

How big food companies influence consumer behaviour marketing essay



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Food is one of the most imperative necessities in peoples everyday life. Since it is an indispensable part of everyone's life, people seldom think about how much food we consume and what kind of factors usually influence us when we eat and buy. According to National Statistics, in the past one year, 63 million UK consumers in total spent 173. 6 billion pounds on food, drink and catering services, which means food cost each British consumer 2, 756 pounds in average in 2011(Food Statistics Pocketbook 2011, 2011). It is quite easy to measure the amount food people consume in quantitative analysis; however, to predict consumers' behaviour in daily food consumption is difficult.

General information about some big food companies

People enjoy benefits of modern transportation system and get food produced anywhere from local stores. However, most of food illustrated on the shelves of supermarkets comes mainly from some big food companies. Those companies have strong influences on consumers whether they realize it or not.

The biggest two food companies in the world are Nestlé and Kraft. According to the key figures on Nestlé's global website, their sales in the year 2011 was 83, 642 million in Swiss franc (CHF), which equals to approximate 87, 191 million in US Dollar(Nestlé, Inc., 2012). For Kraft, its revenue of 2010 was 49, 200 million in US Dollar (Kraft, Inc., 2012). Countries like New Zealand, its GDP in 2010 were only about 119, 200 million in US Dollar. From these figures, it gives a clear indication of the gigantic size of these food companies. Every single day, they sell thousands of packaged food to

consumers all over the world. The influence of these conglomerates on consumers' behaviour is prevalent.

Definition of Consumer Behaviour

How do people make their choice in the process purchasing? How do they react to price, promotions, sales and advertisements? These kinds of questions can be answered in research scope of consumer behaviour.

According to Robert East (2008), marketing is a customer of consumer research. Although consumer behaviour is a complicated concept, it can be measured by some systematic research to some extent. For example, if the price is dropped by 10%, how much do sales change correspondingly? We can use methods of statistics, psychology and market research to measure the size of effect (East, 2008).

Project statement

In this project, it will main focus on consumer behaviour in food buying process. Some examples and cases about industry-leading companies will be given to show how these world-leading food companies influence the most important part-food, in people's daily life. Some critical analysis will be included in this thesis to help consumers to have an understanding of buying food from a different perspective.

East, R., Vanhuele, M. and Wright, M. (2008). Consumer Behaviour Applications in Marketing.

Oak, CA: SAGE Publications.

Definition (Consumer Behaviour)

what is consumer behaviour

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Consumers as decision makers

For consumers, decision making process is quite similar to an evaluate process. Usually, customers compare pros and cons of target goods with other alternatives. It is easy for us to assume that consumers are individual decision makers. However, many decisions are made in groups and marketers use mass media, word of mouth and price to influence groups of consumers' choices since these consumers share some common features.

Dietary habit(behaviour) in food buying process

According to National Statistics :

Food prices rose sharply (12% in real terms) in 2007 and 2008 following rises in agricultural commodity prices and rises in fuel prices. The four year rise between June 2007 and June 2011 was 26%; over 12% in real terms. But

Spend on eating out fell by 5.2% in real terms between 2007 and 2010.

(Food Statistics Pocketbook 2011, 2011, pp25-26).

These figures show that with the increase of food price, spend on eating out by British was lower than before. It means the cost of eating out may increase according to food price and people are quite sensitive on the cost spent on money

According to National Statistics (Food Statistics Pocketbook 2011, 2011), in 2010 UK households spent £24.50 on food and non-alcoholic drinks for household supplies, with 23% going on meat.

National Statistics reported:

Overall 15% of edible food and drink purchases are wasted each year.

Different foods are wasted at different rates; 17% of overall food purchases, 7.1% of soft drinks and 6.3% of alcoholic drinks are wasted. Avoidable food and drink waste in the home is estimated by WRAP at £12 billion per year or £480 per household.

These wastes were probably caused by misestimating food consumption by households or triggered by the sales and promotions.

Food marketing strategy used by food companies to influence consumers

Food industry sponsor nutrition research

In the new millennium, it is quite common for businesses to invest money in scientific research national committees in food and nutrition realm. A British study showed that of 246 members, 158 are funded by food companies
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(Nestle. M, 2001). Actually, it is a kind of advertisement and marketing strategy to influence buyer behaviour and both sides gain interests together.

Food companies provide financial supports to nutrition and agriculture schools for consulting advices, speech of professors on conferences and findings of academic research. Companies also advertise in professional journals, newspapers and conferences. One investigation report of vitamin manufacturer showed that if professors are given travel subsidies, gifts or research funds, they will be more likely to have a positive attitude toward their sponsors' products (Nestle, 2001). It is not to say that industry-sponsored research is always biased, but there shows a higher inclination to favour the sponsors' commercial interests. By this way, consumers are influenced by the findings of scientific research and their sponsoring company.

Advertising is another important benefit food companies want to achieve by supporting nutrition research. Food and beverage companies place advertisements on program leaflets, offer scholarship to outstanding students in the department, and gift free stationaries, accessories coffee and snakes with their company logos during the coffee breaks. For example, the Mars Company funded obesity prevention and treatment session, which helped it to build a healthful and positive imagine in the chocolate business. These kinds of advertisements affect public's attitudes toward health food from deep root, which will reflect in consumer behaviour in the process of purchasing.

Price incentives

In the market place, buyers are influenced by many factors, e. g. price, action of competitors, quality and etc. Although price is not the only factor that influence consumers, in most cases, purchasers are price-oriented and easy to be stimulated by price incentives.

In common sense, if a produce is cheaper than it is expected, it will be more likely to be bought and vice versa. However, it is not the only way that price influences consumer behaviour. In supermarket, we can find sales and reduction in formats such as ' buy two get one free', ' buy one get the second half price', or ' up to 50% off'. It is called ' price framing' and those words make the promotions look attractive. According Nestle's research (2001), he suggested that the use of price framing is an effective pricing tool and it can affect people's judgements. Actually, different frames result in the same expenditure (Nestle, 2001). There are some typical types of frames we can find everywhere in our life. Membership fees of Gyms can be presented in 25 pounds per month instead of total amount 300 pounds for a year. 99-ending indicates a good deal, since a price starting with a 1 looks smaller than a price starting with a 2. Actually, companies do not lose money because of the 1 penny lower in price but it does promote the sales by making consumers feel it is cheaper.

Another interesting finding by Yang. S and her colleagues (2009) pointed out that numerical price formats also have a substantial influence on consumer purchase behaviour. According to their research that the written or scripted format of price on menu can remind people of concept of cost, since the word ' dollar' or symbol '\$' may cause a pain of payment. This leads eaters

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to buy less in the restaurants. If restaurants avoid these monetary sign and use numbers only, it will result in more spending (Yang. S and et al, 2009).

Surprisingly, it is not only price itself but the format of price can also influence consumer behaviour in buying process.

Build brand loyalty

' Brand loyalty represents a favourable attitude toward a brand resulting in consistent purchase of brand over time' said by Assael (2004). For example, if there are several brands of chips offered to a person, he or she chooses one kind of these brand rather than the others for enough time to show the satisfaction towards to this particular brand. It is called brand loyalty. To consumers, the habit of choosing the same brand for several times means the reduction of risk.

According to the blind test on two competing brands of cola carried out by Maison. Greenwald and Bruin (2004), many consumers who claimed they have explicit preferences on Coca-Cola or Pepsi cannot identify these two brands by their taste. However, when they can see the brand name, they show strong preferences. From this point, brand loyalty is more about the name or the image of a brand rather than their function or taste. By this way, many food companies launch their new product by using existed brand name, which can help the new product to acquire higher acceptance.

the dark side of consumer behaviour in food industry

addictive consumption

Salted Food may be an addictive substance that stimulates opiate and dopamine receptors in the brain's reward and pleasure centre more than it is "tasty", while salted food preference, urge, craving and hunger may be manifestations of opiate withdrawal. Salted food and opiate withdrawal stimulate appetite, increases calorie consumption, augments the incidence of overeating, overweight, obesity and related illnesses. Obesity and related illnesses may be symptoms of Salted Food Addiction.

consumer terrorism

Examples:

1990, pepsi weathered its own crisis when more than 50 reports of syringes found in diet pepsi cans surfaced in 23 states

compulsive consumption

example:

2011, salt out of stock in china.

There is a rumour that salt can prevent harmful effect of radiation caused by nuclear leak in Fukushima, Japan.

Conclusion:

From perspective of big food companies

From perspective of individual consumers