



AMERICAN UNIVERSITY OF BEIRUT

CONSUMERS' PERCEPTIONS OF CHOCOLATE BRANDS  
IN THE LEBANESE MARKET AND THE ROLE OF  
INTRINSIC AND EXTRINSIC CUES

by  
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Many thanks for my larger family that was patient for my absence during stressful times of work and study, including my brother and sister.

## AN ABSTRACT OF THE PROJECT OF

Hani Mohamad-Fawaz Hmaidan for Master of Business Administration  
Major: Business Administration

Title: Consumers' Perceptions of Chocolate Brands in the Lebanese Market and the Role of Intrinsic and Extrinsic Cues

Chocolate is a hedonic low involvement product where the main factor for selection or preference is intrinsic. With the heavy presence of Western brands along with the Turkish and Arab brands, consumers have a wide choice for chocolate selection.

This study was done to determine the main factors for chocolate selection and to study consumer's perceptions and preferences for the present brands in the Lebanese market.

The study involved 196 students who participated in a self-administered questionnaire to obtain the data. Taste was found to be the most important factor for chocolate selection followed by brand name. The other factors which are price, country of manufacture and design of package were not found to be significant.

The study revealed a strong preference for Western brands in the 4 different chocolate categories studied where they were found to be the most consumed, the favorite, and obtained the highest ratings for taste, brand image, product variety and country of brand.

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## ABBREVIATIONS

COO: Country of origin

COM: Country of manufacture

# CHAPTER I

## INTRODUCTION

Chocolate products belong to the fast moving consumer goods where competition is high and a large variety is available to consumers. Chocolate products are consumed by a large proportion of the society, including children, teenagers, and adults from all ages. Our research aims to explore consumers' perception of different brands of chocolate present in the Lebanese market based on intrinsic and extrinsic product cues, and to explore the drivers of choice/preference of a certain brand among different segments of consumers. The research will also reveal the current market situation and competition between the Western brands, the Turkish brands and the Arab brands.

The characteristics and types of brands will be previewed in the second chapter, and then the intrinsic and extrinsic product cues will be defined in the third chapter to determine the factors that will be studied for chocolate brands.

## CHAPTER II

### BRANDS

#### **A. Brand definition**

“A brand is a name, term, sign, symbol, or design, or a combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.” (Kotler & Armstrong, 2006, p. 243). It is also a “complex bundle of images and experiences in the customer’s mind” (Keegan & Green, 2008, p. 328).

A brand serves two main functions. The first is a promise by the manufacturer to the customer about the product and the second is to easily differentiate a certain brand from all other competitors (Keegan & Green, 2008, p. 328). Branding helps buyers to identify products that benefit them. Brands give an indication about the quality of the product. Consumers buying the same brand will know that they will get the same quality and features each time. The differences invoked by the brand can be functional, rational or tangible, which are related to the performance of the brand, or they can be emotional, symbolic and intangible, which are related to what the brand represents (Kotler & Keller, 2006, p. 274).

## **B. Branding benefits**

Branding can add value to the product. For example, consumers will find a certain branded perfume as valuable and high-quality as compared to the same fragrance filled in an unbranded bottle which is considered lower in quality.

Branding has become very strong where everything around us has a brand, even the most common products such as salt, sugar, fruits and vegetables...

Branding existed since a long time. In fact, in medieval ages, the craftsmen put trademarks on their products to differentiate and protect them from cheaper imitations. Also, branding started as artists signed their paintings and fine art works (Kotler & Keller, 2006, p. 274).

Branding benefits the seller in many ways. First, a whole story can be attached to the brand highlighting special qualities. Second, the brand name and trademark secure legal protection for distinguishable features of the product that might be copied. Third, branding helps the seller to segment his target consumers (Kotler & Armstrong, 2006, p. 243-244). Fourth, it simplifies product handling and tracing (Kotler & Keller, 2006, p. 274). Fifth, it facilitates repeat purchases from the consumers and facilitates brand loyalty. Sixth, a brand facilitates the introduction of new products because the consumer is familiar with the brand. Finally, a brand facilitates premium pricing by creating a basis of differentiation to other brands (Cravens & Piercy, 2003, p. 322).

On the other hand, there are several benefits to the consumer such as reducing the costs and efforts of search by easily identifying products that satisfy their needs, reducing the perceived risk of purchase through an assurance of consistency and quality, and reducing the psychological and social risks by using well known brands that possess status (Cravens & Piercy, 2003, p. 321).

### **C. Brand image**

A brand image is “the sum of impressions” about a product or a single mental image about the product itself and the company that owns it (Keegan & Green, 2008, p. 329). Another definition is Keller’s (1993) where he refers to brand image as the “perceptions about a brand reflected as associations existing in the memory of the consumer” (as cited in Martinez & Pina, 2003, p. 433) and he explains that these associations are formed through direct experience with the product, through the information available from advertisement and word of mouth, and through forming perceptions and opinions based on already existing associations about the company or the country of origin... (as cited in Martinez & Pina, 2003, p. 433).

Brands represent consumers’ perceptions about a product and its qualities. Strong brands can capture consumer loyalty and preference. Building strong brands has become a priority for the marketing people of any company because a strong brand helps the company to form an identity in the marketplace, helps it in facing competitive actions, generates larger profit margins, favors intermediate dealers’ support, and facilitates brand extensions (Yasin, Noor, & Mohamad, 2007, p. 38). An overall brand value is measured by brand equity.

### **D. Brand equity**

“A powerful brand has high brand equity. Brand equity is the positive differential effect that knowing the brand name has on the customer response to the product or service.” (Kotler & Armstrong, 2006, p. 249). It is also defined as “the total



value that accrues to a product as a result of a company's cumulative investments in the marketing of the brand.” (Keegan & Green, 2008, p. 328).

According to Rajh, Vranesevic and Tolic (2003), some authors have defined brand equity using the financial aspects such as Kapferer (1998) who defines it as the difference between brand assets such as brand awareness, brand image, perceived quality, appeal of the brand, and between the brand costs and invested capital. On the other hand, other authors have used the customer aspect such as Keller (1993) who defined customer-based brand equity as “the differential effect of brand knowledge on consumer response to the marketing of the brand”. In this same direction, Park and Srinivasan (1994) have defined brand equity as the difference between subjective and objective preference for a brand (Rajh, Vranesevic & Tolic, 2003, p.263).

High brand equity has several advantages for the company that owns it such as a high level of consumer awareness and loyalty, more bargaining power with stores since there is demand for its brand, and facilitates brand and line extensions since the brand name is credible (Kotler & Armstrong, 2006, p.250).

One study found that 72% of consumers are willing to pay a 20% premium for their preferred brand and 40% are willing to pay a 50% premium. For example, loyal consumers of Tide and Heinz are willing to pay a 100% premium and those of Coke a 50% premium (cited by Kotler & Armstrong, 2006, p. 249).

A strong brand is a very valuable asset and has a high value. According to one estimate, the brand value of Coca-Cola is 67\$ billion, Microsoft's brand value is 61\$ billion and IBM's is 54\$ billion (cited by Kotler & Armstrong, 2006, p. 249).

## **E. Manufacturer brands and private brands**

A manufacturer brand is a brand that is sold by the manufacturing company under its own name while a private brand is “a brand created and owned by a reseller of a product or service”. (Kotler & Armstrong, 2006, p. 252). “Private Labels can be called store brands when they actually adopt the name of the store itself in some way.” (Keller, 2002, p. 273).

Kellogg, IBM, Kraft and Mars are examples of manufacturer brands. On the other hand, there are private brands offered by many retailers such as Wal-Mart, Casino, Tesco and Costco...

Manufacturer brands were the dominant brands on the shelf for a long time. However, nowadays, the number of private brands is increasing rapidly where every large retailer seems to be introducing his own brands because they have higher profit margins and they are exclusive for this store, therefore creating customer loyalty and store traffic. In fact, private brands occupied around 21% of the unit market share in US supermarkets in 2005 and they have even higher market shares in Europe, reaching 40% in some countries (Gomez-Arias & Bello-Acebron, 2008, p.273).

Private brands are usually priced less than the manufacturer brands for similar products to capture customers who are seeking money savings. Some large manufacturer brand companies are launching private brands such as GE, Kraft, Parmalat, and Unilever... On the other hand, some private label companies are introducing premium products to try to compete on the same level of quality by offering similar or slightly lower prices. (Gomez-Arias & Bello-Acebron, 2008, p.273- 274).

## **F. Local, international and global brands**

Local brands are brands that are present in a single national market. In many cases, global companies launch local products and brands to meet the preferences and needs of certain countries. For example, Coca-Cola launched a non-carbonated ginseng flavored drink only for Japan known as Sokenbicha, and Kinley brand bottled water in India.

Local products and brands can be a tough competitor to any global company entering new markets. For example in China, Li ning sells more sneakers than Nike, and Haier became the dominant seller of refrigerators and air conditioners after fighting off foreign competition. Patriotic themes and slogans are used in favor of local brands but in developing countries, global brands are seen as dominant over local ones (Keegan & Green, 2008, p. 330).

International brands are offered in several markets in a certain region. Examples are Euro products such as the two-seater Smart car and the Honda Jazz that started in Europe only. Another example is McDonalds' McArabia which is a special sandwich composed of Arabic pita bread only for the Middle East market. If an international brand is successful and has certain qualities, it can be taken global (Keegan & Green, 2008, p. 331).

A global brand is one that has the same value in all its markets and holds the same position against its competitors throughout the world (Barron & Hollingshead, 2004, p. 9). For example, Nestlé's slogan "Makes the very best" is a quality promise understood throughout the world. The same applies for Gillette "The best a man can get" and Harley-Davidson "An American legend".

A global brand has several advantages such as benefiting from economies of scale to obtain more efficiency in the costs of research & development because the revenues are generated from several markets and to have a lower cost of marketing and advertisement through single ad campaigns (Barron & Hollingshead, 2004, p. 9).











On the other hand, as part of the purchasing search, consumers search among brands for a world-class quality signal, a global cultural myth, and a sign of social responsibility. Global brands often maintain these factors (Keegan & Green, 2008, p. 333).

Global companies can use a strong brand to make brand extensions where the global brand serves as an “umbrella” when diversifying its offerings through new product lines or new businesses. An extreme example is the Virgin brand which is present on an airline, a railroad, retail stores, movie theaters, financial services and soft drinks (Keegan & Green, 2008, p. 331-333).

There are global products which are common throughout the world and there are global brands which are present across the planet. A company has four combinations in terms of local and global brands and products. A product can be local and launched under a local brand such as Coca-Cola’s Georgia canned coffee in Japan, or a global product under a local brand name such as the bottled water Valpre offered by Coca-Cola in South Africa. The third combination is a local product under a global brand name such as when famous cosmetics or fashion companies manufacture tailor-made perfumes or clothing for a certain region of the world. The final combination is a global product under a global brand name such as Nestle’s pure life bottled water, present in different parts of the world or such as Coke, “the quintessential global product and

global brand” (Keegan & Green, 2008, p. 334-335). Below in table 2.1 are the top 10 global brands in the world according to their brand value (equity).

Table 2.1: Top 10 global brands in the world according to the 2009 ranking.

2009 Rank	2008 Rank	Brand	Country of Origin	Sector	2009 Brand Value (\$m)	Change in Brand Value
1	1		United States	Beverages	68,734	3%
2	2		United States	Computer Services	60,211	2%
3	3		United States	Computer Software	56,647	-4%
4	4		United States	Diversified	47,777	-10%
5	5		Finland	Consumer Electronics	34,864	-3%
6	8		United States	Restaurants	32,275	4%
7	10		United States	Internet Services	31,980	25%
8	6		Japan	Automotive	31,330	-8%
9	7		United States	Computer Hardware	30,636	-2%
10	9		United States	Media	28,447	-3%

Source: Interbrand. *Best Global Brands* (2010).

### G. Family branding and corporate branding

Corporate branding is a strategy that uses the corporate name of the company on all its products such as “IBM” and “hp” (Cravens & Piercy, 2003, p. 326) while family branding involves using a certain parent brand name on different products belonging to the same category or product line (Kotler & Keller, 2006, p. 296) such as “Galaxy” where it is different than the corporate name “Mars” and it includes many sub

brands. Other types of branding include co-branding which is the use of two established brand names from different companies on one product. For example, the Pillsbury Oreo Bars mix is a co-branding between Nabisco's Oreo and Pillsbury... (Kotler & Armstrong, 2006, p.254).

## CHAPTER III

### PRODUCT CUES

#### **A. Product Intrinsic and Extrinsic Cues**

Consumers form opinions about a product's quality through "a systematic process of acquisition, evaluation and integration of product information or cues". A cue is defined as "all informational stimuli available to the consumer before consumption" (Ahmed et al., 2004, p.104). Cues can be intrinsic and extrinsic. Intrinsic cues are related to the physical product itself (Bredahl, 2004) such as the taste, colour or fat content of a food product. Extrinsic cues are product-related but not part of it such as price, brand name, COO, retail outlet, promotion and packaging that are determined by marketing activities (Acebrón & Dopico, 2000, p. 231). Another definition describes intrinsic and extrinsic cues as follows: "Intrinsic cues are product attributes inherent to objective nature of the product itself" (Veale & Quester, 2009b, p. 195) which is determined by the technical specifications of the product (Acebrón & Dopico, 2000, p. 229) such as the composition, the taste, the acidity, the fat content or the colour of a food product... On the other hand, extrinsic cues are "any product characteristics that can be altered without influencing the objective nature of the product or service" (Veale & Quester, 2009b, p. 195).

Research has proved that consumers rely more on intrinsic cues to form their judgment. However, there are some exceptions to this rule. Consumers base their decisions on extrinsic cues when they believe that these cues are more credible and reliable than their own judgment, when they believe they are not able to correctly

evaluate the product, or in the case of purchasing products related the social image and status (Veale & Quester, 2009b, p. 196).

### **B. Price:**

Price is an important extrinsic cue where it is used by consumers as a predictor of quality. In fact, it was found in many studies, specially when other info are absent, that consumers rank products in terms of the level of quality according to their prices where expensive products are believed to be of better quality and cheap products are viewed as lower in quality (Veale & Quester, 2009b, p. 197).

On the other hand, price can be a decisive factor in the consumer purchasing behavior especially if this consumer is price sensitive and belongs to the low income category regardless of quality.

### **C. Country of origin:**

The brand name and price of a product are main extrinsic cues that affect consumer's perceptions and decisions of purchase. Nevertheless, globalization has imposed an important cue which is COO as many companies are moving production to overseas countries to source new markets with enhanced purchasing ability in developing countries (Veale & Quester, 2009b, p. 196) and to benefit from lower costs of production including raw material and labor (Ahmed et al., 2004, p.102). Therefore, the country of origin effect is an important factor that influences international consumers in their perceptions and attitudes between foreign products and local products (Ahmed et al., 2004, p.102).



Consumers are not just interested in the quality and the marketing mix factors (price, promotions...) of a product, but they are also interested in the country of origin of the brand where they are influenced by stereotypes about countries to evaluate products (Yasin, Noor, & Mohamad, 2007, p. 38). Perceptions and attitudes towards a certain country, extending to products and brands well known to be originating from that country, constitute the country of origin effect. This is applicable to cars, electronics, coffee, chocolate and fashion... These perceptions can be positive such as a German product that is viewed to have engineering quality, a French product that is viewed as “chic” and an Italian product that is viewed as stylish, (Keegan & Green, 2008, p. 341) or they can be negative such as “cheap” or “low quality” in some cases for products made in China or any developing country. In fact, many studies have showed that the COO element influences consumers’ perception of quality, brand image and their purchase decisions (Clarke, Owens & Ford, 2000, p.114).

COO is generally known as the “source country” of a product and is different than the country of the brand (Veale & Quester, 2009b, p. 195). However, there are many different definitions in the literature. Saeed (1994) defines COO as the “home country” that the product or brand belong to (Lin & Chen, 2006, p.249). Other authors explain it is the country where the corporate headquarters of the company marketing the product is present (Al-Sulaiti & Baker, 1998, p.150) while others indicate that it is the country where the brand is inherent. For example Sony is a Japanese brand. Later definitions which constitute the majority in the literature define COO as the country of manufacture indicated by the “Made in label”, also called COM, indicated by Saeed (1994) (cited by Lin & Chen, 2006, p.249). Therefore, to avoid confusion and to

differentiate between the COO of the product and the COO of the brand, we will use the terms country of manufacture (COM) and brand origin respectively.

According to Hong and Wyer (1989), COO affects consumers' perceptions through two main ways. The first is called the halo effect where the country image elicits feelings inside consumers and affects the overall evaluation of the product and the other product attributes. The second way is the called the summary construct where the knowledge of a certain country's products makes them deduce the country image which in turn affects brand attitude (cited by Ahmed et al., 2004, p.104).

Regarding the country image that affects consumer's evaluation, companies can emphasize on the COO if it has a favorable effect through advertising and design, or they can downplay the COO information by different techniques if it has a negative image (Ahmed et al., 2004, p.114) by focusing on the original brand name or choosing a new brand name with positive associations, and by focusing on the mother company or the original source of the product as in the example of highlighting the phrase "German Engineering" for products made in developing countries.

#### **D. Brand Origin and Country of Manufacture:**

As mentioned, perceptions and attitudes about a country extend to products and brands. Brand origin is defined as "the place, region or country to which the brand is perceived to belong by its target consumers" (Thakor & Kohli, 1996, p.27) also known as the country of brand (COB). On the other hand, country of manufacture is indicated by the "Made in..." label. For example, Japan is the country of origin of Sony. However, a Sony product could be manufactured in Taiwan or Indonesia. In this case,

the country of manufacture (COM) will be different than the brand origin and this is considered a hybrid product.

Old studies have shown that when hybrid products are evaluated, consumers perceive COB and COM as distinct product cues where COM had a larger than COB. However, more recent studies showed the opposite where the brand origin had a higher effect (Veale & Quester, 2009b, p. 195).

#### **E. Consumer ethnocentrism:**

Consumer ethnocentrism is a tendency of consumers to prefer local product over foreign products where it is believed that it is inappropriate, unpatriotic and immoral to buy foreign products because it has a negative effect on the national economy (Ahmed et al., 2004, p.105). This phenomenon is important for marketing managers to consider when planning to source a certain market from another country.

# CHAPTER IV

## THE CHOCOLATE INDUSTRY

### A. The Chocolate Industry worldwide:

According to the Guardian (2010), after the acquisition of Cadbury by Kraft, the worldwide chocolate industry is now dominated by the big four: Kraft, Mars, Nestle and Ferrero. Below is a scheme (Fig.4.1) showing the sales market share of each of the big four chocolate manufacturers in an industry amounting to \$82.5 billion in 2009:

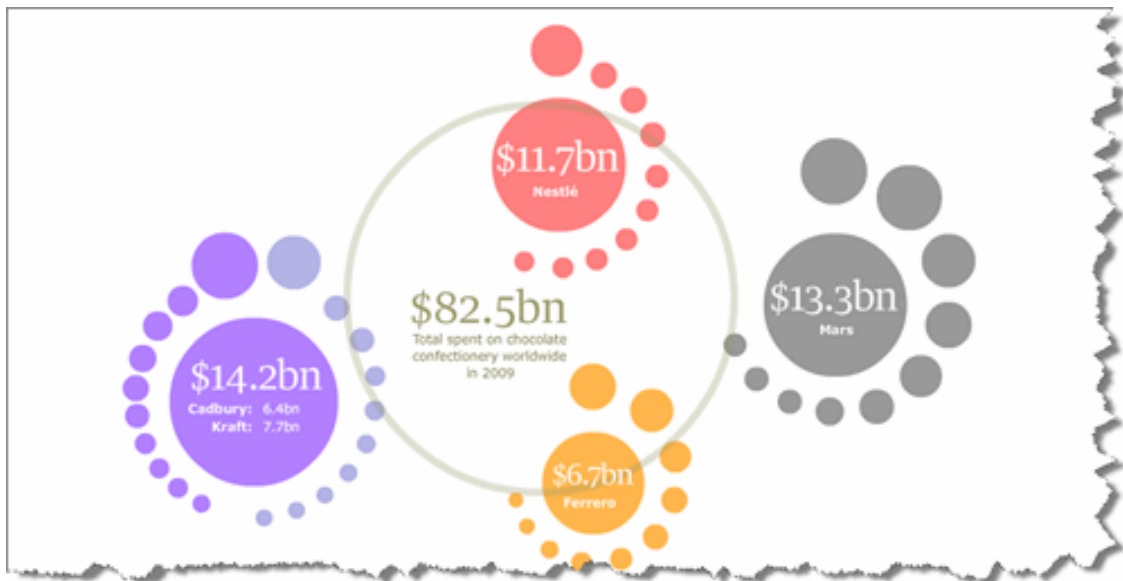


Fig. 4.1: Total chocolate sales for the big four manufacturers in 2009  
Source: Guardian. 2010. *Chocolate wars: the big four.*

As for the worldwide chocolate brands shares, they are presented in table 4.1.

Table 4.1: Worldwide chocolate brand sales in 2009

<b>Brand</b>	<b>Market share (by Million \$)</b>
M&Ms (Mars)	2,829
Snickers (Mars)	2,726
Milka (Kraft)	2,365
Galaxy (Mars)	1,831
Kit Kat (Nestle)	1,717
Dairy Milk (Cadbury)	1,564
Mars (Mars)	1,367
Kinder Surprise (Ferrero)	1,352
Ferrero Rocher (Ferrero)	1,228
Twix (Mars)	1,118
Milky Way (Nestle)	769
Kinder Bueno (Ferrero)	649
Celebrations (Mars)	522
Toblerone (Kraft)	502
Cote D'Or (Kraft)	472
Smarties (Nestle)	439
After Eight (Nestle)	435
Mon Cheri (Ferrero)	435
Terry's (Kraft)	418
Garoto (Nestle)	417
Kinder Chocolate (Ferrero)	405
Matlesers (Mars)	382
3 Musketeers (Mars)	366
Bounty (Mars)	361
Perugina (Nestle)	334
Butterfinger (Nestle)	325
Crunch (Nestle)	316

Source: Guardian. 2010. *Chocolate wars: the big four.*

## **B. Chocolate Market in Lebanon:**

The chocolate market in Lebanon is characterized by the heavy presence of imported chocolate products from different parts of the world such as the US, Europe, Turkey, Africa and the Arab Countries. When we analyze the total sales volume of the chocolate market in Lebanon, we find that the local manufacturer Gandour is at the top

as a family brand and has many other brands such as Unica and Tutti Frutti in other leading positions (Fig. 4.2). Gandour is followed by the Turkish brand Ulker in second place. Starting the fourth place, we have major Western brands such as Galaxy, Snickers, Kit Kat, and Mars...

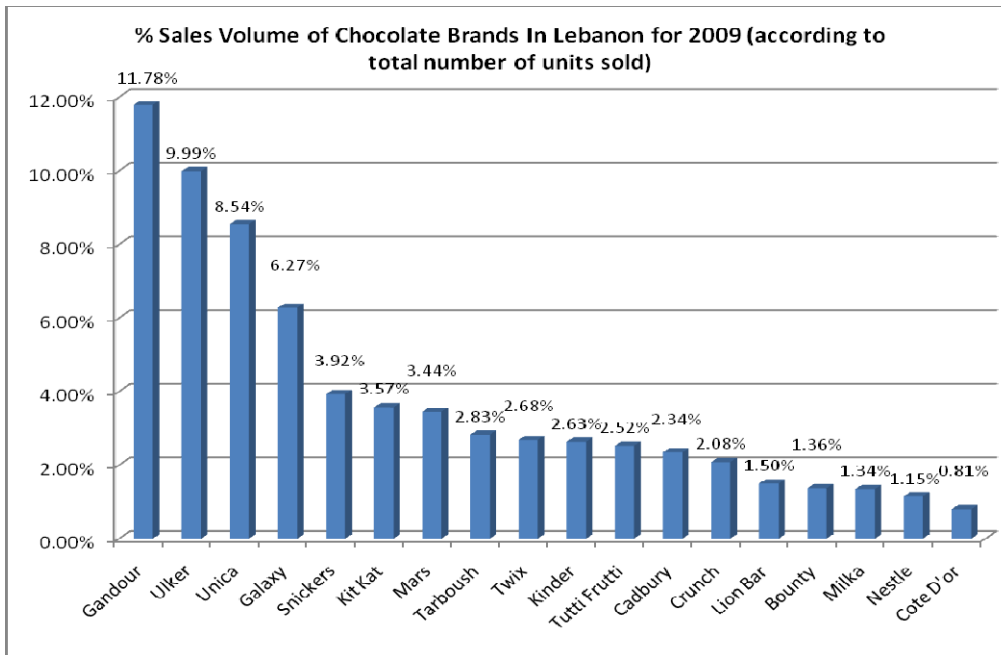


Fig. 4.2: % Sales volume of chocolate brands in Lebanon for 2009  
Source: Nielsen RMS data, 2010

However, if we look at the market share of brands by dollar value, the situation is different (Fig. 4.3). The market becomes dominant by the Western brands, where the Galaxy brand (considered as a family brand, including any galaxy products) is by the far the leading brand in Lebanon with 9.57% market share followed by Snickers, Kit Kat, and Mars then Gandour.

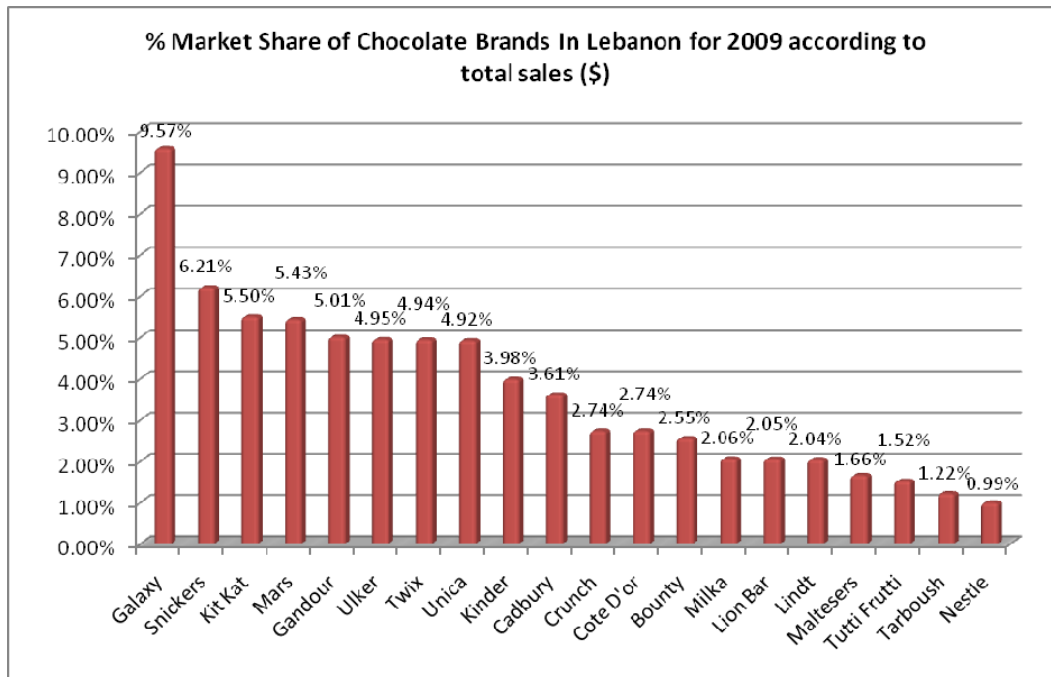


Fig. 4.3: % Market share of chocolate brands in Lebanon for 2009  
Source: Nielsen RMS data, 2010

The chocolate market in Lebanon is divided into many categories (Fig. 4.4).

The largest category is the chocolate wafer products with 34.62% out of the total market, followed by the filled bars category with 23.78%, then the tablets category with 23.34% and then by the biscuit coated chocolate category with 10.17% of the total market. The final 2 categories which are the bite size category and the premium bites category are minor categories which are not of interest for our study.

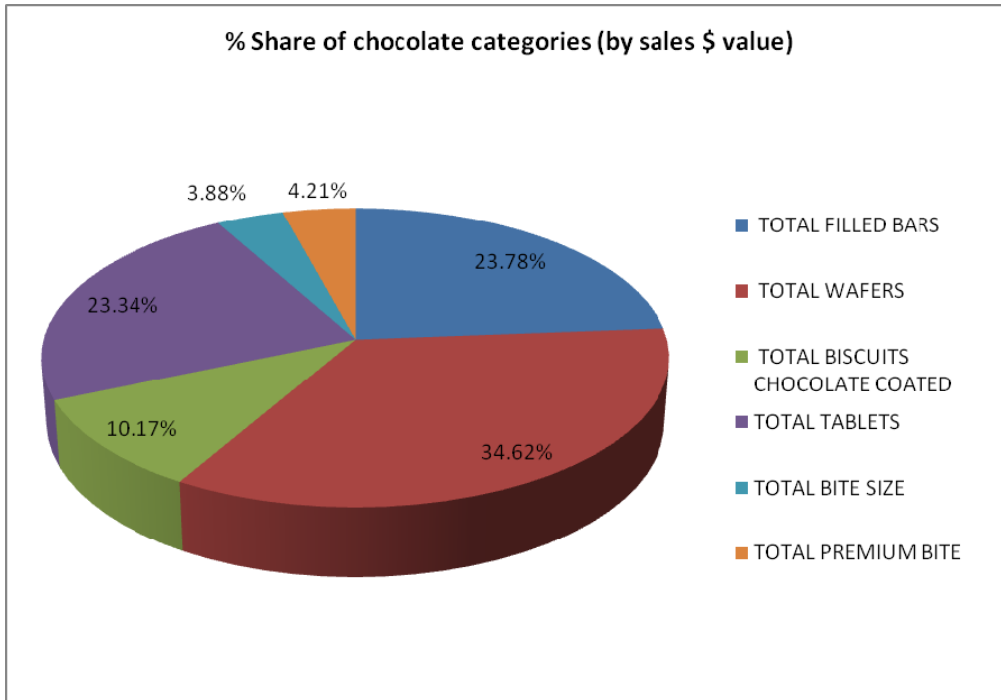


Fig. 4.4: % share of chocolate categories in Lebanon for 2009  
Source: Nielsen RMS data, 2010

In the first category which is chocolate wafer, Kit Kat which is a Nestle product is in the leading position with 15.35% followed by Unica which is a Gandour product with 14.22%. The third place is for Loacker which is an Italian manufacturer and the fourth place is for Katakitt which is a Syrian manufacturer (Fig. 4.5).

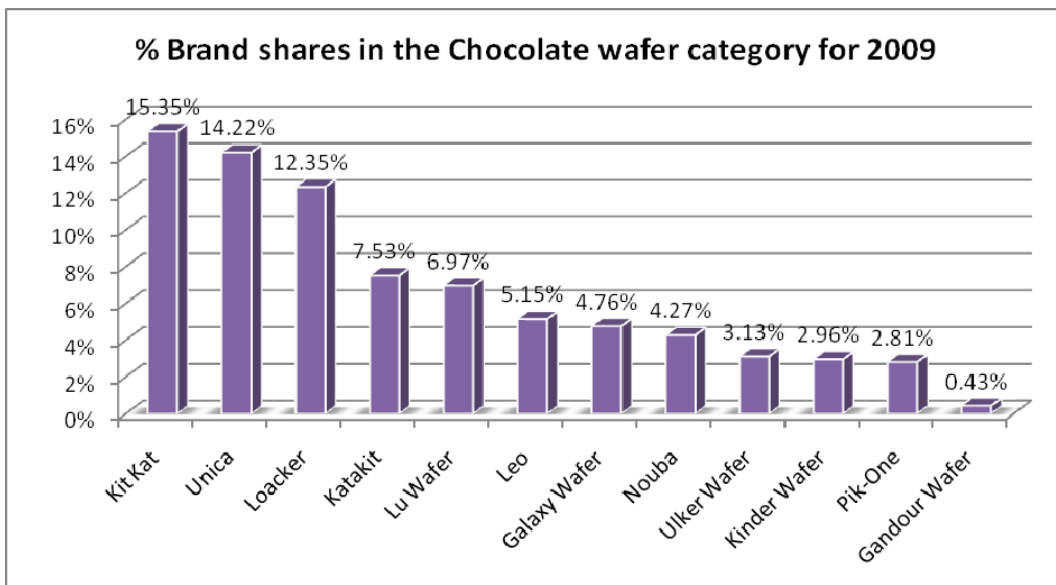


Fig. 4.5: % brand shares in the chocolate wafer category in Lebanon for 2009  
Source: Nielsen RMS data, 2010



In the second category which is chocolate tablets, Galaxy is by the far the leading brand with around 29% of the total category and it is a product of Masterfoods known as the Mars company worldwide. In second place, there is Crunch which is a Nestle product followed by Kinder which is an Italian Ferrero product (Fig. 4.6).

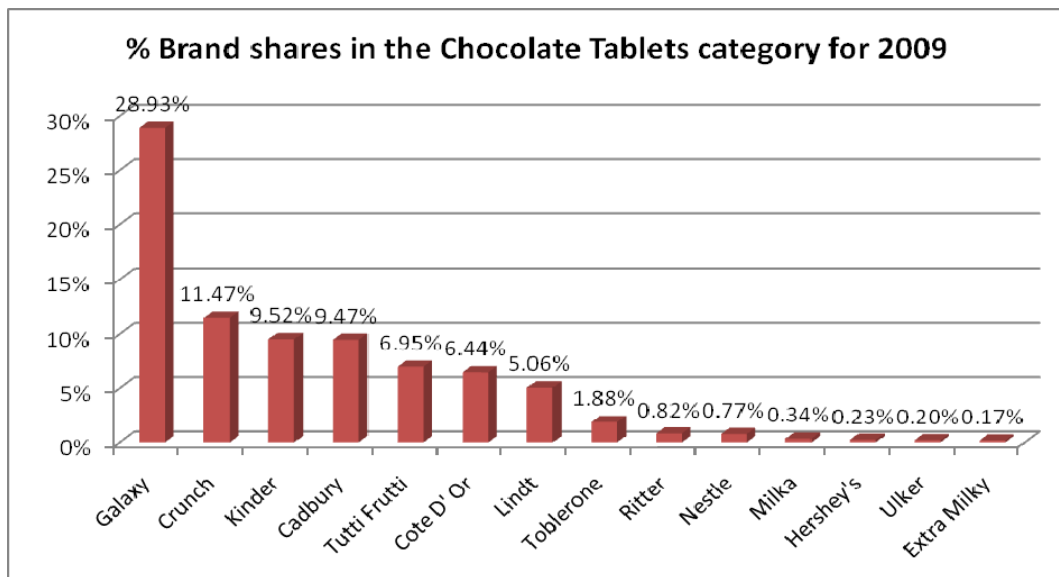


Fig. 4.6: % brand shares in the chocolate tablets category in Lebanon for 2009  
Source: Nielsen RMS data, 2010

In the third category which is filled chocolate bars, Snickers is number one followed by a close second which is Mars then by Bounty, and these 3 products belong to Masterfoods. In the fourth rank is Metro which is a Turkish Ulker product (Fig. 4.7).

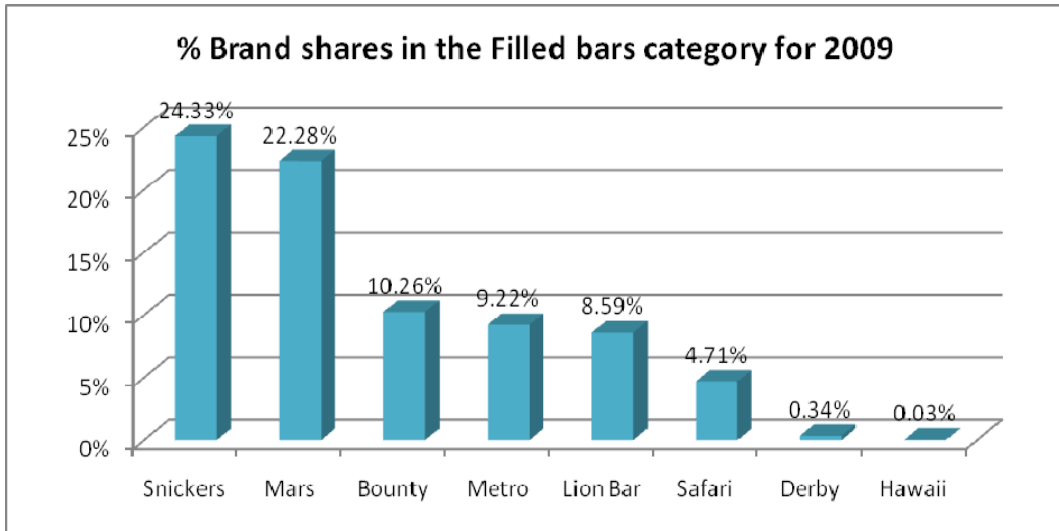


Fig. 4.7: % brand shares in the chocolate filled bars category in Lebanon for 2009  
Source: Nielsen RMS data, 2010

In the fourth category which is biscuit coated chocolate, Twix is by far the leader with 46.87% of the market followed by Choco Prince which is a LU product (French) and by Halley which belongs to Ulker. In fourth place, we have Tofiluk which belongs to Gandour (Fig. 4.8).

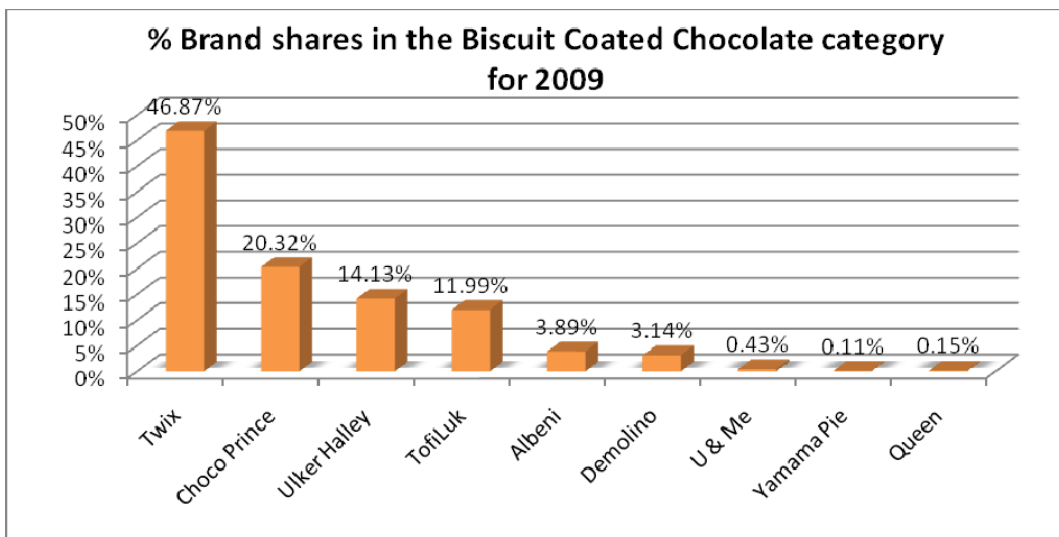


Fig. 4.8: % brand shares in the biscuit coated chocolate category in Lebanon for 2009  
Source: Nielsen RMS data, 2010

As shown, the dominating brands in the four categories are mostly Western brands. However, the country of manufacture of these brands may not be the same as

the country of the brand. Globalization has pushed multinational companies to open factories in different parts of the world such as Nestle in Turkey, Master Foods in Egypt and UAE, Cadbury in Egypt. This permits multinational companies to source emerging markets and benefit from low costs of labor and production. However, a developing country might have a negative COM effect. Amazingly in the Lebanese market, there are products that have the same brand but from different COMs with different prices such as the Cadbury manufactured in the UK and the Cadbury manufactured in Egypt. Another fascinating example is that Cote D'Or have the same chocolate bar with different flavors, and each flavor is manufactured in a different European country. Below is table containing some brands with their different countries of manufacture, based on which we determined whether the answers of respondents in the questionnaire are correct or wrong (table 4.2). The data was gathered directly by inspecting the COM of products in the Lebanese market.

Table 4.2: Country of manufacture of different chocolate brands present in the Lebanese Market

<b>Chocolate Wafer products (any)</b>		<b>Chocolate Tablets (any flavor)</b>	
<b>Product</b>	<b>COM</b>	<b>Product</b>	<b>COM</b>
Kit Kat	UK/ Bulgaria	Gandour	KSA
Pik-One	KSA	Tutti Frutti	KSA
Unica	Lebanon	Cadbury	UK/ Egypt
Gandour Wafer	Lebanon	Galaxy	Egypt
Ulker Wafer	KSA/ Turkey	Lindt	Switzerland/ France
Loacker	Italy	Ulker	Turkey
Nouba	Czech republic	Hershey's	UAE
Kinder Wafer	Italy	Toblerone	Switzerland
Leo	Belgium	Nestle	Turkey
LU wafer	Belgium	Côte D'Or	UK/ Portugal/ Belgium
Galaxy wafer	Egypt	Milka	Germany
Katakit	Syria	Ritter	Germany
<b>Filled Chocolate Bars (any flavor)</b>		<b>Biscuit Coated Chocolate (any flavor)</b>	
<b>Product</b>	<b>COM</b>	<b>Product</b>	<b>COM</b>
Mars	Holland	Twix	Holland
Snickers	UAE	Tofiluk	Lebanon

Bounty	Holland	Demolino	Lebanon
Safari	KSA	Albeni	Turkey
Hawaii	KSA	Queen	Lebanon
Derby	KSA	Yamama Pie	Lebanon
Metro	KSA	Halley	KSA
Lion Bar	Poland	LU	France
Double Decker	UK	Choco Prince	Belgium/ Egypt
		Cadbury Snack	UK

Source: Data gathered by the author directly from inspection at the market

# CHAPTER V

## THEORETICAL FOUNDATION

### **A. Literature review:**

A study by Veale & Quester (2009b) was done on a sample of 263 Australian consumers to determine the effect of 2 extrinsic cues, COO and price, on the perceived quality of Brie cheese which is a commonly consumed product in that country. The study was composed of an initial qualitative part based on 2 focus groups to confirm that COO and price were important extrinsic factors considered by Australian consumers during shopping. Also in the first part, ratings of several source countries of Brie cheese were obtained to determine which source countries (COO) were perceived as having high quality products and which ones have low ratings. France was determined as having high quality Brie products, USA and Canada as having at least average quality, and Argentina as having poor quality Brie products since it was viewed as a poor developing country and there was not enough consumer knowledge about the country's products. The second part of the study was quantitative and was based on a taste panel where consumers were asked to rate the cheese they were tasting. The cheese samples contained a different fat level (full, double and triple cream) which was an intrinsic cue used to determine the quality level of the product; it is generally known that a higher fat level in cheese produces a richer texture and a better mouth feel and is considered of higher quality than lower fat cheeses. COO and prices were manipulated for the different cheese samples to study their effect based on ten-point rating scale. Using a conjoint analysis factorial design, the results indicated that price was the most

important cue determining the perception of brie quality with an average importance of 44%, followed by the intrinsic cue fat content with 31%, and finally but still significant was COO with 25% of the overall group. The conclusion is that even when all intrinsic cues were available through the taste panel, the extrinsic cues were significantly important with price as the most important cue.

Another study by Veale & Quester (2009a) was done on Australian consumers to test the effects of extrinsic cues which are COO and price and an intrinsic cue which is acid level on the quality perceptions of wine through two different methods. The first method was sensory testing and the second method was a self-completed questionnaire. Wine is a popular product in Australia and its quality perception was found to be linked to price and country of origin based on the literature. The initial stage of the study was qualitative where 2 focus groups were used to determine the relevant cues that can affect consumers' perceptions. As an intrinsic cue, the acid level of wine was found to be significantly important and it was verified through blind tasting that increasing the acid level of chardonnay wine produced sour wines that are viewed as unpleasant and of bad quality. As for the extrinsic cues, price and COO were found to be important in the consumer's consideration of quality where price is proportional to quality, and certain countries of origin that are famous in wine production are viewed as having high quality wines. France was determined as having the best quality wine, USA was chosen to have average quality wines and Chile with low quality wines. Also, three price levels were chosen as high, average and low which are comparable to retail prices. The participants in the study were 263 individuals completing the taste panel and 274 different individuals who completed the survey part. The results indicated that price was a more important factor than the acid level of wine in the sensory experiment and the survey

part. Surprisingly, COO was found to be more important than the acid level in the sensory part and closely equal to it in the survey part. This indicates that extrinsic cues are strongly influential on both the expected and experienced quality perceptions of a product.

A study by Ahmed et. Al (2004) intended to investigate the importance of COO relative to brand and price in the evaluation of food products in Singapore, a newly-industrialized country. The chosen products to be tested were bread and coffee which were basic foods in that country. 236 Singaporean consumers of bread and coffee completed a questionnaire where they were asked to rate their familiarity with brand names made in different countries including domestic brand names, were asked to rate the taste, prestige and quality for each country's products based on a nine-point Likert scale, and were asked to answer about the likelihood that they will purchase certain products from these countries. The hypotheses tested were the following:

*H1a:* Brand is of greater importance than COO in evaluating low-involvement products.

*H1b:* Price is of greater importance than COO in the evaluation of low-involvement products.

*H2:* A renowned brand name for a low-involvement product will dilute the impact of a negative COO.

*H3:* Singaporean consumers prefer low-involvement products with the "Made in Singapore" label to low-involvement products made elsewhere.

Using a one-way ANOVA to compare the likelihood of purchasing bread and coffee from each country, differences were found, inferring that there is a significant effect COO on consumers' purchase intentions. Using a conjoint analysis to test H1a and H1b, brand was found to be the most important cue for bread and for coffee, therefore supporting H1a. However, H1b was not supported for both products. For

coffee, price was the second most important cue followed by COO, while for bread COO was more important than price (see table 5.1).

Product	Extrinsic cues	Relative importance	Rank
Bread	Brand name	0.454	1
	Country of manufacture	0.298	2
	Price	0.248	3
Coffee	Brand name	0.424	1
	Country of manufacture	0.233	3
	Price	0.343	2

Table 5.1: Relative importance of extrinsic cues for bread and coffee.  
Source: Ahmed et. Al (2004)

Regarding H2 which indicated that a poor COO would be lessened by a well-known brand, it was supported for coffee where Boncafé ranked the most preferred brand, overcoming the negative image of Columbia. At the same time, brand did not have any effect on the negative images of Indonesia and Malaysia. As for bread, the hypothesis was not supported because the brand preference order was similar to the countries preference order.

Product	Made in	Utility	Rank	Brand	Utility	Rank
Bread	France	9.71	2	DéliFrance	11.72	1
	Indonesia	6.48	4	IndoBread	5.95	3
	Malaysia	7.48	3	Top One	5.78	4
	Singapore	10.38	1	Gardenia	10.59	2
Coffee	Colombia	9.19	1	Boncafé	9.58	2
	Indonesia	6.84	4	Indocafé	7.11	3
	Singapore	9.16	2	Super	6.56	4
	Switzerland	8.88	3	Nescafé	10.84	1

Table 5.2: Consumer's COO and brand preferences for bread and coffee.  
Source: Ahmed et. Al (2004)



Finally for H3 which predicted that Singaporeans preferred their domestic products over foreign products, the results showed that for bread, the label “Made in Singapore” ranked first followed by “Made in France”. As for coffee, the label “Manufactured in Colombia” ranked first followed by “Manufactured in Singapore”. It was concluded that Singaporean consumers preferred local over foreign items for low-involvement products.

A study by Lin and Chen (2006) in Taiwan involving 369 questionnaires about COO perceptions affecting insurance and catering services verified several hypotheses through stepwise regression analyses, leading to the conclusion that COO has a significant influence on consumer purchase decision and it increases with product involvement level.

A study was done by Juric & Worsley (1998) to check New Zealand consumers’ attitudes toward imported food products. It involved 364 mail questionnaires filled by household shoppers which included the evaluation of food products from Australia, Hungary, France, Japan, Thailand and the USA based on the nutritional value, taste, safety and hygiene, value for money, impact on the environment, quality and price of food products, based on a scale from 1 (Much lower, Much worse) to 5 (Much higher, Much better). Choosing 3 meant that consumers viewed the characteristic being tested as comparable to a product originating New Zealand. Using paired *t*-tests, it was found that New Zealanders viewed Australian products as the best in nutritional value, value for money and impact on the environment compared to all other countries. American products were found to have equal ratings as Australian products on the attributes of impact on environment, food safety and quality. Hungarian and Thai products were found to have the lowest ratings

on impact on environment, food safety, nutritional value and quality. This study verified several hypotheses. First, there are differences in the perceptions of country of origin among different consumers. Secondly, products from more developed countries were found to be more favorable in all attributes except for price and marginally value for money. Third, the socio-demographic characteristics of the consumers were related to their attitudes toward and perceptions of the different countries. In fact, younger people, people with higher income and people with higher education gave higher ratings on food products from France, Thailand and Japan than older people, lower income, and less educated. Also, consumers with tertiary education evaluated French products more favorably than consumers with secondary education. Finally, males evaluated products from Hungary and Thailand as much cheaper than women.

A study by Chrysochoidis, Krystallis and Perreas (2007) was done on 274 Greek consumers using the “Consumer Ethnocentric Tendencies Scale” (CET-SCALE) to observe the effects of ethnocentrism on the evaluation of beer, ham and yellow cheese. The study found that middle-aged Greek consumers (at the age of forty or above) were more ethnocentric than younger Greek consumers (around the age of 35) where the former preferred the 3 Greek products and rejected foreign products while the latter still preferred domestic products, but rated many products characteristics as higher for foreign products.

A study by Kinra (2006) to obtain the consumer perceptions of foreign brands in India involved a structured questionnaire filled out by 112 consumers in the urban area of Lucknow city. Consumers were asked whether they checked for the COO on the package during purchase and were asked to provide their rating of product attributes such as quality, value for money, status, technology and COO credibility for local and

foreign brands using a seven-point Semantic Differential scale with values ranging from “1” (least positive), to “7” (most positive). The findings were as follows:

- 70% of respondents are aware of the presence of foreign brands in the consumer durables category such as electronics where as the awareness level is low for the low technology products in the non-durables category
- 62% of respondents “never” or “occasionally” looked at the COO of the brand they purchased indicating that COO was not an important factor in the purchasing decision of Indian consumers
- Foreign brands in the consumer goods category have significantly higher ratings than Indian brands concerning quality, technology and status
- Foreign brands in the durables category and non-durables category were rated higher on status except for “cold drinks” and “ice creams”
- The COO credibility ratings were highly correlating with quality and status ratings of foreign brands
- Despite a high level of nationalism among Indian consumers, foreign brands are highly rated
- Domestic brands in the categories of “cold drinks” and “ice creams” were rated higher for the value for money and foreign brands didn’t have any COO advantage

Product	Indian brands <i>N</i> = 112 (mean rating)	Foreign brands <i>N</i> = 112 (mean rating)	<i>t</i> value	Significant level
<i>“Technology” attribute</i>				
Jeans	4.95	5.30	1.02	NS
Shoes	4.85	6.00	3.61	0.05
Perfumes	4.44	5.60	2.81	0.05
Shampoo	4.65	5.35	1.89	NS
Ice cream	5.05	5.40	1.16	NS
Cold drinks	5.20	4.55	1.27	NS
<i>“Quality” attribute</i>				
Jeans	4.95	5.35	1.02	NS
Shoes	5.15	5.70	1.87	0.05
Perfumes	4.40	5.55	3.81	0.05
Shampoo	5.05	5.55	1.45	NS
Ice cream	5.45	3.95	4.56	0.05
Cold drinks	5.40	4.20	2.99	0.05
<i>“Status and esteem” attribute</i>				
Jeans	4.40	6.55	3.81	0.05
Shoes	4.05	5.85	4.64	0.05
Perfume	3.80	5.30	3.47	0.05
Shampoo	3.80	5.30	3.47	0.05
Ice cream	4.75	5.15	1.22	NS
Cold drinks	5.20	4.55	1.51	NS
<i>“Value for money” attribute</i>				
Jeans	5.65	5.05	1.79	NS
Shoes	4.90	4.60	0.88	NS
Perfume	4.45	5.20	1.37	NS
Shampoo	5.25	4.80	1.83	NS
Ice creams	5.15	4.65	1.36	NS
Cold drinks	4.90	4.03	1.84	NS
<i>“Credibility” of country-of-origin attribute</i>				
Jeans	4.75	5.85	1.39	NS
Shoes	4.45	5.15	1.58	NS
Perfumes	3.50	5.75	4.73	0.05
Shampoo	4.30	5.20	2.19	0.05
Ice creams	4.95	4.85	0.28	NS
Cold drinks	4.85	4.05	1.65	NS

**Notes:** \*Mean ratings ranged from “1” (least positive) to “7” (most positive); differences were significant at the  $p \leq 0.05$  percent level; NS: not significant

Table 5.3: Mean ratings for Indian and Foreign brands in different product categories  
Source: Kinra (2006)

A study by Zbib et al. (2010) was done to examine the effect of COO on the purchase intent, consumer behavior and quality perceptions of potato chips among Lebanese consumers. The study involved a qualitative stage where product attributes for evaluation were determined and a quantitative stage where a detailed questionnaire was completed by 308 Lebanese consumers which were mainly contacted at purchasing locations and had a similar demographic distribution to the Lebanese population. The following 4 hypotheses were determined:

H1: Do quality perceptions of potato chip brands sourced from different countries vary on demographic variables?

H2: The purchase intentions of potato chips from various COO will vary

H3: The evaluation of specific attributes differs between different COOs of a specific potato chips brand

H4: The overall evaluation of potato chips differs between different COOs of a specific brand

The results concerning H1 showed that the quality perceptions differ between different demographic segments for different COO of the brand where differences were found between genders, age groups, different categories for residence outside Lebanon and between different income levels, but were not fully conclusive because there was inconsistency across the studied cases. Only the number of years of residence outside Lebanon was proved in all its studied cases. Conversely, a few demographic variables such as occupation and education did not affect the product's evaluation. Regarding H2, it was rejected because it was found that there is no difference in the purchase intentions of Lebanese consumers between the current market situation and the ideal situation where all chips brands have equal characteristics. Also, it was found that there is no difference in the purchase intentions between a product sourced from a developed country and a product sourced from a developing country despite the fact that the former received higher ratings than the latter but didn't reach the level of significance (Belgium vs Lebanon, KSA and Egypt). H3 was also rejected where the evaluation of potato chips attributes such as flavor, ingredients, size of package, price and package between different COOs didn't show any significant difference. Finally, H4 was also rejected because the overall quality perception of potato chips did not differ between

different COOs of a specific brand. The study concluded that potato chips seems to be “a low involvement purchase product based on experiential qualities” and that COO didn’t have a real effect on consumers’ evaluation of chips except when all other factors are eliminated.

A study by Ozretic-Dosen, Skare and Krupka was done in Croatia in 2006 to determine young Croatian’s attitudes toward domestic and foreign chocolate brands with a focus on the role of the country of origin (COO) and brands cues. The study involved a detailed questionnaire completed by 278 students from the University of Zagreb. The author wanted to test the following hypotheses:

H1. Brand has greater influence on young Croatian consumers than COO in the purchasing and consumption of chocolate.

H2. Price has greater influence on young Croatian consumers than COO in the purchasing and consumption of chocolate.

H3. Young Croatian consumers have different perceptions of chocolate brands of different origin.

H3a. Young Croatian consumers perceive chocolate brands from Western European countries as the best.

H3b. Young Croatian consumers perceive chocolate brands from Central and Eastern European countries as the worst.

The first question of the questionnaire asked about the frequency of chocolate consumption: 31% consumed chocolate every day, 56% often (1-3 times per week) and 13% rarely. The second question included a list of 22 chocolate brands and asked which brands were consumed at least once. 98.5% consumed Dorina, a Croatian brand, 94.2% for Milka, 93.9% for Mikado another Croatian brand, 90.7% for Zivotinjsko carstvo,

also a Croatian brand and 85% for Toblerone. The third question asked about the most consumed chocolate brand where Milka received 43%, Dorina with 39% and Mikado with 9%. Next questions asked about the producer and COO of the most consumed brand where 40% named Kras, a Croatian company as the producer and 25% didn't know, 46% stated Croatia as the COO and 28% named Switzerland. The following question asked respondents to choose the dominant factor for their choice of their most consumed chocolate brand. Around 70% chose taste (functional quality) as the dominant factor, followed by product line size (13%), COO (4.7%), convenience and influence of patriotism (4.3%), price (2%), and brand (1%). Question 8 asked about the COO of the best chocolate in the world according to the respondents' opinion. Results were as follows: Switzerland (54%), Croatia (21.5%), Austria (13%) and Belgium (3.6%)... Question 9 asked about the brand of the best chocolate in the world resulting in the following: 42% for Milka, 20% for Lindt, and 15% for Dorina... Question 10 asked respondents whether they will be affected or they will remain loyal to their most consumed chocolate if they found out that it is not produced in the assumed COO but in less developed central or Eastern European country. 50% said it will not make any difference, 44% said it will make a difference but they keep buying the product and 6% will stop buying that brand. Question 11 demanded respondents to express their opinion about the following sentences and results are presented in table 5.4.

Expressed level of (dis)agreement with the offered statements			
Statements	Level of agreement, <i>N</i> =293		
	“Fully agree” and “Agree”	“Neither agree nor not disagree”	“Disagree”
“Most expensive chocolate on Croatian market is chocolate made in Croatia.”	18 (6.47%)	70 (25.18%)	190 or (68.35%)
“Quality of chocolate of Croatian producers matches quality of chocolate of producers from Western European countries.”	145 (52.16%)	74 (26.62%)	59 (21.22%)
“If the quality of Croatian and foreign chocolate brands was the same, I would buy a Croatian chocolate brand, even if it was more expensive than the foreign one.”	130 (46.76%)	77 (27.70%)	71 (25.54%)

Table 5.4: Level of agreement on chocolate origin statements  
Source: Ozretic-Dosen, Skare & Krupka (2006)

The final question of the study asked respondents to rank the Western-European brands, Croatian brands and Central & Eastern European brands according to 6 dimensions of chocolate. Results were as follows in table 5.5.

Chocolate brands' countries of origin ranking regarding six dimensions			
Dimensions of chocolate brands	Group of countries		
	Western-European countries	Croatia	Other Central and Eastern European countries
Quality (taste)	Rank 1: 214 (76.98%)	Rank 1: 61 (21.94%)	Rank 1: 3 (1.08%)
	Rank 2: 58 (20.86%)	Rank 2: 213 (76.62%)	Rank 2: 7 (2.52%)
	Rank 3: 6 (2.16%)	Rank 3: 4 (1.44%)	Rank 3: 268 (96.4%)
Brand (recognizability and image)	Rank 1: 241 (86.69%)	Rank 1: 35 (12.59%)	Rank 1: 2 (0.72%)
	Rank 2: 36 (12.95%)	Rank 2: 222 (79.86%)	Rank 2: 20 (7.19%)
	Rank 3: 1 (0.36%)	Rank 3: 21 (7.55%)	Rank 3: 256 (92.07%)
Price/quality ratio	Rank 1: 147 (52.88%)	Rank 1: 107 (38.49%)	Rank 1: 24 (8.63%)
	Rank 2: 99 (35.61%)	Rank 2: 143 (51.44%)	Rank 2: 36 (12.95%)
	Rank 3: 32 (11.51%)	Rank 3: 28 (10.07%)	Rank 3: 218 (78.42%)
Product line size (variations of taste)	Rank 1: 207 (74.46%)	Rank 1: 66 (23.74%)	Rank 1: 5 (1.8%)
	Rank 2: 65 (23.38%)	Rank 2: 196 (70.5%)	Rank 2: 17 (6.12%)
	Rank 3: 6 (2.16%)	Rank 3: 16 (5.76%)	Rank 3: 256 (92.09%)
Package design	Rank 1: 236 (84.89%)	Rank 1: 36 (12.95%)	Rank 1: 6 (2.16%)
	Rank 2: 38 (13.67%)	Rank 2: 222 (79.86%)	Rank 2: 18 (6.47%)
	Rank 3: 4 (1.44%)	Rank 3: 20 (7.19%)	Rank 3: 254 (91.37%)
Image of country of origin	Rank 1: 240 (86.33%)	Rank 1: 33 (11.87%)	Rank 1: 5 (1.8%)
	Rank 2: 32 (11.51%)	Rank 2: 220 (79.14%)	Rank 2: 26 (9.35%)
	Rank 3: 6 (2.16%)	Rank 3: 25 (8.99%)	Rank 3: 247 (88.85%)

Table 5.5: Chocolate brand's origin ranking regarding six different factors  
Source: Ozretic-Dosen, Skare & Krupka (2006)



Regarding the hypotheses, H1 was inconclusive because the number of respondents choosing COO as the most important factor is higher than the number of respondents who chose brand but ratings of each factor reveal that respondents who chose taste and line size as the dominant factor gave higher ratings for brand than COO. H2 was supported where 92% of respondents considered price as more important than COO. Finally, H3 was proved because young Croatian consumers perceive Western European brands as the best in chocolate and Central & Eastern European brands as the worst.

## **B. Theoretical formulation of Hypotheses:**

Studies about brand perceptions, product evaluations and product cues are numerous in the literature. We will present our theoretical foundation based on which we determined the hypotheses.

### ***1. Product cues:***

As mentioned previously, consumers form their opinions about a product through available intrinsic or extrinsic cues. However, Bredahl (2003) reports that research shows that generally consumers rely more heavily on intrinsic cues to form their opinions (cited by Veale & Quester, 2009b).

Among the intrinsic cues, taste (functional quality) is logically the most important cue for chocolate selection and supersedes extrinsic cues. In fact, the Croatian study about chocolate by Ozretic-Dosen, Skare and Krupka (2006) showed that 70% of respondents chose taste (functional quality) as the most important factor for their chocolate preference. Therefore our first hypothesis is as follows:

H1: Taste (intrinsic cue) is more important than all extrinsic cues for selection of a chocolate product

Among extrinsic cues, we have several factors but with different levels of importance. Research showed that country of manufacture is not important for low technology products and that “value for money” is more important in such cases (Kinra, 2006, p.23). Al-Hammad (1988) found that consumers and retailers give more importance to price and quality than COO in the evaluation of products in KSA. Similarly, Darling (1987) found that price and quality are more important than COO (cited by Zbib et al. 2010, p.140). Moreover, Thakor (1996) describes that “casual inspection reveals that the “made-in” label (the mainstay of country-of-origin research) is nowhere near as salient, on most products in stores, as brand, or price”. Therefore, our second hypothesis is:

H2: Price is a more important cue than country of manufacture for chocolate selection  
Logically, price affects segments with lower income levels because they cannot always afford expensive chocolate bars. As shown in chapter IV.B, brands that have a low price ranks first in terms of sales volume, however they are not at the top in terms of market share. This means that the general population buys more of the low price items while higher income level segments buy the higher priced items. Therefore, our third hypothesis is:

H3: Price is more important for low income segments than high income segments  
Generally, for low involvement products, consumers are not likely to search for and process information in an extensive manner, therefore a brand name could constitute a choice criterion (Phau, & Suntornnond, 2006, p.35) because it is an indication about a product’s quality and a guaranteed consistency for this quality. According to Cordell (1997), brand is the most important factor among extrinsic cues and consumers that are

familiar with a certain brand will not seek other info about the product (cited by Phau, & Suntornnond, 2006, p.35). Also, (Hui & Zhou, 2003) confirm that researchers have found that brand name is more important than country of manufacture in quality perceptions. Thus, hypothesis 4 is as follows:

H4: Brand is more important than country of manufacture for chocolate selection

Since brand name, COM and price are important factors with different levels of influence, we suspect that design of package will be the least important factor since it is not very meaningful. Consequently, hypothesis 5 is:

H5: Design of package is the least important factor for chocolate selection

## ***2. Country of manufacture effects:***

It has been established that COM negatively affects a product image if it was made in a developing country which varies between types of products and product categories. In all cases, (Hui & Zhou, 2003) found that negative COM effects are more devastating for low equity than high equity brands. Since the current brands present in the local market are mostly global and are among the top chocolate brands in the world, we believe that COM will not affect brand preference. Therefore, hypotheses 6 and 7 are:

H6: An Arab COM will have no effect on consumer's favorite brand perception

H7: Western brands are not perceived as having lower quality when they are manufactured in an Arab country

As mentioned earlier, consumers rely on the brand name to choose a chocolate product because it signals a certain level of quality in their mind regardless of the COM. We believe that the majority don't know the COM and don't even check it, confirming that

COM is not an important factor for the Lebanese consumer if proven, therefore we will test the following hypotheses:

H8: The majority of consumers don't check for the country of manufacture of a chocolate product

H9: The majority of consumers don't know the country of manufacture of their favorite chocolate product

H10: The majority of consumers don't know the country of manufacture of their most consumed chocolate product

### **3. Brand preferences:**

Jin, Chansarkar & Kondap mention that it is generally known that consumers prefer "internationally known" products (Peris *et al.*, 1993), that brands from developed countries are perceived superior than brands from developing countries, and that more than half of the population in their study in India preferred foreign brands. Also, research has shown that Russian and Hungarian consumers prefer Western products because they have superior quality despite consumer ethnocentricity (Kinra, 2006, p.23). The results of a study by Krishnakumar (1974) showed that people from developing countries tended to have an unfavourable "made in" image of their home country's products (Al-Sulaiti & Baker, 1998, p.152). Therefore we hypothesize the following:

H11: The Western brands are perceived the best compared to the Turkish and Arab chocolate brands

Demographics affect brand preferences in many cases. The study by Krishnakumar (1974) also showed that gender contributed to significant differences among Indians

(Al-Sulaiti & Baker, 1998, p.152). A study by Heslop and Wall (1985) found that females usually give higher ratings on quality (cited by Zbib et al. 2010, p.140). In Contrast, it was found that females have a positive bias towards domestic products than males (cited by Al-Sulaiti & Baker, 1998, p.168). Since there are mixed results for the gender effect, whether positive or negative towards foreign brands, we will hypothesize that the perceptions between genders are different regardless of who gives higher ratings as follows:

H12: Perceptions of Western brands are different between males and females

(Al-Sulaiti & Baker, 1998, p.169) also report that Wall *et al.* (1990) found a strong relationship between income level and positive evaluations of foreign products, and that Good and Huddleston (1995), Sharma *et al.* (1995) and Bailey and Pineres (1997) found that higher income level segments are less likely to buy local products. (Jin, Chansarkar & Kondap) found that consumers with higher income have a preference towards foreign brands. In Lebanon, (Zbib et al., 2010) found that there differences between different income levels regarding the higher quality perceptions of foreign brands but were not fully conclusive because there was inconsistency across the studied cases. As mentioned earlier, price is a constraint for lower income levels. Therefore, based on all these findings, we hypothesize the following:

H13: Perceptions of Western brands are better among high income level segments than low income segments

H16: The most consumed chocolate brands among high income level consumers are Western brands

H17: The most consumed chocolate brands among low income level consumers are Turkish or Arab brands

However, looking at the brand shares in all chocolate categories in the Lebanese market, we see a clear dominance of the Western brands (Galaxy, Cadbury and Nestle), and an important presence of the Turkish brands (Ulker). Therefore, regardless of the price constraints which might affect the most consumed product among low income segments but not their favorite product, we believe that there is a general preference for Western brands among all consumers, and that Turkish brands are positively viewed:

H14: The Turkish brands are perceived better than the Arab brands

H15: The favorite brands of most consumers are Western Brands

The preference for Western brands is based on different factors. Alternatively, since lower priced brands cannot match the quality and perceptions of Western brands, they focus on the price affordability to appeal to low income segments which constitute the bulk of sales volume. Consequently, we hypothesize the following:

H18: Western brands (Galaxy, Cadbury and Nestle) are viewed as the best in terms of taste, brand image, product variety and country of brand

H19: Turkish (Ulker) and Arab (Gandour) brands are viewed the best in terms of price affordability

### **C. Methodology**

The purpose of this study is to assess Lebanese consumers' perception of chocolate brands present in the Lebanese market based on intrinsic and extrinsic product cues, and to explore the drivers of choice/preference of a certain brand. Similar to most studies involving product evaluations and brand perceptions, the primary data was collected via a self-administered structured questionnaire based on a convenience sample of university students which fit under the category of young consumers ranging

between 18 and 27 of age. Students from different universities were approached and given the questionnaire. Among the questionnaires returned, 8 were incomplete and 196 were complete and valid for use. The data were entered and analyzed by a statistical software, PASW Statistics 18 which is an newer version of SPSS software.

## CHAPTER VI

### DATA ANALYSIS AND FINDINGS

#### **A. Results**

The first five questions of the questionnaire were about demographics. Our sample size was 196 respondents with 92 (46.9%) males and 104 (53.1%) females. Concerning age, 51.5% (101 respondents) were between 18 and 21 years, 31.1% (61 respondents) were between 22 and 24 years, 11.2% (22 respondents) were between 25 and 27 years, and 6.1% (12 respondents) were above 27 years. For the current or highest education of respondents, 76.5% (150 respondents) have a bachelor's degree, 21.9% (43 respondents) have a Masters degree and 1.5% (3 respondents) have "other" degrees such as PhD. Concerning the universities to which the students belong, 66.3% (130) are from AUB, 23% (45) are from AUL, 4.1% (8) are from LAU, 2% (4) are from the Lebanese University, 1% (2) are from BAU and 3.6% (7) are from other universities. As for monthly family income, 2.6% (5) are below \$500, 14.3% (28) are between \$500 and \$1000, 14.3% (28) are between \$1001 and \$2000, 34.7% (68) are between \$2001 and \$5000 and 34.2% (67) are above \$5000.

Questions 6 to 9 were general information about chocolate consumption. Regarding the frequency of chocolate consumption the following was obtained: 30.6% consume chocolate everyday, 23% very often (4-6 times per week), 20.9% often (1-3 times per week), 12.8% at least once per week and 12.8% rarely consume chocolate (see table X.1). No respondents said they have never consumed chocolate.



Table: 6.1: Chocolate consumption frequency

	Frequency	Percent	Cumulative Percent
Everyday	60	30.6	30.6
Very Often (between 4-6 times per week)	45	23.0	53.6
Often (between 1-3 times per week)	41	20.9	74.5
At least once per week	25	12.8	87.2
Rarely	25	12.8	100.0
Total	196	100.0	

Regarding the factors for chocolate selection, respondents were asked to rate the importance of 5 factors for chocolate selection (taste, price, brand name, design of package and country of manufacture) based on a 5-point scale (“1” being “not important at all”, “3” being “neutral” and “5” being “very important”). Taste received the highest mean with 4.85 followed by brand name with 3.71, then price with 3.12, package design with 3.1 and country of manufacture with 2.95 (see table 6.2).

Table 6.2: Rating of factors for chocolate selection:

	N	Mean	Std. Deviation
How imp. is taste when purchasing a chocolate brand	196	4.85	.579
How imp. is price when purchasing a chocolate brand	196	3.12	1.034
How imp. is brand name when purchasing a chocolate brand	196	3.71	1.023
How imp. is package design when purchasing a chocolate brand	196	3.10	1.047
How imp. is COM when purchasing a chocolate brand	196	2.95	1.235
Valid N (listwise)	196		

The next question asked about the most important factor when purchasing chocolate. 76% of respondents chose taste, 3.6% chose brand name, 2.6% chose price, 1% chose country of manufacture, 0.5% chose design of package while 16.3% chose “other” factors or had an invalid answer (see table 6.3).

Table 6.3: The most important factor for chocolate selection

	Frequency	Percent	Cumulative Percent
Taste	149	76.0	76.0
Price	5	2.6	78.6
Brand Name	7	3.6	82.1
Design of Package	1	.5	82.7
Country of Manufacture	2	1.0	83.7
Other	32	16.3	100.0
Total	196	100.0	

The final question in this section asked respondents how often they checked the country of manufacture when buying a chocolate product. 27.6% said they never check the COM of the chocolate products they buy, 24.5% rarely check COM, 26% sometimes check, 13.8% check COM most of the times and 8.2% always check COM (see table 6.4).

Table 6.4: How often consumers check the COM when purchasing chocolate

How often do you check COM	Frequency	Percent	Valid Percent	Cumulative Percent
Never	54	27.6	27.6	27.6
Rarely	48	24.5	24.5	52.0
Sometimes	51	26.0	26.0	78.1
Most of the times	27	13.8	13.8	91.8
Always	16	8.2	8.2	100.0
Total	196	100.0	100.0	

The next section was about chocolate wafer products (questions 10 to 14).

Question 10 presented 12 main brands of chocolate wafer products present in the Lebanese market and asked respondents to circle all the brands they have consumed

before at least once. The highest result was for Kit Kat where 98.5% of respondents have consumed it before. Results are presented in table 6.5.

Table 6.5: Percentage of respondents who have consumed chocolate wafer brands at least once before

Brand	Consumed before (% of respondents)	Not Consumed before (% of respondents)
Kit Kat	98.5	1.5
Unica	83.7	16.3
Galaxy Wafer (any)	82.1	17.9
Leo	78.6	21.4
Kinder wafer (any)	77.6	22.4
Loacker	70.9	29.1
Nouba	63.3	36.7
Lu Wafer (any)	61.2	38.8
Gandour Wafer	59.2	40.8
Ulker Wafer	55.6	44.4
Pik-One	47.4	52.6
Katakit	16.8	83.2

The rest of the questions in this section asked respondents what was their most consumed and their favorite chocolate wafer product from the 12 brands and whether they knew the COM of each one. The results of the most consumed and the favorite are presented in tables 6.6.

Table 6.6: Most consumed chocolate wafer vs. favorite chocolate wafer brands

<b>Most consumed</b>			<b>Favorite</b>		
	Frequency	Percent		Frequency	Percent
Kit Kat	100	51.0	Kit Kat	59	30.1
Kinder Wafer (any)	30	15.3	Kinder Wafer (any)	36	18.4
Galaxy wafer (any)	26	13.3	Galaxy wafer (any)	35	17.9
Unica	10	5.1	Loacker	17	8.7
Loacker	8	4.1	LU wafer (any)	11	5.6
Leo	6	3.1	Unica	9	4.6
LU wafer (any)	6	3.1	Leo	9	4.6

Nouba	4	2.0	Nouba	6	3.1
Ulker Wafer (any)	3	1.5	No answer	5	2.6
No answer	2	1.0	Ulker Wafer (any)	5	2.6
Gandour Wafer	1	.5	Gandour Wafer	3	1.5
Katakit	0	0	Katakit	1	.5
Pik-One	0	0	Pik-One	0	0
Total	196	100	Total	196	100

The same questions were asked for the other 3 chocolate categories which are tablets, filled bars and chocolate coated biscuits. Question 15 presented 12 brands of chocolate tablets. The most brand that has been consumed at least once before was Galaxy with 95.4% of respondents who have tried it before (see results in table 6.7).

Table 6.7: Percentage of respondents who have consumed chocolate tablets at least once before

Brand	Consumed before (% of respondents)	Not Consumed before (% of respondents)
Galaxy	95.4	4.6
Nestle	90.3	9.7
Cadbury	83.2	16.8
Herchey's	78.6	22.4
Toblerone	78.6	22.4
Gandour	74.0	26.0
Lindt	72.4	27.6
Cote D'or	68.9	31.1
Ulker	65.8	34.2
Tutti Frutti	63.3	36.7
Milka	52.6	47.4
Ritter	30.1	69.9

The most frequently stated favorite brand and most frequently stated most consumed brand in the chocolate tablets category was Galaxy according to respondents. The results are presented in table 6.8.

Table 6.8: Most consumed chocolate tablet vs. favorite chocolate tablet

<b>Most consumed</b>	Frequency	Percent	<b>Favorite</b>	Frequency	Percent
Galaxy	55	28.1	Galaxy	46	23.5
Cadbury	28	14.3	Lindt	41	20.9
Nestle	28	14.3	Nestle	22	11.2
Lindt	25	12.8	Cadbury	21	10.7
Toblerone	16	8.2	Toblerone	16	8.2
Gandour	13	6.6	Cote D'Or	14	7.1
Hershey's	13	6.6	Hershey's	13	6.6
Cote D'Or	9	4.6	Ulker	8	4.1
Ulker	4	2.0	Gandour	6	3.1
No Answer	2	1.0	Ritter	5	2.6
Ritter	2	1.0	No Answer	3	1.5
Milka	1	.5	Tutti Frutti	1	.5
Total	196	100	Total	196	100

In the chocolate filled bars category (questions 20 to 24), 12 brands were presented to respondents and Snickers was found to be the most brand that has been consumed at least once before with 98% of respondents (see results in table 6.9).

Table 6.9: Percentage of respondents who have consumed chocolate filled bars at least once before

Brand	Consumed before (% of respondents)	Not Consumed before (% of respondents)
<b>Snickers</b>	98.0	2.0
<b>Mars</b>	93.4	6.6
<b>Lion Bar</b>	85.7	14.3
<b>Bounty</b>	82.7	17.3
<b>Metro</b>	46.9	53.1
<b>Safari</b>	45.9	54.1
<b>Moro</b>	36.2	63.8
<b>Double Decker</b>	36.2	63.8
<b>Derby</b>	12.8	87.2

<b>Allora</b>	12.2	87.8
<b>Hawaii</b>	11.2	88.8
<b>Puncho</b>	5.1	94.9

The most frequently stated favorite brand and most frequently stated most consumed brand in the filled chocolate bars category was also Snickers according to respondents. The results are presented in table 6.10.

Table 6.10: Most consumed filled chocolate bar vs. favorite filled chocolate bar

<b>Most consumed</b>	Frequency	Percent		<b>Favorite</b>	Frequency	Percent
Snickers	84	42.9		Snickers	85	43.4
Mars	43	21.9		Mars	43	21.9
Bounty	31	15.8		Lion Bar	26	13.3
Lion Bar	20	10.2		Bounty	24	12.2
Double Decker	6	3.1		No answer	6	3.1
No answer	4	2.0		Double Decker	6	3.1
Metro	4	2.0		Moro	2	1.0
Moro	2	1.0		Safari	1	.5
Safari	1	.5		Hawaii	1	.5
Allora	1	.5		Metro	1	.5
Total	196	100.0		Allora	1	.5
				Total	196	100.0

In the fourth chocolate category which is the biscuit coated chocolate products (questions 25 to 29), 11 brands were presented to respondents and Twix was found to be the most brand that has been consumed at least once before with 97.4% of respondents (see results in table 6.11).

Table 6.11: Percentage of respondents who have consumed biscuit coated chocolate products at least once before

Brand	Consumed before (% of respondents)	Not Consumed before (% of respondents)
<b>Twix</b>	97.4	2.6
<b>Choco Prince</b>	82.1	17.9
<b>Cadbury Snack</b>	70.4	29.6
<b>Tofiluk</b>	47.4	52.6
<b>Albeni</b>	42.3	57.7
<b>Halley</b>	42.3	57.7
<b>LU</b>	42.3	57.7
<b>U&amp;Me</b>	32.7	67.3
<b>Yamama Pie</b>	20.9	79.1
<b>Queen</b>	17.9	82.1
<b>Demolino</b>	9.7	90.3

The most frequently stated favorite brand and most frequently stated most consumed brand in the biscuit coated chocolate category was also Twix according to respondents.

The results are presented in table 6.12.

Table 6.12: Most consumed biscuit coated chocolate vs. favorite biscuit coated chocolate

<b>Most consumed</b>	Frequency	Percent		<b>Favorite</b>	Frequency	Percent
Twix	103	52.6		Twix	99	50.5
Cadbury Snack	37	18.9		Cadbury Snack	39	19.9
Choco Prince	28	14.3		Choco Prince	32	16.3
LU	9	4.6		Halley	8	4.1
Halley	8	4.1		LU	6	3.1
Tofiluk	3	1.5		U & Me	4	2.0
Albeni	3	1.5		Tofiluk	3	1.5

U & Me	3	1.5	Albeni	3	1.5
No answer	2	1.0	No answer	2	1.0
Total	196	100.0	Total	196	100.0

It should be noted that in the 4 chocolate categories, the number one consumed brand is the same as the most favored brand and conforms with the leading brand based on the % market share in the Lebanese market in Chapter IV (Kit Kat in the chocolate wafer category, Galaxy in the tablets category, snickers in the filled bars category and Twix in the biscuit coated chocolate category).

In the following section, questions involved the country effects. Question 30 asked respondents if their perception of their favorite chocolate will change if they found out that it was manufactured in an Arab country. The majority of consumers (around 67%) said it will not change (see table 6.13).

Table 6.13: How will the perception of consumers change if they found out that their favorite brand is made in an Arab country

	Frequency	Percent	Cumulative Percent
It will not change	131	66.8	66.8
It will become worse	43	21.9	88.8
It will become better	22	11.2	100.0
Total	196	100.0	

Question 31 asked respondents to provide their opinion about 3 statements based on a 5-point scale (“1” being “Strongly disagree” and “5” being “Strongly agree”). The results are presented in table 6.14.



Table 6.14: Level of agreement of respondents on country of origin statements based on a 5-point scale

	N	Min.	Max.	Mean	Std. Deviation
Do you agree that Western brands are better than Turkish and Arab brands	196	1	5	3.60	1.046
Do you agree that Turkish are better than Arab brands	196	1	5	3.08	.930
Do you agree that Western brands have the same quality if made in Europe and Arab country	196	1	5	2.68	.972

In the final section of the questionnaire (question 32), respondents were asked to rate 5 major chocolate brands presented based on 6 factors which are taste, price affordability, value for money, brand image, product variety and country of brand using a 5-point scale (“1” being “very bad”, “3” being “neutral” and “5” being “very good”). The results are presented in table 6.15.

Table 6.15: Mean ratings of 5 major brands based on different factors using a 5-point scale from 1 to 5 (N=196)

	<b>Galaxy</b>	<b>Cadbury</b>	<b>Gandour</b>	<b>Ulker</b>	<b>Nestle</b>
<b>Taste</b>	4.44	4.18	3.36	3.46	4.36
<b>Price affordability</b>	3.88	3.82	4.26	3.72	3.98
<b>Value for money</b>	3.89	3.81	3.91	3.61	4.00
<b>Brand Image</b>	4.25	3.93	3.12	3.26	4.27
<b>Product Variety</b>	4.00	3.99	3.59	3.37	4.16
<b>Country of Brand</b>	3.55	3.61	3.58	3.33	3.79

## B. Hypotheses Testing:

In the following section, the hypotheses will be tested based on the results of the questionnaire.

A one sample t-test was conducted to check the significance of the different factors for chocolate selection. Only taste and brand name which scored the highest means (table 6.16) were found to be significantly different from the “neutral” value of “3” (table 6.17).

Table 6.16: Mean scores of different factors for chocolate selection:

<b>One-Sample Statistics</b>				
	N	Mean	Std. Deviation	Std. Error Mean
How imp. is taste when purchasing a chocolate brand	196	4.85	.579	.041
How imp. is price when purchasing a chocolate brand	196	3.12	1.034	.074
How imp. is brand name when purchasing a chocolate brand	196	3.71	1.023	.073
How imp. is package design when purchasing a chocolate brand	196	3.10	1.047	.075
How imp. is COM when purchasing a chocolate brand	196	2.95	1.235	.088

Table 6.17: One sample t-test for the factors for chocolate selection

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
How imp. is taste when purchasing a chocolate brand	44.6	195	.000	1.847	1.77	1.93
How imp. is price when purchasing a chocolate brand	1.59	195	.114	.117	-.03	.26
How imp. is brand name when purchasing a chocolate brand	9.77	195	.000	.714	.57	.86
How imp. is package design when purchasing a chocolate brand	1.36	195	.174	.102	-.05	.25
How imp. is COM when purchasing a chocolate brand	-.578	195	.564	-.051	-.23	.12

**H1: Taste (intrinsic cue) is more important than all extrinsic cues for selection of a chocolate product**

Taste (intrinsic cue) obtained the highest mean (4.85) followed by brand name with 3.71 (extrinsic cue). A paired samples t-test was conducted to check if there is any significant difference between the taste and brand name. Taste was found to be significantly higher than brand name (see table 6.18) and consequently higher than all extrinsic cue, thus supporting H1.

Table 6.18: Paired samples t-test between taste and brand name

		Paired Differences			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean			
Pair 1	How imp. is taste when purchasing a chocolate brand - How imp. is brand name when purchasing a chocolate brand	1.133	1.087	.078	14.58	195	.000

**H2: Price is a more important cue than country of manufacture for chocolate selection**

To test H2, a paired samples t-test was conducted between price and COM. No significant difference was found (see table 6.19) and therefore H2 is not supported.

Table 6.19: Paired samples t-test between price and COM, between brand name and COM, and between package design and COM.

		Paired Differences			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean			
Pair 1	How imp. is price when purchasing a chocolate brand - How imp. is COM when purchasing a chocolate brand	.168	1.648	.118	1.431	195	.154
Pair 2	How imp. is brand name when purchasing a chocolate brand - How imp. is COM when purchasing a chocolate brand	.765	1.554	.111	6.892	195	.000
Pair 3	How imp. is package design when purchasing a chocolate brand - How imp. is COM when purchasing a chocolate brand	.153	1.391	.099	1.540	195	.125

**H4: Brand is more important than country of manufacture for chocolate selection**

To test H4, a paired samples t-test was conducted between brand and COM. Brand name (mean: 3.71) was found to be significantly higher than COM (2.95) (see table 6.19), and thus supporting H4.

**H5: Design of package is the least important factor for chocolate selection**

This hypothesis was not supported because design of package had a mean higher than country of manufacture so it did not rank last. Upon running a paired sample t-test between design of package and country of manufacture, no significant difference was found between the two factors (see table 6.19) meaning that they have the same rank.

**H3: Price is more important for low income segments than high income segments**

To test H3, a one-way ANOVA was conducted to test the price importance between different levels of income. No significant differences were found between different categories because the means for each category were very close to each other (table 6.20). Even when different levels of income were grouped to form 2 categories (high income and low income), no differences were found (table 6.21). Therefore H3 is not supported.

Table 6.20: Descriptives of 5 income levels and one way ANOVA for price

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
below 500\$	5	3.20	.837	.374	2.16	4.24
500\$-1000\$	28	3.11	1.227	.232	2.63	3.58
1001\$-2000\$	28	2.93	1.086	.205	2.51	3.35
2001\$-5000\$	68	3.10	.979	.119	2.87	3.34
above 5000\$	67	3.21	1.008	.123	2.96	3.45
Total	196	3.12	1.034	.074	2.97	3.26

**ANOVA**

How imp. is price when purchasing a chocolate brand

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.611	4	.403	.372	.828
Within Groups	206.690	191	1.082		
Total	208.301	195			

Table 6.21: Descriptives of 2 income levels and one way ANOVA for price

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Low Income	61	3.03	1.125	.144	2.74	3.32
High Income	135	3.16	.992	.085	2.99	3.32
Total	196	3.12	1.034	.074	2.97	3.26

**ANOVA**

How imp. is price when purchasing a chocolate brand

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.633	1	.633	.592	.443

Within Groups	207.668	194	1.070		
Total	208.301	195			

**H6: An Arab COM will have no effect on consumer’s favorite brand perception**

Hypothesis 6 is tested by question 30 where consumers were asked how their perception of their favorite chocolate will change if the COM was Arab. The majority of consumers (66.8%) said that their perception will not change thus supporting H6.

**H7: Western brands are not perceived as having lower quality when they are manufactured in an Arab country**

To test H7, a one sample t-test is done for the answer of question 31c where consumers were asked if they agreed that Western brands have the same quality whether manufactured in an Arab country or in Europe. The mean obtained for this variable was 2.68 and was significantly different than the neutral value of 3 (table 6.22) meaning that consumers disagree with the proposition. In conclusion, H7 is not supported and consumers believe Western brands have a lower quality when manufactured in an Arab Country.

Table 6.22: One sample t-test for the quality perception of an Arab COM

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Do you agree that Western brands have the same quality if made in Europe and Arab country	196	2.68	.972	.069

**One-Sample Test**

Test Value = 3						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper

Do you agree that Western brands have the same quality if made in Europe and Arab country	-4.554	195	.000	-.316	-.45	-.18
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**H8: The majority of consumers don't check for the country of manufacture of a chocolate product**

If we look at table 6.4, we find that 52% of respondents never or rarely check for the COM when purchasing a chocolate product versus 22% only who check most of the times or always therefore clearly supporting H8.

**H9: The majority of consumers don't know the country of manufacture of their favorite chocolate product**

To test this hypothesis, respondents' answers about the COM of their favorite chocolate product are checked in the 4 chocolate categories. Table 6.23 reveals that most consumers don't know the country the COM of their favorite chocolate product and therefore H9 is not supported.

Table 6.23: Do consumers know the COM of their favorite chocolate product

	Chocolate Wafer	Chocolate Tablets	Chocolate Filled Bars	Biscuit Coated Chocolate
Don't know	79.1%	66.8%	90.3%	83.7%
Correct answer	11.2%	22.4%	2.0%	5.6%
Wrong answer	9.7%	10.7%	7.7%	10.7%
Total	100.0	100.0	100.0	100.0

**H10: The majority of consumers don't know the country of manufacture of their most consumed chocolate product**

To test this hypothesis, respondents' answers about the COM of their most consumed chocolate product are checked in the 4 chocolate categories. Table 6.24

reveals that most consumers don't know the country the COM of their most consumed chocolate product and therefore H10 is not supported.

Table 6.24: Do consumers know the COM of their most consumed chocolate product

	Chocolate Wafer	Chocolate Tablets	Chocolate Filled Bars	Biscuit Coated Chocolate
Don't know	78.6	67.9	89.3	83.2
Correct answer	11.2	17.3	1.5	5.6
Wrong answer	10.2	14.8	9.2	11.2
Total	100.0	100.0	100.0	100.0

**H11: The Western brands are perceived the best compared to the Turkish and Arab chocolate brands**

For H11, a one sample t-test is done for the answers of question 31a where consumers were asked if they agreed that Western brands are better than Turkish and Arab brands. The mean obtained for this question was 3.6 which was found to be significantly different than the neutral value of 3 (table 6.25) meaning that consumers agree that Western brands are better than Turkish and Arab brands and thus supporting H11.

Table 6.25: One sample t-test for brand origin comparisons

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Do you agree that Western brands are better than Turkish and Arab brands	196	3.60	1.046	.075
Do you agree that Turkish are better than Arab brands	196	3.08	.930	.066

**One-Sample Test**

	Test Value = 3			
	t	df	Sig. (2-tailed)	Mean Difference
				95% Confidence Interval of the Difference



					Lower	Upper
Do you agree that Western brands are better than Turkish and Arab brands	7.993	195	.000	.597	.45	.74
Do you agree that Turkish are better than Arab brands	1.229	195	.221	.082	-.05	.21

**H14: The Turkish brands are perceived better than the Arab brands**

A one sample t-test is done for the opinions of respondents about the proposition that Turkish brands are better than Arab brands (question 31b). The mean obtained was 3.08 which was found to have no significant difference from 3 (table 6.25), meaning the respondents are neutral about this proposition. As a result, H14 is not supported.

**H12: Perceptions of Western brands are different between males and females**

To test hypothesis 12, a one way ANOVA is done for the preference for Western brand between males and females. The means among males and females were very close to each other, thus significant difference was found (table 6.26). As a result, H12 is not supported.

Table 6.26: Descriptives of gender and one way ANOVA for western brands preference

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Male	92	3.59	1.140	.119	3.35	3.82
Female	104	3.61	.960	.094	3.42	3.79
Total	196	3.60	1.046	.075	3.45	3.74

**ANOVA**

Do you agree that Western brands are better than Turkish and Arab brands

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.017	1	.017	.016	.900
Within Groups	213.141	194	1.099		
Total	213.158	195			

**H13: Perceptions of Western brands are better among high income level segments than low income segments**

To test hypothesis 13, a one way ANOVA is done for the preference for Western brands between the different income level segments. The means of these income levels were close to each other, thus rejecting any significant difference (table 6.27). Even when income levels were grouped into 2 levels only, high and low, the result was the same; no significant difference (table 6.28). In conclusion, H13 is not supported.

Table 6.27: Descriptives of 5 income levels and one way ANOVA for western brands preference

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
below 500\$	5	3.80	1.304	.583	2.18	5.42
500\$-1000\$	28	3.32	1.056	.200	2.91	3.73
1001\$-2000\$	28	3.68	1.090	.206	3.26	4.10
2001\$-5000\$	68	3.60	1.067	.129	3.34	3.86
above 5000\$	67	3.66	.993	.121	3.41	3.90
Total	196	3.60	1.046	.075	3.45	3.74

**ANOVA**

Do you agree that Western brands are better than Turkish and Arab brands

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.760	4	.690	.626	.644
Within Groups	210.398	191	1.102		
Total	213.158	195			

Table 6.28: Descriptives of 2 income levels and one way ANOVA for western brands preference

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Low Income	61	3.52	1.089	.139	3.25	3.80
High Income	135	3.63	1.028	.088	3.45	3.80
Total	196	3.60	1.046	.075	3.45	3.74

**ANOVA**

Do you agree that Western brands are better than Turkish and Arab brands

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.464	1	.464	.423	.516
Within Groups	212.695	194	1.096		
Total	213.158	195			

**H15: The favorite brands of most consumers are Western Brands**

Among the 4 chocolate categories, the favorite brands of consumers are checked for their origin, Western, Turkish or Arab Brands. The results were: 88.3% of the favorite brands of consumers are Western brands among the chocolate wafer category, 90.8% in the chocolate tablets category, 95.4% in the chocolate filled bars category and 91.8% in the biscuit coated chocolate category (table 6.29). In conclusion, H15 is supported.

Table 6.29: Origin of favorite brands of respondents in 4 chocolate categories

Origin of brands	Chocolate Wafer	Chocolate Tablets	Chocolate Filled Bars	Biscuit Coated Chocolate
Western Brands	88.3%	90.8%	95.4%	91.8%
Arab Brands	6.6%	3.6%	1.0%	1.5%
Turkish Brands	2.6%	4.1%	.5%	5.6%
Other	2.6%	1.5%	3.1%	1.0%
Total	100.0	100.0	100.0	100.0

**H16: The most consumed chocolate brands among high income level consumers are Western brands**

Among the 4 chocolate categories, the most consumed brands among high income level respondents are checked for their origin, Western, Turkish or Arab Brands. Table 6.30 shows that the majority of respondents have chosen a Western brand as their most consumed brand in each category, therefore supporting H16.

Table 6.30: Origin of most consumed brands in 4 chocolate categories among high income level respondents (N=135)

Origin of brands	Chocolate Wafer	Chocolate Tablets	Chocolate Filled Bars	Biscuit Coated Chocolate
Western Brands	94.1%	91.9%	96.3%	91.9%
Arab Brands	3.7%	5.2%	0%	.7%
No answer	1.5%	1.5%	3%	1.5%
Turkish Brands	.7%	1.5%	.7%	5.9%
Total	100.0	100.0	100.0	100.0

**H17: The most consumed chocolate brands among low income level consumers are Turkish or Arab brands**

Among the 4 chocolate categories, the most consumed brands among low income level respondents are checked for their origin, Western, Turkish or Arab Brands. Table 6.30 shows that the majority of respondents have chosen a Western brand as their most consumed brand in each category, and not an Arab or a Turkish brand, therefore H16 is not supported.

Table 6.31: Origin of most consumed brands in 4 chocolate categories among low income level respondents (N=61)

Origin of brands	Chocolate Wafer	Chocolate Tablets	Chocolate Filled Bars	Biscuit Coated Chocolate
Western Brands	86.9%	86.9%	93.4%	91.8%
Arab Brands	9.8%	9.8%	1.6%	3.3%
Turkish Brands	3.3%	3.3%	4.9%	4.9%
Total	100.0	100.0	100.0	100.0

**H18: Western brands (Galaxy, Cadbury and Nestle) are viewed as the best in terms of taste, brand image, product variety and country of brand**

Concerning taste, Galaxy (mean= 4.44), Nestle (mean= 4.36) and Cadbury (mean= 4.18) received higher scores than Ulker (mean= 3.46) and Gandour (mean= 3.36). A paired sample t-test was performed between the third rank Cadbury and the

fourth rank Ulker and a significant difference was found (table 6.32) meaning that the first 3 Western brands are better than the other 2 brands Ulker and Gandour in terms of taste.

Regarding brand image, Nestle (mean= 4.27), Galaxy (mean= 4.25) and Cadbury (mean= 3.93) received higher scores than Ulker (mean= 3.26) and Gandour (mean= 3.12). A paired sample t-test was performed between the third rank Cadbury and the fourth rank Ulker and a significant difference was found (table 6.32) meaning that the first 3 Western brands are better than the other 2 brands Ulker and Gandour in terms of brand image.

Regarding product variety, Nestle (mean= 4.16), Galaxy (mean= 4.00) and Cadbury (mean= 3.99) received higher scores than Gandour (mean= 3.59) and Ulker (mean= 3.37). A paired sample t-test was performed between the third rank Cadbury and the fourth rank Gandour and a significant difference was found (table 6.32) meaning that the first 3 Western brands are better than the other 2 brands Gandour and Ulker in terms of product variety.

Table 6.32: Paired samples t-test between different brands for different factors (taste, brand image, product variety and country of brand

		Paired Differences			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean			
Pair 1	Rate Cadbury on Taste - Rate Ulker on Taste	.719	1.193	.085	8.442	195	.000
Pair 2	Rate Cadbury on Brand Image - Rate Ulker on Brand Image	.679	1.152	.082	8.247	195	.000

		Paired Differences			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean			
Pair 3	Rate Cadbury on Product Variety - Rate Gandour on Product Variety	.408	1.188	.085	4.809	195	.000

Regarding country of brand, Nestle was first (mean= 3.79), Cadbury was second (mean= 3.61), Gandour was third (mean= 3.58), Galaxy was fourth (mean= 3.55) and Ulker was fifth (mean= 3.33). Different paired samples t-test were done to determine any significant differences between ranks (table 6.33). Nestle was found to be the first with a significant difference, however, there was no significant difference between Cadbury (mean= 3.61) and Gandour (mean= 3.58) meaning that they have the same rank. This finding will be analyzed in the next section. As a result, western brands are not viewed better in general than Arab brands in terms of country of brand.

Table 6.33: Paired samples t-test between different brands for country of brand factor

		Paired Differences			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean			
Pair 1	Rate Nestle on Country of Brand - Rate Gandour on Country of Brand	.209	1.344	.096	2.178	195	.031
Pair 2	Rate Cadbury on Country of Brand - Rate Gandour on Country of Brand	.026	1.196	.085	.299	195	.766
Pair 3	Rate Nestle on Country of Brand - Rate Cadbury on Country of Brand	.184	.943	.067	2.727	195	.007
Pair 4	Rate Galaxy on Country of Brand - Rate Ulker on Country of Brand	.219	1.027	.073	2.991	195	.003

In conclusion, H18 was supported for taste, brand image, and product variety but not for country of brand.

**H19: Turkish (Ulker) and Arab (Gandour) brands are viewed the best in terms of price affordability**

Concerning price affordability, Gandour was first (mean= 4.26), Nestle was second (mean= 3.98), Galaxy was third (mean= 3.88), Cadbury was fourth (mean= 3.82) and Ulker was fifth (mean= 3.72). 2 paired t-tests were conducted between Gandour and Nestle, and Nestle and Ulker, and both were found to have a significant difference meaning that Gandour ranks the first in terms of price affordability while Ulker ranks lower than the top 2 brands. Therefore, H19 is supported for Arab brands (Gandour) but not for Turkish brands (Ulker).

Table 6.34: Paired samples t-test between different brands for price affordability factor

		Paired Differences			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean			
Pair 1	Rate Gandour on Price (affordable) - Rate Nestle on Price (affordable)	.276	1.183	.085	3.259	195	.001
Pair 2	Rate Nestle on Price (affordable) - Rate Ulker on Price (affordable)	.260	1.071	.077	3.401	195	.001

Table 6.35 is a summary of all hypotheses and whether they were supported or not.

Table 6.35: Summary of hypotheses and results

Hypothesis	Result
H1: Taste (intrinsic cue) is more important than all extrinsic cues for selection of a chocolate product	Supported
H2: Price is a more important cue than country of manufacture for chocolate selection	Not Supported
H3: Price is more important for low income segments than high income segments	Not Supported
H4: Brand is more important than country of manufacture for	Supported

chocolate selection	
H5: Design of package is the least important factor for chocolate selection	Not Supported
H6: An Arab COM will have no effect on consumer's favorite brand perception	Supported
H7: Western brands are not perceived as having lower quality when they are manufactured in an Arab country	Not Supported
H8: The majority of consumers don't check for the country of manufacture of a chocolate product	Supported
H9: The majority of consumers don't know the country of manufacture of their favorite chocolate product	Supported
H10: The majority of consumers don't know the country of manufacture of their most consumed chocolate product	Supported
H11: The Western brands are perceived the best compared to the Turkish and Arab chocolate brands	Supported
H12: Perceptions of Western brands are different between males and females	Not Supported
H13: Perceptions of Western brands are better among high income level segments than low income segments	Not Supported
H14: The Turkish brands are perceived better than the Arab brands	Not Supported
H15: The favorite brands of most consumers are Western Brands	Supported
H16: The most consumed chocolate brands among high income level consumers are Western brands	Supported
H17: The most consumed chocolate brands among low income level consumers are Turkish or Arab brands	Not Supported
H18: Western brands (Galaxy, Cadbury and Nestle) are viewed as the best in terms of taste, brand image, product variety and country of brand	Supported for taste, brand image, product variety but not country of brand
H19: Turkish (Ulker) and Arab (Gandour) brands are viewed the best in terms of price affordability	Supported for Gandour but not for Ulker



### **C. Discussion:**

Regarding product cues, among the 5 factors tested, only taste and brand name were found to be significant product cues that consumers consider when purchasing a chocolate product. The most important factor was found to be taste, an intrinsic cue which was more important than all other extrinsic factors (H1). This is conforming with Ozretic-Dosen, Skare and Krupka's Croatian study about chocolate (2006) where they found that 70% respondents chose taste as the most important factor for chocolate selection while we obtained 76% in our study. This is expected because chocolate is a hedonic product and not a utilitarian product. Regarding price, it was not found to be a significant factor and thus falling in the same rank of COM and design of package. On one hand, our studied sample belongs to educated university students, mostly from AUB, which might have negatively affected the importance of the price factor since most of the respondents belong to high income level segments, and on the other hand, chocolate is a low involvement product, meaning that it has a low price compared to any other consumer products, which might range between 250LL and 1000LL for a medium sized bar. This may not be a constraint for university students, but may be a constraint for kids who are buying chocolate. This is a possible explanation for our finding that price was an important factor and not even for low income level segments in our population.

Regarding COM effects, it was found that consumers perceive Western brands as having a lower quality when manufactured in an Arab country. However, as Hui & Zhou (2003) found in their study, negative COM effects are more devastating for low equity than high equity brands, therefore this negative perception did not affect the general preference for Western brands because they are global brands with high equity.

Also, on the other hand, even though an Arab COM might have a negative effect for Western brands, it was demonstrated that the majority of consumers don't check the COM during chocolate purchase and don't even know the COM of their most consumed product or their favorite product, leading to the conclusion that an Arab COM has negative effects if the consumers are aware of the COM. In hypothesis 6, an Arab COM was found to have no effect on consumer's favorite brand perception. A possible explanation for that could be that respondents are biased for their favorite brand, and the question is general where it didn't specify the origin of the favorite brand, meaning that this favorite brand may not necessarily be Western.

Concerning brand preferences, it was demonstrated that consumers perceive Western brands as the best compared to Turkish and Arab brands, and this perception didn't differ between genders nor between different levels of income. This direction in preference is in line with Peris *et al.*'s statement that consumers generally prefer "internationally known" products (cited by Jin, Chansarkar & Kondap), and that brands from developed countries are perceived superior than brands from developing countries. It is also conforming with previous research where it was shown that Russian and Hungarian consumers prefer Western products because they have superior quality (cited by Kinra, 2006, p.23) and with Ozretic-Dosen, Skare and Krupka's Croatian study about chocolate (2006) where it was shown that consumers prefer Western brands. As for the Turkish and Arab brands, no difference was found in perceptions of the two although Turkey is more developed than many Arab countries, it is known for its chocolate production and contains factories for some multinational manufacturers such as Nestle. This indicates that Turkish and Arab brands are perceived to have the same level, most probably because of their positioning as low priced products targeting the mass of

consumers. In the same direction, hypotheses 18 and 19 showed that Western brands are viewed the best in terms of taste, brand image, product variety and country brand while Arab brands (Gandour) was perceived the best in terms of price affordability. Ulker came last in terms of price affordability most probably because a lot of respondents didn't know Ulker well to rate it so they chose neutral ratings which lowered its average score. In the country of brand factor, there was an exception where Gandour was found to be in second place with Cadbury after Nestle. The most reasonable explanation for this result is that Lebanese respondents are ethnocentric or possess a high level of patriotism where they gave a high rating for the country of brand of Gandour. Finally, it was found that consumers prefer Western brands and consume them the most even among low income segments since chocolate is a low price low involvement product.

#### **D. Limitations:**

The main limitation of the study is that it cannot be generalized over the Lebanese population since it was done on university students in Beirut in particular. If the study was made in other cities or some villages, the results might be different, specially concerning the importance of the price factor and the perception of Western brands which might be affected by a stronger consumer ethnocentrism. Also, a main consumer target for chocolate is kids which are difficult to include in a similar detailed study; the approach should be different.

## CHAPTER VII

### CONCLUSION

The selection of a chocolate product is mainly based on the taste (functional quality) of the product which is an intrinsic cue. Similar to the literature, this study demonstrated that taste is the most important factor. Among extrinsic cues, brand name was found to be the most important factor for chocolate selection after taste because a brand name signals a certain level of quality and consistency of quality, especially global brands that are known worldwide and cannot risk downgrading their brand image in any part of the world. The literature indicates that there is a general preference for internationally known products and a preference for brands and products from developed countries as opposed to developing countries. In this context, global brands might be affected by a negative COM effect if it is produced in a developing country. This negative effect varies depending on different factors such as the type of product and the brand equity... Since chocolate is a low involvement product and the present brands in the Lebanese market are global brands with high equity, the COM factor was not found to be significant for chocolate selection. Although consumers disagree that Western brands have the same quality whether manufactured in Europe or in an Arab country, thus inferring a negative COM effect, this did not affect the general preference for Western brands because they are high in quality and because it was found that the majority of consumers don't check and don't even know the COM of the chocolate products they buy. As for the other factors, price was not found to be significant possibly because chocolate is a low price product and a hedonic product where taste is more important and consumers either buy it to enjoy it or don't buy it.

Finally, for the brand preferences, this study showed a clear preference for Western brands over Turkish and Arab brands with no differences according to demographics. Western brands were found by consumers to be the most consumed, the favorite, and the best perceived in taste, brand image, product variety and country of brand. Turkish brands and Arab brands were found to be at the same level with no preference between them. The Gandour brand (Lebanese brand) was found to be the best in terms of price affordability due to its positioning strategy. Also, it ranked second in terms of country of brand which indicates the presence of consumer loyalty and patriotism. The characteristics of the Lebanese chocolate market are typical to any developing country with a limited manufacturing industry.

## APPENDIX (Questionnaire)

### **Consent to participate in a research study**

#### **Consumers' perceptions of chocolate brands in the Lebanese market and the role of intrinsic and extrinsic cues**

Investigator: Dr. Imad Baalbaki

Address: American University of Beirut (AUB)  
Bliss Street

Beirut, Lebanon

Phone: (01) 350 000 ext: 2530

Sites where the study will be conducted:

AUB students on Campus (above 18)

Students in Cafés and areas surrounding universities (above 18)

I am conducting a research to study the Lebanese consumer's chocolate brand perceptions using a self-administered questionnaire, as part of the data collection in the MBA final project in AUB.

Your participation is fully voluntary and your answers will be kept confidential. **Please don't write your name.** The identity of the respondent will not be revealed. Your answers will be combined with around 200 other responses to generate total results. Please read the questions carefully and answer as best as possible. The survey needs around 10 to 15 minutes to be completed. Please ask for any clarifications you need. I appreciate your participation in this study.

Best Regards,  
Hani Hmaidan

MBA candidate

---

I have read the above, and understood all aspects of the research and my questions have been answered. I voluntarily agree to be a part of this research study and I know that I am free to withdraw at any time.

## Section A: Personal Info

**Please circle the letter corresponding to your answer:**

1. Gender:
  - a. Male
  - b. Female
2. Age:
  - a. 18-21
  - b. 22-24
  - c. 25-27
  - d. Above 25
3. Current Education:
  - a. Bachelor's degree
  - b. Masters
  - c. Other: \_\_\_\_\_
4. University:
  - a. AUB
  - b. Lebanese University
  - c. Other: \_\_\_\_\_
5. Family Income:
  - a. below 500\$
  - b. 500\$- 1000\$
  - c. 1001\$- 2000\$
  - d. 2000\$- 5000\$
  - e. Above 5000\$

## Section B: General Info about Chocolate consumption

6. How often do you consume chocolate?
  - a. Everyday
  - b. Very Often (between 4-6 times per week)
  - c. Often (between 1-3 times per week)
  - d. At least once per week
  - e. Rarely
  - f. Never
7. Please rate the importance of each factor below when purchasing a chocolate brand (Circle a number):

	Not Important at all	Not Important	Neutral	Important	Very Important
Taste	1	2	3	4	5
Price	1	2	3	4	5
Brand Name	1	2	3	4	5
Design of package	1	2	3	4	5
Country of manufacture	1	2	3	4	5

8. What is the most important factor you consider when purchasing chocolate: \_\_\_\_\_
9. How often do you check the country of manufacture when purchasing a chocolate product?

Never	Rarely	Sometimes	Most of the times	Always
1	2	3	4	5







### Section G: Questions related to Brands and Countries

30. How would it affect your perception of your favorite chocolate if you found out that it is manufactured in an Arab country?

- a. It will become better      b. It will become worse      c. It will not change

31. Please provide your opinion about the statements below by circling a number:

a. Western chocolate brands are better than Turkish and Arab chocolate brands:

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

b. Turkish chocolate brands are better than Arab chocolate brands:

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

c. Western chocolate brands have the same quality whether they are made in Europe or made in an Arab country:

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

### Section H: Questions related to Chocolate ratings

32. Please rate the following brands on each attribute below by circling a number:

**Galaxy:**

	Very Bad	Bad	Neutral	Good	Very Good
Taste	1	2	3	4	5
Price (affordable)	1	2	3	4	5
Value for money	1	2	3	4	5
Brand Image	1	2	3	4	5
Product variety	1	2	3	4	5
Country of brand	1	2	3	4	5

**Cadbury:**

	Very Bad	Bad	Neutral	Good	Very Good
Taste	1	2	3	4	5
Price (affordable)	1	2	3	4	5
Value for money	1	2	3	4	5
Brand Image	1	2	3	4	5
Product variety	1	2	3	4	5
Country of brand	1	2	3	4	5

**Gandour:**

	Very Bad	Bad	Neutral	Good	Very Good
Taste	1	2	3	4	5
Price (affordable)	1	2	3	4	5
Value for money	1	2	3	4	5
Brand Image	1	2	3	4	5
Product variety	1	2	3	4	5
Country of brand	1	2	3	4	5

**Ulker:**

	Very Bad	Bad	Neutral	Good	Very Good
Taste	1	2	3	4	5
Price (affordable)	1	2	3	4	5
Value for money	1	2	3	4	5
Brand Image	1	2	3	4	5
Product variety	1	2	3	4	5
Country of brand	1	2	3	4	5

**Cadbury:**

	Very Bad	Bad	Neutral	Good	Very Good
Taste	1	2	3	4	5
Price (affordable)	1	2	3	4	5
Value for money	1	2	3	4	5
Brand Image	1	2	3	4	5
Product variety	1	2	3	4	5
Country of brand	1	2	3	4	5

**Nestle:**

	Very Bad	Bad	Neutral	Good	Very Good
Taste	1	2	3	4	5
Price (affordable)	1	2	3	4	5
Value for money	1	2	3	4	5
Brand Image	1	2	3	4	5
Product variety	1	2	3	4	5
Country of brand	1	2	3	4	5

Thank you for your participation.

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