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CONSUMER PERCEPTIONS OF CRITICAL SUCCESS FACTORS FOR SMALL LOCAL CONSUMER BRANDS

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Abstract. Local or regional fast-moving consumer (FMCG) brands sold mostly in delimited geographic areas are a growing trend. This study aims to understand consumer attitudes towards such products and to identify factors critical to their success. The paper is a comparative study between developed (Germany) and emerging (South Africa) nations to identify differences between the preference criteria for FMCG. The methodology involved an online cross section survey in the two countries. Respondents from both countries preferred local brands and believe they are better quality and more supportive of, and connected to, local communities. South Africans feel this more strongly, show greater commitment, and are prepared to pay more than Germans. 'Beliefs' regarding quality, value for money, and trust in local brands are critical.

JEL classification: M 30, M31, M13, L26

Keywords: emerging country; developed country; entrepreneurship; belief; commitment; image

1. Introduction

Small, Medium and Micro Enterprises (SME) are responsible for adding socio-economic value to an economy by reducing unemployment through the creation of employment opportunities, and by alleviating poverty through both the

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generation and dissemination of wealth (Masutha and Rogerson, 2014; Koens and Thomas, 2015). In South Africa (SA), SMEs make up approximately 90% of all businesses (Mouloungui, 2012), and contribute between 30% and 57% to the national Gross Domestic Product, while also providing employment opportunities to between 61% and 80% of the national workforce (Naidoo and Urban, 2010; Fatoki and Odeyemi, 2010; Ngary et al., 2014; Swart, 2011). Research has shown that better marketing and access to markets is essential for SME success (Raap and Mason, 2016; Heijden and Vink, 2013; Ortman and King, 2010).

The interest in region centric consumer behaviour emphasizes the importance of a brand's/product's place of origin (Eshuis et al., 2014; Vuignier, 2017). Despite the growing interest in regional or local products, researchers have not specifically investigated fast moving consumer goods (FMCGs)produced or sold by SMEs. A trend in small businesses is the development of local or regional products that are mostly sold in smaller, delimited geographic areas. However, such SMEs sometimes also sell such products via the Internet which can give them a wider geographic reach than the local population. Among South African SMEs, growth in ecommerce has been observed from 2015, as more and more SMEs have adopted online business practices (Mkhosi, 2016). Although indirectly competing with national brands, SMEs are significantly different, appealing to a different type of customer and having a different value proposition. Such products include craft beers, local honey, organic produce (fruit and veg), baked goods, soaps, home knitting, clothing, etc. Businesses that produce and sell such products exist in larger towns but are very important in small towns and rural areas, creating job opportunities for many who are unable to obtain more formal employment.

As mentioned above, local or regional products/brands supplied by SMEs focus on different customer profiles to those of national or international brands. Traditionally, the orientation of SMEs has been described as that of niche businesses that know their customers intimately, offering customized service (Gilmore et al., 1999). Since local brands do not have the economies of scale of national brands, their prices are often higher. Moreover, customized products are often more expensive than standardised versions (Bardakci and Whitelock, 2004). Therefore, they rely on perceptions of better quality, local authenticity or 'buy local' perceptions. This inevitably means higher prices than the national or international brands. Although there has been a reasonable amount of research on the subject of SME success, there has not been much research into the consumers' willingness to purchase and to pay a premium for SME products or brands, nor into the consumers' attitudes towards such products and brands. Therefore, there appears to be a lack of knowledge about the attitudes of consumers about their willingness to purchase and pay for local or regional products supplied by SMEs. It is therefore worthwhile to identify the critical success factors related to the image, perceptions and characteristics of SME products and brands, where "success" is defined as the ongoing survival and maintenance of profitability that will at least enable the firm to continue its existence and employment of a staff at least more than the founders. Furthermore, what research there is into local brands has mostly been done in developed countries, with little having been done in developing or emerging economies like South Africa. Therefore, we decided to compare the consumer attitudes to, and willingness to purchase, local brands between South Africa and their biggest trading partner in the European Union, namely Germany (South African Market Insights (2019).

Therefore, the main objectives of this study are to: Identify consumers' perceptions and beliefs about, preference behaviour towards, and willingness to purchase local FMCG goods in a developed country (Germany) versus an emerging country (South Africa); Identify consumers' willingness to pay (WTP) for such products and what premium they are prepared to pay for such local brands compared to national brands, differentiated according to Germany and South Africa, and to Identify which of the consumer related criteria are critical to success of FMCG brands produced by local or regional SMEs, and whether these criteria differ between Germany and South Africa.

In order to achieve these research objectives, we first define and clarify the research constructs through a detailed literature review. After explaining the method used to conduct the empirical study, the results of the empirical study are presented and discussed. Lastly, conclusions relevant to further local FMCG brand research are drawn, marketing recommendations for small local FMCG firms are made and the limitations of the study are presented.

2. Literature review

Consumer interest in the purchase of locally produced products has attracted researchers to investigate the influences of place of origin on consumer behaviour. Studies have been conducted in European countries revealing the willingness of consumers to pay premium prices for local products (Lombart et al., 2018). However, other industries, such as the craft industry, which thrive on local patronage, struggle to benefit from regional product purchases. Therefore, it is worthwhile to investigate some of the factors that lead to the success of such businesses and that increase the consumers' willingness to pay for such products.

2.1. Region of origin

The ideal of localism has brought about the emergence of brands that have explicitly linked the production and origins of such products to specific geographic locations. A consumer's perception of local products, especially food products, defines such products as produced and marketed within specific distances from the point of production. These distances vary from region to region, e.g. 644 km (United States), 50 km (Canada) and 150 km (France). Thus, the understanding of what is local varies from region to region (Coelho et al., 2018). Nonetheless, the process of globalisation seems to have pushed the need for the use of geographic indicators even further which gave birth to 'made-in' labelling. Country-of-origin is a cognitive cue used by consumers when forming attitudes and beliefs about products (Kabadayi and Lerman, 2011). Furthermore, in the wake of continued competitive pressures, brands have marketed their authenticity by linking them to particular regions and communities (Shi et al., 2016; Fernández-Ferrín and Bande-Vilela, 2015). Such 'region of origin' issues are important because, in German cities, local retailers are losing market share to international and national retail brands (IHK Darmstadt, 2017), while in South Africa, international retailers like Walmart, Zara and H&M are penetrating the markets in larger cities (Euromonitor International, 2018).

FMCGs

Fast moving consumer goods (FMCGs), also known as consumer packaged goods, are fast turnover, relatively inexpensive, products (Malhotra, 2014; Srinivasu, 2014), that can be sold at fairly low prices and still make a profit (Mustapha, 2010), generating high volume at low margins (Malhotra, 2014). FMCGs have been classified into subgroups such as personal care, and domestic care, household care, food and beverages (Selvakumar et al., 2013; Gough, 2003). The following is a list of typical FMCG products: processed foods; prepared meals; beverages; baked goods; fresh and frozen foods; dry goods; medicines; cleaning products; cosmetics and toiletries (Kenton, 2019). FMCGs are an essential part of the manufacturing sector and increasing competition caused by the emergence of new products, aggressive marketing and technological innovations presents a challenge for manufacturers (Kvitka and Kramarenko, 2018), especially for SME enterprises.

2.2. SME Success

Many studies have investigated SMEs in developing or emerging countries, seeking to establish the factors that lead to SME success. Studies have been carried out in Jordan, Malaysia, Bangladesh and Taiwan. The success of SMEs varies from country to country and the factors that lead to success in one country may not lead to success in another (Al-Mahrouq, 2010).

The nature of customers and the overall market characteristics determine SME success. Gray et al. (2012:10) argued that the sector of the market in which an organisation operates plays a critical role in the success of that organisation. As SME success may be measured through financial performance, an indicator of success may be a market's willingness to pay for products. Consumer willingness to pay has been measured for several product categories (Anselmsson et al., 2014; Chatterjee and Kumar, 2017; Biswas and Roy, 2016; Vecchio and Annunziata, 2015), but not much research has been done into consumers' willingness to pay for SME products.

SMEs' turnover in South Africa shows it to be the second largest turnover of any industry in South Africa (Bureau of Economic Research, 2016), focused mainly on retailing and product manufacture (Fischer and Reuber, 2000). Research has shown that SME activity in countries such as the United Kingdom and Germany, fuels growth in these economies (Kvitka and Kramarenko, 2018), but despite overall rises in total revenue and employment in Germany, studies have shown regional differences. SME success seems to vary with turnover, a key indicator of profitability, showing variances between regions. According to a KFW research report by Schwartz and Gerstenberger (2018), some regions in Germany show higher than average turnover rates, while others show high losses. Moreover, in South Africa, growth within SMEs also varies geographically with some provinces witnessing higher SME growth rates than others (Bureau of Economic Research, 2016). Governments seek to protect and promote SMEs in the hope of stimulating economic growth (Makhitha, 2013; Font et al., 2016). Consumers are encouraged to buy local to support local businesses (Fenwick and Wright, 2000), but such marketing tactics are mostly used by national brands. There is therefore a need to investigate the use of such tactics for local brands and by SMEs in different regions.

2.3. Willingness to pay

Consumers' intention to purchase is linked to their willingness to pay (WTP) for the products under consideration. The WTP is one of the determinants of consumer brand loyalty. A consumers' WTP a high price is linked to their perceptions of quality as well as the value that the consumer places on the brand, expressed through the brand's features and benefits. Five measures of perceived brand value, namely, conspicuous value, unique value, social value, emotional value and quality value have been used to measure consumers' WTP for products (Li et al., 2012).

Factors such as the familiarity of a brand also play a role in the WTP for a product based on its country-of-origin (Koschate-Fischer et al., 2012). Moreover, a consumer's WTP premium prices for products based on their geographical identification has been influenced by other factors such as the length of the supply chain, the level of processing that each product undergoes, as well as the nature of the product and its differentiation. Particularly, in the case of food products, which have undergone extensive study, the presence of legislative support to protect regional products has been regarded as influential to the use of premium pricing for regional products (Deselnicu et al., 2013:205). The likelihood of purchase of products may be determined by the benefits of purchasing local, the branding and quality of the product, product convenience, product price and the presence or absence of safety risks (Cranfield et al., 2012). Therefore, these same factors may be used to determine consumer willingness to purchase other FMCGs. Furthermore, among the factors that have been found to influence consumers' WTP, consumer demographic characteristics (age, gender, education and income) have been highlighted. However, the findings from these studies show conflicting results. Therefore, comparison studies may provide further insight into consumers' WTP for products (Radam et al., 2010).

2.4. Consumer attitudes and the willingness to pay

Perceptions are similar to attitudes as both influence consumer behaviour (Radam et al., 2010) and are influential in consumer product and brand decision making. Some researchers have pointed out that the valence or strength of an attitude, whether positive or negative, determines the choices that a consumer makes (Park et al., 2010). Evaluations of a brand's or product's image create perceptions and feelings that affect consumer behaviour (Lakeh et al., 2015). However, strong attitudes, whether negative or positive, highlight the confidence that consumers have about an evaluation of a product or brand. Such evaluations are built on objective value indicators that the consumer uses. Thus, strong positive attitudes have been linked with a greater likelihood of purchase, while strong negative attitudes have been linked to purchase avoidance (Park et al., 2010). Thus, it can be assumed that consumers possessing strong positive attitudes towards any product (e.g. a local brand) may be more willing to buy, or pay for, such products.

A number of factors related to brand image and brand characteristics seem to affect the willingness of a consumer to purchase and pay for products. These factors may determine the success or failure of FMCG SMEs. Furthermore, the literature seems to indicate that consumer beliefs about local products and attitudes about quality also influence the success of brands. These findings from the literature

are summarised in Figure 1 that illustrates the framework of relationships used to develop the data collection instrument, to structure the data collection and analysis, and to guide the discussion of the findings from this descriptive study.

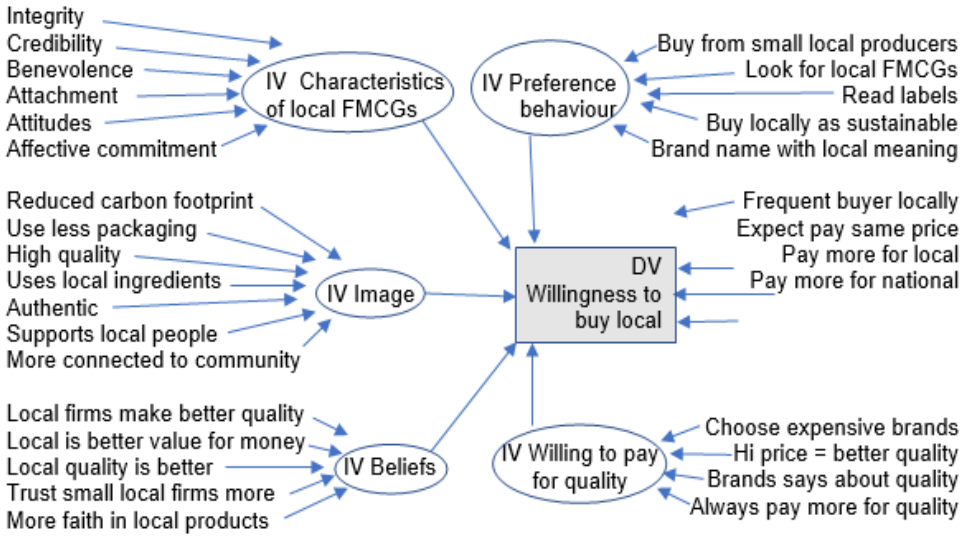

Fig. 1: Framework of dimensions

Understanding these factors and how they influence willingness to buy and WTP for local products may be useful to determine the success of marketing actions such as using local or regional labelling and branding for local FMCGs.

3. Method

A quantitative, descriptive, cross sectional survey, based on an e-mailed questionnaire to an online-accessed panel of consumers provided by a commercial panel provider, was used. Because there has been so little comparative research, especially involving emerging nations, this study adopts an exploratory approach.

3.1. Respondents

Since small, local or regional brands are often sold via local shops, flea markets or craft fairs, a mainly urban or metro target market was appropriate, especially because of the large distances and low-density rural populations in South Africa. Furthermore, many local products from SMEs are more expensive and are therefore bought by upper income consumers. Therefore, it was decided to select the South African Living Standards Measure (LSM) categories of 7 to 10 (predominantly urbanised and wealthier) as the population (Chronison, 2012).

The selection of these LSM groups is supported by the fact that South Africa's Gini coefficient (63.0 in 2015) is so high (The World Bank Group, 2019), indicating a relatively small proportion of the population who would be able to afford the premium prices usually charged for local or regional brands.

Regarding Germany, where these limitations of low-density rural populations and large distances do not apply, and where income level is generally high, with only 13,8% of income being spent on food, beverages and tobacco (Destatis, 2019), most of the population can afford a slightly higher price for local products, if wanted. The German Gini coefficient of 31.7 indicates a much wider spread of wealth through the country (The World Bank Group, 2019). Thus, a large proportion of the population would be able to afford the premium prices charged for local brands. Therefore, a quota based on income, gender and age (18+) representing the total German population was drawn as the study population.

To obtain samples of these two populations, an online panel that meets the above criteria was accessed from a commercial research company that guaranteed the number of respondents set by the researchers as the sample size. The researchers determined quotas (gender, age and income for Germany and LSMs 7 – 10 for South Africa) to ensure that the countries' populations were adequately represented. The quotas for LSMs 7 to 10 were adjusted slightly to cater for the changing South African demographics identified by KANTAR TNS (2019) in the Establishment Survey research. The resultant quota that was achieved (as shown in Table 2) was very close to the actual population and can be considered as adequately representative of the population.

Since sampling was based on quotas and resulted in a self-selected sample (i.e. list members chose whether to respond or not) the sampling method was non-probability. With a 95% level of significance, an allowed error of 0,1 (on a 7-point Likert type scale) and assuming a variance of 1, the t-distribution requires a sample size of 384 (excluding a correction factor). Thus, a total sample of 800 was sought (400 from each country) to allow for any unusable or rejected responses. The details of the actual sample achieved are presented in Table 2 – in summary they are 427 for South Africa, 442 for Germany, and 869 in total.

3.2. Data collection

The questionnaire was developed to obtain data on the various study variables, which accounted for six of the questionnaire sections, with a seventh being devoted to demographic data, namely country, gender, age, habitation, education and household income. To obtain measures for the variables to be researched, questions were developed from academic literature as follows:

- *Willingness to buy (WTB)* products and brands from local SMEs - Angulo et al. (2003); Brunsø et al. (2002); Mugera et al. (2017)
- *Preference behaviours* covering activities that show a preference for locally produced FMCGs - Angulo et al. (2003); Gatrell et al. (2018); Horlings and Marsden (2014); Krystallis and Chryssohoidis (2005); Mugera et al. (2017); Vermeulen and Bienabe (2007).
- *Image* criteria displayed/promoted by local/regional FMCG that are critical to success - Argent (2018); Carroll and Wheaton (2009); Gatrell et al. (2018); Mugera et al. (2017); Melewar and Skinner (2018); Pearson et al. (2011).
- *Characteristics* of local FMCG brands - Charton-Vachet and Lombart (2018).

- *Beliefs* about local FMCG goods and brands - Charton-Vachet and Lombart (2018); Grunert et al. (2004); Marian et al. (2014); Pearson et al. (2011); Roddy et al. (1994); Worner and Meier-Ploeger (1999)
- *Willingness to pay (WTP)*for quality - Brunsø (2002); Lichtenstein (1993); Sprotles and Kendall (1986); Strizhakova et al. (2008)

Sections 1 to 6 of the questionnaire included statements with 7-point Likert type scaled responses anchored with 1 = strongly disagree to 7 = strongly agree. A live electronic pilot test of the questionnaire was conducted with eighty consumers who matched the population criteria, which showed the questionnaire to be understandable and acceptable – no changes were required. The questionnaire was administered by e-mail to the opt-in panel. The e-mail with an embedded link, together with the quotas, was provided to the list broker who distributed the questionnaire.

3.3. Data analysis

Analysis was done using SPSS version 23. Completed questionnaires were received by the researchers who did a quality check of the data using different cross tabulations, e.g. where a respondent was “prepared to pay MORE for a nationally or internationally produced FMCG” and was “prepared to pay MORE for a locally made FMCG product”. Thus, where two or more answers did not fit logically, the relevant questionnaire was removed from the analysis. Thus, the valid South African answers were reduced from 442 to 427, and the valid German answers from 448 to 442.

Thereafter univariate descriptive statistics, analysed by country and total, were calculated. The mean values and standard deviations for each question, by country, together with their statistical significances are shown in the Appendix. Then, using exploratory factor analysis (EFA) with Principle Component Analysis extraction method and Varimax rotation with Kaiser normalization, as shown in Table 1, the questions comprising the dimensions identified from the literature review were checked for accuracy and validity. This initial EFA confirmed the structure of ‘belief’, ‘image’, preference behaviour’ and ‘pay for quality’ as expected from the literature, but the dimensions from Charton-Vachet and Lombart (2018) were grouped inappropriately into one factor. To check this, a separate factor analysis on the questions comprising these dimensions, namely, ‘commitment’, ’integrity’, ‘attachment’, ‘credibility’, ‘attitude’ and ‘benevolence’, was conducted. This confirmed that the structure obtained from our research in Germany and South Africa was consistent with that found in France by Charton-Vachet and Lombart (2018). The only difference was that the ‘Attachment’ and ‘Affective commitment’ dimensions were found to be similar, so they were merged into one dimension that we named ‘Commitment’. The Cronbach Alpha coefficients of between 0.865 to 0.967, and a total explained variance of 84.9% (Table 1) further confirms the acceptability of the dimensions identified from the literature.

Table 1: Exploratory Factor Analysis of dimensions

Dimension	Item	Factor loading
Preference behaviours Explained variance = 15.15% Cronbach α = 0.873	1. I always read labels on FMCG products to see where they are made	.793
	2. I always try to look for locally made FMCGs during each purchase	.762
	3. I prefer to buy products from small local producers in preference to those from large national or international producers	.637
	4. I like to buy local FMCG products, especially food, as I believe this is more sustainable and is better for the planet	.678
	5.Brand name with local meaning encourages me to buy from small local firm	.499
Beliefs Expl variance = 21.2% Cronbach α = 0.909	1. I think quality of product/brand made in my local region is higher than of a similar national/international product	.683
	2. Products made by small local firms are better quality, even if shelf life is not as long as national/international products	.744
	3. Products from small local producers are better value for money than national or international products	.642
	4. I trust the products of smaller local producers more than I trust national or international products	.741
	5. I have more faith in how products are made by small local producers than by large national or international producers	.719
Willingness to pay for quality Expl var=13.7% Cr α = 0.822	1. The more expensive brands are usually my choice	.779
	2. I am always prepared to pay more for quality products	.610
	3. I believe the higher the price of a product, the better the quality	.829
	4. A brand name tells me a lot about the quality of a product	.739
Image Expl var=19.7% Cronbach α = 0.898	1. FMCG products made by small local firms have lower carbon footprint	.654
	2. FMCG products made by small local firms have high product quality	.519
	3. FMCG products made by small local firms use local ingredients	.575
	4. FMCG products produced by small local firms are more authentic	.690
	5. FMCG products made by small local firms support local people	.765
	6. Small local firms are more connected with local communities and so understand local needs better	.721
Integrity Expl var=19.0% Cr α = 0.913	1. In my view, local brands are honest towards consumers'	.769
	2. In my view, local brands' communication is sincere towards consumer	.777
	3. I find that local/regional brands show an interest in their consumers	.673

Credibility Expl var=14.4% Cr α = 0.89	1. Products of local and regional brands reassure me (traceability, compliance with standards, expertise)	.561
	2. I prefer products of local brands because their quality is guaranteed	.721
	3. I trust in the quality of the products of local and regional brands	.644
Benevolence: Expl var=13.0% Cr α = 0.967	1. I think that local/regional brands constantly try to improve their products to better satisfy consumers	.695
	2. I think local/regional brands constantly renew their products to adapt them to consumers' expectations	.800
Commitment Expl var=25.1% Cr α = 0.943	1. I feel committed to local and regional brands	.814
	2. Local and regional brands are very meaningful to me	.798
	3. I identify strongly with local and regional brands	.781
	4. I'm attracted to local and regional brands (was Attachment 1)	.573
	5. I feel connected to local and regional brands (was Attachment 2) -	.644
Attitude Expl var=13.4% Cr α = 0.865	1. I find local and regional brands interesting	.680
	2. Local and regional brands are brands that I buy or could buy	.726

The research questions were assessed using means, tests of significance and multivariate regression, the requirements for which show mainly acceptable results – see the Findings section for Objective 3.

3.4. Validity and reliability

A detailed deconstruction, analysis and discussion of the questionnaire was conducted by subject matter and statistical experts in South Africa and Germany, providing face and construct validity. All questions were matched to the relevant variables to ensure the questionnaire assessed what it was intended to assess. A pilot test was conducted with eighty respondents who matched the population criteria. Quality and plausibility checks of the data proved acceptable. The final sample proved to be acceptably representative of the two populations.

Reliability was assessed via Cronbach's Coefficient Alpha, both in the pilot study and the final sample. Coefficients of between 0.822 and 0.926 were obtained for all the dimensions, indicating an acceptable level of reliability. This acceptability is confirmed by the Exploratory Factor Analysis as shown in Table 1.

4. Results

In this section, the sample profile is presented, followed by the descriptive statistics for each question, and an analysis of the three research questions.

4.1. Demographic Profile of Respondents

Table 2 reflects the profile of the 869 useable responses, split by country, gender, age, where respondent lives, education, and monthly household net income.

Table 2: Demographic profile of respondents

Dimension	Category	Total		South Africa		Germany	
		f	%	f	%	f	%
Gender	Female	479	55.1	254	59.5	225	50.9
	Male	390	44.9	173	40.5	217	49.1
Age	18-24	104	11.9	67	15,7	37	8,4
	25-34	224	25.8	160	37,5	64	14,5
	35-49	243	28.0	140	32,8	103	23,3
	50-64	167	19.2	45	10,5	122	27,6
	65+	131	15.1	15	3,5	116	26,2
Habitation	Rural (< 5000 people)	82	9.4	10	2.3	72	16.3
	Small town/village (5000-39999)	178	20.5	53	12.4	125	28.3
	City/large town (40000-249 999)	279	32.1	178	41.7	101	22.8
	Metro (250 000 +)	330	38.0	186	43.6	144	32.6
Education	None, some, or all primary	81	9.3	1	0,2	80	18.1
	Some high school	189	21.8	15	3,5	174	39,4
	Matric	206	23.7	149	34,9	57	12,9
	Technikon	138	15.9	85	19,9	53	12,0
	University degree	208	23.9	139	32,6	69	15,6
	Other post matric	47	5.4	38	8,9	9	2,0
Monthly Household net income	0 – R8 000/ 0-€1300	161	18.5	76	17,8	85	19,2
	R8 001 – 18 000/€1300-2000	244	28.1	144	33,7	100	22,6
	R18 001 – 37 000/€2001-3200	248	28.6	128	30,0	120	27,1
	R37001 – 63 000/€3201-6000	175	20.1	63	14,8	112	25,3
	More than R63000/€6000	41	4.7	16	3,7	25	5,7
Total		869	100.0	427	100.0	442	100.0

This profile shows a reasonable distribution for both the developed and the emerging countries, across all demographic categories. However, the sample reflects the LSM groups but is not identical to the South African population statistics –e.g. the sample shows a higher proportion of females (59.5%) than the South African population. This is explained by the fact that LSMs 7, 8 and 9 are biased towards females (Living Standards Measure, 2017) and by the probability that shopping is more often done by females, especially in emerging countries. Docrat (2007) found females account for 59% of mall shoppers in South Africa. Regarding the developed country, the German sample is representative of the population, since it was based on quotas predetermined according to the German population.

4.2. Perceptions/beliefs/preference behaviour about local FMCG brands

The mean values for each variable have been calculated as per the questions listed in the appendix. Table 3 provides the mean values for the total sample and for each country.

Table 3: Mean values of variables

Variable	Total	SA	Germany
IV. Attitude	5,1364	5,1885	5,0860
IV. Credibility	4,9379	4,9336	4,9419
IV. Image	4,9349	4,9841	4,8873
IV. Benevolence **	4,9125	5,0480	4,7817
IV. Integrity	4,9053	4,9297	4,8816
IV. Commitment **	4,8104	4,9471	4,6783
IV. Belief	4,7869	4,7316	4,8403
IV. Preference behaviour towards local FMCG	4,5068	4,4810	4,5317
IV. Willingness to pay for quality **	4,0616	4,3407	3,7919
DV. Willingness to buy local FMCG *	4,5086	4,4169	4,5973

With a maximum of 7, 'attitude' reaches the highest mean of 5,14 indicating a positive attitude towards local brands provided by small local firms. The difference between the two countries is 0,1 and not significant.

In the total sample 'credibility' and 'image' follow as the second and third most positively rated variables, with nearly identical means. The differences between the two countries are smaller than 0,1 and are not significant, indicating that respondents from both countries hold positive feelings regarding the image and credibility of local brands. Thus, it can be concluded that South Africans feel more strongly about the localness and authenticity of local products, while Germans see the benefit in sustainability, since they scored higher on the questions about lower carbon footprint.

'Benevolence' recorded a mean score of 4,91 for the total sample, and showed a highly significant difference between South Africa (5,05) and Germany (4,78), with South Africans feeling more strongly that local brands are better at satisfying customers' needs and expectations.

Other highly significant differences between the two countries were obtained for 'commitment' and 'willingness to pay for quality'. Both are higher for South Africa than for Germany, with South African respondents indicating more commitment and loyalty towards local brands. 'Willingness to pay for quality' is the variable with the lowest mean score (4,06) but with the highest difference between South Africa (4,37) and Germany (3,79). Considering the higher purchasing power in Germany this was quite surprising and appears to show that Germans are not strongly influence by price as a guide to quality, whereas South Africans are. These findings are discussed in more detail in Section 5.3.

The remaining three independent variables, 'integrity', 'belief' and 'preference behaviour' reflect above average (4.0), but similar means for the two countries, none of which are statistically significant. 'Integrity' and 'preference behaviour' had slightly higher means for South Africa, whereas the German mean for 'belief' was slightly higher. Overall, respondents felt more positive about these three variables.

The dependent variable 'willingness to buy local FMCG' shows a total mean of 4,5, implying a slightly above average preference for local brands. This preference was slightly higher for Germany than for South Africa, with the difference being statistically significant.

The overall conclusion is that the self-reported behaviour does not really differ that much between German and South African consumers. All the means were above the mid-point, indicating that the purchasing behaviour of consumers in both countries leans towards the purchase of local or regionally branded FMCG products, rather than those produced by large national or international producers. Both sets of respondents believed quite strongly about local products being better quality, better value for money and having more trust and faith in local products

The brand characteristics of 'integrity', 'credibility', 'benevolence', 'commitment' and 'attitude' have been shown to be of importance to all respondents, as conceptualised by Charton-Vachet and Lombart (2018). Means ranged from 4.39 to 5.26, all considerably above the mid-point, thus indicating their importance to the respondents. Feelings of 'integrity' and 'credibility' did not differ significantly between German and South African respondents, but 'commitment' to local or regional brands did reflect a significant difference, with South Africans feeling more committed to such brands than German respondents were.

4.3. Consumers' willingness to pay (WTP) and premium

For the total sample, respondents were prepared to pay about the same percentage more for national/international brands (mean of 17.23%) as for local brands (mean of 17.47%). However, the 'willingness to pay more' for local brands was stronger (mean of 4.24) than for national/international brands (mean of 3.53).

Looking at differences between the two countries, there was a slight, but not statistically significant ($p=0.612$), difference between their 'willingness to pay more' for international or national products whereas there was a significant difference for 'willingness to pay more' for locally produced products (German mean = 4.38; South African mean = 4.10; $p=0.008$).

Although German respondents felt more strongly about being prepared to pay more for local products (mean of 4.38) than the South African respondents (mean of 4.10), the South Africans were prepared to pay considerably more in monetary terms (23.41% more) than the Germans (only 12.95% more), a finding that was statistically significant ($p<0,000$)

Clearly, respondents overall are prepared to pay more for locally produced products, and South Africans are prepared to pay a higher price than Germans for local/regional brands, implying that South Africans may place a higher value on the benefits of locally produced brands and products than Germans do.

4.4. Success criteria of local FMCG brands

In order to achieve Objective 3, a multiple regression analysis (MRA) was conducted, regressing the nine independent variables ('Integrity', 'Credibility', 'Benevolence', 'Commitment', 'Attitude', 'Image', 'Pay for quality', 'Belief' and 'Preference behaviour') against the dependent variable of 'Willingness to buy'. The results are shown in Table 4, with the adjusted R^2 of 0.643 for both countries, 0.579 for South Africa and 0.736 for Germany, being significant at p<0.000. This analysis shows that, for all respondents (i.e. for both countries) 'preference behaviour' is the most important, with 'credibility', 'belief' and 'pay for quality' also significant but considerably less important. Looking at the two countries separately, 'preference behaviour' was the most important significant variable for both countries, while 'credibility' was next most important for South Africa and 'belief' the second most important in Germany. For South Africa, 'commitment' and 'pay for quality', and for Germany, 'attitude', 'image' and 'pay for quality' were also significant, but less important with relatively low standardised beta scores.

Table 4: Multiple Regression ('Willingness to buy' as Dependent Variable)

Independent variables	Standardised Beta (Sig)		
	Both countries	**SA**	**Germany**
Integrity	0.045 (0.280)	0.050 (0.358)	-0.011 (0.847)
Credibility	0.175 (0.000)	0.228 (0.001)	0.049 (0.417)
Benevolence	-0.017 (0.633)	0.053 (0.316)	-0.037 (0.406)
Commitment	0.054 (0.204)	0.163 (0.017)	0.041 (0.420)
Attitude	0.028 (0.483)	-0.091 (0.151)	0.108 (0.031)
Image	0.016 (0.661)	-0.055 (0.287)	0.122 (0.021)
WTP for quality	0.127 (0.000)	0.129 (0.000)	0.151 (0.000)
Beliefs	0.151 (0.000)	0.081 (0.114)	0.210 (0.000)
Preference behaviours	0.396 (0.000)	0.374 (0.000)	0.387 (0.000)

All adjusted R^2 significant at 0.000 Shaded = significant at p< 0.05

The evaluation of this MRA shows acceptable results, namely:

- The plot of standardized predicted values against standardized residuals provides an indicator of very low heteroscedasticity.
- Tolerance values to test multicollinearity are >0.1 (least 0.246) which are good.
- Normal-distributed residuals: histogram of residuals and P- P-Plot of standardized residuals show no indication of non-normal-distributed residuals for South Africa and the overall regression, but a slight violation for German regression.
- The Durban-Watson test shows results between 1,151 and 1,340. This is a clear indication for autocorrelation.

5. Discussion

5.1. Perceptions/beliefs/preference behaviour about local FMCG brands

From the results presented above, consumers in both South Africa and Germany prefer to purchase locally or regionally branded FMCG products, rather than those produced by large national or international producers, e.g. those that are better for the planet and that have local meaning. South Africans tended to feel more strongly about the localness and authenticity of local products, which is probably consistent with the parochiality felt by South Africans because of their relative geographic isolation. Germans, on the other hand, saw the benefit in terms of sustainability, e.g. a lower carbon footprint, which is to be expected since Germany is much more in the forefront of the climate change fight than an emerging nation like South Africa.

There is also little difference between the beliefs in the two countries about the relative quality, value for money and trust in local companies – both sets of respondents held more positive beliefs about local brands. Although neither South African or German respondents tend to prefer higher priced products or believe that higher prices are indicative of higher quality, they both believe it is worth paying more for quality goods and that a brand name can be indicative of quality. The fact that South Africans held the belief that price is a guide to quality more strongly than Germans did is interesting – it may be that consumers in developed countries are more sophisticated in terms of judging the quality of branded products, whereas consumers in an emerging country may not be as sophisticated and still rely on price as a quality indicator.

These findings generally support the findings of Charton-Vachet and Lombart (2018), with the brand characteristics of integrity, credibility, benevolence, commitment and attitude all being perceived as important by both South African and German respondents.

5.2. Consumers' willingness to pay (WTP) and premium

As has been shown in the results presented in the previous section, there is little difference between the premium in percentage terms that South African and German respondents are prepared to pay for international/national brands or for local/regional brands. In both countries, respondents felt more strongly about paying more for local products, with Germans' willingness to pay more than South Africans being significantly stronger. However, South Africans were prepared to pay a premium of 23.4% more for local products, whereas the premium Germans were willing to pay was only 12.9%.

Clearly there is a perception by both sets of respondents that local brands are worth paying more for, but there appear to be differences in the value perceptions of local brands between South African and German consumers. These differences could be due to various reasons. Firstly, local or regional products are a relatively newer phenomenon in emerging countries than in developed countries, where farmers' markets have been established for centuries. So, consumers in such emerging markets may have an over exaggerated belief in the benefits of local produce, thus leading them to be prepared to pay more than in a developed

country. A second reason could be due to the South African sample being biased against lower income consumers, resulting in a higher price premium because these higher income sample consumers could afford to pay more.

5.3. Success criteria of local FMCG brands

The regression analysis shows that, for all respondents (i.e. for both countries) 'preference behaviour' is the criterion that is most important to success of small local FMCG brands, with 'credibility', 'commitment' and 'willing to pay for quality' the next most important for South Africa and 'beliefs' and 'willing to pay for quality' the next most important in Germany. The fact that 'willing to pay for quality' scores highly for both countries shows its importance, implying that implanting, in consumers' minds, positive beliefs about quality and value for money of small local brands is critical.

Secondary findings indicate other slight differences between the two countries. In Germany additional emphasis can be placed on 'image' and 'attitude', whereas in South Africa emphasis should also be placed on 'beliefs'', as this was the only other criterion that showed significant influence for South African respondents. From this discussion, it can be seen that the main difference is that Germans place more emphasis on 'image' and 'pay for quality'. This is consistent with the concepts of strong brands and emphasis on quality in Germany – it should thus not be surprising to see these beliefs continuing through to smaller, local brands.

In summary, it is concluded that critical criteria for local FMCG brands differ slightly in Germany compared to those in South Africa. When comparing the specific question findings by country, some differences, in addition to those discussed above, were found in the relative importance of the following image criteria, namely:

- 'Local products having a reduced carbon footprint' was more strongly agreed to in Germany than in South Africa. A possible explanation for this is that German consumers are probably more knowledgeable about such climate change issues than consumers in an emerging market.
- 'Products produced by local companies support local people' was more strongly agreed to in South Africa than in Germany. South Africans have developed a strong sense of patriotism, belonging and love of country which probably brings about this feeling of support for those closest, for neighbours and friends.
- 'Small local firms are more connected to local communities and understand local needs better' was more strongly agreed to in South Africa than in Germany. As mentioned above, a strong sense of community and communal support exists in South Africa, while Germany, which is a more internationally connected country, may not generate such strong local feelings.

6. Conclusion, limitations and further research

The study has shown that respondents from both South Africa and Germany preferred local brands, believing they are better quality, and that they are more supportive of, and connected to, local communities. South Africans feel this

more strongly and show greater commitment and are prepared to pay more for local brands than Germans. Possible reasons for this have been suggested in the Discussion section. Consumers' beliefs regarding quality, value for money and trust in local product manufacture were found to be critical to success of such local brands in smaller local or regional markets.

Although local or regional FMCG brands that are mostly sold in delimited geographic areas are a growing trend, as the literature review shows, very little research on such brands produced by small firms has been done. Thus, this study has contributed to knowledge about both entrepreneurial small businesses and to knowledge about the branding of local, regional products, differentiated between a developed country and an emerging country. This new knowledge includes a better understanding of consumer attitudes towards local FMCG products supplied by small local firms, what prompts consumers to be willing to buy and pay more for them, and what the critical success criteria for these local brands are. The comparative nature of the study, between a developed nation (Germany) and an emerging nation (South Africa), has also provided additional knowledge about such consumer behaviour according to the level of a country's development.

The findings from this study have indicated that specific FMCG brand marketing advice should be provided for local SMEs, irrespective of geographic location. Marketing activities, including advertising, sales promotions, brand labelling, sales pitches, etc. should all be geared towards establishing top of mind awareness of positive beliefs about local brands, namely, positive perceptions of quality, value for money, and trust and faith in small local brands.

Since some differences were found between German and South African perceptions, the following different marketing activities are suggested:

- In Germany, promotional activities for local brands should emphasise their strong local commitment, their local connections and authenticity and their better quality, justifying a higher price. Also, the lower carbon footprint can be stressed.
- In South Africa, marketing activities should include a strong emphasis on identifying with, and commitment to, local brands, and showing a strong link between local brands and their local communities.

As with all research, this study has its limitations. First, the results are delimited to Germany and South Africa. Although the German sample was representative of the German population, the South African sample included only LSMs 7 to 10, and so generalizability of the results is limited. Although it is believed that most purchasers of small local brands in South Africa fall in the LSM 7-10 categories, this could be changing as more members of lower LSMs become more urbanised and possibly strive for the standards of living experienced by the upper LSM categories. Therefore, research into lower LSMs, for example 5 and 6, might be beneficial to avoid possible sample bias.

Second, since the regression analysis explained only about half the variation in 'willingness to buy', a qualitative study could help to identify other possible influencing variables, that were not identified in the literature.

Finally, research is needed into each of the less important, but significant, factors (i.e. 'credibility', 'commitment', 'attitude', 'image') that influence consumers' attitudes towards the purchase of small local/regional brands.

Appendix – Descriptive statistics (n = Germany 442; South Africa 427)*

	Question	Coun-try	Mean	SD	Sig 2 tail	Mean diff	95% conf difference	
1 Preference behaviour	1.1 I always read the labels on FMCG products to see where they are made	Ger	4.28	1.510	.349	.107	-.117	.332
		SAf	4.17	1.849	.350	.107	-.118	.332
	1.2 I always make an effort to look for locally produced FMCGs when purchasing	Ger	4.26	1.491	.270	.122	-.095	.339
		SAf	4.14	1.760	.271	.122	-.095	.340
	1.3 I prefer to buy products from small local producers in preference to those from large national or international producers	Ger	4.56	1.400	.022	.240	.034	.446
		SAf	4.32	1.685	.023	.240	.034	.447
	1.4 I like to buy local FMCG products, especially food, as I believe this is more sustainable and is better for the planet	Ger	4.83	1.431	.634	-.048	-.246	.150
		SAf	4.88	1.542	.635	-.048	-.246	.150
	1.5 A brand name with local meaning encourages me to buy from small local firm	Ger	4.73	1.380	.089	-.168	-.362	.026
		SAf	4.89	1.532	.089	-.168	-.363	.026
2 Beliefs	2.1 I think quality of product/ brand made in my local region is higher than that of a similar national/international product	Ger	4.73	1.377	.005	.281	.084	.478
		SAf	4.45	1.571	.005	.281	.084	.478
	2.2 I believe products made by small local firms are better quality, even if shelf life is not as long as national/international brands	Ger	4.87	1.402	.247	.115	-.080	.309
		SAf	4.75	1.515	.247	.115	-.080	.309
	2.3 I believe products from small local producers are better value for money than those from national/international producers	Ger	4.83	1.358	.934	.008	-.186	.202
		SAf	4.82	1.555	.934	.008	-.186	.203
	2.4 I trust the products of smaller local producers more than I do those produced by national or international manufacturers	Ger	4.89	1.335	.429	.076	-.113	.266
		SAf	4.82	1.506	.430	.076	-.113	.266
	2.5 I have more faith in how products are made by small local producers than by large national or international producers	Ger	4.87	1.344	.510	.063	-.124	.250
		SAf	4.81	1.469	.510	.063	-.125	.251

	Question	Coun-try	Mean	SD	Sig 2 tail	Mean diff	95% conf difference	
3 Willing to buy	3.1 I am a frequent buyer of FMCG brands produced in my local region	Ger	4.81	1.385	.414	.079	-.111	.270
		SAf	4.73	1.474	.415	.079	-.111	.270
	3.2 I expect to pay same price for locally as nationally/ internationally produced FMCGs	Ger	4.54	1.370	.003	.311	.107	.516
		SAf	4.23	1.692	.003	.311	.106	.517
	3.3 I am prepared to pay MORE for a nationally/internationally produced FMCG compared to locally produced FMCG	Ger	3.50	1.617	.612	-.055	-.269	.158
		SAf	3.56	1.590	.612	-.055	-.269	.158
	3.4 I am prepared to pay MORE for a locally made FMCG product compared to one nationally or internationally produced	Ger	4.38	1.514	.008	.282	.074	.489
		SAf	4.10	1.604	.008	.282	.074	.489
4 Willing pay for quality	4.1 The more expensive brands are usually my choice	Ger	3.64	1.542	.060	.207	-.009	.423
		SAf	3.43	1.697	.060	.207	-.009	.423
	4.2 I am always prepared to pay more for quality products	Ger	4.52	1.438	.000	-.639	-.828	-.450
		SAf	5.16	1.397	.000	-.639	-.828	-.450
	4.3 I believe the higher the price of a product, the better the quality	Ger	3.31	1.568	.000	-.641	-.870	-.411
		SAf	3.95	1.870	.000	-.641	-.871	-.411
	4.4 A brand name tells me a lot about the quality of a product	Ger	3.70	1.444	.000	-1.123	-1.32	-.923
		SAf	4.82	1.557	.000	-1.123	-1.32	-.923
5 Image local/ regional FMCG	5.1 FMCG products made by small local/ regional firms have lower carbon footprint	Ger	4.86	1.323	.038	.185	.010	.360
		SAf	4.68	1.299	.038	.185	.011	.360
	5.2 FMCG products made by small local / regional firms have high product quality	Ger	4.71	1.196	.792	.022	-.141	.184
		SAf	4.69	1.246	.792	.022	-.141	.185
	5.3 FMCG products made by small local / regional firms use local ingredients	Ger	4.65	1.255	.000	-.421	-.586	-.256
		SAf	5.07	1.218	.000	-.421	-.586	-.256
	5.4 FMCG products made by small local / regional firms are more authentic	Ger	4.96	1.306	.330	-.085	-.257	.087
		SAf	5.05	1.274	.330	-.085	-.257	.086
	5.5 FMCG products made by small local / regional firms support local people	Ger	5.25	1.344	.038	-.184	-.358	-.011
		SAf	5.43	1.262	.037	-.184	-.358	-.011
	5.6 Small local/regional firms are more connected with local communities and so understand local needs better	Ger	5.20	1.281	.012	-.218	-.388	-.047
		SAf	5.41	1.278	.012	-.218	-.388	-.047
Characteristics of local FMCGs								

	Question	Coun-try	Mean	SD	Sig 2 tail	Mean diff	95% conf difference	
6 Integrity	6.1 In my view, local and regional brands are honest towards consumers'	Ger	4.82	1.296	.904	.011	-.167	.189
		SAf	4.81	1.375	.904	.011	-.167	.189
	6.2 In my view, local/regional brands' com-munication is sincere towards consumer	Ger	4.81	1.241	.596	-.047	-.221	.127
		SAf	4.85	1.370	.596	-.047	-.221	.127
	6.3 I find that local and regional brands show an interest in their consumers	Ger	5.02	1.276	.225	-.108	-.284	.067
		SAf	5.13	1.356	.226	-.108	-.284	.067
7 Credibility	7.1 Local/regional brands reassure me traceable, comply to standards, expertise	Ger	5.00	1.288	.454	.066	-.106	.237
		SAf	4.93	1.289	.454	.066	-.106	.237
	7.2 I prefer buying products of local brands because their quality is guaranteed	Ger	4.77	1.283	.302	-.093	-.269	.083
		SAf	4.86	1.359	.302	-.093	-.269	.084
	7.3 I trust in the quality of the products of local and regional brands	Ger	5.06	1.234	.551	.052	-.119	.222
		SAf	5.00	1.327	.551	.052	-.119	.223
8 Benevolence	8.1 Local brands constantly try to improve products to better satisfy consumers	Ger	4.87	1.257	.014	-.216	-.387	-.044
		SAf	5.08	1.315	.014	-.216	-.387	-.044
	8.2 I think local/regional brands renew pro-ducts to adapt to consumers' expectations	Ger	4.69	1.249	.000	-.317	-.486	-.148
		SAf	5.01	1.288	.000	-.317	-.486	-.148
9 Attachment	9.1 I'm attracted to local and regional brands	Ger	4.88	1.341	.025	-.206	-.387	-.026
		SAf	5.08	1.363	.025	-.206	-.387	-.026
	9.2 I feel connected to local/regional brands	Ger	4.95	1.356	.453	-.069	-.248	.111
		SAf	5.02	1.339	.453	-.069	-.248	.111
10 Commitment	10.1 I feel committed to local and regional brands	Ger	4.39	1.492	.000	-.520	-.712	-.327
		SAf	4.91	1.395	.000	-.520	-.712	-.327
	10.2 Local and regional brands are very meaningful to me	Ger	4.62	1.359	.003	-.279	-.463	-.096
		SAf	4.90	1.399	.003	-.279	-.463	-.096
	10.3 I identify strongly with local and regional brands	Ger	4.55	1.430	.005	-.270	-.458	-.081
		SAf	4.82	1.401	.005	-.270	-.458	-.081
11 Attitude	11.1 I find local and regional brands interesting	Ger	5.10	1.274	.843	-.017	-.189	.155
		SAf	5.11	1.310	.843	-.017	-.190	.155
	11.2 Local and regional brands are brands that I buy or could buy	Ger	5.08	1.263	.027	-.188	-.354	-.021
		SAf	5.26	1.232	.027	-.188	-.354	-.022

** Grey colour indicates where the answers were statistically significantly different between German and South African respondents, i.e. p<.0.05.*

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