

BRAND EFFECT ON CONSUMER PREFERENCE (THE CASE OF OLIVE OIL IN ALBANIA)

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Abstract

The brand is an element that signals the quality of the product. The credibility of brands is generally developed through considerable efforts by individual firms and is often based on consumers' personal experiences over time. By using trusted labels, firms signal to the consumer the quality or presence of specific attributes. Brand image has a significant impact on brand equity, which refers to the consumer's overall perception and feeling about a particular brand and influences consumer behavior. Consumers are always looking for famous brands, so their preferences for the brand of a product or service are variable. Businesses need to identify what influences brand preference and how consumers create brand preference.

Often customers, when they are satisfied with a particular product or brand, repeatedly buy the product. When a customer repeatedly buys a product, showing a favorable attitude towards the brand, the customer becomes loyal. To make consumers buy or prefer a brand, they must first be made aware of the brand and focus on maintaining and monitoring brand awareness. So there is an immediate need for a marketer to know the olive oil brand consumers' preferences and identify what affects their brand preference. Various factors influence consumer preferences for olive oil brands. This study aims to analyze how consumer knowledge of olive oil brands affects branded olive oil and the willingness to pay for branded olive oil. In this study we identify relevant literature review on consumer preferences for food products and consumer preferences for olive oil. The focuses of this research are only Albanian olive oil brands. The subjects of the research are Albanian consumer preferences for branded olive oil. The study object includes Albanian individual consumers at the age 18 + that take care of buying olive oil products. Data are collected from an online questionnaire, and the association between variables will be tested using statistical tests.

Keywords: brand, olive oil, products, consumer preferences

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Introduction

Consumer preferences are often defined as each consumer's subjective tastes, measured by their satisfaction for those items they have purchased. Brand is one of the elements that affect consumer purchase. This paper aims to investigate brand

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effects on olive oil in Albania, we are focused on consumer preferences toward brands and their knowledge, and how those elements affect the buying process. The data that are analyzed in this research are gathered from a useful survey, we have analyzed only those consumers that purchase olive oil for individual use not business. The methodology was focused on these stages: the first stage was the review of literature; the other step was related to the determination of issues that will be addressed. The hypotheses are two: a hypothesis related to consumer preference for branded olive oil and a hypothesis related to the effect of consumer knowledge on branded olive oil. To collect all the information needed, this study used a questionnaire with 24 questions. After data collection to test the Hypothesis, SPSS 2.0 was used. The results and recommendations will be useful not only for consumers but also for olive oil companies to know more about consumer preference and attitude.

Literature review

According to Kotler's (Kotler, 1991) definition, a brand is considered a name, term, model symbol, or combination thereof, intended to identify a business's goods or services and differentiate them from competitors. Brands are used in business, marketing, and advertising campaigns. The brand carries those features that make a product unique and inimitable by competitors or other pairs of features for which the consumer is willing to pay the price.

Companies follow different marketing strategies; they start with a value proposition. It refers to the value that the company promises to offer to its customers if they choose its products or services. Often the value proposition in marketing refers to the positioning statement. Businesses often claim that the value of the firm's product or service is identical to the value perceived by the consumer. In other words, if the firm proposes a good product, the customers will appreciate it as such.

The brand is a product that is experienced and evaluated every day by consumers. The verb "to brand" refers particularly to the firm's activities and all activities that shape customer perceptions. Branding is a management perspective that focuses on shaping the perceived value of the product. Brand image has a major impact on brand equity, which refers to the consumer's overall perception and feeling about a particular brand and influences consumer behavior. According to some researches the consumers in Western Balkan countries have shown high preferences for healthy branded food (Del Giudice et al., 2018; Madan, 2020) have considered important factors acting as promoters of brand preference, price level, product variety, marketing communications, brand ambassadors, friends community, the origin of the brand etc. The branding process of the products is an advantage for the consumer but also for the business, brand preference is

established through brand positioning, which is associated with viable offerings based on consumer perception (Iyer et al., 2019). Researchers have pointed out that consumer responses to brands vary by different factors such as knowledge, experience, gender, attitudes, cultural background, etc. They have studied the effects of brands which vary in terms of their product or industry type, personality or other image factors, country of origin, and so on (Keller, 2019). Today consumers are bombarded by a large number of brands. Mathur et al. (2003) note that one of the challenges businesses face today is that customers can change their favorite brands by testing other brand products because they are exposed to various attractive brands. For so many big businesses around the world winning consumer brand loyalty is considered a serious challenge.

Consumers are always looking for a better brand, so their preferences for the brand of a product or service are variable. Businesses need to identify what influences brand preference and how consumers create brand preference. They tend to show little brand preference toward a particular brand when exposed to a new or unfamiliar product category. Brand preference refers to the priority that consumers give to the brand and the recognition they have for it, some consumers prefer to buy brands that they already know, this type of consumers don't like to go for new brands. Other authors point out that the food habit, education of household heads, location, and other demographic variables have significant effects on oils' choice for consumption.

There are a number of olive oil brands in Albania, but since they are not present in all markets, not all consumers know and consume them.

Often customers, when they are satisfied with a certain product or brand, repeatedly buy the product. When a customer repeatedly buys a product, showing a favorable attitude towards the brand, the customer becomes loyal. Of course, consumers are inclined to choose those brands they are aware of compared to the brands that the consumers are unaware of. To make a consumer buy or prefer a brand, they must first be made aware of the brand and focus on maintaining and monitoring brand awareness. So there is a direct need for a marketer to know the olive oil brand consumers' preferences and identify what affects their brand preference.

Merchants, regardless of the marketing strategy they follow in the company, have as the main goal of their marketing activities to influence the perception and attitude of consumers towards a brand, to create the brand image in the mind of the consumer, and to stimulate the current consumer behavior for buying. Brand capital is the focus of academics and practitioners; however, there is no paradigm for brand equity studies. Most studies measure brand equity from a consumer perspective or from the company itself. On the one hand, some researchers believe that consumers' subjective perception (e.g., attitude, assessment, satisfaction,

etc.) is the key to brand equity. Although brand features and attributes will influence the consumption decision, it is determined by consumers' perception of the brand image in a deeper sense. Despite the change in consumers' lifestyle and information processing, the brand image remains the dominant impact factor of consumption decisions.

On the other hand, some researchers believe that brand equity should be evaluated in terms of market value, market share, and cash flow. Also, extant studies take into consideration financial performance and non-financial performance as a demonstration of brand equity. Financial performance can be described as brand premium and market share; non-financial performance refers to the brand reputation, brand loyalty, brand awareness, and brand association. Following the brand equity analysis in the perspective of consumer and non-financial performance, this study analyzes the relationship between the importance of brand on consumer preference and willingness to pay for OO2.

Increasing competition in the agro-food sector, highlighted by economic globalization, has led companies to promote innovative strategies to enhance the agricultural products, differentiating them through perceived signs of quality, sustainability or territoriality, etc. An extensive effort has been and should continue to be generated mainly addressed to 1) developing adequate and experimental tools to provide more realistic consumer's values for new agro-food attributes; and 2) provide increasing evidence of consumers' preferences heterogeneity as the basis for market segmentation, targeting and positioning.

Willingness to pay (WTP) is considered one of the most used methods to assess food products' economic value and evaluate their attributes. WTP is the maximum amount a person is willing to pay to get a product or a service. Moreover, from this measure, the market potential can be assessed by comparing WTP with the market. Many methods have been used to test consumers' preferences and WTP for food products; in this study, we will test WTP for olive oil (OO).

Consumers appear to have a high willingness to pay for particular brands, even when there are different choices and alternatives. The majority of consumers typically buy a single brand of beer, cola, or margarine (Dekimpe et al., 1997), even though relative prices vary significantly over time, and consumers often cannot distinguish their preferred brand in blind "taste tests" (Allison et al., 1964). Consumers pay a large premium to buy homogeneous goods like books and CDs from branded online retailers, even when using a "shopbot" that eliminates search costs (Smith and Brynjolfsson, 2001).

Theorists have long speculated that consumers' experiences in the past affect willingness to pay for brands. Willingness to pay depends not only on the income of the consumers but also on other social and demographic factors, as well the knowledge of a brand, play an important role. Consumers' willingness to pay

premium (WTPP) for the brand label refers to the amount they are willing to pay more for the brand label attribute, which is a key indicator reflecting the brand status and importance in the eyes of consumers (Kadirov, 2015; Van et al., 2021). According to Bo and Yang (2020) consumers with low WTPP (willingness to pay premium), for enterprise brand labels and consumers with high WTPP for regional brand labels have stronger willingness to repurchase.

In the extreme, brand preferences could be entirely determined by childhood experiences (Berkman et al., 1997). Under these assumptions, consumers' accumulated stock of "preference capital" could be a valuable asset for incumbent firms and a source of long-term economic rents. In Bain's (Bain, 1956, p. 216) view, "the advantage to established sellers accruing from buyer preferences for their products as opposed to potential entrant products is on average larger and more frequent in an occurrence at large values than any other barrier to entry". A lot of studies have measured the effects of advertising. Advertisement in all companies is used as a weapon to earn consumer's love for their products, the 21st century has pointed out many scholarly writings and research about the effects of advertisement on consumer brand preference (Daniel, 2019).

In recent years, Albania has seen a rapid change in its citizens' consumptive behaviors and lifestyles due to economic growth, improvement in the standard of living, fast urbanization, and trade liberalization. A consequence of this has been the gradual segmentation of the food and beverage market, similar to what has been seen in other transitioning countries (Berisha, Mara, 2005; World Bank, n.d.). The transition from a centrally planned socialist economy to a market-oriented economy has also given the possibility to increase in number to the urban middle-income class of consumers. The food demand from the emerging urban middle-income consumers, combined with the gradual consolidation of the retail sector and the recent establishment of the first supermarket chains, has strong implications for the agro-food industry, which in the past has been almost exclusively based on price (Skreli, Imami, Leonetti, and Feraj, 2009).

The transitioning economy, the new class of consumers and the food retail sector's change has added to the change in consumer behavior and consumer preferences. Particularly, the demand for olive oil, an important component of the Albanian diet, has also changed in recent years. Olive oil's contribution to Albanian fat consumption has been increasing in the last two decades. In 2003, Albanians consumed approximately 4.21 kg of olive oil per capita per year. However, this is still less than the popular olive oil-consuming countries such as Greece (15.62kg), Italy (13.14kg), and Spain (11.72kg) (Grigg, 2001; FAO, n.d.). Studies have shown that olive oil production is profitable in Albania but does not have a comparative advantage globally (Mane and Kapaj, 2009). However,

even though Albanian olive trees in production have been increasing, on average, Albania continues to import significant amounts of olive oil in recent years.

The imports are mainly from neighboring countries such as Italy, which supplies about 90% of Albania's imported olive; the rest is from Greece and other European Union (EU) countries. Albania imports about 1,000 tons of olive oil per year. In recent years, the import levels have been fluctuating in response to the domestic olive oil production as low production means more imports to meet demands with a lagged time of a year. Although domestic production has increased after the decrease in levels, imported olive oil levels still show an increase.

Recently the upward slope in imports suggests higher consumption and preference for imported olive oil. Based on the importance of olive oil in Albanians' diet and the historical role in supplying the domestic demand, the olive oil industry has been targeted as a top strategic sector for growth and development by the Albanian government. As the country continues to increase production, consumer preferences for olive oil could greatly assist in domestic olive oil marketing and import substitution.

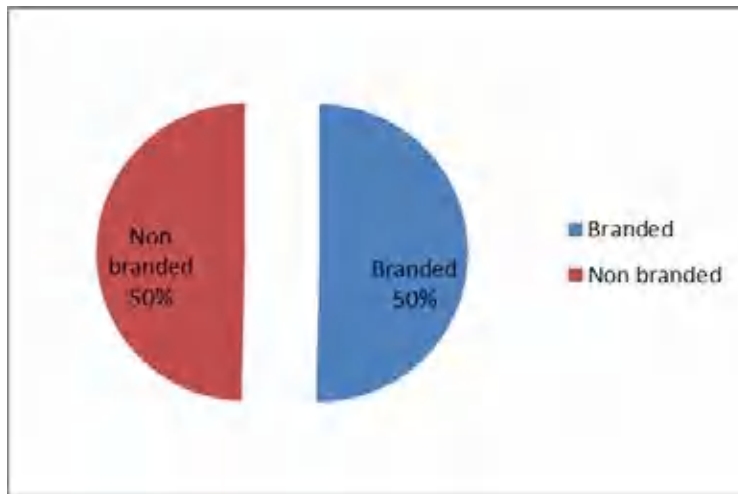
Methodology

The aim of this study is to analyze brand effect on consumers' preferences for olive oil in Albania. The data that will be used in this study will be obtained from the interviews with Albanian consumers. Participants will be selected using two filters: 1) they have bought olive oil in the last months, and 2) they are responsible for the grocery shopping for the household. The data used in this project are secondary and primary data. Secondary data are gathered from various sources such as academic articles, books, online marketing research, reports from academic institutes, government sources, census reports, reports of individual firms, libraries, periodicals, official publications of INSTAT (Albanian Institute of Statistics), local and international official data and other sources. The sample is made only from consumers of olive oil. The statistical models and tests used in this paper vary from hypothesis to hypothesis depending on the type of data we have (nominal, ordinal, ratio, interval).

Data analysis

In this section we are focused on the specification of models and related hypothesis tests with regard to the research questions.

Brand



Source: Primary data

Figure 1: What kind of olive do you purchase? Branded – Non branded

Based on different literature another relevant attribute within consumer preferences is represented by brand. The literature highlights that the preference of consumers for traditionally known brands and private labels, with an increasing information value and reassuring features have added value and specific characteristics for the consumer. When it comes to the brand that the respondents habitually purchase, it is noted that the interviewers are not affiliated with a particular brand, they purchased branded olive oil as much as they bought olive oil produced by farmers familiar to them and that the product does not hold any specific brand or certification label. Interviewers' answers to the question of what olive oil they would prefer to purchase, brand or not brand are spitted between 50% to 50%. As shown from the graph, the interviewees do not attribute great importance to the brand of olive oil. The same trend seems to be for Greek consumers too, (Krystallis A., Ness M. , 2005), point out that Greek olive oil consumers attribute no importance to the product brand.

Hypothesis 1: Consumer preferences for olive oil are higher for consumers buying branded OO than non-branded olive oil.

Brands play an important role in consumer decision, it makes sense when discussing about buyer security standards, certification and other product attributes. Below is shown a cross tabulation of two variables consumer

preference and the type of OO that consumer prefer to purchase as branded OO or non-branded olive oil.

Table 1: Cross tabulation of H1

*What type of olive oil do you prefer to buy? * What are your preferences for olive oil according to the categories below?

Count												
		* What are your preferences for olive oil according to the below categories?										Total
		1	2	3	4	5	6	7	8	9	10	
*What type of olive oil do you prefer to buy?	0	0	5	2	11	24	19	19	27	19	16	142
	1	3	3	3	10	23	18	16	24	16	24	140
Total		3	8	5	21	47	37	35	51	35	40	282

Source: SPSS output

In the cross-tabulation table we have the variable which show “brand” in the rows and we have: **1** – *Non branded Olive Oil*, **0** – *Branded Olive Oil*

In the columns we see the 10-preferences of variable “What are your preferences for olive oil according to the categories below”:

1 = Lowest preferences, 2 = Low preferences, 3 = Small preferences, 4 = Less than medium preference, 5 = Medium preferences, 6 = More than medium preferences, 7 = Large preferences, 8 = A bit high preferences, 9 = High preferences, 10 = Highest preferences.

In the cross tabulation we can see that there is a small difference between the choice that people make in relation to the fact if olive oil is or is not branded.

We also can confirm this result with the table below, Chi Square Test as the appropriate test for the variables that we have is used.

The hypotheses here are:

H₀: There is not a difference between the preferences for branded or not branded olive oil

H_a: There is a difference between the preferences for branded or not branded olive oil.

Table 2: Chi-Square Tests H1

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.073 ^a	9	.733
Likelihood Ratio	7.250	9	.611
Linear-by-Linear Association	.057	1	.811
N of Valid Cases	282		
a. 6 cells (30.0%) have expected count less than 5. The minimum expected count is 1.49.			

Source: SPSS output

The chi-sq. test is correct with no one cell less than 5. We see that with 0.733 level of significance and with 9 degree of freedom, the $\chi^2 = 6.073$ which is \leq critical value of $\chi^2 = 16.919$ a

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.016 ^a	9	.025
Likelihood Ratio	19.351	9	.022
Linear-by-Linear Association	2.825	1	.093
McNemar-Bowker Test			. ^b
N of Valid Cases	281		

a. 6 cells (30.0%) have expected count less than 5. The minimum expected count is .75.

b. Computed only for a PxP table, where P must be greater than 1.

Source: SPSS output

The value of the test statistic is 19.016

The corresponding p-value of the test statistic is $p = 0.025$, according to the p value we can accept the relationship among variables but according to the footnote where we have 6 cells (30%) have expected count less than 5 we can confirm that this relationship is low which compromised the test.

Conclusion

Due to the economic changes, consumer behavior and preferences for olive oil have changed in recent years. It is noted that consumer preferences are heterogeneous; they derive from different factors or needs. It's important to understand consumer preferences for stakeholders and government and marketing policymakers to adapt their products and produce the products preferred by their consumers. These preferences can be determined through the attributes or characteristics of olive oil products, and consumer types can be inferred from the choices they make among those attributes.

The Albanian consumers are not obsessed with purchasing branded olive oil; they prefer to purchase more olive oil produced in Albania. They also know in person the farmer and are confident in their way of production.

The Albanian consumers do not express interest in the olive oil brands they purchase, as mentioned earlier; this is related to various factors where one may lack knowledge of the brands.

Recommendation

This study aims to inform stakeholders on the preferences and willingness to pay for Olive Oil of Albanian consumers. The following recommendations are addressed mainly to companies involved in the process of production of olive oil. They have as a target group the national consumer, but also, these data can be used by researchers and companies dealing with the certification process, or other interested individuals.

It was found that consumers' knowledge of certifications and types of olive oil brands are very basic. We recommend those companies that certify and certainly have a cost of this process would be better to inform their consumers of the certification advantages they use. Undertaking consumer awareness campaigns with the symbols and logos of certification bodies add value to their preference. The presence of these companies on social networks may add an information channel.

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