

A PRELIMINARY STUDY OF CONSUMERS AND BRAND MANAGERS' PERCEPTIONS OF FOOD BRANDING IN CROATIA: TWO SIDES OF THE SAME COIN

PRELIMINARNA STUDIJA PERCEPCIJE BRANDIRANJA PREHRAMBENIH PROIZVODA OD STRANE POTROŠAČA I BRAND MANAGERA U HRVATSKOJ: DVIJE STRANE ISTE MEDALJE

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Abstract: *This preliminary study provides a comparative analysis of food brands and branding perceptions by consumers and brand managers. As the empirical research reveals, consumers rely significantly on the brands they are familiar with in order to minimise risk during the purchase phase. Furthermore, consumers also perceive a brand as an indication of product quality. Brand managers are aware of the link between the perceived and real product quality and a brand. Besides maintaining consumer loyalty, one of the biggest challenges for food brand managers in Croatia seems to be competition from private labels.*

Key words: *branding, Croatian food industry, brand managers, Croatian consumers*

Sažetak: *Ova preliminarna studija donosi komparativnu analizu percepcije brandova i brandiranja prehrambenih proizvoda od strane potrošača te brand managera. Prema rezultatima empirijskog istraživanja, potrošači se značajno oslanjaju na brandove koji su im poznati kako bi smanjili rizik prilikom kupnje. Nadalje, oni općenito percipiraju brandove kao indikaciju kvalitete proizvoda. Brand manageri, s druge strane, su isto tako svjesni veze između percipirane i stvarne kvalitete proizvoda te branda.*

Key words: *brandiranje, hrvatska prehrambena industrija, brand manageri, hrvatski potrošači*



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1. Introduction

Traditionally, a brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers [1]. From the marketing perspective, a brand is more than a product name. It is a vision, a set of values and a key idea – which form brand identity and serve as the cornerstone for the development of branded products and services [2]. The main task of brand identity is to establish a specific perception(s) in the mind of the consumer, which will result in differentiation and uniqueness [3].

Like in other European countries, the food industry in Croatia is highly competitive with many local and international brands vying for market share. Branding plays a vital role in positioning and differentiating food products. There are three main groups of food brands present on the Croatian market. The first consists of traditional Croatian brands introduced before the 1990s. Most of these were developed during the period of self-governing socialism (i.e. 1945-1990) and some were revived over the last twenty years. The second group consists of brands developed and introduced during the period of transition and EU accession (i.e. 1990 to now), together with a range of private label brands that emerged during the last ten to fifteen years. The third group consists of imported international brands. Some of them, like Coca-Cola or Nivea, have a long tradition of market presence, while the majority entered the market during the last twenty years.

The primary aim of this research was to investigate consumer and brand manager perceptions of food brands and report findings obtained through qualitative methods. A comparative overview of food branding in Croatia from the two perspectives is presented. The secondary aim of this study is to provide guidelines for further empirical research.

2. Brief historical background

Both marketing and branding in Croatia were significantly influenced by the political and historical developments. During the twentieth century, Croatia faced many political and economic challenges and went through substantial changes [4]. At the beginning of the century and until the First World War, Croatia formed part of the Austro-Hungarian Empire. Between the two world wars, Croatia was a part of the Kingdom of Serbs, Croats and Slovenes, which, in 1929, was renamed the Kingdom of Yugoslavia. After the Second World War, Croatia became one of the six federal units in social (communist) Yugoslavia. However, due to Tito's policy of independence from the Soviet Union, unlike other communist countries of that time, Yugoslavia had introduced a unique type of socialism/communism (i.e. self-governing socialism), which gave certain managerial rights to the workers and limited possibilities for the private entrepreneurship [5] [6]. Unlike the majority of other transitional ex-communist European countries, recent Croatian history consists of many dramatic events. War followed secession from the former Yugoslav

federation in 1990s, while in the following decade, Croatia embarked on the path to EU accession.

Early twentieth century vintage advertisements clearly show the first intention of branding local products, besides the well-established international brands of that time, such as Bata or Fiat [7]. Branding became much less important during war times. The post WWII period was the time of planned economy and shortages during the first two decades. However, with the growth of industrial production, the companies were given a certain level of freedom and independence, which led to, at first very limited, but later, especially during late 1960s, 1970s and 1980s, a relatively significant level of completion on the national level [8]. Since there was freedom to travel during Yugoslavia, Croatian consumers and their behaviour was significantly influenced by the surrounding Western countries (i.e. Austria, Italy) [9]. In the mid-1990s, anticipating future market recovery, many international companies were attracted to the Croatian market. By the late 1990s, the Croatian food industry had partially recovered, which resulted in the revitalisation of numerous traditional Croatian brands in the following decade. According to a recent research study [10], the most valuable fast moving consumer goods brands in Croatia are traditional brands such as Zvijezda oil and Vegeta spice, followed by Coca-Cola (an international brand) and Dorina, a brand introduced in the 1990s (actually the result of re-branding of the traditional Kraš chocolate) (see Table 1). Also, the list of top ten Croatian brands is dominated by traditional brands that have been on the market for more than 20 years (see Table 2).

No	Brand	Product category	Traditional/Recent/International
1	Zvijezda vegetable oil	Food (oil)	Traditional
2	Vegeta	Food (spice)	Traditional
3	Coca-Cola	Food (beverage)	International
4	Dorina	Food (chocolate)	Recent/Traditional
5	Orbit	Food (chewing gum)	International
6	Gillette	Non-food (cosmetics)	International
7	Milka	Food (chocolate)	International
8	Zvijezda mayonnaise	Food (mayonnaise)	Traditional
9	Franck	Food (coffee)	Traditional
10	Jamnica	Food (beverages)	Traditional

Table 1. The top ten most valuable brands in Croatia

No	Croatian food brand
1	Zvijezda vegetable oil
2	Vegeta
3	Dorina

4	Zvijezda mayonnaise
5	Franck coffee
6	Jamnica
7	Cedevita
8	Gavrilović paté
9	Franck tea
10	Bobi

Table 2. The top ten food brands in Croatia

3. Research design

3.1 The overall research approach

Initially the literature review revealed a limited number of studies focused on food branding in Croatia. Consequently, the need to apply an inductive approach arose in the early stage of this study. The overall approach to the research subject was developed around the basic principles of grounded theory, which is the systematic generation of theory based on rigorous research procedures [11].

Grounded theory emphasises generating theory from data. It advocates that the research process should begin with data collection rather than with the literature review and hypothesis development, which is considered the traditional model of research, where the researcher chooses a theoretical framework, and only then applies this model to the studied phenomenon [12]. Grounded theory is based on the idea that the development of a theory involves a discoverable process and a set of procedures that, if carried out correctly, will result in an actual grounded theory [13]. Grounded theory building consists of five analytic (and not strictly sequential) phases: research design, data collection, data ordering, data analysis, and literature comparison [14].

3.2 Research methods and data collection

The primary research phase had two phases of data collection, both qualitative. During the first phase, the research was conducted on consumers. The research method selected for this phase was a focus group interview. The method was selected as the most convenient since it represents a series of discussions intended to collect participants' perceptions [15]. For the purpose of this study, two focus groups were conducted with the total of 18 participants.

Brand managers, i.e. industry professionals, were the focus of primary research during the second phase. An in-depth interview was deemed the most appropriate method for this research phase, since its goal is to yield information and to thoroughly explore a respondent's point of view and perspective [16]. A total of eight brand managers from the top Croatian food companies participated in in-depth interviews.

4. Data analysis and research findings

4.1 Focus group interviews with consumers

The participants seemed familiar with the Croatian food brands such as Podravka, Vindija, Puris, PIK, Gavrilović, Vegeta and Mlinar. These brands are also known due to their traditional presence on the market, wide distribution, recognised quality and value for money. The participants also expressed preference towards Croatian food brands over the imports. They also noted various marketing communications in media related to these brands.

The participants emphasised the relationship between the brand and product satisfaction. The well-known brand increases consumer confidence level at the point of purchase:

'You're safe with the well-known brand. You know the level of quality you could expect when you purchase a known brand.' [Group 1]

'If I don't know which brand to choose, I would look for a brand that I'm familiar with.' [Group 1]

'You can't go wrong with the good brand. Good brand means good product. Good brand means good food.' [Group 2]

'If I would like to avoid any surprises and be on the safe side, I would choose a well-known brand. You don't take risks with your food.' [Group 2]

As an extension of the company's reputation, a brand name is perceived as the foundation of trust the consumers express towards certain brand(s):

'I would always choose [a certain brand name] because I trust the producer and the brand is a symbol of that trust.' [Group 1]

'Over time, trust in a certain brand is developed based on product quality and reliability. However, this trust could be broken very easily if the producer messes with the quality in order to cut the production cost.' [Group 2]

Price also seemed to play an influential role in brand choice. The participants perceived the brands they are familiar with as more valuable and, therefore, they are ready to pay a little bit more. The participants were also aware of the presence of cheaper private brands, or private labels in Croatian retail. However, their perception and preference towards private labels was not homogeneous. Some participants perceived private label food products as products of lower quality. On the other hand,

some participants pointed to the value for money as a benefit of private labels. Some participants also expressed doubts in cases when a well-known food producer produces both his own brand and a private label. For them, it could be the same product with the same level of quality.

Younger participants also pointed the referential role of the brand in the context of word-of-mouth communication. They indicated that they are open to brand recommendations provided by their friends or relatives. On the other hand, older participants seemed to be less open for such suggestions.

4.2 In-depth interviews with brand managers

All participants found branding and brand management essential functions of marketing and key to success on the highly competitive market. Brands were considered a tool of differentiation and the “weapon” used against the competitors’ activities on the market.

The participants also considered brands the most important variables for the development and maintenance of consumer loyalty:

‘Brand is a symbol that consumer recognises in the store. It is a functional link between the messages communicated through advertising and a physical product sitting on a shelf.’ [Participant 2]

‘Our brand has a long tradition. Even with a very limited marketing budget and almost no advertising we maintain a relatively stable level of sales during the year. We have very loyal customers which are always looking for our brand.’ [Participant 3]

‘We have some brands in our portfolio with relatively low sales figures. However, we decided to keep them because there is number of very loyal consumers who would purchase these brands despite the fact we don’t advertise them. The brand loyalty is very important.’ [Participant 6]

‘Consumers would easily relate with good brands... You can’t build a good brand without paying attention to the consumers’ wishes. Of course, the price should also be competitive and the quality should be stable if you want to maintain a stable number of loyal customers.’ [Participant 8]

Brand management is considered a continuous process which also involves certain changes in terms of packaging and label design, product size or product specification. Overall, improvements were perceived as positive actions. However, a few participants also suggested the potential for negative reaction from consumers if the level of product modification is too significant. On the other hand, the majority of

participants consider significant changes necessary, especially with old and poorly managed brands, which need re-branding.

The participants also pointed to the importance of the relationship between the products' quality and brand image or perceived brand quality. Although the participants were not comfortable with the description of their possible brand management mistakes, there were some indications about poor brand management which resulted in declining sales and a negative perception towards the brand:

'No matter what kind of product we introduce on the market, consumers expect a high level of quality and that's exactly what we have to deliver each time. If we fail, the consequences will also affect other products sold under our brand name.' [Participant 1]

'Our competitor changed the visual appearance of the product line few years ago in order to save on production costs. Labels produced from cheaper paper were perceived by consumers as an act of reduction in terms of quality. Although the real quality of the product line didn't change, its sales suffer.' [Participant 5]

'Experiments with the product quality are not desirable. There is a strong connection between the product's quality and brand value. If you have a new, not widely known brand, quality is an imperative, which will assist in building the brand and consumer loyalty. Poor quality will instantly kill the non-established brand and seriously damage the established brand.' [Participant 8]

The participants expressed certain concern about the emerging private labels and increased price sensitivity caused by the global recession. The competition with private labels is considered the biggest challenge on the Croatian food market today:

'In the past, private labels were considered as lower quality products. Today, products branded with private labels are no more inferior in terms of quality. Furthermore, they are very strong and unpleasant competition, which is seriously threatening food producers' brands with lower process and better positioning on the shelves.' [Participant 2]

'Consumers got use it. They actually trust the private labels... The real quality difference between the private labels and producers' own brands will completely fade away over time and the competition will only increase.' [Participant 7]

5. Conclusion

The findings from the focus group interviews indicate that Croatian consumers prefer Croatian food brands over imports due to tradition, distribution, value for money and quality. Both consumers and brand managers significantly rely on brands. Consumers perceive brands as indicators of food product quality, safety and reliability. Brand managers seem to recognize that. Therefore, they consider brands as communicators of product quality and tools used for developing and maintaining consumer loyalty. In the context of market competition, brand managers perceive brand and branding as tools for differentiation.

Brand managers consider brand management a continuous activity needed for the market success and the maintenance of consumer loyalty, which is aligned with the suggestions found in brand management and marketing literature [17] [18] [19] [20] [21]. However, Croatian food brands are faced with many challenges, such as competition from private labels and uncertainty related to EU accession (e.g. possible growth of imports and import duties in CEFTA countries), which will increase the importance of proper brand management within the Croatian food industry.

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