

Consumer purchasing intention on thai herbal tea marketing essay



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Restaurants have to be competitive for survival in business. A study about strengths and weaknesses, opportunities and threats which entrepreneurs can improve efficiency and deal with problems to enhance the competitiveness and sustainability could be very useful.

This research provides the results from studying and analyzing the problems faced by Ban Thai restaurant including the competitive situation. Business and functional strategy formulation is applied for enhancing business profits and competitive advantages. Data collection composed of primary data and secondary data, is preceded in Mainz, Germany. Primary data used the methods of interviewing the owner, manager and staff, and employed a questionnaire survey. In regard to the content of survey questions, it consists of two main parts: personal information and food preference, and the service marketing mix (7P's). The results from customers in the restaurant are the information from the whole questionnaire, whereas the results from people in Mainz are information only from the first part. We collected results from fifty respondents in each group. In addition, we got fifty sets of results from observing competitors by evaluating from the service marketing mix (7P's). Secondary data is the information from analysis follows the strategic business methodology. First of all, Porter's 'five forces' was utilized to analyze the environment of the business. Then, the analyzed data was prepared by using a SWOT analysis to generate SFAS and TOWS Matrix. The results from previous process were used for identifying business and functional strategy. As a result, the problem of this business sector was identified as the approach of market entry. The increase of Asian and European food business has caused a decreasing of market share.

Furthermore, the effective factor of the choice of consumption is taste and service. The results of the study demonstrated that a suitable tactic is a differentiation strategy. This emphasizes making the difference of taste and service. Regarding functional policy, a marketing strategy is applied to promote new products and services to the target market. Financial strategy involves planning and allocating costs for developing products and services. Moreover, the improving of staff knowledge is specified in human resource strategy. Efficient workers lead to an increase of customer satisfaction. Eventually, the strategy is able to handle the problem of an increase of competitors and build up sustainable growth of the restaurant.

Abbreviations

3G Third Generation mobile phone network: systems promise faster communications services, including voice, fax and Internet, anytime and anywhere with seamless global roaming.

GDP (

PPPs (Purchasing power parities) the indicators of price level differences across countries. They indicate how many currency units a particular quantity of goods and services costs in different countries.

HICP (Harmonized Indices of Consumer Prices) are designed for international comparisons of consumer price inflation. HICPs are used for the assessment of the inflation convergence criterion as required by the ECB for assessing price stability for monetary policy purposes. (Euromonitor International)

ECB European central bank

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CBI (Centre for the Promotion of Imports from developing countries) is the Centre for the Promotion of Imports from developing countries, operating since 1971 within the policy framework set by the Netherlands Minister of Foreign Affairs and the Minister for Development Co-operation. (CBI, Centre for the Promotion of Imports from developing, 1999)

TRA (The Theory of reasoned action)

TPB theory of planned behavior

Chapter 1 Introduction

1. 1 Background of study

Recently, People are more concerned about health, chemical ingredients that they are consuming everyday through the food, drinks, and medical products. Many times, the consumed chemical in forms of foods, drinks, and medical products, cannot be released and became residues in human body. These residues staying in human body can later on became poison, and cause some kind of diseases, for example; diarrhoea, cancer , or side effect symptoms after consumption (Gopal A. , 2012).

Nowadays the consumers are more educated and aware of poison from the components, and trends to consume more product from natural, for example Bio products, or herbal product. The demand of herbal research has been increased in order to strengthen the belief of herbal treatment, and generate new treatment from herbs. Herbal products have been increasingly consumed (Riewpaiboon A., 2006) and introduced to the market as a component in different kinds of product, such as tea, cosmetic, medicine,

household products, etc., with the beliefs that herbal products can treat, prevent, diagnose, or cure specific diseases (Jama, 2003), and it is safer to use the product that produced from natural ingredients. In Germany, the tea consumption has been increased. Though Germany is not in the first rank of tea consumption country in the world like United Kingdom and China, tea consumption in German market has been increased continuously; 12.2% increase in 2006 (Manfred Korner, 2007). Germany trends to be one of the major importers in the future, and Germany market is quality orientation (ANSAB, 2011).

Thailand is a well-known country about herbal consumption, Thai people use herbs on their everyday life, for example, herbs as ingredients for cooking, curing diseases, nourishing for being healthier, herbal facial and body treatments. This is growing up with the traditional practices which herbal utilization has been interposed in their modus vivendi. Referring to the growth of tea market in Germany, this could be an opportunity for Thai herbal tea to extend its market to Germany with its reputation and quality of the herbs. There are many researches related to the existing herbs, and the research with the effort to explore the new kind of herbs for different purposes. For example, "Thunbergiaceae" or scientific name: "Thunbergia laurifolia linn." has been discovered and investigated the characteristic of this plant that able to increase the signal intensity in some areas of the brain as follows; amygdala, nucleus accumbens, frontal cortex, Globus pallidus, caudate putamen and the hippocampus. (Thongsaard W, 2005).

Thunbergiaceae has been presented in form of tea to Thai market and assorted as a new herbal tea product that will possibly be initiated in

Germany. In this study, the suggestion from literatures review will serve as base of quantitative research. The information from sample group of German consumer in a specific three areas (Mainz, Wiesbaden, Frankfurt) which are totally 150 samples will be used to run the analysis in SPSS program then, the result will be used to inferential back to the whole population. The result of this research, therefore, will show which factors influence the purchasing decision of German consumer.

1. 2 Global trend in consumer goods

1. 3The German tea market

1. 4 Statement of the Problem

What is the relationship between country of origin and perceived quality?

How country of origin persuades perceived quality and purchasing intention?

What is the consumer attitude toward herbal product, and how it affects purchasing intention?

Which product features affects the purchasing decision?

Which factor has most influential effect toward purchasing intention?

1. 5 Research Objectives

The purpose of this research is to identify the factors influence purchasing decision of Thai herbal tea in German consumers in the three specified areas; Mainz, Wiesbaden, Frankfurt. The finding of this research would be used as the basic information to study about the instruments toward Thai herbal tea purchasing, measured by constructed variables: product features,

attitude toward herbal tea, perceived value, and perceived quality. The objectives of the study were to be served as working guideline for;

To identify a relationship between country of origin and perceived quality.

To find out to what are attitude toward herbal product is perceived by consumer.

To find out which product features affects the decision.

To determine which factor has most influential effect toward purchasing intention.

To examine the factors that can be used as the main marketing elements for launching product to the market.

Scope of the Study

In the study, non-probability sampling method that will be applied as research technique is Judgment Samplings. 150 questionnaires are collected from German tea consumer in three different areas. 90 respondents are living in Mainz, 30 respondents are living in Wiesbaden and 30 respondents are living in Frankfurt which has been drinking tea in Thai restaurant or Thai massage shop in the three mentioned areas. All of them are the tea consumer with various backgrounds (age, career, etc.).

1. 7 Significance of the Study

This study could be the criterion for Thai herbal product exporters or producers to pursue consumer buying the product, especially in Germany.

Leading other types of herbal product in Germany market by the perception of consumer toward herbal product.

Chapter 2 Market analysis

In Chapter 2 will discussed about related theories, models from different gurus who have previous studies and created some theories as the base of this research. All the theories and models in this part will help to construct the research framework in the next chapter. In this chapter will confabulate about environmental analysis (STEEP/L analysis), industry analysis (Porter's five forces)

2. 1 environmental analysis (STEEP/L analysis)

Marketing analysis is the analysis of consumers, competitors, and markets to develop strategies for new and existing products/service, and markets (Bidgoli, 2010). It is important for a good business to analyze their market carefully before forming the marketing and sales strategies for competing with their competitors. The firm needs to know so well about the market or industry that they will invest from inside and outside in order to gain advantages or seeking for opportunities from what is going on in the market. The marketer should consider external environment and internal environment to avoid surprise incident that will happen in the market (Wheelen, Thomas L.; Hunger, J. David, 2010). In this study, the external environment and internal environment analysis that will be implemented are STEEP/L analysis and Porter's five forces analysis.

Social -Culture factor

Germany is the center of Europe with a very various nationality within this country. It is considered as the largest economic country in Europe, or the fifth largest economy in the world, and a key member of the continent's economic, political, and defense organizations (CIA: Germany). With approximately 81 million people living in this country, it created a huge market and opportunities for all consumer products.

Nowadays, consumer in Germany are more concerned about their health as there are many different kinds of product on the shelf which related to health taking care , for example BIO products, organic products. In year 2011, consumer in Germany increasingly drinking tea , the number of tea consumption has been increased from 17, 750 tons/ year in 2008 to 18, 000 tons/ year in 2009, and in 2010 the total number of tea consumption gradually increased to 18, 300 tons / years, which can be calculated as 26 liters per capita consumption (Jochen Spethmann, June, 2011). Jochen Spethmann announced that “ tea market in Germany is stable. The tea drinkers remain loyal to their favorite drink. They are lovers and health conscious. This is the market for tea in the coming years to keep on a steady course “. In addition, according to the report of the German tea market in year 2010, Germany becomes one of the most important hubs for tea trade by centered at the port of Hamburg, Germany; about 70 percent of teas traded in Europe are handling in Hamburg. These could be a positive sign for tea market trend in Germany for the coming year.

The tea consumer in Germany market consumed the product with different purposes and aspects; the elder tea drinkers mostly stay loyally to their
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consumption habits, while the younger tea drinkers are often enthusiastic to experiment and enjoy their tea in a range of creative variations, including cold drink”, said Dr. Monika Beutgen, Executive Director of the German Tea Association, based in Hamburg (Teeverband, 2011).

With the lifestyle of tea drinkers in Germany, hot tea can be easily found mostly everywhere; in the tea houses, tea shops, coffee shop, bar, restaurant, bakery shop, on the train, and at the coffee to go shops in most of the main train stations in each city. It became the replacement drink for people who do not want to drink hot coffee. The tea trend has been changed and became more obvious in the society; tea has been added as topping or ingredients of some foods and drinks nowadays. (Beaumont, 2011)

Technological factor

Sciences and technology is one of Germany reputation, it has been one of the best country in sciences and technological development, which offer an outstanding education in this field with the graduated of 140, 000 sciences and engineering students each year (Germany - Science and technology). Germany has been ranked the number one in European Union (Germany- Internet usage stats and market report, 2010) or number six of the world highest number of internet users (Germany- Internet usage stats and market report, 2010). The number of internet user in Germany has been dramatically increased from 29. 2% to 79. 1% (compared to the whole country population) within ten years; from 2000-2010 (Germany- Internet usage stats and market report, 2010), which represents the availabilities of internet access in Germany. These numbers could tell the possibility of consumer accessing the data and information, including the herbal facts. It is <https://assignbuster.com/consumer-purchasing-intention-on-thai-herbal-tea-marketing-essay/>

the opportunity that consumer will gain knowledge which related to herbal tea; how the herbs work with human in the studies and researches that already exist and available in the online network based on different purposes of study , the differentiation of each herbal tea, or ability to compare or review the quality from the users who had experiences. The wider range of network communication increases the chance of marketer to give information or knowledge to consumer related to their product. Moreover, the 3G technology which has been invented and introduced in 2001 in Japan (All about technoloty- 3G, 2011) which helps the communication flow with a higher speed though voice and internet means from every corner at any time. This technology influence 24 hours shopping from home, working place, internet café, or even on the street because it enables purchasing from any place at any time.

Environmental factor

The weather and climate change has an effect to consumer behavior (Kyle B. Murray, 2010), for example, when the weather is getting colder people usually drinking tea, coffee, or some hot drink in order to heat up their body and make them feel warmer. It could be the opportunity for the herbal hot drink or herbal medical marketer to play over the changing of the weather in Germany. The consumer environmental awareness in Germany has been increased; consumer are more considered about environmental related from raw material to production process; where the materials come from or how the raw material has been made.

Economic factor

Economic factor is one of the most important external factors which influence the way to run business and have influence whether the business will grow or bankrupt. The economic factor possibly contains the information about employment rate, labor cost, cost of living, economic growth rate, interest rate, inflation rate, and etc.

Economic factor for Germany as shown in Table 2. 1, this information can help the companies to predict the trend of business or economy in order to forecast the business strategies to compete with their competitors. From above information, Germany unemployment rate has been decreased which means that business units and industry parts expanded (neglecting migration). With more people being employed, there follows (in general) an increase of wealth and also consumption.

Table 2. 1: Summary of key economic factors from 2008-2010

2008

2009

2010

2011

Unemployment rate

8. 1%

7. 3%

7.6%

5.6%

Labor cost , 1

28.4

29

29.1

30.1

GDP Growth rate1

1.1

-5.1

3.7

3.0

Inflation rate1

2.8

0.2

1.2

2.5

PPPs1

1. 03815

1. 06743

1. 05279

1. 04549

GDP growth rate has been dropped from year 2008 to 2009, and then dramatically increase in 2010, which is an effect from European crisis in 2009. On the other hand, the inflation rate has been increased through 2009 to 2011. This could be explained that the consumer in Germany will have to buy the product at higher price with more varieties of products to purchase. Though the price of product has been increased, the labor cost has been gradually increased over the passing four years to support the increasing of price for consumer product. The PPPs value has been

The overall of the economic in Germany is not outstandingly good but it can survive the crisis because of all the policies and strategies that have been released to hold the stability of the economic. Germany is gradually improving and is even getting economically more powerful.

HICPs

HICPs (Harmonized Indices of Consumer Prices) is a recent important indicator which provides comparable measures of consumer price inflation across the countries, especially in European countries. According to the information published on the Eurostat webpage, " HICPs are used for the

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assessment of the inflation convergence criterion as required by the ECB for assessing price stability for monetary policy purposes. The ECB defines price stability on the basis of the annual rate of change of the euro area HICP. HICPs are compiled on the basis of harmonized standards, binding for all Member States". Refer to figure 2. 1; the HICPs value has been stable from year 2011 to 2012, which indicate the actual price faced by consumer is stable.

Figure 2. 1: HICPs in Germany (Index, 2005= 100 Euro)

The impact of globalization

The development of IT impact the way consumer behave because it is merging diversity of culture and way of living to become universal. Because of IT development, the consumers nowadays are more interested on online shopping, or get information under all concern through the world network, in order to explore their knowledge of product, price, and the different ways to consume the product. Instead of purchasing from stores in consumer's country, they are able to look for a cheaper product from different places which may cost at a lower price for the same quality. This will affect the competitiveness of each product because consumer got more choices and offers.

Stage of business cycle

Figure 2. 2: Stage of the Industry Life Cycle (Hill & Jones, 2009)

Herbal tea is placed in the introduction stage (Embryonic stage) because herbal product has been introduced in many different kinds of product in the

market, and there are many new herbs that have been investigated and added as the ingredient of tea. The more the number of product contains herbs as ingredient, the more new type of herbal tea will be introduced into the market. Therefore, the current herbal teas that have been introduced earlier are growing up while new herbal ingredient has been introduced.

Legal and Political factor

Legal and political factors are one of external factor which is necessary for firm to consider, it is a complicated factor that the marketer should focus on. As stated on International marketing (2007) book by Michael R. Czinkota, Ilkka A. Ronkainen , that the variation of political and legal environment can also offer new opportunities to international marketers. In order to understand legal and political environment, the marketer has to deal with analyzing the regulation, de-regulation trends, environmental and consumer protection legislation, market regulations, government policy related to firm's product, taxation policy, government stability, and etc. (Henry, 2008).

In Germany, the safety of food and consumption product is the one of the most important policy that the government is concerning. Figure 2. 3 shown food safety network in Germany, over 200 regulations, laws, and decision has been created through these organizations to protect the consumer, which those laws based on three main aims;

To protect human health: Only safe food may be placed on the market.

To safeguard consumers from deception.

To ensure the public receives accurate information.

Figure 2. 3 Germany food safety network

According to the strategies maintained by Federal Ministry of food, agriculture, and consumer protection, the hygiene requirements apply to all of the food, production, trade and retail, and transportation. The entire food or consumption product has to be checked by the food and veterinary office to make sure that all the food and consumption products that sold in the market is comply with all requirements.

Commission E

Anyone who has done research about herbal supplement or product has to get references of their findings from the German Commission E. The Commission E is" a federally appointed panel of leading experts on herbs and plant-based medicines. Members of the commission, who serve three-year terms, were proposed by various health professional associations and appointed by the Minister of Health. The initial task of the Commission E was to evaluate the safety and effectiveness of herbal remedies" (Foster, 2007).

Industry analysis (PORTER'S FIVE FORCES)

The Porter's five forces tool seems to be simple, but it is an important and powerful tool for a business to understand where the power lies in the industry, which the company is planning to entry. Each firm has to analyze competitive forces in an industry's environment in order to find the opportunities and threats facing a company (Hill & Jones, 2009). The intensity of competition depends on competitive forces (Grant, 2005).

Michael E. Porter found five forces of competition that affect strongly an industry. The five forces of competition can determine the profitability of an

industry (Porter M. E., 1980). The profit of a firm is measured in long term of return on investment. If an organization fully understanding the five forces, they will be in a stronger position to defend themselves from competitors or threats (Wheelen, Thomas L.; Hunger, J. David, 2010). The five forces consist of five factors as featured in Figure 2. 4:

Figure 2. 4: Porter's Five Forces of Competition Framework

Threat of New Entrants

New entrants to an industry are always wanted to increase market share (Wheelen & Hunger, 2012). The threat of entry is based on entry barriers and reactions from existing competitors. If barriers of entry are high, new entrants will be deterred (Thompson & Martin, 2005). A company should spend money on technology, research and development, and distribution channels which can increase barriers to new entrants (Mellahi, Frynas, & Finlay, 2005). There are some factors that create barriers:

Economies of scale: In herbal tea industry, the products are produced to serve a specific group of customer who are interested for consuming products that made or contained natural ingredients. The economies of scale still lower than general consumer products. The competitive of the price is not so high; the company can set their own price related to the uniqueness of the product.

Capital / investment requirements: In order to entry this industry, it is required the investment on research and development to investigate new kind of herbs, or study the existing herbs for additional attributes or advantages. It will be a difficulty for small business which has smaller capital. <https://assignbuster.com/consumer-purchasing-intention-on-thai-herbal-tea-marketing-essay/>

Customer switching costs: Switching costs occurs when customers are changing the product because of cheaper prices (Bhasin, 2012). The cost of switching from herbal tea to the other type of tea which does not contain herb is low. Customer can choose to buy the substitute products, which functionally work the same, but do not made from natural or herbal ingredients, and performs different attributes, at a lower price. However, if we compare herbal tea to organic tea, the cost of switching will be high because the price of organic tea also higher. In case the consumer would like to change, they will have to take higher risk of product does not offer or perform the same as what they used to consume.

Access to industry distribution channels: New entrants have to establish their distribution to secure a space for their product. Herbal tea in Germany are normally concealed on the shelf of retail stores (e. g. Rewe, Müller), drug stores, hypermarket (e. g. Real), tea store, or Asian shops. There is no individual or special herbal tea store in Germany yet.

Result: Threat of New Entrants is medium, hence Industry attractiveness is moderate

Rivalry among Existing Firms

The intensity of rivalry between competitors in an industry will depend on:

The structure of competition: There are many small or equally sized competitors, and there is no clear market leader in herbal tea industry.

The structure of industry costs: The fixed cost in term of production cost and R&D cost is quite high for this industry, and the production processes are

quite complicated because some herbs are part of medical product.

Competitors are able to fill unused capacity for price cutting.

Degree of differentiation: The product differentiation is an essential key to the marketing mix of a product (Bhasin, 2012). Herbal tea is a unique product which the difference of characteristic in each product is depended on the producer; the ingredients, how many kind of herb has been added, the support ingredients that has been added to stimulate the attribute of herbs or to make the herbs work better.

Number of Competitors: There are many small and big companies that sell herbal tea in the market as the additional line from their main product line. If a competitor has the same size and quantity of products or services in the market, this mutually affects another firm.

Product or Service Characteristics: Customer choice from price or location if there are same characteristic. The competition level will be decreased if the product has its own differentiation; each herbal tea product is differentiated by the attributes that has been chosen to be boosted. The rivalry among existing firms in herbal industry can be concluded at a high level, which make it is difficult for the entering company. However, the differentiation of the product could help company to survive and able to compete in this industry.

Result: Rivalry among existing firm is high, hence industry attractiveness is low.

Threat of Substitute Products

The presence of substitute products can lower industry attractiveness and profitability because they limit price levels (Wheelen, Thomas L.; Hunger, J. David, 2010). A substitute product involves the search for a product that can do the same function as the product the industry already produces. The threat of substitute products depends on:

The existence of close substitutes: as mentioned earlier, there are some products that customer will replace herbal tea as it functionally works almost the same, but chemically produced; they are not from nature.

Switching costs: the cost of changing to other products is not high; if the customer change to non-herbal products, they can buy it at a cheaper price.

Perceived level of product differentiation: herbal tea can be replaced by non-herbal product or other hot drink, but customers will be insecure for their health as the customer is a group of people who take care of their health, and feel better and safer with product from nature.

Buyer's propensity to substitutes: customers in some markets are more likely to remain loyal to a product that they have been using for a while. It is the same for customer who regularly purchases herbal product. For example, in the study of " Spices and Herbs: a survey of the Netherlands and other major markets in the European Union" has mentioned on their study that " the consumers tend to have a high brand loyalty in deciding which spices or herbs to buy. The higher quality leads a higher degree of customer loyalty. They tend to stick with preferred suppliers who have proved themselves to

be reliable “. (CBI, Centre for the Promotion of Imports from developing, 1999)

Result: Threat of Substitute Products is medium, hence Industry attractiveness is moderate

Bargaining Power of Buyers

Buyers are the end consumers or organizations who create demand in an industry. The bargaining power of buyer in herbal tea industry is quite low because the products are not standardized, and the group of buyers who purchase herbal products is a specific group of people. The customers are narrowed down to the group of people who are interested of consuming the product from nature, the product that does not contain chemical elements. A part from the consumer perspective of impurity free, company added values of their product by mixing different kinds of herbs which results in different ways of gaining the advantages.

Result: Bargaining power of buyers is low, hence industry attractiveness is high.

Bargaining Power of Suppliers

Suppliers are the businesses that supply materials and other products into the industry. (Wheelen, Thomas L.; Hunger, J. David, 2010)The cost of items bought from suppliers (e. g. raw materials, components) can have a significant impact on a company’s profitability. Suppliers in herbal tea industry is not very huge in Germany, there are many herbs have been

imported from different countries as ingredients to produce different kinds of products.

Result: Bargaining power of suppliers is low, hence industry attractiveness is high

Low

Low

Medium

Medium

Figure2. 5: The analysis of the five forces in herbal tea industry

Conclusion: The industry attractiveness level trends to in a high level from the overall elements.

Chapter 3 Marketing Strategies and Market Target

Marketing effectiveness is different from one organization to another as each of them got different objectives and goals they are pursue (Segmentation, Targeting and Positioning Essay, 2009). It is necessary for company to have a clear target and position in the market in order to create effective marketing strategies.

3. 1 Market Segmentation

Market segmentation is defined by Kotler and Armstrong (2001, p. 244) as 'Dividing a market into distinct groups of buyers on the basis of needs, characteristics or behavior who might require separate marketing mixes.'

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The marketing agent needs to know the consumer needs, their characteristics or behavior in order to signify different demands from different reasons. Ultimately segmenting the market is the first step to give the firm better abilit