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CONSUMER PERCEPTIONS OF GLOBAL AND LOCAL BRANDS

Ali Zareei and *Peyman Ghafari Ashtiani

Department of Management, Arak Branch, Islamic Azad University, Arak, Iran

**Author for Correspondence*

ABSTRACT

The purpose of this dissertation is to investigate consumer attitudes and preferences towards local and foreign brand purchases against a background of factors like Prestige, Quality, Availability and Price. It was found that the quality of global brands was perceived to be generally higher and superior and symbolic to local brands. Most consumers also associated greater accessibility of foreign brands in the Iran market. As companies become global, managers must possess a thorough understanding of the attitudinal and behavioral characteristics of emerging consumer markets, because what is known about consumers in one part of the world is not applicable to consumers in other parts. A survey design was employed to collect data for this research. A total of 200 questionnaires were collected from young adults within the Tehran area. However, for the purpose of this research, young adults will be defined as those aged between 21 and 40 because young adults in this age range are more likely to earn sufficient income to indulge in status seeking consumption of Brand. To collect data, the convenience sampling approach was adopted, and questionnaires were distributed to the Clothes simple stores.

Keywords: *Global Brands, Local Brands, Iran, Price, Availability and Product Quality, Price*

INTRODUCTION

This study aims in understanding consumer perception of global brands vs. local brands in the Iranian retail industry. The Iranian retail industry is undertaken for the study for the simple reason being the strong growth of the retail sector in Tehran. Organized retailing is at its infancy in Iran and presents huge growth opportunity. Standing on the threshold of a retail revolution and witnessing a fast changing retail landscape, Iran is all set to experience the phenomenon of a global village. Iran presents a grand opportunity to the world at large, to use it as a business hub. Globalization has a lot to do with consumers. Consumers in Iran are now becoming more informed, sophisticated and demanding. Iran is one of the young countries in the world, and the attitudes of the Iranian consumers are changing at a rapid pace. With Globalization more and more Iranians are becoming aware of westernized products and they feel that possession of global brands in front of their social groups (friends and families) gives them a sense of status and prestige. It is therefore proposed that products and possessions seem to have more of symbolic attributes rather than functional attributes. This study therefore focuses on the reasons as to why consumers prefer foreign brands over local brands and it also proves that consumption is carried out for reasons such as symbolic consumption, materialism and depiction of high status and image. Several reasons are offered for moves toward global brands. First, globalization can yield economies of scale and scope in R&D, manufacturing, and marketing (Yip, 1995). Second, its strategic appeal increases as meaningful segments of consumers around the world develop similar needs and tastes (Hassan and Katsanis, 1994). Third, globalization speeds up a brand's time to market by reducing time-consuming local modifications (Neff, 1999). Such arguments have been present in the literature for many years and are now widely accepted (Benedict *et al.*, 2003).

Status consumption is the tendency of individuals to seek prestige and recognition from the acquisition and consumption of products. Status conscious consumers generally have a distinct pattern of consumption. Their patterns of consumption can be seen within the phenomenon of consumerism. Consumerism is a state where consumption is excessive and conspicuous, and self-fulfillment is sought through excessive consumption. To this end we contend that when seeking status, the purchase of specific goods is given priority in societies that have higher levels of consumerism, and in this sense consumerism is a key driver of status consciousness. In consumer societies there is a movement toward the consumption of status symbols, not generic products and this gives rise to the status brand. As such, the

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symbolic meaning of a brand is seen as more important than the generic object itself. It is the symbolic value of the brand that assists in identity making (O'Cass & Siahtiri, 2013).

Objectives of the Study

The primary objective of this study is analyzing the factors that affect consumer preference for global brands. Factors like Prestige, Quality, Availability and Price affect on consumer perceptions of global and local brands.

Literature Review

Brands and Branding

Branding is the art and cornerstone of marketing (Kotler, 2003). A brand is defined as a specific name, symbol or design- or, more usually some combination of these- that is used to distinguish a particular seller's product (Doyle, 2002). Branding exists from the very early times to distinguish the goods of one producer from those of another. The word 'brand' derives from the Old Norse word 'brandr' which means to burn and brands were, and still are, the means by which owners of livestock marked their animals. From branding his livestock, early man moved on to branding his wares- where a potter for example would identify his pots by putting a mark like a thumbprint into the wet clay on the bottom of the pot and the potter would expect customers to seek out those products which carried his mark (Interbrand,1990). Today with a considerable change over time, there is an increase in modern and sophisticated branding of both tangibles and intangibles (Sankar, 2003).

Global Brands

Today brands have come to represent a fascist state where we all salute the logo and have little opportunity for criticism because our newspapers, television stations, Internet servers, streets and retail spaces are all controlled by multinational corporate interests" (The Economist, 2004). With globalization touching the nooks and corners of every nation a global consumer segment has arisen whose needs and interests are becoming increasingly homogeneous. The growing integration of international markets as well as the growth of competition on a worldwide scale implies that adoption of a global perspective has become increasingly imperative in planning marketing strategy (Sankar, 2003).

Consumer Decision-Making Styles

Consumer characteristics in decision-making can be measured via an examination of consumer styles. The CSI contains eight consumer decision-making styles and has been used to investigate consumers in cultures of China, South Korea, U.S., New Zealand, Greece, United Kingdom and Germany (Fan & Xiao, 1998; Hafstrom *et al.*, 1992; Hiu *et al.*, 2001; Lysonski *et al.*, 1996; Mitchell & Bates, 1998; Shim & Gehrt, 1996). These styles are: quality conscious, brand conscious, innovation/fashion conscious, recreation conscious, price conscious, impulsive, confused by overchoice and brand loyalty (Leo *et al.*, 2005).

Factors Affecting Brand Preferences

Attribute lifestyles and buying. According to Kotler (2009), The American Marketing Association defines brand as 'a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors'. Aaker (1995) defines a brand on different levels, stating that a brand is not merely the physical product, but is also composed of brand attributes, symbols, brand--consumer relationships, benefits of self-expression, consumer profiles, associations with the culture of the country of origin, and corporate identity. In essence, the brand provides a simple means for the consumer to distinguish it from its peers. Charlene R. (University of Twente, Netherlands) stated that 'A successful brand is an identifiable product, service, person or place augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs most closely. Furthermore, its success results from being able to sustain these added values in the face of competition.' Successful brands deliver benefits to satisfy consumer needs. These needs include rational needs (such as features, packages or the price of a brand) and emotional needs such as prestige, distinctiveness, style or the social reassurance of a brand (Usman *et al.*, 2010).

Cultural Factors

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Culture is “the set of basic values, perceptions, wants and behaviors learned by a member of society from family and other important institutions” (Ibid, p. 256), and is the primary reason behind a person’s wants and behavior. Although different societal groups have their own culture that affects consumers’ buying behavior, the extent to which it influences the behavior might vary from country to country. Each cultural group can be divided into groups consisting of people with common life experiences and situations, also known as subcultures (Kotler *et al.*, 2005), such as nationality, racial groups, religion, and geographical areas. The third cultural factor is social class, which is constituted upon among other variables: occupation, income, education, and wealth.

Social Factors

The second classification of factors affecting consumer behavior is social grouping, which is composed of small groups, social roles and status, and family that affect all individuals to some extent. Some of these groups have a direct influence on a person, i.e. membership groups, groups that a person can belong to (Kotler *et al.*, 2005), and reference groups which “serve as direct (face to-face) or indirect points of comparison or reference in forming a person’s attitudes or beliefs” (Armstrong *et al.*, 2005). However, some people are affected by groups in which they do not belong to; these reference groups include aspirational groups, groups that a person desires to belong to and a fan’s admiration for an idol, etc. (Ibid). Finally, a wife, husband or a child have strong influences on a consumer and thus the family is the most vital consumer buying organization in society.

Personal Factors

Consumers’ personal characteristics, like for instance age and life-cycle stage, occupation, economic situation, lifestyle, as well as personality and self-concept influence consumers’ buying behavior. Moreover, depending on a person’s occupation and financial situation, as well as the stage in life a person is in, his/her demands for products shift. A person’s lifestyle forms his/her world and the way he/she decides to act, thus a person’s activities, interests, and opinions constitute their lifestyle, as well as affecting the choice of products (Armstrong *et al.*, 2005). Moreover, all people are individual; hence have a unique personality of different characteristics, which is often portrayed with traits, such as self-confidence, dominance, sociability, autonomy, defensiveness, adaptability, and aggressiveness (Blackwell *et al.*, 2001).

Psychological Factors

Four objects constitute this group of factors, namely motivation, perception, learning, and beliefs & attitudes. When a person is motivated, he/she acts accordingly and the actions taken are affected by the person’s perception of the situation. Perception is the individual selection; organization and interpretation of the information which flows through people’s senses, and consequently a meaningful picture of the world are formed. When people experience new things, changes take place in their behavior, i.e. they learn new things when they take action. As a result, beliefs and attitudes are acquired and hence affect the buying behavior (Anderson *et al.*, 2006).

Quality

Quality is defined as evaluation of excellence and superiority of the product (Zeithaml, 1988). In the previous studies, some researchers argued that quality cannot be defined and quality is objective which can be measured. In a different thought others believed quality cannot be measured. Combining this two approaches quality is divided in to objective of quality and perception of quality (Anselmsson and Persson, 2007). Objective of quality is evaluation of the product based on physical characteristics. While perception of quality considers subjective notation which is consumer evaluation of the product and judgment that based on some attributes.

Richard (1996) defined perceived quality in terms of consumer judgment of intrinsic attributes (taste, ingredients, nutrition value and overall quality (Bellizzi *et al.*, 1981; Cunnungham *et al.*, 1992). According to Collins (2003) consumer evaluates the quality in association of extrinsic and intrinsic cue. Intrinsic cue is.

The perception of quality through physical characteristic of the product (color, size, flavor or aroma) while extrinsic cues are attributes which have some relations with the product (package, price, advertising

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and peer pressure). Because extrinsic cues are more familiar with customers, based on this cues it is easier for them to evaluate the products (Nguyen and Gizaw, 2012).

Price

Price is a factor affecting consumer behavior. According to Evans *et al.*, (1996), price can be defined as the thing that a consumer has to give up to buy and obtain a certain product. In addition, Evans *et al.*, (1996) states that, - when a consumer makes a purchase, the value of the purchased item must be greater than its costs. In other words, the perceived benefits of a product must exceed the expenses of acquiring it (Thagunna & Khanal, 2013).

Prestige

Authors have stressed that consumers may prefer global brands because of associations of higher prestige (Schuiling & Kapferer, 2004). 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), Brand conscious decision-making refers to a consumer's orientation towards the purchase of expensive and well-known brands. There are two dimensions of Hofstede that have relevance for this decision-making style; individualism/collectivism and uncertainty avoidance. Brands are symbols of status and prestige and Eastern cultures, having high power distance, perceive social status and prestige as important (Hofstede, 2001). As Eastern cultures are higher power distance and collectivism. Which is associated with the concept of 'face' and social harmony, consumers in Eastern cultures are expected to have a higher need to maintain prestige and status (Ho, 1976), and thus a higher level of brand conscious decision-making (Leo *et al.*, 2005).

Statement of the Problem

The basic aim of this study was to foresee and get knowledge about the concept of brand preference which has taken birth in the Iranian context with a wide spectrum and range of brands now available across product categories to the Iran consumers. It aimed to study whether consumers can differentiate between brands or not and clearly measures the switching reasons across brands. The study provided a base for trend information on which subsequent quarterly results can be compared and examines differences between Global and Local Brands

Conceptual Model

As u can see in this model, four important factors effect on brand preference.

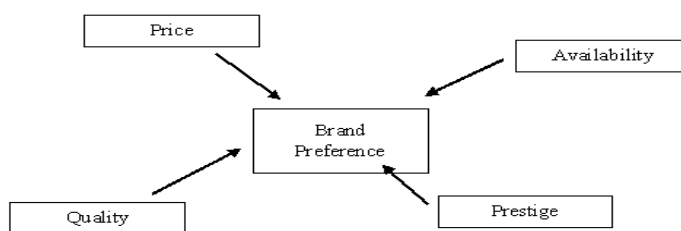


Figure 1: Conceptual Model (Usman *et al.*, 2010)

Scope of the Study

The scope of this research was to know the Iranian consumer perceive with respect to brand and the behavioral pattern exhibited with across product categories. It also aimed to examine whether there is a switching/shifting brand behavior exhibited? The results of this study cannot be used to reflect the delimited population as a whole. This study collected convenient samples from Tehran's young adult. Therefore, one cannot generalize the results of the study to the delimited population. This study can only reflect a specific and limited population's clothing marketing needs.

MATERIALS AND METHODS

Research Methodology

Questionnaires were used to collect primary data. The questionnaire included closed ended questions and Likert scale. I mainly classified our population according to gender. Frequency distribution and bar charts

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have been used to evaluate the results. In addition to this, the means of different factors that influence consumers’ preferences of the local and global brands were used to determine which factors are considered the most by consumers when purchasing different brands.

RESULTS AND DISCUSSION

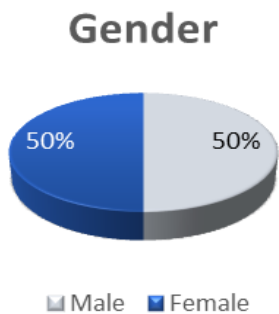


Figure 2:

Table 1: Gender

Gender	
Male	100
Female	100

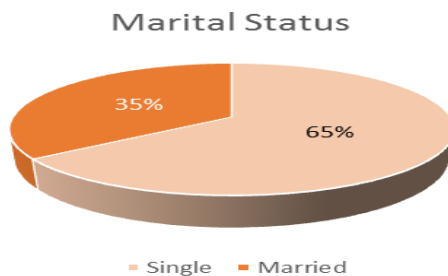


Figure 3:

Table 2: Marital Status

Gender	Single	Married
Male	61	39
Female	69	31

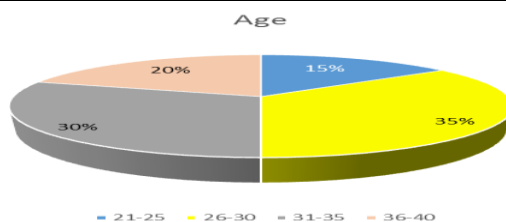


Figure 4:

Table 3: Age

Gender	21-25	26-30	31-35	36-40
Male	17	37	24	22
Female	13	33	36	18

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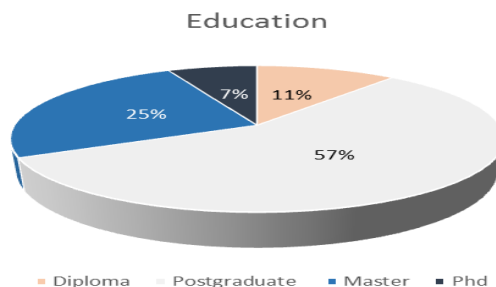


Figure 5:

Table 4: Age

Gender	Diploma	Postgraduate	Master	PhD
Male	14	50	28	8
Female	8	64	22	6

Question 1

Do You Use International Brands Products?

According to the data collected, 76.5% of the people used international brands of which 69 were male and 84 were females. 18% of the people questioned claimed to use international brands occasionally, whereas, 5.5% of the people claimed not to use global brands at all. As indicated in the below pie charts 18% of the people who used the global brands sometimes included 24 males and 12 females, and those who did not use the global brands consisted of 7 males and 4 females.

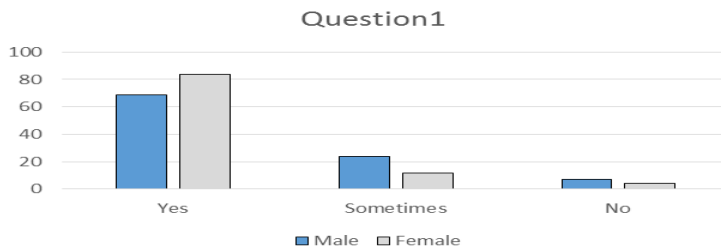


Figure 6: Using International Brands Products

Question 2

If An International Brand and a National Brand had the Same Quality, Would you Prefer the International Brand?

The purpose of this question was to evaluate and discover how important a factor such as Quality is in determining whether the consumers would go for the domestic brand or stick to the global one if both the products were in the same quality range. The results found out that 89% of the consumers would go for the international brands whereas 4.5% would still purchase the domestic ones, 6.5% of the people questioned claimed to use international brands occasionally.

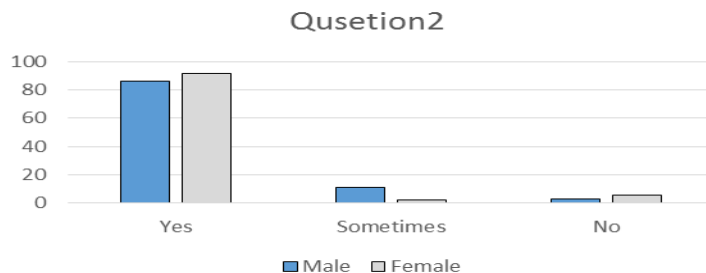


Figure 7: When quality is equal

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Question 3

If an International Brand and a National Brand are Priced Same, do you Prefer the International Brand?
 The purpose of this question was to evaluate and discover how important a factor such as Price is in determining whether the consumers would go for the domestic brand or stick to the global one if both the products were in the same price range. The results found out that 60% of the consumers would go for the international brands whereas 22% would still purchase the domestic ones, 18% of the people occasionally chose international brands, when the price is the same.

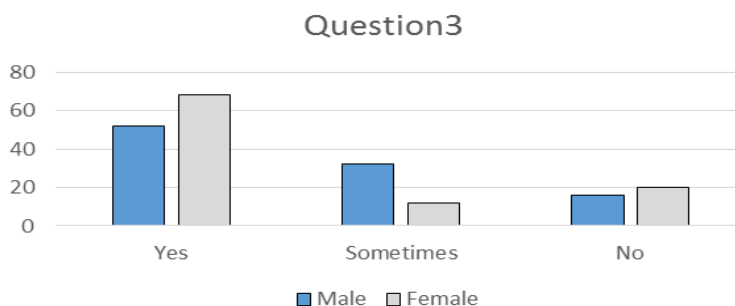


Figure 8: When prices are equal

Question 4

It is Said that People Buy International Brands so that they can be Accepted in a Particular Social Group. Do you agree?

The results this question confirmed the general perception that exists in our society, that is, the global are purchased as a status symbol. The youth mainly bought foreign branded products to be able to fit in a particular social group. This occurs largely because peer pressure tends to be high at this age, and most of the people find themselves being victims of inferiority complexes. The results to the this question indicated that on average 90% of the youth (88 males and 92 females) purchased the international and local brands as a status symbol.

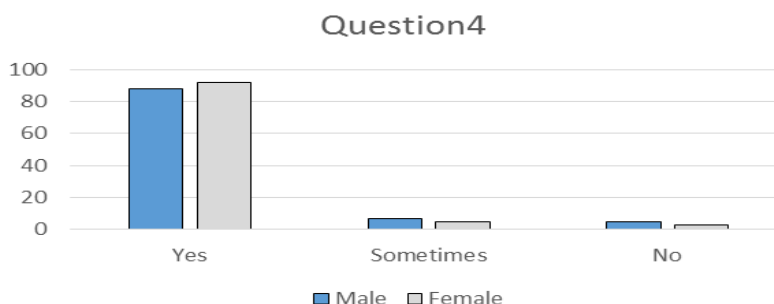


Figure 9: Status Symbol

Question 5

Do You Consider Where A Product Is Manufactured When Purchasing It?

This question was asked to discover how much importance the youth lay on the country of origin as a factor when making a purchase. As indicated in the graph, the youth was found to be mainly pay attention to the country in which the brand was manufactured. Majority of the consumers (75% males and 74% females) considered it as significant a factor as to affect his or her purchase decision.

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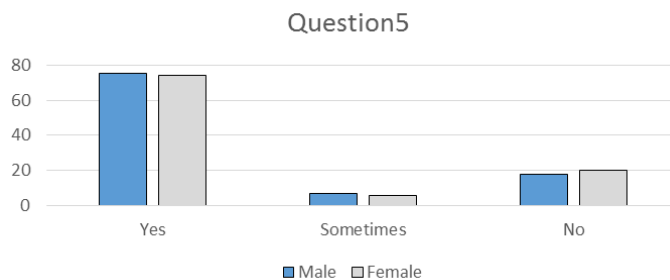


Figure 10: Country of origin

Question 6

If International Brands were not available, do you Prefer Local Brands?

This question was asked to discover how much importance the youth availability of International as a factor when making a purchase. As indicated in the graph, the youth was found, Majority of the consumers (75% males and 60% females) refer local brand over international brand, when International brand is not available.

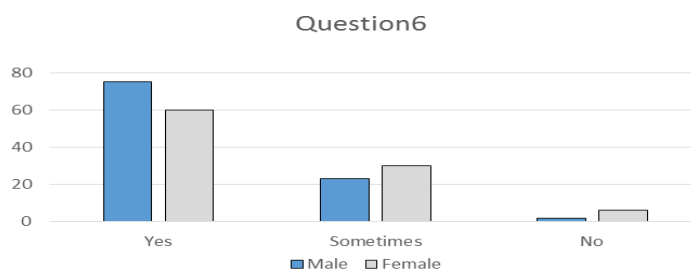


Figure 11: Availability

Conclusion

According to the data collected, 76.5% of the people used international brands of which 69 were male and 84 were females. Quality is a factor determining whether the consumers would go for the domestic brand or stick to the global one if both the products were in the same quality range. The results found out that 89% of the consumers would go for the international brands whereas 4.5% would still purchase the domestic ones. The results found out that 60% of the consumers would go for the international brands whereas 18% would still purchase the domestic products when the price is same. The results for the status symbol, indicated that on average 90% of the youth (88 males and 92 females) purchased the international and local brands as a status symbol. Majority of the consumers (75% males and 74% females) considered where a product is manufactured as significant a factor as to affect his or her purchase decision. As indicated in the graph, the youth was found, Majority of the consumers (75% males and 60% females) refer local brand over international brand, when International brand is not available.

Table 5: Mean Number of people (in percentage)

	Yes	Sometimes	No
Using International Products	76.5%	18%	5.5%
Quality of the product	89%	6.5%	4.5%
Price of the product	60%	22%	18%
Prestige of products	90%	6%	4%
Country of Origin	74.5%	6.5%	19%
Availability	67.5%	26.5%	4%

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The table above compares the means of the different factors in influencing consumer preferences of the global brands over the local ones. The means, expressed in percentages, indicates that amongst all the factors, the prestige of the branded product was considered the most important factor in shaping the consumers' purchase decision. The current trends and quality were found to be just as important, but the price of the product was not found to be more important than the prestige and quality. The reason why 90% of the people decide to buy a particular brand was mainly because it was reflective of the ongoing fashion and there were only 10% people on average, who did not give importance to the ongoing fashion when purchasing a product. The results revealed that price was rated as the third most important factor in influencing consumer choice, whereas the quality of the product was considered the most significant, followed by the current trends and fashion.

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