

A CASE STUDY ON FACTORS INFLUENCING CONSUMER'S PURCHASE DECISION OF BRANDED TEA

H.M.M. Gayathri, A.I.Y. Lankapura*, A.M.K.R. Bandara and L.P. Rupasena

Faculty of Agriculture, Rajarata University of Sri Lanka

**Corresponding author (email: amilalankapura2@gmail.com)*

Introduction

Present local tea market in Sri Lanka is dynamic and competitive due to rapid changes in consumer preferences. As a result, varied multinational companies offer different tea brands. The competition gets acute due to arriving of supermarkets in to the retail trade system and nearly 25% of the tea production is distributed among the supermarkets. In western province, the competition is even higher relative to other areas of the country as supermarkets have expanded in both number and type. In order to win the market share and market power, consumer satisfaction [1] is an imperative item for any firm. As behavioral patterns of consumers change with time and are influenced by many factors, the increasing need for understanding the variation of consumer's purchase decision has escalated the demand for consumer research. A better understanding on buying behavior of the consumer is very important for policy makers and marketers to identify proper marketing strategies to sustain competitive advantage by predicting the future market trends. Therefore, it is timely important to examine the contributory factors for consumer buying behavior for branded tea in order to develop competitive marketing strategies.

Materials and Methods

Looking at the arrangement of the local tea market, four types of super markets namely Arpico, Cargills, Keells super and Co-op city were selected from Colombo, Gampaha, and Kalutara districts for this study. Sampling was done in several steps and at the first stage 40 market outlets comprising 14 from Colombo and 13 each from other districts were selected. In the second stage, 1200 consumers were chosen using quota sample method to select 30 consumers for each outlet. A structured pre-tested questionnaire was used to collect primary data from the field survey. Data were analyzed using descriptive methods, Factor analysis and Binary logistic regression.

Socio - demographic variables like age, education level, and income were analyzed by descriptive methods. Factor analysis [2] was used to find out the major factors considered by consumers in purchasing tea. Promotions, product education, advertisements, brand awareness, packaging, dignity, lifestyle, friends' recommendation, affordability, availability, need base, price, size, color, taste, aroma were among the considered variables.

Binary logistic regression was used to examine the "brand loyalty" in buying tea and it was used as the dependent variable. The model that describes the status of brand loyalty can be given as,

$$\text{Logit } P = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k + U_i$$

Logit P = Dependent variable (Brand loyalty)

1 represents the consumers who were brand loyal (Purchase the same brand regularly)

0 represents the consumers who were not brand loyal (Do not purchase the same brand regularly)

B_0 = Intercept

B_1 to β_k = Partial Regression Co-efficient

X_1 to X_k = Explanatory variables

U_i = Error term

The educational level (ED) was divided into four classes as primary (up to grade 5, ED1), secondary (up to grade 11, ED2), tertiary (up to A/L, ED3) and Masters or PhD level (ED4). Also, the monthly income level of the consumers were divided into five classes as <25,000 (IL1), 25,000 – 39,000 (IL2), 40,000 – 54,000(IL3) 55,000 – 69,000(IL4) and 70,000 and above (IL5).

Results and Discussion

Among the considered respondents, majority (41%) was above 48 years old implying adults are the major buyers of tea from the supermarkets. Related to the education level, 70% of the buyers had received a tertiary education indicating the prominence of educated people visiting supermarkets for buying tea. Moreover, majority (51%) of supermarket consumers earned Rs. 40,000-54,000 monthly income, whilst 10% earned more than Rs.70, 000 per month.

Out of the different tea forms available in the market, all of the consumers have purchased tea packets (100%) and out of them 46% have purchased tea bags additionally. At a time, majority (59%) of the consumers have purchased tea packets of 200 grams. Further, all the consumers prefer black tea (100%), while 24% and 17% out of them preferred green tea and flavored tea consecutively.

According to the factor analysis three main factors as product [3], marketing and lifestyle were recognized. Among the product related variables the highest loading (0.963) was received by taste of the product, whilst price (0.946) became the next. Altogether, the product factor contributes 31% to the total variation implying the prominence of product oriented variables over marketing variables such as advertising and promotions [4]. Also, these findings entail the necessity for companies to focus more on product related variables than other variable categories. Among the considered variables under marketing factor, advertising [5] received the highest loading (0.706) followed by brand awareness (0.669) and promotion (0.650) respectively. Collectively, marketing factors explained 17% of the total variation. These findings confirm the higher expenses on advertising by the companies to catch consumer attention and motivate the consumers as a guide in decision-making process of purchasing the product.

The results indicated that lifestyle (0.616), availability (0.601) and need base (0.536) were the prominent variables under the lifestyle factor which involves the activities,

interests, and opinions of the consumers. Totally, 8% of the variation was expressed by this factor. The study also revealed the consumer preference towards different promotional schemes. Free sample (100%) is the most popular sales promotion among consumers and people have lesser recognition on the coupons (8%) as a sales promotion technique. Consumers prefer bonus pack (56%) than coupons but it will not be appealing to customers who do not purchase the product and thereby it will not induce product trial.

According to results of the logistic regression, both the education level(ED) and income level (IL) were identified as significant ($Pr < 0.0001$) variables towards brand loyalty for tea [5]. When considering on class variables of education level, consumers who have tertiary education (ED3) were more brand loyal (Odds ratio/OR = 1.74) compared to those who have completed Master/ postgraduate level. Similarly, both consumer groups having monthly income levels of Rs: 40,000 – 54,000(IL3) and Rs: 55,000 – 69,000(IL4) were more brand loyal (OR = 1.47 and 1.56) in comparison to the consumers earning more than Rs: 70,000 per month (Table 1). In general, with lower levels of income the consumers tend to stick in to comparatively less expensive brands, whilst higher income groups rotate among different choices. Likewise, more professionals assuming higher income levels create maximum satisfaction by switching to different tea brands rather sticking to a particular brand.

Table 1. Maximum Likelihood Estimates for the Model

Parameter	Estimate	Standard Error	Wald Square	Chi-Pr>Chi-Square
Intercept 1	9.2231	1.9532	22.2980	<.0001
ED 1	-0.5656	4.6303	0.0149	0.9028
ED2	1.4923	2.1310	1.3678	0.2422
ED3	1.7385	0.9709	3.2063	0.0374
IL1	-2.0271	1.4154	2.0510	0.1521
IL2	-1.6027	1.4037	1.3035	0.2536
IL3	1.4702	1.3430	1.3485	0.0245
IL4	1.5595	1.2324	1.4012	0.0397

Though the companies allocate more money on different sales promotion schemes as an important element in commercial marketing space due to the higher competition, they did not have a significant effect ($p\ value > 0.1$) on brand loyalty of

the customers. Moreover, sales promotion has only a short-term effect on consumer buying behavior and this analysis helps to identify that it is rare to find sales promotion-build loyal customers. Majority (80%) of the consumers consume the tea product purchased from sales promotion up to one year. The main aim of using such marketing tool is increasing sales in short run. Hence, it leads to frequent brand switchers rather brand loyal customers.

Conclusions and recommendations

This study concludes that both income and education level significantly affect brand loyalty for tea, while product, marketing and lifestyle attributes are the major factor groups affecting consumer buying behavior. Therefore, the companies can increase the market share by planning their marketing strategies, focusing mainly on product related factors.

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