The Benefits of Regional Brand for Companies

H. Starzyczna, M. Stoklasa, K. Matusinska

Abstract—This article deals with the benefits of regional brands for companies in the Czech Republic. Research was focused on finding out the expected and actual benefits of regional brands for companies. The data were obtained by questionnaire survey and analysed by IBM SPSS. Representative sample of 204 companies was created. The research analysis disclosed the expected benefits that the regional brand should bring to companies. But the actual benefits are much worse. The statistical testing of hypotheses revealed that the benefits depend on the region of origin, which surprised both us and the regional coordinators.

Keywords—Brand, regional brands, product protective branding programs, brand benefits.

I. INTRODUCTION

REGIONAL branding and local products are the hot trend in the Czech Republic but no one has done a research on a representative sample to find out the expected and actual benefits of regional brands for companies. Thus the aim of the article is to research the expected and actual benefits and find out, if these benefits are dependent on the region of origin.

The consumer behavior is influenced by many cultural elements that create consumer predispositions. It is mainly customs and values characterizing a specific cultural space and symbols, rituals and myths as a group of symbolic cultural elements which express feelings and ideals of a certain culture [1]. Symbols can be understood from marketing point of view on the following levels [1]:

- As a means to create and change the position of the product in the mind of consumers, with regards to strengthen some features of product that differentiate it from the rest or by strengthening the image.
- The symbolic meaning of the products themselves when the product is used by consumers as a means (symbol) of assignment to certain reference group.
- Symbols in connection with a logo or a brand.

From this perspective, it is clear that symbols – brands are important marketing tool influenced by local culture. The fundamental problem associated with symbols is their relevant interpretation by consumers [1]. What product or brand symbols the consumer gives importance is influenced by cultural background from which the consumer originates [2].

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Image and symbolic meaning of the symbols - brands is mainly shaped by local culture [3].

A brand is a product or service and its features differentiate it in some ways from other products or services that are intended to satisfy the same needs [4].

An important aspect of a brand is its positioning. Positioning of a brand is its place in the minds of consumers to maximize the potential benefits of the company over the competition [4].

Brands offer a range of benefits to its consumers, traders and producers. Brands can make buying decisions easier by reducing the time needed for decisions and reducing the risk of buying [5]. For consumers, brands are significant reduction in the cost of search for a product [6]. For traders, brands are significant because a strong brand attracts customers and increases the traders' image [6]. Other benefits for traders are greater customer confidence, but also reduced risk of buying and stocking products from well-known brands, thus creating good distribution relationships [7]. Strong benefit for traders can also be all marketing communication that producer offers (POP/POS materials). For producers, brands are again significant in terms of risk reduction, because consumers purchase a known product more often. Producers can utilize increased power when negotiating with traders if they have a known brand, protection against competition in the form of options to set a higher price for a well-known brand and reduction of costs of maintaining a stable customer base thanks to a known brand [7]. Other benefit is the possibility to create a barrier to market entry for other firms with a strong brand, which is a significant competitive advantage [6].

There are three basic approaches to regional brands. American perceives regional brands as a return of multinational companies into smaller regions. Regional brand is from their perspective understood as a brand that is found only in a particular region and cannot be purchased anywhere else, but the origin of the product is not taken into account. It is an approach of a large company using global marketing standardization with added intercultural perspective of brands to increase the chances of success in individual smaller territories. The British view supports regional brands only if they are successful and takes them as a supplement to nationwide brands. This view does not address where the regional brand was created, if it is a large company trying to break into smaller regions or local brand bought by a large company. A third view, can be named as 'European', can be deduced from the direction of the European Union, which tries to establish regional brands as a help SMEs to grow and expand on the common market. [8]

Brand programs are made up of several previously separate brands that use the same criteria. Thus facilitating the

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consumer market orientation, that is currently uneasy due to a wide range of brands. Paradoxically, consumers today know the meaning of fewer brands because of their excessive quantities [9]. These brands then cannot affect consumer behaviour, as was the intention of the creators of the brand. This happens due to the lack of marketing communication of brands, lack of consumer education and problems with the guarantee of quality for the consumer [9].

For easier consumer orientation, brands can be grouped into different brand programs [9]: state brands, brands of professional unions and associations, company (private) brands, EU brands. The Czech market has in total 142 brands of product protective branding that can be divided into 3 categories: 102 consumer brands (only 2 are regulated by the government), 3 EU protective markings and 37 regional brands (1 nationwide program of the government, 14 county brands and 22 regional brands). The 22 regional brands are grouped into one voluntary program called the Association of Regional Brands (ARB) and these are the main focus of our research.

ARB - the purpose is to ensure the economic prosperity of the region through the protection of cultural and natural heritage. The huge difference is the focus not only on food and agricultural products, but also on crafted and natural products, recently also services. The aim is to support quality products (originating in that region, standard quality, uniqueness arising from the relationship to the region) of SMEs through joint promotion and cooperation, joint distribution paths, to support the region through joint promotion, support the consumer regional solidarity, and also protect the nature. Noticeable is the new targeting on tourists with the guarantee of authenticity of local specialties.

II. METHODS AND SAMPLE

The research sample consists of 204 companies from all over the Czech Republic. When collecting data for research, all 640 companies with functional contact data were contacted (from the total of 664 companies using ARB regional brands in the Czech Republic). Due to low return rates the companies had to be approached several times. The first wave had a return of 83 questionnaires (12.5%). Remaining companies were therefore approached a second time after a month and the next month for the third time, with a total return of 163 questionnaires (25.5%). There was a check of the data collected in terms of its validity and reliability. Data were also transferred to MS Excel with coding for IBM SPSS. The number of questionnaires and their composition did not correspond to a representative sample of firms in the Czech Republic (according to the number of companies in individual regions) therefore additional questionnaires were sent targeting specific companies. National and regional coordinators were approached with a request to participate in the research (to convince companies fill out the questionnaire). Table I shows the number of companies from different regions in the sample, absolute and relative target numbers and actual relative and absolute numbers. The sample is designed to be representative for the whole country with two exceptions. The

micro-region of Toulava has only 5 companies and none of them was willing to participate in the research. And during the research a 22nd region was established – it is not included in the sample.

TABLE I
SAMPLE CHARACTERISTIC ACCORDING TO REGION

Region No.	Region name	Target absolute	Target relative (%)	Actual relative (%)	Actual absolute
1	Beskydy	19	2.97	3.41	7
2	Broumovsko	19	2.97	2.93	6
3	CeskosaskeSvycarsko	18	2.81	1.95	4
4	GorolskoSwoboda	27	4.22	3.90	8
5	HANA	55	8.59	8.78	18
6	Jeseniky	65	10.16	11.22	23
7	KrajBlanickychrytiru	21	3.28	3.43	7
8	Krkonose	25	3.91	4.88	10
9	Krusnohori	13	2.03	1.95	4
10	Moravskabrana	19	2.97	2.44	5
11	MoravskeKravarsko	19	2.97	2.93	6
12	Moravskykras	18	2.81	2.44	5
13	Orlickehory	16	2.50	2.44	5
14	Podkrkonosi	22	3.44	3.41	7
15	Polabi	45	7.03	6.83	14
16	Prachensko	69	10.78	12.20	25
17	Sumava	92	14.38	13.17	27
18	Toulava	5	0.78	0.00	0
19	Vysocina	33	5.16	5.37	11
20	Zaprazi	18	2.81	2.44	5
21	Zeleznehory	22	3.44	3.41	7

Table II shows the characteristics of the sample according to other criteria. More than a half (52.4%) of the firms has a certificate authorizing them to use regional brand for less than two years, 24.5% of companies have certificate 3-4 years, 12.8% of companies have certificate 5-6 years and only 12.3% for more than 6 years. ARB regional brands are very young program with only few regions dating back to 2004 and a majority of regions created after the year 2007. Depending on the size of the company, 53.3% of firms have one employee, 27.4% of micro firms have up to 10 employees and 17.1% of small firms with 10-50 employees. In the whole system there are only 3 medium companies (over 50 employees), in the sample just one.

TABLE II
SAMPLE CHARACTERISTIC ACCORDING TO OTHER CHARACTERISTICS

Criterion	Characteristic	Actual relative (%)	Actual absolute
How long	< 2 years	52.4	107
	3-4 years	24.5	50
	5-6 years	12.8	26
	6+ years	12.3	21
Company size	1 (alone)	53.3	113
	< 10 employees	27.4	56
	>10 employees	17.1	34
Product type	Crafted products	28.9	59
	Art or decoration	22.5	46
	Food	19.6	40
	Drinks	6.8	14
	Natural products	12.2	25
	Other	9.8	20

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As expected, a majority of the sample are tradesmen who produce regional products themselves. Depending on the type of certified products, the most common are crafts with 28.9%, artwork or decoration with 22.5%, food with 19.6%, natural products with 12.2%, other with 9.8% and 6 drinks with 8 %. This is one of the biggest differences from other systems of product protective branding that are either focused purely on food or other consumer goods.

According to the benefits that ARB regional brands declare to the companies, this questionnaire was divided into several parts, concentrating on the expected and actual benefits of regional brand, financial benefits, promotion and distribution. This article is focused only on the first part.

III. RESULTS

A. Main Exploratory Analysis

The question was divided into two parts, the effects that the company expected before receiving the brand and the real benefits. The question was assessed on a five point Likert scale, where 1 is the most desired and 5 is the most undesired. Respondents had the option to assign 0 if they did not want to answer (17 cases out of 1836 possible), so the data was converted to a percentage of the value of individual choice. Companies also had the possibility to answer 'other' and add description, but it was not utilized.

The premise was that expectation of companies would be in the areas of promotion, confirming the product quality and financial effect. These assumptions were confirmed by the expected benefits of brand for companies, where companies actually evaluated promotion with the second-best mark of 1.78, better product prestige (quality reassurance) with an average of 1.74, personal recognition (pride) with an average of 2.06 and an increase in demand for products with an average of 2.0. The least expected benefits were: the cooperation with other manufacturers with an average of 2.63, the establishment of joint cooperation (joint promotion, events) with an average of 2.2 and an advantage over the competition with an average of 2.44. Expected benefits according to individual questions are shown in Table III.

TABLE III
EXPECTED BENEFITS OF REGIONAL BRAND

Benefit	Most desired	Desired	Neutral	Undesired	Most undesired
Demand	45.10	22.55	14.22	13.73	2.45
Promotion	52.45	21.25	16.18	6.86	1.30
Distribution	45.10	15.20	21.08	15.20	1.47
Prestige	49.51	27.45	16.03	3.43	1.62
Advantage	34.31	22.55	15.69	10.29	15.20
Pride	47.55	20.98	9.80	6.96	12.75
Contacts	40.20	27.45	21.03	3.48	5.88
Cooperation	27.60	20.59	24.51	7.01	18.63
Joint actions	32.35	29.90	21.57	7.84	6.37

The actual benefits, however, are disappointing for most companies. The worst evaluated benefits are: increase in demand with an average of 3.16, collaboration with other companies with an average of 3.15 and gaining an advantage over the competition with an average of 3.13. Top rated actual effects are: personal recognition (pride) with an average of 2.31, increase of prestige with an average of 2.39 and promotion with an average of 2.79. Despite their good evaluation compared to other effects, the low averages are the signs of frustrated companies that expected a lot more from the certification, shown in Table IV.

TABLE IV
ACTUAL BENEFITS OF REGIONAL BRAND

Benefit	Most desired	Desired	Neutral	Undesired	Most undesired
Demand	14.21	18.15	25.49	21.57	20.59
Promotion	14.23	28.91	25.00	18.14	11.76
Distribution	11.76	27.45	24.51	24.51	9.80
Prestige	27.94	30.39	25.49	6.47	9.70
Advantage	16.67	16.23	32.35	6.81	27.94
Pride	31.86	42.16	4.90	5.39	15.69
Contacts	27.35	22.65	12.75	18.63	18.63
Cooperation	20.15	14.27	27.45	6.76	31.37
Joint actions	25.39	20.00	28.53	5.88	20.20

B. Verification of Hypotheses

To evaluate the hypotheses, the analysis of variance (ANOVA) is used. This allows verification that the value of a random variable of a certain individual has a statistically significant effect on the value of any observed phenotype. A test is performed at the significance level $\alpha = 0.05$, i.e. 5 %.

To determine the dependence of expected benefits of regional brand on the region of origin of the company, we have formulated following two statistical hypotheses:

- H0: The region of company origin has no statistically significant influence on the expected benefits of regional brand.
- H1: The region of company origin has statistically significant influence on the expected benefits of regional brand.

The results of ANOVA to determine the influence of the region on the actual benefits are: F 17.451 and Sig. 0,000 (less than a specified value $\alpha = 0.05$), so at the level of significance of 5 % the null hypothesis (H0) is rejected and we accept the alternative hypotheses (H1) that says that the impact of the region on the expected benefits is statistically significant, see Table V.

TABLE V
ANOVA FOR REGION * EXPECTED BENEFITS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	122.255	19	6.434	17.451	0.000
Within Groups	135.323	367	0.369		
Total	257.578	386			

To determine the dependence of actual benefits of regional brand on the region of origin of the company, we have formulated following two statistical hypotheses:

- H0: The region of company origin has no statistically significant influence on the actual benefits of regional brand.

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- H1: The region of company origin has statistically significant influence on the actual benefits of regional brand.

The results of ANOVA to determine the influence of the region on the actual benefits are: F 16.044 and Sig. 0,000 (less than a specified value $\alpha = 0.05$), so at the level of significance of 5 % the null hypothesis (H0) is rejected and we accept the alternative hypotheses (H1) that says that the impact of the region on the actual benefits is statistically significant, see Table VI.

TABLE VI
ANOVA FOR REGION * ACTUAL BENEFITS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	102.058	19	5.371	16.044	0.000
Within Groups	122.871	367	0.335		
Total	224.929	386			

IV. CONCLUSION

The first part of the questionnaire was focused on the expected and actual benefits of the regional brand for companies. The premise was that expectation of companies would be in the areas of promotion, confirming the product quality and financial effect. These assumptions were confirmed by the expected benefits of brand for companies, where companies actually evaluated promotion with the second-best mark of 1.78, better product prestige (quality reassurance) with an average of 1.74, personal recognition (pride) with an average of 2.06 and an increase in demand for products with an average of 2.0. When evaluating the actual benefits, companies evaluate these three categories significantly negatively. Promotion was valued at 2.79, better product prestige at 2.39, and the financial effect with the worst average of 3.16. We can say that the companies have much greater expectations than the brands actually bring. Many companies took the opportunity to freely comment on any aspect of the questionnaire and wrote us their own point of view. From these comments it can be concluded that the error is on the side of ARB, which does not put the declared benefits in sufficient context, but also companies with unrealistic expectations. ARB is not overstating the benefits, the companies actually have the declared ones, but the point is, how much companies expect and what is realistically achievable on the market. Other highly valued expected benefits are establishing new contacts and cooperation, but these actually never happened. ARB can create a platform for companies, which would enable them to share their knowledge, help each other, and cooperate on their own projects, both within the region and between regions. Expected future effects confirm previous expectations and the fact that most businesses want ARB regional brand to be a confirmation of the product quality, co-operation and promotion. Increased demand fell beyond these categories.

The research proved the dependence of the region from which the company originates on the actual and expected benefits. This is also confirmed by the additional comments of some companies. This realization was very surprising and made us talk with 3 regional coordinators and the national coordinator, who confirmed that this can indeed happen but should not. Thanks to these talks the coordinators are working on revision of the whole system (with our help), which should ensure that all regions in the ARB regional brand system have the same benefits for companies.

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