

Antecedents of Brand Loyalty in South Korean Rice Market

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〈요 약〉

The objectives of this study are to develop and test a research model specifying the relationship between brand loyalty and sales of rice brands and to provide insight on establishing a marketing strategy for rice brands in South Korea. Results indicate that the information source a consumer relies upon is related to brand loyalty in the rice category. Second, consumers who are highly involved with the product category tend to be more brand loyal. Third, characteristics of purchasing behavior are positively related to rice brand loyalty. Fourth, demographic characteristics can partially explain differences in rice brand loyalty. Finally, rice brand loyalty was positively related to consumer satisfaction.

I. Introduction

The South Korean rice industry is facing turbulent market conditions. Several trends have contributed to an upheaval in the industry, including a decrease of grain self-sufficiency, decrease of cultivated acreage, the aging of rural work forces, decrease of absolute production caused from the urbanization of rural area, a decrease of farmers incomes and the production-evasion phenomenon caused from the deterioration of transaction terms. It is also clear that a trend toward reduction in rice consumption based on a change in eating habits of the Korean people will be important in the future. The simultaneous presence of low-priced rice from south-east Asia has put even more pressure on the Korean rice industry.

Although the branding practices of regional rice producers have improved significantly, the level of sophistication in building brand loyalty and using effective promotional techniques remains low. One reason for the lack of efficient

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brand building is that there are few cooperative arrangements between producers of branded rice in the Korean agricultural market. Currently, 304 rice brands are registered, making it very difficult for most to stand out.

This study attempts to examine the mechanisms behind brand loyalty in the Korean rice market.

The specific objectives of this study are:

First, to define the concept of brand loyalty based on a theoretical review on the literature. Second, to review the relationship between brand loyalty and the sale of branded rice. Third, to analyze whether brand-building techniques can be applied to the domestic rice market. Finally based on the results of this study, to provide strategic recommendations to managers of Korean rice brands.

II . Background

1. Brand Loyalty

Brand Loyalty has been described as both a behavioral response and as a function of psychological processes (Jacoby and Kyner 1973). That is, brand loyalty is a function of both behavior and attitudes. Repurchase alone is not sufficient evidence of brand loyalty. The purchasing practice must be intentional. Brand loyalty includes some degree of commitment to the quality of a brand that is a function of both positive attitudes and repetitive purchases.

Generally, more than one brand is offered within a given product category. A buyer has to choose one of these brands at the moment of purchase. Today, many products and services are branded, showing the great confidence businesses place in the effectiveness of branding. In general brands chosen frequently during previous purchases have a high probability of being bought again on subsequent occasions (Reichheld 1996)

Loyal customers are especially valuable to retail companies because they are easier to serve than non-loyal customers, and they provide higher profitability. The advantages of brand loyalty are as follows: first, building long-term profits; second, reducing marketing cost; third, increasing per-customer revenue growth; fourth, decreasing operating cost; fifth, increasing referrals; sixth, increasing price premiums; and finally, it provides competitive advantage.

2. Influencing Factors of Brand Loyalty

1) Purchase Related Factors

Prior researchers have found links between purchase related factors and brand loyalty. Frank(1962) reported that the relationship between demographics and brand loyalty were positively related in the beer and tea categories. Carman(1970) studied the relationship among demographics, shopping characteristics and brand loyalty. He found that these variables were positively related to each other. Newman and Werbel(1973) researched the relationship between consumers' character and brand loyalty and found them to be positively correlated.

This study measures purchase related factors including the purchasing experience, buying confidence, behavior in terms of making brand comparisons, repurchasing, and intention to recommend.

2) Information Source

Consumers need various kinds of information before they make decisions. Information sources can be classified into four categories(Kotler 1992). First, individual sources are family, friends, and relatives. Second, commercial sources are advertisements, salesmen, merchants, packages, and displays. Third are public sources including mass media and consumer organizations. Fourth are, experiential sources including surveys and measures of actual usage.

3) Involvement

The concept of involvement was originally investigated in the field of social psychology by Sherif and Cantril(1947). Involvement was first employed in studies of attitude change, and then used in social judgment theory. Audience response to a persuasive message is determined by two factors acting together. From a consumer behavior perspective, involvement has been defined as a motivational state of mind (arousal) that is goal directed (Zaltman and Wallendorf, 1983).

Houston and Rothschild(1978) realized the potential of involvement as a multidisciplinary construct and suggested that there are different types of involvement and different ways to study it. They introduced three types of

involvement: situational involvement, enduring involvement and response involvement. These three types of involvement are measured in this study.

4) Demographics

Demographic variables have been studied in relation to brand loyalty. Frank (1962) found that demographic variables and brand loyalty were significantly related. Carman(1970) suggested the following points related to the relationship between demographic variables and brand loyalty: First, demographic variables are important predictors of brand loyalty. Second, brand loyalty is influenced by people the customer is associated with. Third, the relationship between brand loyalty and demographics depends on product characteristics. Finally, a customer's attitude and behavior should be carefully considered when the relationship between demographic variables and brand loyalty is investigated.

5) Customer Satisfaction

Customer satisfaction has been defined as the result achieved when product or service features respond to customer needs and when the company meets or exceeds customers' expectations(Juran 1991). Because satisfaction is defined from the customers' perspective, all satisfaction improvement projects must start by defining what customers want and need from a company(Oliver 1981).

Customer satisfaction is the leading criterion for determining the quality actually delivered to customers(Vavra 1997). Customer satisfaction can refer to different areas of the relationship with the customer including satisfaction with quality of a product, satisfaction with an ongoing business relationship, satisfaction with the price/performance ratio of a product or service, and satisfaction because a product/service has met a customer's expectations (Brown 1998).

In this study, we measured the customer satisfaction as product itself, the value of product, the simplicity of cooking, sales mans' information on product, price, employees' attitude, service, quality, the location of shop, and brand.

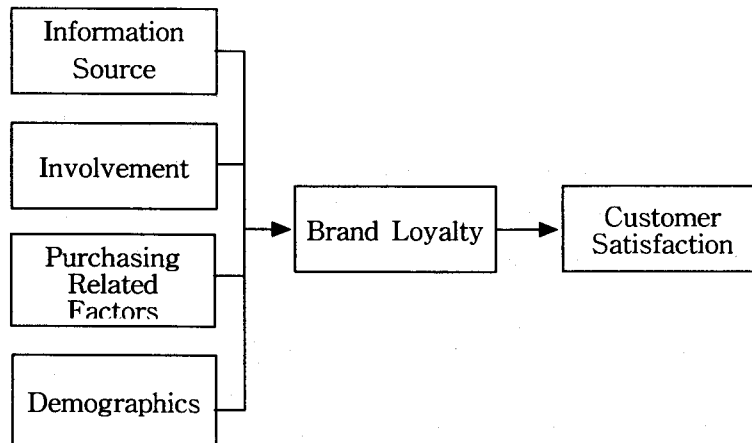
III. Method

1. Model and Hypothesis

Based on the literature review, we established a research model for empirical testing(see Figure 1) and drew research hypotheses to be tested.

2. Research Model

〈FIGURE 1〉 Research Model



3. Hypotheses

H1 : Information source will influence brand loyalty positively.

H2 : Involvement will influence brand loyalty positively.

H3 : Purchasing related factors will influence brand loyalty positively.

H4 : Demographics of customers will influence brand loyalty.

H5 : Brand loyalty will influence customer satisfaction positively.

4. Data collection

We handed 350 questionnaires out from February to March, 2001 in order to collect data for this study. Out of 350 questionnaires, 330 returned and 293 were

acceptable for the statistical analysis excluding questionnaires with incomplete and/or inconsistent responses. Thus, the response rate was 83.7%. Classified by housing type, 203 respondents live in apartment while the rest live in individual house.

IV. Empirical Analysis and Results

1. Sample

Among the 293 respondents who participated in this survey, 5.6% was male and 94.4% was female. The respondents' age distribution was as follows: 131 were in their forties(45.5%), the rest of them were in their thirties and fifties. 169 of respondents were high school graduates(60.4%), and the remainder(39.6%) of them were college graduates. A total of 293 respondents also reported monthly income between 1,500,000 and 2,000,000 in Korean Won while the remainder fell into the 2,500,000~3,000,000 in Korean won and 1,000,000~1,500,000 won categories. 206 respondents were married(93.2%) while the rest were not married(4.5%).

2. Reliability

The Cronbach α 's for the multiple-item scales used in this study range from .6148 and .9049. Levels of reliability of items used in the questionnaire for this study are regarded as reasonable in light of Kyung Hoon Kim's(1993) study, which examined the usage of reliability measures in Korean marketing researches because these numbers compare favorably to the norm.

〈TABLE 1〉 Reliability analysis

Variable	Number of items	Alpha
Information Sources	10	.9049
Product Involvement	13	.8144
Purchase-related Characteristics	5	.6148
Customer Satisfaction	14	.7894

The reader is cautioned that the reliability of the purchase related items falls below the .7 standard established by Nunnally. However, the other three items are well above the standard.

3. Hypothesis Tests

1) Information Source and Brand Loyalty

Hypothesis 1 : Information source will influence brand loyalty positively.

The results of the regression analysis on the relationship between information sources and repeated purchase, indicates an F-value of 1.672, which is significant at the .10 level. The R-square is .061. Only mail and display were found to influence the repeated purchase significantly at the level of .10.

The F value of regression equation analyzing the relationship between information source and intention to recommend was 4.346, which is significant at the 01 level. The R-square was .145. TV advertising and agriculture-related brochures were positively related to intention to recommend significantly at the level of .10. Thus, hypothesis 1 is supported partially.

(TABLE 2) Results of Regression Analysis in Information Source and Brand Loyalty in Information Source and Brand Loyalty

Information Source (Independent)	Brand Loyalty(Dependent)			
	Repeated Purchase		Intention to Recommend	
	R ² = .061 F = 1.672		R ² = .145 F = 4.346**	
	β	t	β	t
(constant)		9.029		7.131
TV	-.045	-.337	.293	2.282*
Newspaper	.166	.981	.020	.122
Magazine	.199	1.411	-.062	-.459
Mail	.213	1.990*	-.027	-.260
Display	.134	1.959	-.102	-1.553
Recommendation	-.035	-.507	.078	1.178
Radio	-.046	-.518	-.069	-.818
Brochures	.048	.506	.172	1.919
Suggestion of specialist	.032	.347	.052	.590
Representatives/counsellor	.070	.763	.034	.388

* $p \leq 0.05$, ** $p \leq 0.01$

2) Product Involvement and Brand Loyalty

Hypothesis 2 : Involvement will influence brand loyalty positively.

(TABLE 3) Results of regression analysis between product involvement and brand loyalty

Product Involvement (Independent)	Brand Loyalty(Dependent)			
	Repeated Purchase		Intention to Recommend	
	R ² = .132 F = 2.611		R ² = .091 F = 1.700*	
	β	t	β	t
(constant)		3.338		3.522
Rice is very important	.079	.994	.081	.986
It's my interest	.238	2.982**	.168	2.015*
Relation with my life	-.105	-1.291	-.114	-1.340
It's very useful	.050	.521	.040	.406
It's very valuable	-.099	-.988	-.114	-1.121
It's basic factor for life	-.115	-1.305	.004	.044
It should be enough	.126	1.764	.074	.985
We need a necessary amount of rice	.146	2.343*	.079	1.228
The story of rice is interesting	.167	2.443*	.196	2.788**
It's changeable according to trend	-.101	-1.576	-.027	-.405
It's necessity	.053	.633	-.033	-.380
It's desirable object	.018	.264	.032	.452
I always need rice	-.099	-1.297	-.029	-.370
Absolutely, it is needed	-.065	-.700	-.027	-.280

* p≤0.05, ** p≤0.01

Regarding to results of the regression analysis of the relationship between product involvement and repeated purchase, F value of the regression equation was 2.611 which was significant at the level of .01. R-square was .132. 'Rice is my interest', 'rice should be enough', 'we need necessary amount of rice', and 'the story of rice is interesting' were found to influence positively repeated purchase at the level of .10.

F value of the regression equation analysing the relationship between involvement and intention to recommend was 1.700 which was significant statistically(p≤.1). R-square was .091. 'Rice is my interest' and 'The story of rice is interesting' were found to influence intention to recommend at the level of .10. Hypothesis 2 was partially supported.

3) Purchasing Related Factors and Brand Loyalty

Hypothesis 3 : Purchasing related factors will influence brand loyalty positively.

(TABLE 4) Results of Regression Analysis between Purchasing Related Factors and Brand Loyalty

Purchasing Related Factors (Independent)	Brand Loyalty(Dependent)			
	Repeated Purchase		Intention to Recommend	
	R ² =.202 F=13.830**		R ² =.234 F=16.586**	
	β	t	β	t
(constant)		5.639		6.084
Regret experience after purchase	-.105	-1.887	-.062	-1.127
Purchase confidence	.045	.765	.023	.394
Comparison with other brand before purchase	.075	1.263	.080	1.373
Purchase in same store	.383	5.904**	.245	3.827**
Intention to recommend a store	.038	.571	.268	4.109**

* $p \leq 0.05$, ** $p \leq 0.01$

Regarding to results of the regression analysis of the relationship between purchasing related factors and repeated purchase, F value of the regression equation was 13.830 which was statistically significant($p \leq .01$). R-square of regression equation was .202. 'Regret experience after purchase' and 'purchase in same store' were found to influence repeated purchase significantly($p \leq .10$). And F-value of the regression equation analysing the relationship between purchasing related factors and intention to recommend was 16.586 which was significant at the level of .01. R-square was .234. 'Purchase in same store' and 'recommendation intention of store' were found to influence intention to recommend significantly at the level of .01. Hypothesis 3 was supported.

4) Demographics and Brand Loyalty

Hypothesis 4 : Demographics of customers will influence brand loyalty.

This study found there were no significant relationship between the age of customers and brand loyalty.

<TABLE 5> Results of t-test upon the Relationship between Education and Brand Loyalty

Education	Brand Loyalty					
	Repeated Purchase			Intention to Recommend		
	Average	t	Sig.	Average	t	Sig.
Below high school graduation	2.49	-1.718	.087	2.81	.079	.937
over college graduation	2.68			2.80		

This study found there were significant mean differences of repeated purchase between below high school graduation(2.49) and over college graduation(2.68) at the level of .10.

<TABLE 6> Results of t-test upon the Relationship between Type of Housing and Brand Loyalty

Type of Housing	Brand Loyalty					
	Repeated Purchase			Intention to Recommend		
	Average	t	Sig.	Average	t	Sig.
apartment	2.50	-1.967	.050	2.74	-1.855	.066
house	2.73			3.01		

This study found there were significant mean differences of repeated purchase between apartment(2.50) and individual house(2.73) at the level of .05. And this study found there were significant mean differences of intention to recommend between apartment(2.74) and house(3.01) at the level of .10.

ANOVA analyzing the relationship between income and brand loyalty found that there was no statistically significant relationship.

Thus Hypothesis 4 was partially supported.

5) Brand Loyalty and Customer Satisfaction

Hypothesis 5 : Brand loyalty will influence customer satisfaction positively.

(TABLE 7) Results of Regression Analysis between Brand Loyalty and Customer Satisfaction

Dependent Variables : Customer Satisfaction R Square = .109 F = 14.797**			
Model	β	t	Sig.
(constant)		31.738	.000
Repeated Purchase	.204	2.871	.004
Intention to Recommend	.175	2.461	.015

Regarding to results of the regression analysis of the relationship between brand loyalty and customer satisfaction, F value of the regression equation was 14.797 which was significant at the level of .01. R-square was .109. Repeated purchase and intention to recommend were found to influence positively customer satisfaction at the level of .05. Hypothesis 5 was fully supported.

V. Conclusion

This study analyzed brand loyalty in Korean rice market. The research model and hypotheses were generated based upon extensive literature review. We found that there were significant relationships between influencing factors such information source, product involvement, purchasing related factors and demographics and brand loyalty in Korean rice market. A strong relationship was found between brand loyalty and customer satisfaction. These findings provide evidence that brand loyalty does, indeed, exist in Korean rice market even though brand management is in its infancy in this market.

Strategic implications drawn from this were as follows:

First, marketers of Korean rice should try to use brand management techniques such as multi-branding, cooperative branding and brand extension since brand loyalty plays important roles in consumer behavior. Second, information sources should be well managed by people working in rice market. Promotional techniques including mass advertising, brochures, mail ads, and displays should be given more attention and used effectively in order to increase the brand loyalty of customers. Third, implication is that marketers of rice should consider involvement

level to be a key variable for segmentation. For example, promoting the role of rice as a main dietary staple in Asia can be increase the level of involvement with rice for a sizable segment of consumers. Fourth, housing type should be used as one of most important variables, since this study found housing type to be correlated with brand loyalty. Finally, Customer Relationship Management(CRM) should be employed to market rice in Korea. This study found that relationship related variables also had an impact on brand loyalty.

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〈Abstract〉

한국쌀시장에서 상표충성도의 선행요인에 관한 연구

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본 연구의 목적은 상표충성도와 쌀상표간의 관계를 규명하기 위해 연구모형을 개발하여, 한국 쌀시장에 대해 마케팅전략을 수립하기 위한 제언을 제공하는 것이다. 연구 결과가 시사하는 점은 첫째, 소비자들의 정보원천은 쌀시장에서 상표충성도와 관련이 있는 것으로 나타났으며, 둘째, 제품군에서 높은 관심을 가진 소비자들은 보다더 상표충성도가 있는 것으로 나타났고, 셋째, 구매행동의 특성과 상표충성도간에는 통계적으로 유의한 차이가 있었으며, 넷째, 인구통계학적 특성은 상표충성도간의 차이가 있는 것으로 판명되었다. 마지막으로 상표충성도가 높은 사람들은 고객만족과 정의 관계가 있는 것으로 판명되었다.

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