

Customer Preference for Local or National Food Brands with special reference to the Indore City

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ABSTRACT

India is a country with diverse cultures, languages and varied food habits. Indian customers look out for variety of traditional food items with the right taste coupled with the curiosity to try different and innovative food items. Growing urbanization, rising disposable income, increasing working women, ample availability of food brands, increasing satellite channels, wide media reach, growth in overseas travel and rapid cultural shift have made Indian customers learned and more brand conscious. Nowadays, people are exposed to different types and variety of food brands. But the question arises, "Do people really care about the origin of the brand". The present paper is an attempt to empirically explore the consumer preference for local and national food brands. The data was collected from the respondents through self designed closed ended questionnaire. Categorical variables were used to categorize the data. Factor analysis was used to find out the factors affecting customer preferences for food brands. Independent t –test was applied to find the customer preference on the basis of gender and income. The findings of this study provide useful consumer insights that shape the demand for local and national food brands.

Keywords: Local Brand, National Brand, Customer Preference

INTRODUCTION

According to The American Marketing Association (AMA), brand can be defined as "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and differentiate them from those of competitors." (Keller, 1998). Consumers use brands as cues to make decisions to purchase products or services (Ger et al., 1993). Different researchers have introduced different types of brands. The present study is based on two types of brands: Local and National. Local Brand is a brand that is sold and marketed in a relatively small and restricted geographical area. It can be called a regional brand if the area encompasses more than one metropolitan market. A national/ manufacturer's brand is one owned by the company whose primary or traditional business is production.

Rapid increase in competition has posed new challenges for companies that firmly stick to and cater to the needs of the local markets and gradually may find difficult to maintain competitive advantage that they so much strived to achieve. Different customers have different perspective to the prevalence of national brands. Some customers value and admire national brands and regard such brands as a status symbol. While others often criticize national brands for threatening the local differences. "Region-of-origin" effects influences the brand personality of a regional product which is being extended to national markets. If the region is observed as the centre of excellence of the product at national level, then the regional origins could offer a strong brand proposition at national level which should be exploited.

LITERATURE REVIEW

There is a research gap as far as research on comparative analysis of local and national food brands is concerned. Enormous data is available either on comparative analysis of local and global food brands or national and private food brands. Hence related research sources are studied to generate suitable implications.

According to **Zeithaml and Rowley (1998)**, Perceived quality can be defined as the consumers' verdict about product's (service's) overall excellence or supremacy. Researchers has also indicated that consumers value global brands particularly for their assumed high quality and prestigious image (e.g., **Nguyen, Barrett and Miller 2005; Steenkamp, Batra and Alden 2003**). Once consumers identify a price difference between local-owned and foreignowned brands, price variation begin to have an effect on their preference for local-owned brands. Price is considered to be one of the most important aspects that consumers use while evaluating the product/brand (**Hansen, 2005**).

Mihic and Čulina (2006) found that income level of the customers plays a key part in the buying behavior with respect to less visible products while social class has immense impact on products with high luxury/ life style values. Previous studies (**Blattberg and Wisniewski, 1989; Lal, 1990; Sethuraman and Mittelstaedt, 1992; Quelch and Harding, 1996**) have shown that generating frequent sales promotions is an effective strategy to reduce the private label penetration into the market. However, some authors (**Shapiro, 1992; Gedenk and Neslin, 1999**) suggested that national brands should continue to maintain better quality products images in order to keep the customers' loyalty and to avoid confusion about the brand image.

OBJECTIVES OF THE STUDY

- To identify the factors affecting customer preference for local food brands and national food brands.
- To study the impact of income on the customer preference of local food brand and global brand.

HYPOTHESIS

- H_0 : There is no significant difference in customer preference of local food brands among low income, mid income and upper income group customers.
- H_1 : There is no significant difference in customer preference of national food brands among low income, mid income and upper income group of customers.

RESEARCH METHODOLOGY

- **Nature of the study:** the study is exploratory in nature where the factors affecting customer preference of local food brands and national food brands were explored. Impact of income and gender on the customer preference for local and national brands has also been studied. The survey was done with the help of self designed closed ended questionnaire which was given to the respondents for data collection. It included 28 statements on which the customer responded and gave preference of local or national food brands. The five points likert scale was used ranging from strongly agree to strongly disagree to get responses of customers on the statements.
- **The sample:** Non probability convenient sampling method was used to select the sample of our study. Data has been collected from 600 respondents from Indore city.
- **Tools of Data Analysis:** The results of the survey were coded in the excel sheet. After collecting and coding, data was ready for statistical analysis. For analysis, SPSS 20 statistical package was used.

First of all data was imported into SPSS from excel sheet and then series of analytical tools were applied. Reliability and validity test, Factor analysis, QQ plots for normality, ANOVA were applied to test the Hypothesis.

Result and Discussion

Reliability test was used to measure the consistency and stability of the instrument used for collecting data. A well known method of Cronbach's Alpha was adopted to measure the consistency and stability of the questionnaire. The internal consistency of extracted components was measured and the value of Cronbach's Alpha found was 0.926. Hence the instrument found to be excellent as value is greater than the recommended value of 0.70 (Nunnally, 1988).

After evaluating responses of the respondents, it was observed that 60% of respondents prefer local brands as compared to national brands which are preferred by 40 % of total respondents.

Customer Preference for Food Brands



To test the correlation among variables identified in the population under study, Kaiser-Mayer-Olkin (KMO) measure of sampling adequacy and Barlett's test of sphericity were performed. As indicated in Table 1, the value of Kaiser-Mayer-Olkin (KMO) was 0.860 that is greater than the recommended value of 0.5. Barlett's test of sphericity was highly significant ($p < 0.01$). Hence sample size is appropriate to conduct factor analysis.

Table 1 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.860
Approx. Chi-Square		2859.719
Bartlett's Test of Sphericity	Df	190
	Sig.	.000

The factor analysis generated five factors for local food brands explaining 63.134 percent of variance (Table 2) in the original data. As shown in table 3 five factors identified are Accessibility (3.72), Temporal Forces (3.23), Customer Satisfaction (2.45), Brand Image (2.12) and Brand Awareness (2.66).

Table 2 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.074	30.371	30.371	6.074	30.371	30.371	3.137	15.686	15.686
2	2.560	12.802	43.173	2.560	12.802	43.173	2.628	13.142	28.828
3	1.678	8.388	51.561	1.678	8.388	51.561	2.387	11.933	40.761
4	1.198	5.990	57.551	1.198	5.990	57.551	2.266	11.330	52.091
5	1.117	5.583	63.134	1.117	5.583	63.134	2.209	11.043	63.134
6	.809	4.045	67.179						
7	.718	3.591	70.770						
8	.697	3.487	74.257						
9	.682	3.412	77.669						
10	.637	3.183	80.852						
11	.557	2.786	83.638						
12	.497	2.487	86.126						
13	.482	2.410	88.536						
14	.455	2.274	90.810						
15	.407	2.033	92.843						
16	.339	1.693	94.535						
17	.332	1.659	96.194						
18	.280	1.400	97.594						
19	.267	1.333	98.927						
20	.215	1.073	100.000						

For null hypothesis H_0 , the critical value was found to be 0.3 by averaging the p-value of all factors (Table 7). Since the p-value is more than 0.05, the null hypothesis is accepted. This means that there is no significant difference in customer's preference for local food brands among customers of different income groups. Further the F-value derived is 1.739 for analyses of variance amongst different income groups. Results disclosed that preference for local food brands among low income, middle income and upper income group is not significant.

Table 7 : ANOVA

		Sum of Squares	df	Mean Square	F	Sig.(p-value)
Factor 1	Between Groups	1.117	2	.559	2.280	.104
	Within Groups	67.874	277	.245		
	Total	68.991	279			
factor 2	Between Groups	3.444	2	1.722	2.479	.086
	Within Groups	192.394	277	.695		
	Total	195.838	279			
factor 3	Between Groups	.167	2	.083	.184	.832
	Within Groups	125.438	277	.453		
	Total	125.605	279			
factor 4	Between Groups	.348	2	.174	.310	.734
	Within Groups	277	.561			
	Total	155.763	279			
factor 5	Between Groups	4.295	2	2.148	3.446	.033
	Within Groups	172.649	277	.623		
	Total	176.944	279			

Table 3 Rotated Component Matrix^a

Factors identified	Items	Component					Total factor load
		1	2	3	4	5	
Accessibility	Accessible	.809					3.72
	Available	.787					
	word of mouth	.718					
	Economy	.708					
	Worth	.694					
Temporal forces	Temporal forces		.735				3.23
	Celebrity endorsement		.697				
	promotional offers		.673				
	brand personality		.553				
	Family		.551				
Customer satisfaction	Satisfaction			.866			2.45
	Performance			.835			
	Innovation			.763			
Brand Image	brand image				.823		2.16
	Identity				.651		
	brand experience				.644		
Brand Awareness	Awareness					.754	2.66
	Knowledge					.748	
	Status					.591	
	origin of brand					.570	

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a. Rotation converged in 9 iterations.

The value of Kaiser-Mayer-Olkin (KMO) was 0.848 (Table 4) is greater than the recommended value of 0.5. . Barlett's test of sphericity was highly significant ($p < 0.01$). It showed that the sample size is appropriate to conduct factor analysis.

Table 4 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.848
	Approx. Chi-Square	2079.935
Bartlett's Test of Sphericity	Df	210
	Sig.	.000

Factor analysis generated five factors for local food brands explaining 60.418 percent of variance (Table 5) in the original data. As shown in table 6, factors identified for national food brands are Status with total factor load (3.92), Brand Image (2.91), Brand performance (2.36), Temporal forces (3.07) and Economic value (1.45).

Table 5 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.905	32.880	32.880	6.905	32.880	32.880	2.988	14.227	14.227
2	1.842	8.770	41.650	1.842	8.770	41.650	2.786	13.267	27.494
3	1.596	7.600	49.250	1.596	7.600	49.250	2.439	11.616	39.110
4	1.245	5.931	55.181	1.245	5.931	55.181	2.305	10.978	50.088
5	1.100	5.237	60.418	1.100	5.237	60.418	2.169	10.329	60.418
6	.966	4.599	65.017						
7	.911	4.340	69.356						
8	.812	3.868	73.225						
9	.692	3.294	76.519						
10	.659	3.136	79.655						
11	.623	2.968	82.623						
12	.538	2.561	85.184						
13	.499	2.378	87.562						
14	.473	2.254	89.816						
15	.414	1.970	91.786						
16	.387	1.841	93.627						
17	.350	1.666	95.294						
18	.319	1.517	96.811						
19	.256	1.221	98.032						
20	.226	1.079	99.110						
21	.187	.890	100.000						

Extraction Method: Principal Component Analysis.

Table 6 Rotated Component Matrix^a

Factors identified	Items	Component					Total factor load
		1	2	3	4	5	
Status	status	.702					3.92
	guarantee	.688					
	accessible	.667					
	customization	.648					
	knowledge	.640					
Brand Image	available	.575					2.91
	brand image		.832				
	brand experience		.742				
	feel good		.684				
Brand performance	identity		.651				2.36
	performance			.795			
	innovation			.791			
Temporal forces	satisfaction			.773			3.07
	temporal forces				.721		
	celebrity endorsement				.687		
	family				.613		
	location				.547		
Economic value	percieved risk				.504		1.45
	economy					.745	
	worth					.705	
	value					.604	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

While null hypothesis H_1 was tested using one way ANOVA, the p-value was found to be 0.05 by averaging the p-value of all factors (Table 7). Since the p-value is equivalent to 0.05, the null hypothesis is rejected at 5% level of significance. This means that there is a significant difference in customer's preference for national food brands among customers of low income, mid income and upper income group.

Table 7 ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
factor 1	Between Groups	1.346	2	.173	.702	.077
	Within Groups	45.408	184	.247		
	Total	45.755	186			
factor 2	Between Groups	2.912	2	1.456	4.281	.015
	Within Groups	62.588	184	.340		
	Total	65.500	186			
factor 3	Between Groups	1.564	2	.782	2.258	.107
	Within Groups	63.709	184	.346		
	Total	65.273	186			
factor 4	Between Groups	2.456	2	1.228	2.778	.065
	Within Groups	81.334	184	.442		
	Total	83.790	186			
factor 5	Between Groups	2.399	2	1.199	2.958	.054
	Within Groups	74.601	184	.405		
	Total	76.999	186			

SUGGESTIONS

Many of the successful national brands today, started as local or regional brands. But this transition from local to national is not easy. In order to maintain and grow the Brand, Local brands must focus on the following points:

- Local players must work to achieve economies of scale in operation and promotion to attain the required objectives.
- Local Brands must maintain region-of-origin benefits in order to maintain the loyal customer base.
- Local brands should associate with the local language where it exists. But should carefully avoid negative linguistic associations
- Explore uniformity of demand in different regions of the country in terms of acceptance of a nationally standardized product.

SUGGESTIONS FOR NATIONAL BRANDS:

- National brands must work on creating consistent and clear brand positioning without changing its basic objective.
- Periodic investment in product improvements enhances a brand's perceived superiority and also helps in increasing brand's sustainable price premium over the rivalry.
- Invest in different ways of promotion to increase brand's awareness and acceptance.
- National-brand producers should establish mutually beneficial relationships with members of distribution channel.

CONCLUSION

Branding is such a force today that hardly anything goes unbranded. A powerful brand is invaluable as the battle for customers intensifies day by day. So it is important to invest time in researching, defining and building the brand.

- The present paper is useful in understanding different factors that may impact the customer behavior and shape the customer preference towards local and national food brands.
- It also provides useful insights to the marketing managers to formulate branding strategies and generate customer preference by considering customers' demographic differences.

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