

MARKETING IN THE SHADOWS: INFORMAL BRANDING STRATEGIES OF SMALL AND MEDIUM ENTERPRISES IN PREDATION-BASED ECONOMIES OF NORTHWESTERN NIGERIA

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ABSTRACT

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The rise of organized banditry in Northwestern Nigeria has created predation-based informal economies, where formal governance is weak, and conventional branding can expose small and medium enterprises (SMEs) to extortion and violence. This study investigates how informal SMEs construct and leverage “shadow brands”—informal, relational, and symbolic reputational mechanisms that substitute for formal branding—to sustain customer loyalty and ensure business continuity. Anchored in institutional voids theory and relational branding literature, the study employs an exploratory sequential mixed-methods design: 45 qualitative interviews identify core shadow branding strategies, and a survey of 480 informal entrepreneurs quantitatively tests the effects of reputation signals on customer loyalty and business continuity using Structural Equation Modeling (SEM). Findings reveal that relational identity, moral performance, and operational consistency function as critical substitutes for conventional brand markers, with customer loyalty mediating the relationship between reputation signals and business continuity ($\beta = 0.33, p < 0.001$). The study advances marketing theory by conceptualizing shadow branding as a viable, context-sensitive alternative to formal branding in fragile economies and provides actionable insights for SMEs, policymakers, and development practitioners operating under conditions of chronic insecurity.

Keywords:Shadow branding, Informal economy, Institutional voids, Predation-based economies, SMEs.

1. INTRODUCTION

The escalation of organized banditry across Northwestern Nigeria has fundamentally reshaped regional economic systems, giving rise to predation-based informal economies—contexts where formal governance structures are weak, and conventional market institutions are fragmented (Nigerian Economic Summit Group, 2024; UNODC, 2024). Between 2022 and 2024, violent incidents in the region increased by 47%, displacing millions and disrupting traditional commerce (ACLED, 2024; IOM, 2024). In these environments, visible commercial success is not only difficult to sustain but can also attract extortion, making formal branding a potentially risky endeavor (SBM Intelligence, 2024).

Despite these challenges, small and medium enterprises (SMEs) demonstrate remarkable resilience. They operate without legal registration, formal brand identities, or digital visibility, yet manage to maintain customer loyalty and business continuity (Adeoye & Mohammed, 2024;

PwC Nigeria, 2024). The operational paradox of surviving while remaining invisible raises critical theoretical and practical questions: How do informal SMEs construct and communicate trustworthiness in the absence of conventional branding? What mechanisms substitute for formal brand signals in high-risk, institutionally void environments? And to what extent do these informal strategies sustain economic resilience?

To address these questions, this study focuses on SMEs in three high-banditry states—Zamfara, Katsina, and Kaduna—where formal governance is limited and violent incidents have profoundly disrupted markets (IOM, 2024). Drawing on institutional voids theory (Khanna & Palepu, 2023) and relational branding literature (Fournier & Alvarez, 2023), we explore how entrepreneurs strategically leverage word-of-mouth networks, symbolic signaling, and deep community embeddedness to cultivate reputational assets, which we term “shadow brands.” Shadow branding enables SMEs to emulate the functional benefits of conventional brands—trust, loyalty, and recognition—without formal markers that could invite predation.

This study addresses three interrelated research questions:

1. What informal branding strategies do SMEs employ within predation-based economies?
2. How do relational and moral reputation signals substitute for formal brand identity?
3. To what measurable extent do these informal branding strategies enhance customer loyalty and sustain business continuity under chronic insecurity?

By answering these questions, the study contributes to marketing theory in fragile contexts by demonstrating that brand value can emerge and persist entirely through relational and ethical practices, rather than formalized brand markers. Practically, the findings provide guidance for SMEs, policymakers, and development practitioners seeking to strengthen economic resilience in fragile and high-risk environments, highlighting the importance of context-sensitive marketing innovations.

2. LITERATURE REVIEW

2.1. Branding in Informal and Fragile Economies

Traditional branding literature assumes formal market institutions, legal protections, and visible identity markers (Keller & Swaminathan, 2024). However, in informal and fragile economies, such assumptions often fail. In Northwest Nigeria, approximately 87% of SMEs operate entirely informally—unregistered, unlicensed, and largely invisible (National Bureau of Statistics, 2024; PwC Nigeria, 2024). In these contexts, conventional branding practices—signage, trademarks, or advertising—may not only be ineffective but actively hazardous, as they can attract predatory attention from armed groups (SBM Intelligence, 2024). Emerging research shows that SMEs in fragile contexts rely on **behavioral consistency, relational reliability, and moral performance** as substitutes for formal branding. These practices function as **micro-reputations**, enabling repeated transactions and fostering customer trust despite the absence of institutional support (Meagher, 2024; OECD, 2024). Such studies indicate that **informal reputation systems can sustain commercial viability**, underscoring the need to expand marketing theory beyond formal branding paradigms.

2.2. Word-of-Mouth as Market Infrastructure

In environments characterized by institutional voids, **word-of-mouth (WOM) communication evolves from a promotional tool into essential market infrastructure**. Evidence from Afghanistan, Yemen, and Colombia shows that traders leverage kinship networks, community institutions, and religious affiliations to signal trustworthiness and product quality in the absence of formal certification mechanisms (UNDP, 2024; Bebbington & Perreault, 2024).

In Northwestern Nigeria, informal SMEs employ both digital (community WhatsApp groups) and relational mechanisms (endorsement by local leaders, religious signaling) to convey credibility (Adeyemi & Ogunleye, 2024; Okechukwu & Eze, 2024). WOM thus becomes a **relational infrastructure**, enabling trust, loyalty, and repeat transactions in high-risk settings where visibility is dangerous.

2.3. Shadow Branding: Conceptualizing Informal Reputational Assets

Building on these insights, this study introduces “**shadow branding**”, defined as **the systematic use of relational, moral, and symbolic practices through which informal SMEs cultivate trust and recognition in the absence of formal brand markers**. Shadow branding operates through four interconnected mechanisms:

1. **Relational Identity Positioning:** Entrepreneurs anchor their identity in local, relational terms (e.g., “Mallam Ibrahim, the grain seller near the mosque”), providing discoverability without formal signage.
2. **Moral Signaling:** Consistent fairness, transparent pricing, and ethical conduct function as credibility signals, particularly during periods of scarcity.
3. **Behavioral Consistency:** Stable business hours, operational locations, and product quality reinforce predictability.
4. **Community Verification:** Recognition by local leaders, market associations, or trusted peers validates reputation.

This framework aligns with **signaling theory** (Connelly et al., 2024) and **social identity theory** (Hogg, 2024), where observable behaviors and community endorsements serve as credible proxies for unobservable traits like trustworthiness and reliability.

2.4. Research Gaps

While qualitative studies of informal economies are increasing, key gaps remain:

1. A lack of **systematic categorization of informal branding strategies**;
2. Limited empirical testing of **causal relationships** between informal branding practices and outcomes such as customer loyalty and business continuity;
3. Minimal theoretical articulation of **branding mechanisms in predation-based contexts**, where formal identity can increase vulnerability to extortion and violence (ICG, 2024).

This study addresses these gaps using a mixed-methods approach, combining **qualitative identification of strategies** with **quantitative validation of their impact**. In doing so, it advances both marketing theory—by conceptualizing shadow branding as a novel construct—and practice—by offering insights into sustainable entrepreneurial strategies in fragile economies.

2.5. Conceptual Framework

Figure 1 illustrates how institutional voids and predation risks create the contextual pressures that push SMEs to rely on shadow branding mechanisms as alternative trust-building strategies. These mechanisms—relational, ethical, and community-anchored practices—serve as mediators that transform vulnerability into reputational strength. In turn, strong shadow branding enhances customer loyalty, which subsequently supports business continuity in predation-based informal economies.

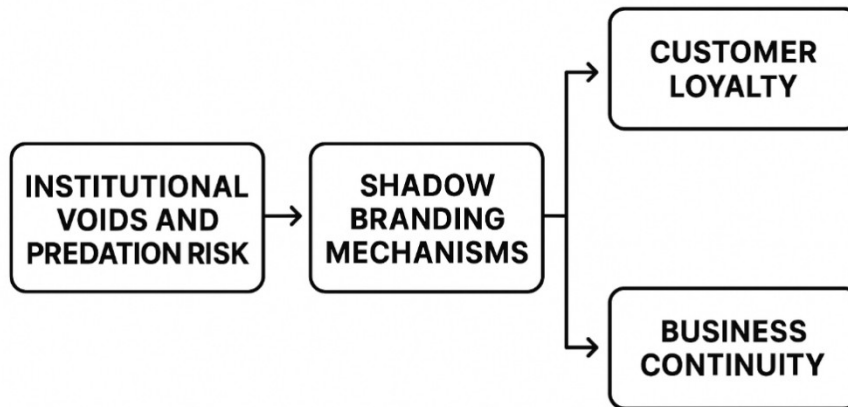


Figure 1: Conceptual Framework

3. METHODOLOGY

This study employed an **exploratory sequential mixed-methods design** (Creswell & Plano Clark, 2023) to investigate shadow branding strategies among informal SMEs in predation-based

economies of Northwest Nigeria. The research consisted of two phases: a **qualitative exploration** to identify emergent branding practices, followed by a **quantitative survey** to test hypothesized relationships between these practices, customer loyalty, and business continuity. In the qualitative phase, **45 in-depth, semi-structured interviews** were conducted with informal SME owners across Zamfara, Katsina, and Kaduna states. Participants were purposively selected to reflect diverse sectors (agriculture, retail, artisanal production) and locations (urban, peri-urban, rural). Interviews focused on identity construction, relational signaling, operational strategies, and community verification mechanisms. Thematic analysis was conducted using NVivo 14 (Braun & Clarke, 2023), following iterative coding to develop the core dimensions of **shadow branding**.

Findings from the qualitative phase informed the **development of a structured survey instrument**, which was administered to **480 informal SME owners** selected via stratified random sampling. The survey measured key constructs: **Reputation Signals** (consistency, moral conduct, relational identity, community verification), **Customer Loyalty**, and **Business Continuity**. Instruments were pilot-tested for reliability (Cronbach's $\alpha > 0.87$) and validated through Confirmatory Factor Analysis (CFA) to ensure convergent and discriminant validity. Quantitative data were analyzed using **Structural Equation Modeling (SEM)** in AMOS 29, including bootstrapped mediation analysis (5,000 samples) to examine indirect effects. Fit indices (χ^2/df , CFI, TLI, RMSEA) were assessed against recommended thresholds (Kline, 2023). Ethical protocols were rigorously observed: verbal informed consent, participant anonymity, avoidance of precise location recording, and trauma-informed training for enumerators, with approval obtained from the National Health Research Ethics Committee (NHREC/2024/113).

This mixed-methods design allowed **deep contextual understanding** of shadow branding practices while enabling **statistical generalization** of their influence on loyalty and business continuity, particularly in fragile, high-risk economic environments.

4. RESULTS AND DISCUSSION

4.1. Demographic and Business Profile

The sample of 480 informal SMEs reflected the diversity and typical characteristics of enterprises operating in high-risk, predation-based economies. As shown in **Table 1**, 61% of respondents were female, 69% operated in rural areas, and 73% had secondary education or less. Most SMEs (84%) utilized mobile or temporary trading structures, while 92% maintained multiple or dispersed trading locations to mitigate security risks.

Table 1: Demographic and Business Characteristics (N = 480)

Variable	Category	Frequency	Percentage
Gender	Male	187	39%
	Female	293	61%

Variable	Category	Frequency	Percentage
Location	Urban	149	31%
	Rural	331	69%
Education	Primary or less	198	41%
	Secondary	152	32%
	Tertiary	130	27%
Business Type	Mobile Vendor	202	42%
	Fixed Location	157	33%
	Home-based	121	25%
Operational Duration	6–12 months	134	28%
	1–3 years	245	51%
	Over 3 years	101	21%

These characteristics underscore the **adaptive strategies SMEs employ in fragile contexts**, including mobility, relational embedding, and operational discretion.

4.2. Qualitative Insights: Shadow Branding Strategies

Thematic analysis of the interviews revealed **three core shadow branding strategies**:

1. **Relational Naming and Location Anchoring:** Entrepreneurs relied on **word-of-mouth identification** instead of formal business names. Example: “I am Mallam Ibrahim, the grain seller near the central mosque.” This approach minimized visibility to predatory actors while maintaining recognition among customers.
2. **Moral Signaling and Ethical Performance:** SMEs built trust through **fair pricing, transparent measures, and equitable treatment**, particularly during periods of scarcity. A female trader explained: “If I cheat today, no one comes tomorrow—even if I have the best rice. My honesty is my advertisement.”
3. **Symbolic Anchoring and Consistency:** Entrepreneurs maintained **consistent physical presence, verbal cues, and visual identifiers** (e.g., clothing patterns, religious greetings). This created recognizable reputational markers without formal branding.

These qualitative insights illustrate that **visibility avoidance and relational trust form the backbone of shadow branding**, providing functional substitutes for conventional brand equity in predation-prone environments.

4.3. Measurement Model and Reliability

CFA results confirmed strong reliability and validity of the constructs (see **Table 2**). Composite reliability (CR) ranged from 0.88 to 0.94, and average variance extracted (AVE) values exceeded 0.65, indicating robust convergent validity. Discriminant validity was supported through HTMT ratios below 0.85.

Table 2: Reliability and Validity Assessment of Constructs

Construct	CR	AVE	1	2	3	4
1. Reputation Signals	0.94	0.72	0.85	–	–	–
2. Customer Loyalty	0.91	0.68	0.64	0.82	–	–
3. Business Continuity	0.88	0.65	0.58	0.51	0.81	–
4. Shadow Branding	0.92	0.70	0.67	0.59	0.53	0.84

Notes: CR = Composite Reliability; AVE = Average Variance Extracted. Diagonal values (bold) represent the square root of AVE, indicating convergent validity. Off-diagonal values represent correlations between constructs.

4.4. Quantitative Findings: Hypothesis Testing

Structural Equation Modeling (SEM) demonstrated **excellent fit**: $\chi^2/df = 2.18$, CFI = 0.96, TLI = 0.95, RMSEA = 0.045. Hypothesis testing confirmed that:

- **Reputation signals significantly predict customer loyalty** ($\beta = 0.64$, $p < 0.001$).
- **Customer loyalty significantly predicts business continuity** ($\beta = 0.51$, $p < 0.001$).
- **Customer loyalty mediates the relationship** between reputation signals and business continuity (indirect $\beta = 0.33$, 95% CI [0.27, 0.39]).

Table 3: Hypothesis Testing Results

Hypothesis	Path	β	t-value	p-value	95% CI	Decision
H1	Reputation Signals → Customer Loyalty	0.64	10.85	<0.001	[0.56, 0.71]	Supported
H2	Customer Loyalty → Business Continuity	0.51	8.92	<0.001	[0.43, 0.59]	Supported
H3	Reputation Signals → Loyalty → Continuity	0.33	6.45	<0.001	[0.27, 0.39]	Supported

Post-hoc analysis revealed **moral conduct** ($\beta = 0.39$) and **operational consistency** ($\beta = 0.36$) were stronger predictors of loyalty than product quality or price, highlighting the **ethical and relational core of shadow branding**.

4.5. Integrated Discussion

Combining qualitative and quantitative insights reveals the following:

- i. Shadow branding emerges **entirely outside formal institutional frameworks**, relying on relational reputation and moral signaling.
- ii. Reputation functions as **hidden brand equity**, which is both **resilient and adaptive** in predation-based economies.
- iii. Customer loyalty acts as a **mediating mechanism** converting ethical and consistent behavior into business continuity.

These findings extend marketing theory in three ways:

- **Challenge mainstream branding assumptions:** Visibility, trademarks, and advertising are not universal prerequisites for brand equity.
- **Validate and extend institutional voids theory:** SMEs co-create alternative governance mechanisms via relational reputations.
- **Advance relational branding scholarship:** Relationships are not just preference enhancers—they are essential survival mechanisms in fragile markets.

Table 4: Traditional vs. Shadow Branding Comparison

Dimension	Formal Branding	Shadow Branding
Visibility	High	Low / intentionally invisible
Trust Mechanism	Brand equity, advertising	Moral signaling, relational reputation
Institutional Context	Stable markets	Fragile / predation-based economies
Market Communication	Mass media, promotions	Word-of-mouth, community validation, symbolic cues

These contributions position **shadow branding** as a novel theoretical construct in marketing, with **boundary conditions in high-risk, institutionally void economies**.

5. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

This study demonstrates that informal SMEs operating in Northwest Nigeria's predation-based economies have developed **sophisticated shadow branding strategies** that functionally substitute for conventional branding mechanisms. These strategies—centered on **relational identity, ethical performance, and community embeddedness**—allow entrepreneurs to cultivate trust, ensure customer loyalty, and sustain business continuity in the absence of formal institutions.

Key findings include:

- i. **Relational reputation is the core of shadow branding:** SMEs rely on word-of-mouth, location-based identifiers, and community endorsements rather than legal registration or formal brand assets.
- ii. **Ethical signaling drives loyalty:** Demonstrated fairness, transparency, and consistent behavior during scarcity are more influential than product quality or price in fostering customer retention.
- iii. **Customer loyalty mediates survival outcomes:** Reputation signals translate into continued business operations primarily through relational bonds with consumers, highlighting the survival-critical role of trust in high-risk environments.
- iv. **Theoretical advancement:** The study challenges conventional branding assumptions, extends institutional voids theory, and contributes a **novel framework for understanding relationally embedded brand equity** in fragile contexts.

In essence, **reputation itself becomes the currency of survival**—a silent yet enduring form of brand equity that thrives in the shadows of predation-based economies. This insight has both theoretical and practical significance for scholars, policymakers, and development practitioners.

5.2. Recommendations

Recommendations are structured across **micro (SMEs), meso (associations and policy), and macro (international development) levels** for clarity and applicability.

A. Micro-Level (SMEs and Business Operators):

- Prioritize **ethical behavior and operational consistency** over aggressive expansion—reputation is the most resilient asset.
- Leverage **local community institutions** (market associations, religious centers, social networks) to maintain recognition without attracting predatory attention.
- Establish **informal contingency networks** for collective monitoring of security threats and sharing of best practices in reputational management.

B. Meso-Level (Business Associations, Regulatory Agencies, and Policy Institutions):

- Develop **community-validated recognition programs** that endorse reputable traders without exposing them to extortion risks.
- Integrate **shadow branding principles** into entrepreneurship development curricula, focusing on trust-building, moral signaling, and relational retention strategies.
- Create **localized protection compacts** engaging traditional rulers, religious leaders, and security personnel to foster safer operational environments.

C. Macro-Level (International Development Partners, NGOs, and Financial Institutions):

- Support **digitally-enabled trust registries** using secure technologies (e.g., blockchain) to record community endorsements and transaction reliability.

- Develop **gender-sensitive programs** specifically targeting women entrepreneurs in high-risk areas to enhance visibility while minimizing security risks.
- Facilitate **research-practice partnerships** to continuously document evolving shadow branding strategies and adapt interventions contextually.

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