the process is very complicated. They also pointed out that they do not have any fixed place to run the business. Although the respondents have a mixed reaction about the future of their business (from no hope to expansion) but all of them agree that if they have the option to continue business they will do.

The above information has been presented in Table –III.

Table –III Business and Branding

	No of respondents	Percentage
Branding means		
No Idea	43	55.84
Costly food	14	18.18
Foreign food*	20	25.97
(*fast food, Noodles, fries, burger etc)		
Good food means		
Hot and Fresh food	23	29.87
Tasty food	19	24.67
Most selling food*	35	45.45
(the food sales most quantity, to them it is good food)		
Problems of registration		
Not know the procedure	33	42.85
Complex formalities	17	22.07
Think raise cost of doing business	20	25.97
Think no differences between registration and without registration	7	9.09
Future hope about business		
No idea	26	33.76
Same situation	23	29.87
Expansion	15	19.48
No answer	13	16.88

Reliability Tests on Business Issues

Cronbach's alpha reliability test measures the internal consistency of a research instrument. In this research we find that business issues credit sales value is 0.5583 which slightly less compare to security issues and location shifting.

Table-IV Reliability Test

Credit sales:	0.5583
Security issues:	0.6276

Location shifting: 0.7838

Present Business Problems

The respondents chosen were doing business in the same location for at least two years. However, as these food vendors did not have any legal registration, they may have to shift their location from time to time. As such, the respondents identified three major problems of doing business: securities problems, Credit sales and shifting locations. The correlation between these three problems is shown below:

	Securities Problem	Credit sales	Location shifting
Securities Problem	1		
Credit sales	0.646	1	
Location shifting	0.390	0.465	1

** Correlation is significant at the 0.01 level

At a significance level of 0.01, security problem was found to be moderately positively correlated (0.646) with credit sales. However, there should be a low or negative correlation between security problem and credit sales as these vendors should be reluctant to sell on credit since their security is low. The moderate correlation may be explained by the fact that the food vendors develop an informal relationship with their customers as most of them are very loyal and are from the same locality.

At a significance level of 0.01, security problem was found to have a low positive correlation (0.0390) with location shifting. The correlation may be expected to be high. Due to a lack of proper registration, these businesses face harassments, example paying bribes to the local law enforcing authorities as well as the local goons. So these vendors may be expected to shift frequently from one place to another. However, there is a low correlation between security problem and location shifting as the vendors have become used to these harassments and consider it as a hidden cost for their business.

With the same significance level, location shifting was found to be moderately positively correlated (0.465) with credit sales. In fact, a lower or even negative correlation may be expected between them because of high risk of shifting, the vendors should emphasize on cash sales. Yet, the moderate relationship may be explained by the fact that the competition in the industry is high and the customers are known to the business. So, they carry out business on credit.

These businesses seem to be intrigued with the problems of security, poor cash flow management due to credit sales and the frequent shifting of locations which reduces their identity as a business. At first, small capital investment as well as credit sales lead to a lack of fund to be invested on marketing activities. Secondly, if they change their location frequently, they cannot serve the same customers for a very long time. Thirdly, the security threats from the law enforcers discourage further investments. Therefore, the constraints of converting these businesses into brands become very high, thus reducing the possibility of the Roadside Vendors to be converted into brands.

Conclusion

While branding eats up a major chunk of the cost of promotion for big businesses, SMEs typically face this “brand barrier” (Wong and Merrilees, 2005) and for “informal sector” entrepreneurs it is hard to dream about branding. For SME branding experts have lately started thinking, yet branding for ‘informal sector’ remains out of the boundary. Yet, there are thousands of informal businesses on which the poorest section of the people of a developing country like Bangladesh is dependent. However, almost all of these businesses fail to expand and generate long term employment. Branding helps to create an established businesses whose operation may run well beyond the age of any entrepreneur. Thus, if the informal businesses can be branded, it would contribute to the firm’s profitability, job security of the employees as well as the society as a whole including increased tax revenue for the government. So, this paper investigates the challenges for branding the ‘informal sector’ entrepreneurs *per se* for roadside processed food vendors.

The roadside Food Vendors do not have much formal education and a majority of them (55.24%) entered this business as they did not have a better job. Again, a large majority of the Food Vendors (63.63%) started their business with less than TK 3,000 capital. Although the background of these Food Vendors are quite similar, they managed to expand their business in varying degrees as seen by their daily average sales. The study reconciles with the findings from SIDA (2004) on the three types of barriers commonly faced the informal sector entrepreneurs; namely: infrastructure issues, institutional issues, and economic issues. Addressing these issues, specially, for developing country like Bangladesh would require a gradualist approach. (Malik and Abed, 2007).

This paper reveals that the Food Vendors do not have any idea about branding. This reflects the notion postulated by Merrilees (2007) that small businesses, such as local corner shops, may even fail to recognize that they are a brand. However, they do understand the fact that they have to provide tasty food (quality product) in order to increase sales. In fact, they are not aware of the procedures of getting their business registered and are not keen get it registered. Worst of all, these vendors do not have any vision about the future of their business. The problems of a lack of security, poor cash flow management due to credit sales and frequently shifting their locations reduce the possibility of these businesses being converted into brands. This vicious loop of being unregistered businesses and inaccessibility to fund need to be broken through government patronization which may lead to the creation of many successful brands. This would help to generate employment, greater profit, more tax revenue, reduced rich poor gap and ultimate social welfare for developing countries.

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This work in progress highlights some of the key issues that will be addressed in an eventual working paper. The current draft is intended as a discussion note for Dr Shahdeen Malik and Mr. Fazle Hasan Abed. The eventual working paper will possibly incorporate most of the current outline and will be supplemented by additional materials and research, input from Dr. Malik and Mr. Abed as well as case/field studies which are being undertaken at present.

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