

G/LOCAL BRAND CHALLENGES IN THE AUSTRIAN AGRICULTURAL FOOD MARKET

Frech, Bernadette, Azevedo, Ana & Liebl, Hildegard
FH JOANNEUM - University of Applied Sciences
Department of International Management
Eggenberger Allee 11
8020 Graz, Austria

ABSTRACT

This paper presents findings of a study that identified factors that influence Austrian consumer preferences in purchasing local food brands. This study is necessary because, all the many prescriptive textbooks and empirical studies have analysed various factors that may influence brand preference among consumers, little or no empirical research has been directed toward identifying and testing the major factors in Austria. The quantitative research findings conducted among 318 participants found that the Austrians interviewed have an overall preference for local brands, with special regards to local food products.

Keywords: local branding, brand preferences, Austrian consumer market

1. INTRODUCTION

One key question a company faces when it crosses borders with its existing brands or when it introduces new brands into the new market is whether it should follow a standardised brand strategy with global brands or a localised brand strategy with local brands (Czinkota & Ronkainen, 2007; Schiffman & Kanuk, 2004). Without a well-conceived strategy, the company will be at a competitive disadvantage, suffering from inconsistencies in brand identity across national markets and the inability to maximise the value of brands across national boundaries (Alashban, et. al., 2002; Batra et. al., 2000; Balabanis & Diamantopoulos 2004). In particular, in the Austrian food business where the concentration of the Austrian retails trade is the highest within Europe, producers may ponder whether they should enter the Austrian market with an identical product or whether they should make modifications to account for local differences. As consumers become more globally aware, there is a greater challenge for local products, such as agricultural food, to be capable of satisfying rather exacting requirements. Perceptions of higher quality, prestige, and social responsibility are key factors to enhanced consumer value for local or global brands. These consumer perceptions are dependent on the category of product assessed. Therefore, the paper presents findings of a study that identified three product categories (product durability, technology, and culture-sensitiveness) and three brand characteristic (quality, prestige, and social responsibility) factors that influence Austrian consumer preferences in purchasing global and local brands. In the next section the relevant literature is outlined and the hypotheses are developed. Then, the research methodology is introduced and the results are discussed. Finally, conclusions are drawn and practical implications for European agricultural food markets are provided.

2. THEORETICAL BACKGROUND

Among consumer goods, it is important to distinguish between different categories of products, i.e. durable goods from non-durable goods, high-technology from low-technology, and culture-bound from non-culture bound products. Furthermore, characteristics of a brand (i.e. quality, prestige, social responsibility) relate to local or global brand preferences. In the following, the impact of product category and product characteristic factors on local and global brand preference are discussed and hypotheses are developed.

2.1. Product Durability

Durable consumer goods lend themselves more to standardization than non-durable consumer goods, which tend to reflect local tastes unique to each country (Ramarapu, et. al., 1999). In non-durable product categories, consumer preferences vary from country to country. This is especially true for consumer packaged goods, where preferences are still localized. But within durable product categories, such as consumer electronics, consumers tend to prefer the global brand over the local brand.

Hypothesis 1: Durable products are positively related to consumer preferences for global brands.

2.2 Technology

High-tech products have a short technological life and are more conducive to standardization. Peterson, Albaum, and Beltramini (1985) give evidence that high-technology products are the most appropriate for global strategies, whereas confectionary, food, and household cleaners are considered less appropriate. Low-tech products are generally more stable, exhibit slower technological change, and face more competition. This leads to greater concentration on product and brand differentiation (Ramarapu, et. al., 1999).

Hypothesis 2: High-technology products are positively related to consumer preferences for global brands.

2.3 Culture Sensitiveness

Consumers tend to invest more meaning in products which are culturally sensitive (Usunier, 2000). Thus, high-culture-bound products are difficult to market globally, especially products that hold old consumption pattern in a society. The role of culture strongly influences consumers' attitudes towards non-durable products like food, drinks, pharmaceuticals, and cosmetics. Furthermore, products which are consumed at home, such as milk, are more culture-bound than products used outside the home (Ramarapu, et. al., 1999)

Hypothesis 3: Low-culture-bound products are positively related to consumer preferences for global brands.

2.4 Perceived Quality

Consumers often judge the quality of a brand on the basis of a variety of informational cues that are associated with the product (Schiffman & Kanuk, 2004). Literature on global brands has provided some indications that a global brand name can contribute to perceptions of higher quality (Lagace, 2003, p. 1). The worldwide availability of global brands and the fact that consumers in other countries also purchase and accept them is a strong quality signal for consumers. Results by Steenkamp, et. al. (2003) and Holt, et al. (2004a, 2004b) strengthen the assertion that perceived brand globalness (PBG) is positively associated with quality, and therefore an important factor to consider. Kapferer and Schuiling (2003) tested whether local brands benefit from a significantly higher quality image than international brands. Perceived brand quality for local brands can result from the strength of relationship built up with consumers over the years. However, results indicated that local brands did not benefit from a significantly better quality image. Hence, empirical evidence indicated that global brands seem to have a better quality image than local brands.

Hypothesis 4: Perceived brand globalness is positively related to consumer perceptions of brand quality.

2.5 Perceived Prestige

Authors have stressed that consumers may prefer global brands because of associations of higher prestige (Schuiling & Kapferer, 2004; Shocker, Srivastava, & Rueckert, 1994; Steenkamp, et. al., 2003). Global brands may have a higher prestige than local brands due to their relative scarcity and higher price. Furthermore, global brands may also stand for cosmopolitanism. Some consumers prefer global brands because they enhance their self-image as being cosmopolitan, sophisticated, and modern. Conversely, according to Ger (1999), local brands tend to be targeted and positioned based on a deep cultural understanding and therefore create "a sustainable unique value and offer the symbolism of authenticity and prestige". Still, consumers have been found to have no intrinsic preference for global brands (De Mooij, 1998).

Hypothesis 5: Perceived brand globalness is positively associated with the brand's perceived prestige.

2.6 Social Responsibility

Global brands have often sparked anti-globalization protest because they have become visible but also vulnerable symbols of the negative effects of globalization, such as pollution, cultural imperialism, and exploitative wages. Today global brands are seen as "powerful institutions – capable of doing great good and causing considerable harm" (Holt, et. al., 2004b). Consumers are aware that global companies exert considerable influence, both positive and negative, on a

society's well-being. They expect from global players social responsibility, thus to act "as stewards of public health, worker's rights, and the environment" (Holt, et. al., 2004a). Since multinationals did not always behave ethically in the past, some consumers might refuse to buy global brands. Conversely, consumers do not expect local companies to behave ethically correct.

Hypothesis 6: Perceived brand globalness is negatively related to consumer perceptions of social responsibility of the company behind the brand

3. METHODOLOGY

A descriptive survey research design was implemented in order to test the study's hypotheses. Four questionnaire versions were developed: two adult versions and two teenager versions (nearly identical to the adult versions, but a bit simplified). On each questionnaire version, respondents were asked to evaluate two out of four product categories, in order to avoid respondent fatigue. Regarding the measures for product categories, respondents of questionnaire version one evaluated two brands of cheese, Schäringer (local brand) and Philadelphia (global brand), and the two refrigerator brands, Elektra Bregenz (local brand) and Siemens (global brand). Respondents from questionnaire version two evaluated Vöslauer (local brand) and Evian (global brand), the two mineral water brands, and the two functional sportswear brands Löffler (local brand) and Nike (global brand). A total of 372 questionnaires were collected from parents and pupils of a high school located in Graz, Austria. The number of usable questionnaires was 318, for a response rate of 85%.

4. RESULTS

Hypotheses 1, 2 and 3 suggested that durable, high-tech and low culture-bound products (refrigerators and functional sportswear) are positively related to consumer preferences for global brands. Therefore, these three hypotheses are discussed together. The hypotheses were initially examined by using the mode as measure of central tendency, which is an appropriate measure of central tendency for nominal variables (e.g., Coladarci, et al., 2004). The nominal scale for measuring the preference for either the local brand or the global brand, among the 10 brand pairs that were rated, had the value of 1 (preference for the local brand) or 2 (preference for the global brand). The mode for both durable, high-technology and low-culture-bound products (i.e., refrigerators and sportswear) was 2, thus indicating a preference for global brands. This finding can be further supported by the frequency distribution for each product category, which indicated that, in the case of refrigerators, 83.3% of respondents preferred Siemens over Elektra Bregenz, while in the case of sportswear, 88.7% of respondents preferred Nike over Löffler. In addition, a cross-tabulation with the general brand preference rating for refrigerators against the general global brand preference rating for sportswear was computed. Since both ratings concern durable goods (durable, high-tech, low-culture-bound end of the continuum), they are expected to be associated (i.e., a joint frequency distribution table should show a greater number of people preferring Nike and also Siemens, which are both global brands). The results show that the global brand was preferred over the local brand in both product categories. Also, the majority of respondents (240 people or approximately 75% of the sample) preferred *both* global brands (Nike and Siemens). Furthermore, the Chi-square was found to be significant at 0.018, thus indicating that respondents who preferred global brand 1 also tended to prefer global brand 2. The strength of association was found to be small, as indicated by the Phi coefficient of 0.133.

Additionally, the authors tested whether nondurable goods showed weak global brand preference ratings (or higher local brand preference). For this, again the mode for the two product categories on the non-durable, low-technology and high-culture bound end of the continuum (cheese and mineral water) was investigated. In this case, the mode showed that

respondents preferred the global cheese brand Philadelphia (mode=2) and the local mineral water brand Vöslauer (mode = 1). Nonetheless, the frequency distribution for each product category indicated only a small preference for Philadelphia (50.9% of respondents, versus 49.1 who preferred the local brand Schärddinger), while the local brand preference for mineral water was very strong (91.5% of respondents preferred Vöslauer over Evian). Similarly, a cross-tabulation between global/local brand preference rating for cheese and global/local brand preference rating for mineral water was used. Since cheese and mineral water are both at the non-durable, low-technology, and high-culture-bound products end of the continuum, the ratings of brand preference should also be associated (i.e., a joint frequency distribution table should show a greater number of people preferring Vöslauer and also Schärddinger, which are both local brands). In the product category mineral water, the local brand was clearly preferred over the global brand (291 versus 27 respondents), while in the product category cheese, the local brand was slightly less preferred (156 versus 162 respondents). But it can also be seen that almost half of the respondents (147 or 46%) prefer both local brands (while only 18 people or 5.6% of respondents preferred both global brands). The Chi-square test was close, but not-significant (0.088) and therefore the strength of association should not be analyzed. Ratings for local brand preference of mineral water and cheese were not always going together, but nonetheless, there is a slight tendency towards local brand preference for non-durable, low-technology and high-culture bound products. In conclusion, hypotheses 1 through 3 were supported.

Results from Hypotheses 4, 5 and 6 were tested in a series of three separate, paired-sample t-tests. All findings are presented in table 1. To test **hypothesis 4**, a paired-sample t-test was used to analyze whether brand globalness/localness was positively related to consumer perceptions of brand quality. To investigate this, respondents' answer to each brand pair comparison was assessed (i.e., local versus global brand of refrigerators, local versus global brand of cheese etc.) and then the mean differences were calculated. As it can be seen in the first t-test table, the lower means for all respondents are highlighted (indicating higher brand quality ratings), as well as the significant t-tests. Interestingly, the results showed that for durable goods (refrigerators, sportswear), perceived brand globalness was positively related to consumer perceptions of brand quality, as expected in hypothesis 4. Nonetheless, when non-durable goods were evaluated, it can also be seen that the lower means (or higher quality ratings) were from the local brands (even though only one of these two t-tests was found to be significant - i.e., for mineral water). Therefore, we can conclude that hypothesis 4 was partially supported - i.e., global brands are perceived as having higher quality, in the case of durable goods. In the case of non-durable goods though, i.e., food and soft drinks, local brands tended to be better evaluated from a quality standpoint, as compared to global brands.

Regarding **hypothesis 5**, the relationship between global/local brand preference and consumer perceptions of brand prestige was examined. The results are shown in the second paired-sample t-test in table 1. As it can be seen, for durable goods, the lower means (or higher brand prestige ratings) were from the global brands. The t-tests were significant for both refrigerators and sportswear, thus confirming the expectation that global brands will have higher prestige ratings. However, for non-durable goods (cheese and mineral water), the two local brands had higher prestige ratings, even though only one of the pair comparisons was statistically significant. Therefore, it is possible to conclude that the hypothesis was partially supported, i.e., in the case of durable goods. Similarly to hypothesis 4, there was also evidence indicating that for food and soft drinks, local brands tended to be evaluated as better in terms of prestige, as compared to global brands.

Finally, concerning **hypothesis 6**, the negative relationship between global brands and social responsibility was supported in 3 out of the 4 pair comparisons (please see the last t-test, from table 1). In the case of cheese, mineral water and sportswear, the local brands were rated

significantly better in terms of social responsibility, as compared to the global brands. The one exception was the pair comparison of refrigerators, since the mean ratings of social responsibility were the same for both the local and global brand. Therefore, there is sufficient evidence to conclude that local brands of food and soft drinks tended to be evaluated as better, in terms of social responsibility, as compared to global brands.

Table 1: Paired sample t-tests for global/local consumer preference regarding brand quality, prestige and social responsibility

	Brand quality rating	Mean	Mean difference	t	Sig. (2-tailed)
Pair: cheese	Quality rating Schärddinger	1.56	-.086	-1.259	.210
	Quality rating Philadelphia	1.65			
Pair: refrigerators	Quality rating Elektra Bregenz	2.21	.543	5.816	.000
	Quality rating Siemens	1.67			
Pair: mineral water	Quality rating Vöslauer	1.57	-.940	-11.256	.000
	Quality rating Evian	2.51			
Pair: sportswear	Quality rating Löffler	2.33	.861	9.446	.000
	Quality rating Nike	1.46			

5.

	Brand prestige rating	Mean	Mean difference	t	Sig. (2-tailed)
Pair: cheese	Prestige rating Schärddinger	1.52	-.126	-1.947	.053
	Prestige rating Philadelphia	1.65			
Pair: refrigerators	Prestige rating Elektra Bregenz	2.21	.662	7.312	.000
	Prestige rating Siemens	1.54			
Pair: mineral water	Prestige rating Vöslauer	1.54	-.731	-8.075	.000
	Prestige rating Evian	2.28			
Pair: sportswear	Prestige rating Löffler	2.49	1.180	13.105	.000
	Prestige rating Nike	1.31			

	Brand social responsibility (S.r.) rating	Mean	Mean difference	t	Sig. (2-tailed)
Pair: cheese	S.r. rating Schärddinger	1.62	-.391	-5.768	.000
	S.r. rating Philadelphia	2.01			
Pair: refrigerators	S.r. rating Elektra Bregenz	2.05	.000	.000	1.000
	S.r. rating Siemens	2.05			
Pair: mineral water	S.r. rating Vöslauer	1.59	-.880	-12.146	.000
	S.r. rating Evian	2.47			
Pair: sportswear	S.r. rating Löffler	2.18	-.311	-2.319	.022
	S.r. rating Nike	2.49			

CONCLUSION AND PRACTICAL IMPLICATIONS

This paper sought to examine the different factors that influence consumer preferences when considering global and local brands in Austria, which would, in turn, give decisive guidance

to those companies that seek entrance into the Austrian food market. According to the findings, consumer preferences for global and local brands varied according to the product category. Among consumer goods, durable, high-tech, and low-culture-bound products lend themselves more to standardization than non-durable, low-tech, and high culture-bound products. The findings for the Austrian consumer market confirmed that in the case of non-durable, low-technology, and high-culture-bound consumer goods, such as food and drinks, the different tastes, habits, and customs imparted by their culture may prevent consumers from universally preferring the same product attributes, advertising messages, packaging, and presentation. Concerning to the characteristics to a brand the study showed that global brands are perceived as having higher quality, in the case of durable goods (i.e., refrigerators and clothing). However, in the case of non-durable goods, i.e., food and soft drinks, local brands tended to be better evaluated from a quality standpoint, as compared to global brands. There was also evidence indicating that for food and soft drinks, local brands tended to be evaluated as better in terms of prestige and social responsibility, as compared to global brands. Since perceived quality and prestige cannot be readily copied, it provides a more defensible strategy (Schocker, et al., 1994). Thus, marketers should consider emphasizing perceived quality and prestige. Finally, marketers should take the social responsibility factor more seriously. Especially local brands have a high potential to be preferred over global brands due to a higher perceived social responsibility. In the light of the fact that ethical shopping is continuously increasing, companies can view the promotion of ethical behavior as a new way to distinguish themselves from the competition.

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