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# **Gordon Institute of Business Science**

University of Pretoria

Determinants of B2B brand image elements and the relationship to price premium in the agricultural sector of South Africa.

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

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**10 November 2014**

## ABSTRACT

Much research on brand equity in business markets has focused on predicting brand loyalty, regarding the brand image elements that make consumers buy a preferred brand. Inasmuch, price premium is a distinct and economically important outcome of a favourable brand image, and has been addressed in recent research. Furthermore, this research is primarily concerned about the determinants of B2B brand image elements and the relationship to price premium in the agricultural sector of South Africa. The agricultural sector in South Africa contributes 1.9% to gross domestic product and supplies more than 10% of the total employment in South Africa.

This research paper sought to determine whether there are specific elements that act as motivators for consumers in their decision-making process when they purchase costly brands in the agricultural sector. In an attempt to answer this question, this research paper confirmed the corporate brand image determinants of price premium that are conceptualised into six dimensions, namely: brand familiarity-, product solution-, service-, distribution-, relationship- and company associations.

Findings from this small-scale explorative and qualitative investigation, based on interviews with final decision makers (consumers) in the agricultural sector of South Africa were used to illustrate on how this model relates to consumers' willingness to pay a price premium for physical capital. This research paper also proposed a model that brand owners can utilise to position their brand in the South African agricultural sector to ensure that they obtain traction in a strong brand dominated market.

Keywords: B2B Brand image dimensions, Consumer behaviour, Price Premium.

# DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to perform this research.

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**Dawid Herculaas Oberholzer**

**10 November 2014**

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# CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

Brands are crucial in the establishment of a long-term consumer-brand relationship between the consumer and the manufacturer (Balaji, 2011). According to Kuhn, Alpert and Pope (2008) *“a brand is a bundle of functional, economic and psychological benefits for the end user. Every brand retains a certain amount of brand equity, defined as the assets or liabilities associated with the brand that add to, or subtract from, the value the product provided”*. Branding and brand equity have been researched extensively in the past three decades. According to Sonnier and Ainslie (2011), the fundamental building block in the consumer-based brand equity framework is brand-image association. This indicates that the more effective the brand-image, the more effective the customer lifetime value. Effective brand-image association ensures that the consumers are aware of the brand, and that consumers will continue to invest resources in the specific brand over time. Acquisition, retention and profit margins have been identified by Stahl, Heitmann, Lehmann and Neslin (2012) as the vital components of customer lifetime value.

To determine the method that is employed to ensure that brand image deliver higher profits, brand image must be seen in the broader brand equity context. The concept of brand equity began to be widely used in the 1980s. In the 1990s financial techniques were incorporated to measure equity (Lee, 2011).

*“The concept of brand equity has an explicit focus on extracting the tangible economic value from brands and is today a broad field that can be subdivided into a brand equity chain with three components: brand image, brand strength and brand value (Persson, 2010:1269).*

Brand equity in the business to business (B2B) market is assumed to be relevant at any corporate level and previous studies have proven the existence of brand strength that can develop customer loyalty and explain price premiums (Persson, 2010). Chang and Lui (2010) emphasised that further research is needed to understand the components of brand equity and brand image, while Biedenbach and Marell (2010) stressed the importance of further investigating the hierarchy of effects between the dimensions of brand equity, which this research endeavoured.

However, very little research in this area was available in the context of the South African (SA) Agricultural business context. The studies, as mentioned above, are conducted in first world economies, whilst SA is an emerging market economy.

In 2011, the SA agriculture industry spent R6,964 billion on motor vehicles, planting equipment, tractors, machinery and other transport (Statistics, 2012). These assets can be defined as physical assets. The definition of a physical asset is an asset that is used in production and that is manufactured by humans and is reproducible - this excludes non-reproducible production factors, for example land (Kataria, Curtiss, & Balmann, 2012).

This raises the question of how the South African market interprets the elements of branding and to what extent is the market willing to pay a premium on their purchases of physical capital? Do marketers understand how the elements of the brand image can affect the perception of the brand and what are the important elements to focus on to create a price premium?

According to Chang and Liu (2009), buyers respond to branding by displaying preferences for a particular brand, or continuously purchasing the same products or brands. This is clearly evident in the agricultural market, as farmers tend to acquire and re-purchase the same brands repeatedly. Furthermore, the mixing of brands in a specific category of physical capital is the exception rather than the rule. Hypothetically, if a farmer is content with John Deere tractors, for example, the buying pattern will predominantly focus on John Deere tractors. Brand communities are not uncommon in the agricultural sector in South Africa. Kottler and Keller (2012) defined a brand community as a specialised community of consumers and employees whose identification focusses on the brand. In some instances people are interested in the social connections that originate from brand affiliations, and then they join the community to build new affiliations (Fournier & Lee, 2009).

This research paper examined the conceptual understanding of corporate B2B brand image dimensions as a determinant of price premium in the South African agricultural market. Brand positioning recommendations are made following an induction research approach based on the outcome of the research. These recommendations will hopefully enable the brand owners to effectively use the brand image dimensions in their product development, which will allow them to charge a premium on physical capital.

## 1.1 The Basics of Agricultural Farming Activities

Statistics South Africa (2012) classified agricultural products into different categories:

- Field crops (This includes cereals like maize and wheat, oil seeds, legumes, sugar-cane and fodder crops)
- Horticulture (This includes vegetables, sub-tropical fruits and nuts)
- Animals (This includes livestock such as, poultry, game, aquaculture and all other animals)
- Animal products (This includes milk (dairy), eggs, hides and skins, wool and feathers)
- Other farming activities (That includes income generated from the sale of forestry and bee farming products and any form of income generated from primary farming, which excludes income from crops, animals and animal products and aquaculture).

This research was conducted across four main fields of agricultural products:

- Field crops, which were primarily focused on maize farming in Mpumalanga and Free State regions, and sugar-cane farming in Kwa-Zulu Natal.
- Horticulture, which primarily focused on sub-tropical fruit in the upper Limpopo region.
- Animal products, which were primarily focused milk farming in Kwa-Zulu Natal.
- Other farming activities, which were primarily focused on forestry in Kwa-Zulu Natal.

In order to understand the importance of physical capital for farmers in the different categories, a short contextual description is provided on each of these activities.

### 1.1.1 Farming activities

#### 1.1.1.1 *Field crop and horticulture farming*

The largest agricultural industry in South Africa is the grain industry, as it produces between 25% and 33% of the country's total gross agricultural production. The largest area of farmland is planted with maize (the most important source of carbohydrates in

the Southern African region), followed by wheat and, to a lesser extent, sugar-cane and sunflowers (SouthAfrica, 2012).

The specific planting and harvesting of maize is a science and influenced by weather patterns. Generally, the ideal time to plant maize is at the beginning of November up until the second week of December (Hoffman, 2014). The exact time regarding when to plant differs from region to region, and this is attributed to mainly rainfall and temperature patterns, as the crops require water during the growth phase and when in bloom.

Farmers with vast land areas then have between 30 and 45 days to plant the crop and to fertilize the ground, and some farmers aim for completion of this process within one month (Proagri, 2012). This is referred to as 'peak times'. During these peak times, farmers can ill afford down time due to breakages of the physical assets or capital. The effect of not planting the fields timeously can have massive financial implications. If planting occurs one week too early or a week too late, it can make a huge difference in terms of the crop yield.

Physical capital that farmers acquire in this space are normally large tractors and equipment that can be more productive per hectare and that will result in more efficient, more advanced and optimal planting technology. Figures 1 and 2 display examples of the agricultural physical capital that are typically acquired by the farmers in their day-to-day operations. Prices for this type of equipment can reach up to ZAR3,500,000 per unit.

**Figure 1 - John Deere 8000 Series tractor**



Source: John Deere.com (2014)

**Figure 2 - John Deere harvester**



Source: JohnDeere.com (2014)

South Africa produces an estimated 2.5mt (mega tons) of sugar each season and is the world's 13th largest sugar producer. Figure 3 demonstrates a typical field of sugar-cane. Sugar-cane is grown in 15 areas that extend from Northern Pondoland in the Eastern Cape through to the coastal belt and Midlands of KwaZulu-Natal to the Mpumalanga Lowveld (South Africa Info, 2012).

**Figure 3 - Sugar-cane field**



Source: Unknown (2014)

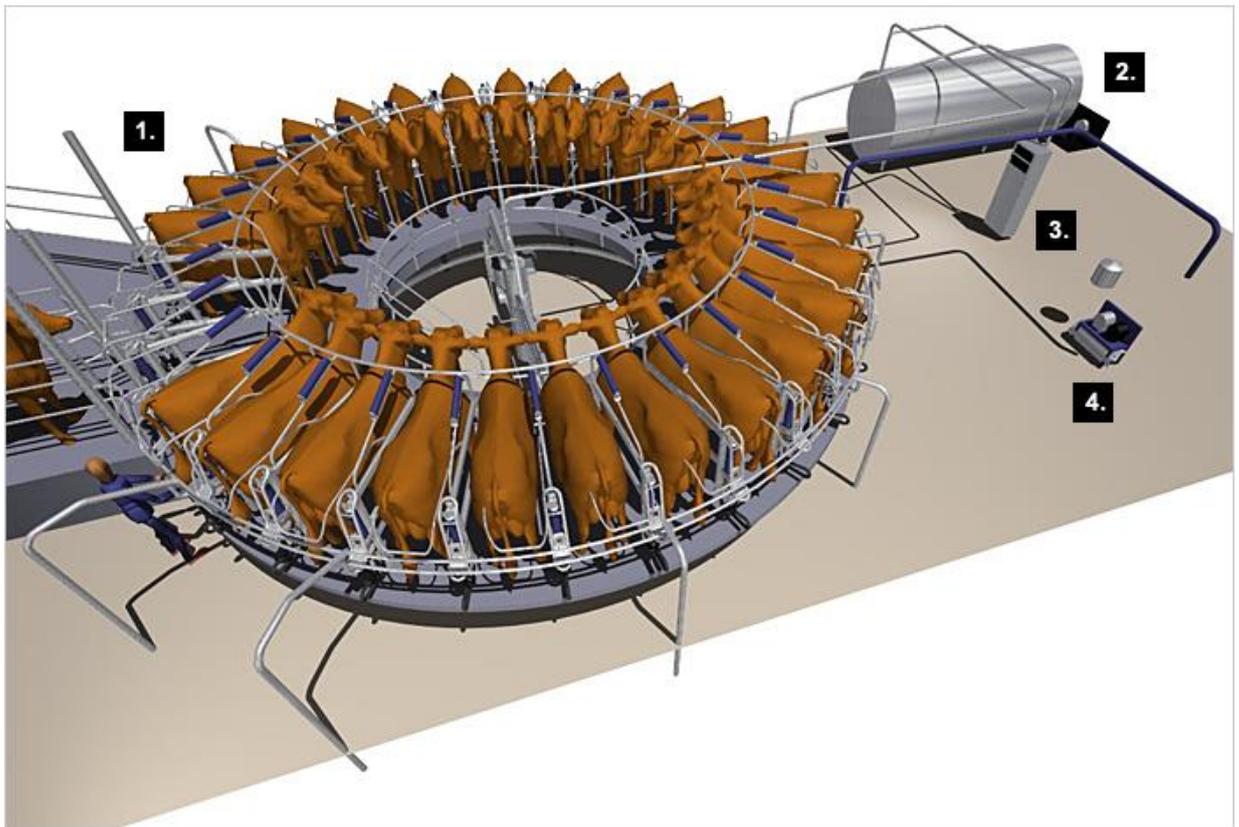
Subtropical crops that include avocados, mangoes, bananas, litchis, guavas, pawpaws, granadillas, as well as macadamia and pecan nuts, are produced in Mpumalanga and Limpopo.

### 1.1.1.2 *Animal products*

Dairy products are produced throughout South Africa and are important to the South African job market as this is a labor intensive industry. The dairy industry provides employment to 60,000 farmworkers and an estimated 40,000 people who are indirectly employed in the sector. Most farms are located in the Eastern and Northern Free State, the North West, the KwaZulu-Natal Midlands, the Eastern and Western Cape, Gauteng and the southern parts of Mpumalanga. The four major dairy breeds in South Africa are the Holstein, Jersey, Guernsey and Ayrshire (South Africa Info, 2012).

Dairy farms do not have peak times as experienced by the field crop farmers. Dairy operations are consistent and routine, based on when cows require to be milked and fed. It is however crucial that the equipment on the dairy farms should be fully operational, as any down time results in the loss of product and loss of income. Equipment that is typically used in dairy farming includes rotary parlors with automatic cleaning, as are depicted Figure 4 below, as well as cold storage tanks and milking equipment. As the name suggests, the milking parlors rotate. The cow enters at a point, and whilst the machine milks the cows, the cows are fed. When the cycle is completed, the cow is automatically pushed out and the next animal enters the parlor.

**Figure 4 - Dairy Farm Rotary Milking System**



- 1. Rotary platform - internal or external milking**
- 2. Milk cooling- and storage tank**
- 3. System cleaning unit**
- 4. Vacuum supply system**

Source: DeLaval (2014)

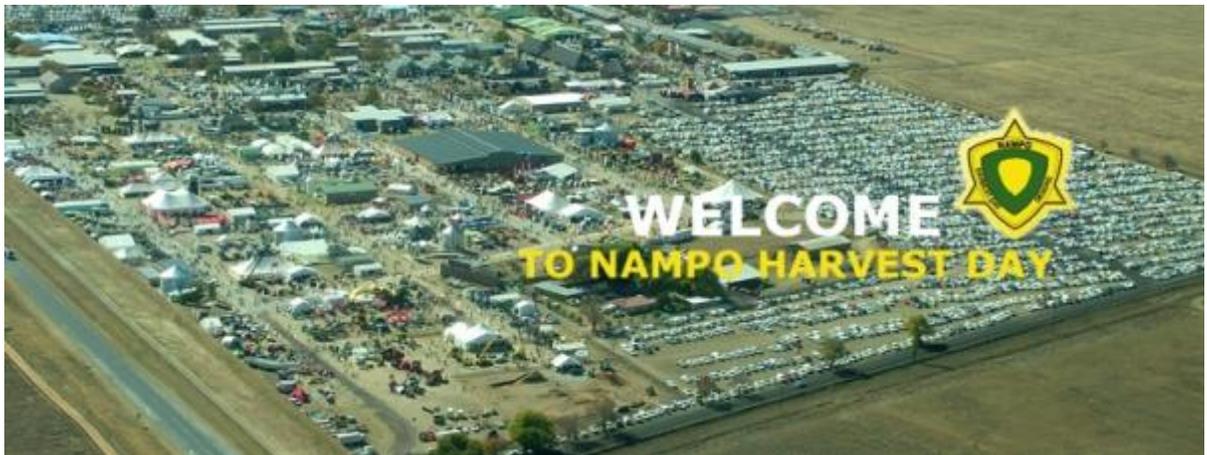
### **1.1.2 Methods of marketing to the agricultural community**

As farmers are highly specialised in their various sectors, marketers typically visit the farmer on the farm, to sell his or her product. These products can range from seedlings and fertiliser to larger physical assets, such as tractors and harvesters. The relationship that is formed between the farmer and the salesperson is crucial in establishing trust and a long-term business relationship. Salespeople must be professional and very knowledgeable, not only about their own product, but also about competitive products in

the market. The value of after-sales service must not be underestimated, as breakdowns can have detrimental effects for farmers in all agricultural sectors.

In order to gain knowledge of the latest farming equipment, farmers often attend agricultural or farmer's days, where various machines and equipment are demonstrated and marketed by various brands. These events are very useful to farmers as they are able to individually experience the products, which enable them to make informed purchasing decisions. An example of such an event in the South African market is the Nampo Agricultural Show, as evidenced by Figure 5 below. This event is held annually in Bothaville in May and is attended by 70,000 people over a four day period (GrainSA, 2014).

**Figure 5 - Nampo Harvest Day Picture**



Source: Mchale (2014)

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Theory

The theory that is reviewed in this section defines and describes the concepts of brand image dimensions, and explains the effect that each dimension has on the customer's willingness to pay a price premium. The price premium is an indicator of the brand strength and this is related to the South African agricultural market, and specifically to the field crop sub-segment, the context within which this research is conducted.

This research was based on three areas within the academic field:

- **B2B brand image dimensions** that are evident in the agricultural environment and are determinants of price-premium;
- **Consumer behavior** in a B2B context and the brand image dimensions evident in the decision-making process when acquiring physical capital,
- **Price premium** in the *agricultural sector* in South Africa.

### 2.2 B2B Brand Image Dimensions

The brand image dimensions are categorized into:

- Brand equity, and
- Brand image.

#### 2.2.1 Brand equity

Brand equity is defined as “... *the capacity of a branded product or service to earn more benefits than the un-branded competitor in the same product or service category. The benefits include ability to charge price premium, competitive advantage, easy brand extension and reduction in brand management cost*” (Nath & Bawa, 2011:135). Aaker (1991; 2012) defined brand equity “... *as a set of brand assets and liabilities linked to a brand, its name and symbol that adds to or detracts from the value provided by a product or service to a firm and / or to the firm's customers*”.

Persson (2010:1270) formulated a brand equity model, as presented in Figure 6, where brand equity encompasses a brand image that develops into brand strength, ultimately creating brand value.

**Figure 6 - The brand equity chain**



Source: Persson (2010): Brand Equity Model

Brand equity and the related concept in B2B brand image, are the outcomes of the past investments in the marketing mix variables (Biong & Silkoset, 2014). Biong and Silkoset (2014:171) summarised the findings of empirical B2B brand management research as:

- The dominating B2B branding strategy is to build corporate brand awareness.
- Corporate brands are important to attract for buyer preference.

Brand equity can be divided into two categories, namely: financial- and customer-based. The financial-based category is founded on the perspective that brand equity is viewed as financial asset value created by brands, whilst customer-based brand equity focuses on the response of the consumers' evaluation to the brand name (Chang & Liu, 2009; Christodoulides & de Chernatony, 2010; Lee, 2011). The value of brand equity is based on the market's perceptions (consumer-based brand equity) of a brand. The outcome of the consumer's response to a brand name is considered the driving force of increased market share and profitability for the brand, known as financial-based equity (Christodoulides & de Chernatony, 2010).

Brand equity and a favorable brand image may positively affect products' perceived quality, further enabling a firm to charge price premiums. In this regards, the higher the perceived quality, the higher the potential for price premiums (Biong & Silkoset, 2014). According to Broyles *et al.* (2009) and Christodoulides and de Chernatony (2010)

previous research revealed, that future purchase intent is most likely to be predictive of actual purchase.

According to Chang and Lui (2009), consumers also consider a brand's history, as buying behavior takes past brand trends into consideration when preempting the future. Chang and Liu (2009) found that brands with higher levels of brand equity would generate higher levels of customer brand preference.

Brand equity can thus be viewed as the result of consumer behavior. Five consequences of brand equity are described to further explain the value of brand equity for a seller, as identified by Broyles *et al.*, (2009):

- Brand equity leads to the buyer having reduced anticipated risk concerning a brand purchase.
- Brand equity increases anticipated confidence in the buyer's brand purchase decision.
- Brand equity is a buyer's anticipated satisfaction with the product.
- Brand equity may influence the buyer' anticipated difficulty with regard to the purchase decision process.
- Brand equity is likely to positively influence purchase behavior.

In order for brand equity to be effective, brand knowledge is essential. Das, Stenger, and Ellis (2009) described the "Five A's" as elements of brand knowledge and the way consumers perceive the brand in their minds. These "A's" are seen as the hierarchical order that a brand follows on its way to success and can be used in various brand equity models.

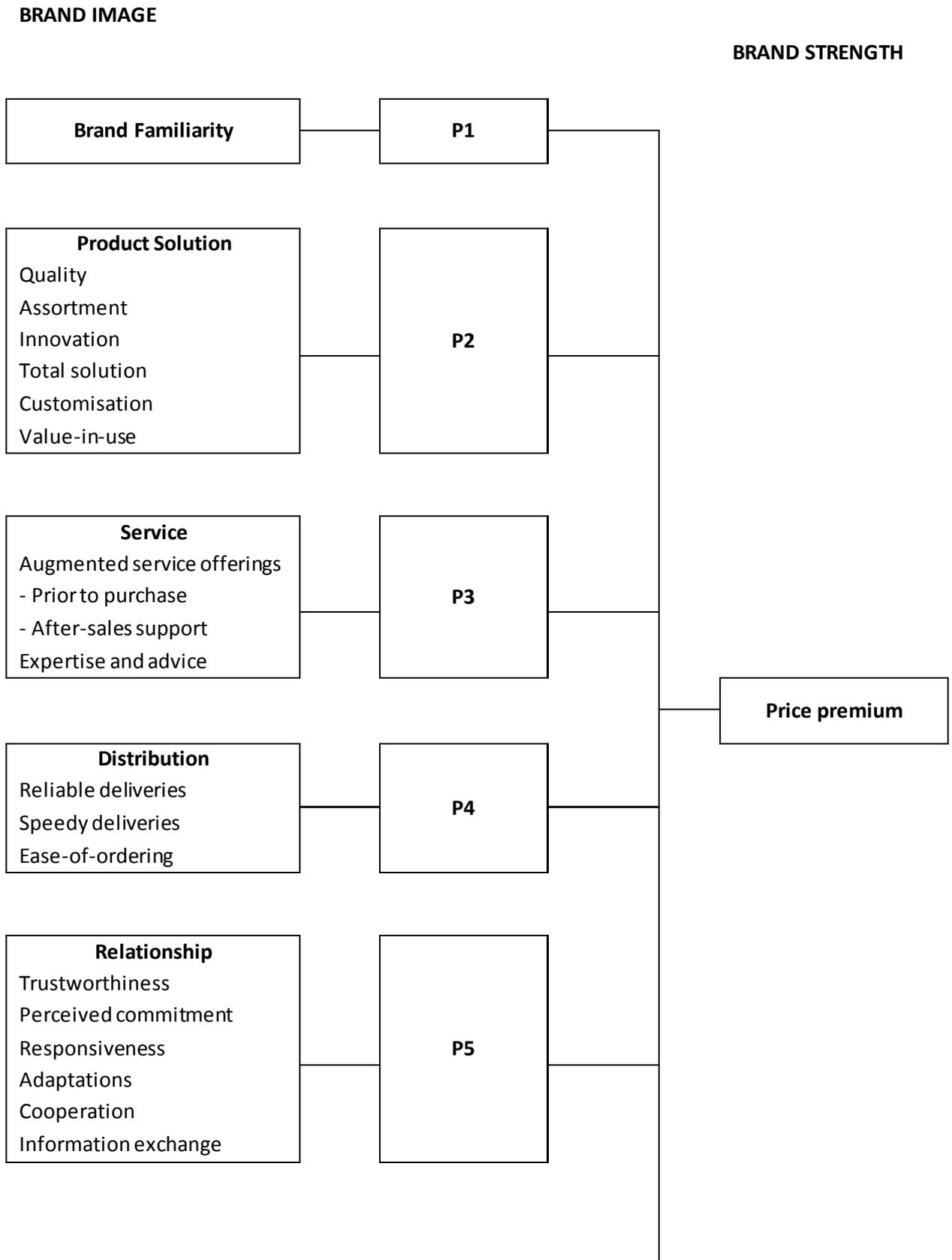
- Awareness
  - This relates to the recognition, recall, familiarity and salience of the brand in the consumer's mind. However awareness is not enough and a level of familiarity is required to enable a consumer to make a decision.
- Association
  - Product considerations that are tangible and intangible for the consumer include aspects like physical attributes of the product as well as feedback received from peers who use the brand.

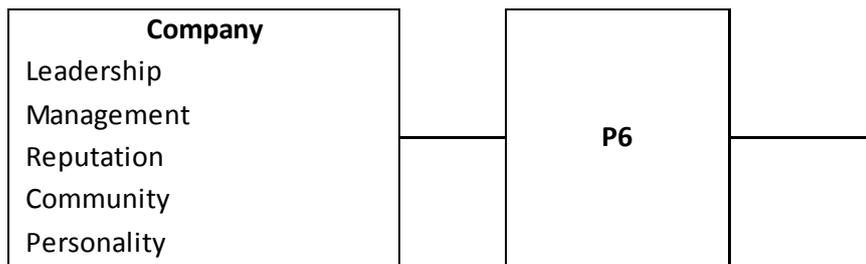
- Attitude
  - This describes the acceptability of the consumer to be attracted to the brand.
- Activity
  - This describes the involvement and consumption of the purchased product for the consumer.
- Attachment
  - Attachment, describes the consumer's loyalty, if there is an attachment to the brand, loyalty occurs more easily. Loyalty to the brand can develop into an addiction of the brand when a consumer only purchase the specific brand (Das et al., 2009:27).

### **2.2.2 Brand image**

Brand image is connected to the information of the brand as perceived in the consumer's memory (Persson, 2010). Persson (2010) identified six components of brand image that could have a relative impact on brand price premiums. Persson's Model (figure 7) has been adapted and was used to test the agricultural community's view on the importance of brand image dimensions and how these dimensions affect price premium.

Figure 7 - Brand image determinants of price premium





Source: Brand image determinants of price premium (Persson, 2010)

### 2.2.2.1 Brand familiarity associations

Aaker (1996) and Keller (1993) as cited in Persson (2010) explained that fundamental brand image dimensions have always been seen as part of brand familiarity. According to Ghodeswar (2008) brand identity is a unique set of brand familiarity associations with a core identity (timeless essence of the brand that remains constant as the brand moves to new products and markets) and extended identity, which implies a promise to customers that resonate with the customers.

In a B2B market, brand familiarity plays at least two roles; a) If a buyer is aware of a brand or company they will consider making purchases from the company or brand, and b) the buyer's perception of risk tend to prefer well-known brands, suppliers and producers as they perceive the risk to be mitigated by the fact that the brand or company are well-known (Broyles *et al.*, 2009).

Malaval, (2001) as cited by Persson, (2010), stated that well-known suppliers have an advantage when the buyer consider different suppliers and then these function as a deal-breaker when a decision is about to be made between the well-known supplier and the not so well-known supplier. Malaval posited that a well-known supplier will always be chosen above a less known supplier. Kuhn, Alpert, and Pope, (2008) shared this view that suppliers' reputations are more important to the buyer than price.

Ghodeswar (2008:4) stated that “*strong brands enjoy customer loyalty, the potential to charge premium prices, and considerable brand power to support new products and service launches*”. Brand personality and reputation of the brand can result in customer loyalty and, as a result, economic growth when the brand faces aggressive competition in the marketplace, as it distinguishes the brand from the competitive offerings. Han and Sung (2008) echoed this view that brands with a high perceived value provide a

competitive edge by enabling premium pricing, increasing demand and increasing margins.

Companies should ensure that their brand identity focuses on the company's points of differentiation that delineate their sustainable competitive advantage (Ghodeswar, 2008). The business strategy and the company's investment programmes must be based on the company's brand identity, but is only possible if the company has a thorough understanding of consumer behaviors, competitors in the market, and product and service attributes. The above discussion leads to the following proposition:

*P1 : Brand familiarity has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

#### *2.2.2.2 Product solution*

Persson (2010:1270) states that "... in B2B brand equity literature, the product dimension is most commonly conceptualized as the core of a firm's offering, or the "thing" a firm produces". Persson (2010) and Kuhn *et al.* (2008) continued to further classify components that reside under product solutions, namely:

- Proven consistency, quality and value of the product;
- Assortment and features of the product;
- Innovation;
- Total solution;
- Performance and customisation of the product;
- Ease of installation and upgrade capabilities, and
- Value-in-use.

Das *et al.* (2009) found that the notion of value is essential for brand success. Value can be defined as the equity for the price of the brand and the brand success can be seen as observable behavior in the product market (Das *et al.*, 2009). Quality, one of the components of product solution, is judged by consumers on the attributes that they associate with quality (Das *et al.*, 2009). The customer can make use of perceived or objective views to judge a product's quality. Perceived quality is the customer's judgment about an overall excellence of superiority of the product, whereby objective quality refers to the technical, measurable and verifiable nature of the products, processes and quality controls (Lee, 2011).

The more important quality is to the consumer, the higher the consumer's willingness to pay a price premium. The selection of the high quality supplier is especially important if inferior quality of the product/supplier leads to monetary losses for the consumer. It is important to remember that quality sensitive customers will be able to detect whether the prices charged do actually reflect the quality level of the product (Biong & Silkoset, 2014). This is especially relevant in the agricultural sector during their peak seasons, where the window period is small to either plant or harvest, and breakdowns of machinery and equipment due to inferior quality can be extremely costly for the customers.

Lee (2011) stated that the underlying determinants of consumer-based brand equity are that the brands provide benefits to consumers by differentiating their products and services from their competitors. Aspects like innovation, value-in-use and technical advances on the product are determining factors in the decision-making process. Product innovation is a core source of differential advantage, and has considerable effect on distinguishing between brands. This may not be the case for pricing or communication tools. Ataman, van Heerde and Mela, (2010:872) posited that "...*advertising and pricing are more limited in their ability to differentiate goods, especially because discounting is often viewed as a short-term tactic to generate immediate sales*" (Ataman, Van Heerde, & Mela, 2010).

The assumption from the author is that B2B consumers acquire a complete solution when buying a product, which according to the factors mentioned above, is much more than only the product. Kuhn et al. (2008) interestingly found that brand elements such as slogans and brand names are not all that relevant to respondents who are explicitly more interested in the product offering, which support the argument of the importance of a complete solution.

The factors, as mentioned above, play a direct role in a B2B consumers' willingness to pay a premium. The weighting and importance of these solutions however, need to be determined in the agricultural sector. It is also important to note the manner in which consumers' product challenges are solved by the product producers, as this has an even stronger influence (than product benefits alone) on consumer decision-making during the sales process (Han & Sung, 2008). This leads to the formulation of the following proposition:

*P2 : Product Solutions have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

### 2.2.2.3 Service associations

Association has been defined as “*the state of being connected together as in memory or imagination*” or “*the act of remembering or recalling any past experience would also bring to the fore other events or experiences that had become related, in one or more specific ways, to the experience being remembered*” (Kwon & Jung, 2013:55). Service performance is less predictable than product performance because service performance is inherently variable, since the production of a service cannot be separated from the people providing the service. Despite the degree of training involved, this may still have an influence on service variability. The consumer’s interaction with the service supplier in the service experience further increases variability. Service reliability is therefore an even more important aspect of satisfaction within the field of service products than for physical products (Folkes & Patrick, 2003).

When a consumer experiences a satisfactory service experience with a sales representative or any employee of the brand, the consumer assumes that others in the firm will also provide good service. This also results in brand loyalty, as the consumer still does business with the supplier even if the individual service provider quits his job and moves to a new supplier.

The word-of-mouth (WOM) communication that the consumer communicates will endorse the supplier rather than the individual employee of the supplier; hence the WOM communication is more likely to be beneficial at a brand level (Folkes & Patrick, 2003).

Suppliers generally provide three types of service: pre-purchase, at-purchase and after-sales. Cao and Gruca (2004:52) defined pre-purchase service and post-purchase service as: “*as the delivery of information about products and prices to customers before a purchase and “post-purchase service” as the physical delivery of products to customers after a purchase, order tracking of the product delivery, and other supporting activities*”. At-purchase service emphasises satisfying consumers’ needs when consumers buy the product. After-sales service is also a source of profit and competitive advantage, according to Kuo and Wang (2012). Kuo and Wang believe that after-sales service “*can also be the source of significant revenue potential, accounting for as much as 25% of revenue and 40–50% of profits for manufacturers*” (2012:6692).

Services are described by most B2B equity writers as an augmented offering that supports the core offering, however specific service offerings that appear in the literature

are technical support, design, training, financial services, staff training, development support, information services, after-sales services, expertise and advice (Persson, 2010) and Kuhn *et al.*, 2008).

Persson (2010) found that prior to purchasing services; expertise and quality advice with sound after-sales service plays an important role in the consumer decision-making process and includes the willingness to pay a price premium. This argument leads to the following proposition:

*P3 : Service associations have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

#### 2.2.2.4 Distribution associations

Ataman *et al.*, (2010), formulated two expectations regarding the effect of distribution breadth on price elasticity.

- Broader distribution...
  - May increase the chance of within brand price comparison across stores. This leads to an increased emphasis on price.
  - Signals the manufacturer's commitment to the brand and, potentially, its success in the marketplace.
- Distribution breadth, or the intensity of distribution (the percentage of distribution that carries a brand) can affect brand performance and it can be expected that increases in the breadth of distribution leads to higher base sales because the wider availability facilitates consumers' abilities to find the brand.

The availability of distribution hubs or service centres in the region assists the consumers in their ability to find the brand for pre- sales information, at-sale and post-sale services. Distribution associations include all aspects of distribution from availability and reliability, to delivery speed, ease of ordering, lead times and payment terms (Han & Sung, 2008). Persson (2010) and Kuhn *et al.* (2008) concluded that distribution reliability is a critical element for consumers in the B2B market as it relates directly to the supplier's ability to minimise costly disruptions in the customer's production line or in this research case, the agricultural market.

There are critical window periods in the agricultural space where down time could adversely affect the potential income for the farm. Distribution attributes such as

reliability, speed of delivery and ease-of-ordering are therefore likely to influence the willingness to pay a price premium. This leads to the formulation of the following proposition:

*P4 : Distribution attributes have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

#### 2.2.2.5 Relationship associations

Relationships refer to the amount of information sharing between the consumer and the supplier, the quality of communication, the long-term relationship orientation between the consumer and supplier, as well as the satisfaction associated with a relationship (Han & Sung, 2008). The main differentiator between relationship and service is the fact that relationship elements regarding the customer's view of how a supplier will behave as a business partner can only be evaluated in the long-term and not immediately. However, a service could be of an episodic short-term transactional nature (the customer's view on how a supplier will behave in the short-term) or a long-term relational nature (Persson, 2010).

The company's sales staff is a major brand-building tool for B2B marketers, as the consumer's purchase decision depends not only on their assessment of the product's functional benefits, but on their relationship with the company's sales persons (Kuhn *et al.*, 2008). Every employee of a supplier must represent the brand of the company, and all the dimensions associated with the brand (Gromark & Melina, 2011).

Muyllé, Dawar and Rangarajan, (2012:60) stated that "*behind every successful B2B customer-seller relationship is a large amount of effort and resources expended by both parties to build mutual trust.*" Trust can only be built over time and it is imperative that mutual trust exists between the consumer and the supplier. Muyllé *et al.* (2012:61) identified five different phases in a B2B customer-seller relationship:

- Contact Phase: A consumer has a need and is considering potential suppliers. The consumer analyses suppliers who demonstrate their ability to satisfy the specific customer need.
- Transaction Phase: If the supplier is able to convince the customer that his/her product/service can satisfy the need, the consumer places a trial order to verify claims made by the supplier.

- Expansion Phase: When the consumer is satisfied with the delivered product, the consumer will entrust the supplier with more orders similar in nature to the need.
- Consultative Phase: As the supplier systematically delivers on promises, the consumer's confidence towards the supplier is enhanced, and results in the consumer's increased willingness to work together with the supplier to address other consumer needs.
- Enterprise Phase: A positive outcome during the consultative phase ensures that the consumer now increases his/her levels of commitment and resources to working with the supplier on strategic initiatives.

Kuhn *et al.* (2008) also found that respondents in their study identified primarily with the company brands, even though the respondents referred to their relationships with the company representatives rather than the product brands. The ability of the supplier to build not only a professional relationship (service, payment terms, etc.), but also a personal relationship in which the customer experiences trust, must also be considered as an aspect that would play a part in the willingness of consumers to pay a premium on physical capital. This leads to the formulation of the following proposition:

*P5 : Relationship between B2B and supplier has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

#### 2.2.2.6 Company

The customers in a B2B context associate more with the company that provides the product or service offered, rather than with the association to specific products or services offered by the company. These associations are identified by Persson (2010) as being: stability, success, credibility, social responsibility, history, size, industrial leadership, reputation, likeability, experience, networks, financial stability, personality and country of origin.

Lee (2011) identified an additional aspect that needs to be considered, namely trustworthiness. Trustworthiness is the confidence a customer places in the company. The company's communications and actions must be in the best interest of the consumer. If these factors are evident, consumers are more willing to pay a premium price for physical capital.

The company's brand name assures customer/buyers that the supplier is a responsible party. The higher the brand investment by the supplier, the less likely the supplier is to under-deliver on expected quality (Biong & Silkoset, 2014). This allows for greater customer satisfaction as expected quality would then at least meet or exceed quality expectations. As consumers become more aware of a supplier's reputation, trust is developed in the consumer's mind that the supplier will maintain certain quality standards to maintain their reputation of a high quality product (Jai-Beom Kim & Choi, 2003). This may, in turn, lead to consumers being willing to pay a price premium as a result of the company associations, which leads to the final proposition:

*P6 : The company association that is behind the product has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

### **2.3 Price Premium as an Indicator of Brand Strength**

A brand can successfully command any combination of volume premium and price premium (Haxthausen, 2009). Consumers will buy brands at a higher price if their perception of the brand is positive. Consumers are also more likely to buy the specific brand (with which they are comfortable) rather than any other brand within the same price range. Brand loyal consumers will pay a premium for a product if they perceive some unique value of the product/brand, which is not available in competing brands (Chaudhuri & Holbrook, 2001). This loyalty can be determined by trust in the brand and by feelings or affections elicited by the specific brand. Some of the unique values in a brand that can create trust can include the following:

- Reliability
- Safety and
- Honesty of the brand.

Persson (2010:1271) stated that price premium is a form of brand strength, while the following aspects must be considered: Strong B2B brands have been proven to obtain price premiums and brand-owning companies themselves have been associated with successful B2B branding, not only with consumer loyalty but also the ability to charge a price premium. It is important to determine the useful and profitable nature of price premium on brand equity, as viewed by many writers on business to consumers' (B2C), and lastly, how B2C brand equity has been explained in terms of market shares and

consumer choice in B2C markets. Additionally, brand equity is a relatively stable measure over time, as it captures variations in the brand's health and correlates with other brand strength measures.

Christodoulides and de Chernatony (2010) stated that price premium is the calculation of the additional income or profit that is generated as a result of a higher selling price between a branded and a non-branded (generic) product. Ailawadi *et al.*, (2003) as cited by Christodoulides and de Chernatony (2010:58) proposed “... a revenue premium measure as a proxy for measuring consumer-based brand equity. This is defined as ‘the difference in revenue (i.e. net price  $\times$  volume) between a branded good and a corresponding private label’”. Therefore price premium is not determined by price only but also by volumes sold.

Price premiums serve three functions: First, the customers are credibly informed of the abilities and performance of high-quality supplier. Second, price-premiums assure quality-sensitive customers of quality guaranteed suppliers and finally, payment premiums ensure high quality performance (Biong & Silkoset, 2014:171). “*In the brand equity perspective, a price premium might be a reward for perceived higher-quality services with higher utility relative to competitors*”, according to Biong and Silkoset, (2014:171). The information of economics and brand management might then converge. It is important to note that, the brand management perspective does not assume explicitly quality-assuring properties from price premiums.

## **2.4 Agricultural Sector of South Africa**

A notion that started at the dawn of civilisation is that the fundamental task of human beings around the world is the cultivation of land. The demand for agricultural produce that includes fibre and food is a function to ensure the economic wellbeing of consumers (Agriconnect, 2014). Population growth can be directly linked to the growth in demand for food and fibre, and as Asia and Africa expect a growth in their population of 2.2 billion people over the next 37 years, the pressure will be on the agricultural sector to ensure enough food and fibre for the world's population (Agriconnect, 2014).

Agricultural machinery and equipment is used to improve performance of activities on farms and in agri-businesses. This is mostly focused on the tasks of crop growing,

harvesting, and livestock-raising (Gross, 2007). A broad array of equipment types is available, in any given category and in different configurations and combinations.

Studies of the farm machinery and equipment manufacturing industry suggest that a combination of innovation and technology fuel agricultural growth. More demand for farming equipment has been driven largely by the overall economic health of the farming industry, the success of harvesting seasons, and crop prices (Schenkel, Finley, & Chumney, 2012). Financial institutions assisted farmers by providing increased access to capital funding for agricultural equipment purchases, which led to increased efficiencies on the farms.

The use of “science” in farming increased in the early- to mid-1990s. *“Factors such as weather, governmental subsidies, fluctuating commodity prices, and continued strong global demand for food products were largely beyond the control of individual farmers, although collectively, these forces negatively impacted farm income”* (Schenkel et al., 2012:416). Farmers are interested in how emerging scientific developments such as agri-biotechnology and GPS technology can be leveraged as sources of control for enhancing their existing resources to improve crop yields. GPS emerged as a technology that offered land-use optimisation through more precise planting and fertilisation applications (Schenkel et al., 2012).

According to Agriconnect (2014) agriculture experienced a higher rise in input costs than output prices in the last three decades. To counter this negative cash effect, farmers need to become more and more productive by yielding higher production levels whilst curbing the rise of costs through efficiency and economies of scale. The adoption of new technologies combined with economies of scale are a non-negotiable to ensure sustainable food security and profitability. This emphasises the need for research in this area in order for managers of agricultural equipment and brand owners to understand the determinants of brand image in this sector, as this will allow them to position their brands more effectively and should enable them to charge a premium for their products.

Another important category that requires some attention is the parts and attachments that are connected to farming equipment and these sales account for up to 17% of global agricultural sales (Gross, 2007). If parts and other accessories are not available, the equipment will be rendered useless and this could have a detrimental effect on farming yields due to down time.

The South African agricultural sector boasted an annual income in 2010 of R122.550.225.000 (Statistics, 2012). The products that generated this income are: (1) Field crops (including cereals, oil seeds, legumes, sugar-cane and fodder crops), (2) Horticulture (including vegetables, fruits and nuts), (3) Animals (including livestock, poultry, game, aquaculture and all other animals), (4) Animal products (including milk, eggs, hides and skins, wool and feathers) and (5) other farming activities such as income generated from the sale of forestry and bee farming products and any form of income generated from primary farming (excludes income from crops, animals and animal products and aquaculture).

Table 1 and 2 below reveal the magnitude of the agricultural sector in South Africa. Field crops on average contribute approximately 20% of the annual income generated by the agricultural sector. Agricultural production in South Africa was valued at R148 235 million in 2011, with a contribution to the GDP of approximately R63 billion. The primary agricultural sector has grown by an average of approximately 11,8% per annum since 1970, while the total economy grew by 14,9% per annum over the same period, resulting in a drop in agriculture's share of the GDP from 7,1% in 1970 to 1,9% in 2010 (Agriconnect, 2014).

**Table 1 - Gross farming income, expenditure and debt for selected items for 2010 and 2011 at current prices (R'000)**

Item	Year	
	2010	2011
<b>Gross farming income</b>	<b>R 122,550,225</b>	<b>R 131,540,723</b>
Field crops	R 26,505,562	R 25,544,570
Horticultural products	R 29,552,231	R 32,345,669
Animals and animal products	R 64,609,979	R 71,830,353
Other farming	R 1,882,453	R 1,820,231
<b>Expenditure</b>	<b>R 132,166,922</b>	<b>R 147,729,151</b>
Salaries, cash wages and bonuses	R 15,220,184	R 17,946,250
Current	R 89,910,504	R 98,765,121
Capital	R 11,559,142	R 11,774,055
Purchases	R 15,477,092	R 19,243,725
<b>Farming debt</b>	<b>R 65,471,423</b>	<b>R 80,513,050</b>

Source: Statistics (2012)

**Table 2 - Gross farming income by type of product**

Type of product	2010		2011		% Change
	R'000	% Cont	R'000	% Cont	
Field crops	R 26,505,562	21.62%	R 25,544,470	19.40%	-3.60%
Horticulture	R 29,552,231	24.10%	R 32,345,669	24.60%	9.60%
Animals	R 50,374,927	41.18%	R 57,625,118	43.80%	14.40%
Animal products	R 14,235,052	11.60%	R 14,205,235	10.80%	-0.20%
Other farming	R 1,882,453	1.50%	R 1,820,231	1.40%	-3.30%
<b>Gross farming income</b>	R 122,550,225	100.00%	R 131,540,723	100.00%	7.30%

Source: Statistics (2012)

SA produced 11,3 million tonnes of maize during the 2011/2012 season with 8,5 million tonnes consumed by domestic use and as animal feed. The picture for wheat however, is quite the opposite as South Africa only produced 1,5 million tonnes in 2011/2012, but consumed 3 million tonnes.

SA is the leading citrus producing country in the Southern Hemisphere. Only half of the citrus products produced in SA are consumed locally, whereas the rest is exported, making the citrus sector very susceptible to international market changes.

As mentioned earlier in the research paper, South African agriculture spent R6,964 billion on physical capital per year (Statistics, 2012:3), and very little research has been done to understand what the determiners of the brand image components are that will enable brands owners of physical capital equipment to market their products with a price premium.

Physical capital that was explored during this research can be categorised as follows (Kataria *et al.*, 2012):

- *Tangibility* – Equipment used in agricultural production, that is tangible
- *Durability* – The asset can be used repeatedly over several production periods
- *Mobility* – Assets does not have a fixed location and can be easily moved
- *Reproducible* – Asset is tangible and can be matched or duplicated

The agricultural sector accounts for almost 10% of total employment in South Africa, even though agriculture contributes a small share of the national gross domestic product in the overall economy. It must be noted that about one-third of total production is exported. Agriculture in South Africa is dominated by medium- to large-scale farms and is perceived as a successful sector (Calzadilla, Zhu, Rehdanz, Tol, & Ringler, 2014). Commercial farms are mainly capital intensive, produce on a large-scale, and are export-oriented, accounting for around 90% of the total agricultural production and covering about 86 percent of the country's cropland (Calzadilla et al., 2014).

This research mainly focused on the segment within the agricultural sector with a main income stream of field crops, horticulture and other farming activities, as the capital equipment that is required in this sector is expensive and tends to be more brand specific.

## **2.5 Summary**

The theory reviewed in this chapter defined and described the concepts of each of the brand image dimensions that were tested in this study and the proposed effect each dimension may have on the customer's willingness to pay a price premium for the product. These dimensions and their effect on the consumer's willingness to pay a price premium were tested in the South African agricultural market as there is very little research available on this topic within this sector.

The results should provide brand owners of agricultural products (physical assets) with a better understanding of consumers' brand image associations, thereby allowing them to build their brands more effectively in this market. This study also sought to provide managers with marketing tools in terms of creating more effective pricing strategies within this market.

## **CHAPTER 3: RESEARCH QUESTIONS**

This research examined the conceptual understanding of corporate B2B brand image dimensions as a determinant of price premium in the South African agricultural market. Marketing and branding in this sector is under-researched and limited information is available to provide likely solutions to the research questions of this study. A previous study was conducted by Persson (2010) in Sweden, which tested these determinants of brand image and their influence of price premium. This study was however conducted in a B2C context, within a developed market. The study has been adapted to be used in the Agricultural Sector of South Africa, to determine whether the same results are seen in a different sector and in a developing economy.

The following research questions were identified and this research endeavoured to explore the results in each of these categories:

### **3.1 P1: Brand familiarity has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

In a B2B market, brand familiarity plays at least two roles; a) If a buyer is aware of a brand or company they will consider to make purchases from the company or brand, and b) buyers tend to prefer well-known brands, suppliers and producers as they perceive the risk to be mitigated by the fact that the brand or company are well-known. It is proposed that this brand familiarity may increase the consumer's willingness to pay a price premium.

### **3.2 P2: Product solutions have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

B2B consumers acquire a complete solution when buying a product, which according to the discussion in Chapter 2, is much more than merely the product. It is also important to determine the manner in which the consumers' product challenges are solved by the

product owners, as it will influence the decision-making during the sales process, even more so than by just focussing on the product's benefits. A valuable product solution is proposed to impact a consumer's willingness to pay a premium.

### **3.3 P3: Service associations have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

Service are described by most B2B equity writers as an augmented offering that supports the core product offering. Prior to purchase services, expertise and quality advice with sound after-sales service plays an important role during the decision-making process and it is proposed that these service associations may affect the consumers' willingness to pay a price premium.

### **3.4 P4: Distribution attributes have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

Distribution attributes include all aspects of distribution from availability and reliability, to delivery speed, ease of ordering, lead times and payment terms. Distribution reliability is a critical element for consumers in the B2B market as it relates directly to the supplier's ability to minimise costly disruptions in the customer's production line or in this research case, the agricultural market. It is proposed that distribution attributes will affect the consumers' willingness to pay a price premium.

### **3.5 P5: Relationship between B2B and suppliers has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

Relationship elements regarding the customer's view on how a supplier will behave as a business partner can only be evaluated in the long-term and not immediately. The ability of the supplier to build not only a professional relationship, but also a personal

relationship in which the customer experiences trust is proposed to affect the consumers' willingness to pay a premium on physical capital.

**3.6 P6: The company association that is behind the product has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

The company brand name assures customer/buyers that the supplier is a responsible party. The higher the brand investment by the supplier, the more likely the supplier is to provide a product that meets the consumer's quality expectations. Since product quality is instrumental in avoiding down time of agricultural equipment, it is proposed that company associations impact the consumer's willingness to pay a premium for products produced by the company.

# CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

## 4.1 Introduction

Saunders and Lewis (2012:110) distinguished three pertinent research methods as follows:

- Exploratory studies: These studies are aimed at examining new phenomena, or where the research problem is uncertain and requires exploration. During exploratory studies the qualitative research method is mainly used because it helps to focus on new insights, explore new questions and to assess topics in a new light;
- Descriptive studies: Quantitative research accurately describes the characteristics of the relevant phenomenon. Saunders and Lewis (2012:111) defined a descriptive study as "... *research designed to produce an accurate representation of persons, events or situations*". This type of research tends to answer the question "Why did the situation occur?".
- Explanatory studies (causal research): Quantitative research identifies a problem or a situation's cause and effect relationship between variables. Methods that can be used according to Saunders and Lewis (2012:113) are case studies, statistical surveys, observation, attitude surveys and historical analysis. This type of research tends to answer the question "Why do they prefer...?"

## 4.2 Research Method

This research paper made use of an exploratory research methodology. This method was chosen as limited marketing research has been done in the South African agricultural sector and little is known about how these consumers make decisions given the brand image dimensions, with regard to their willingness to pay a premium price on physical capital products. This exploratory method allowed the researcher to gain some new in-depth insights into an area of business that has not been extensively researched.

The research was thus conducted by following a qualitative research approach where qualitative primary data were collected. Saunders and Lewis (2012:85) defined qualitative data as “*non-numerical data or data that have not been quantified, such as text materials, and non-text materials such as video’s, voice recordings and images*”. Bansal (2013) described qualitative research as being based on textual data that was drawn from researcher’s interviews, analyses of archival manuscripts and observations. Multiple connections can be made from a single data point, because textual data are open to multiple interpretations, analysis and includes inductions of new theory. According to Bailey (2014) qualitative approaches provide value in guiding the development of new services and products, and are fully accepted in market research.

The original study that was conducted by Persson was done following a qualitative research approach with semi-structured interviews. As the current study tested the brand image determinants of price premium model as proposed by Persson (2010), the same qualitative approach, with semi-structured interviews was used during the interviews phase.

Qualitative research is conducted in circumstances when:

- Firstly, little is known in general about the problem, as exploratory research is required - as this is the case in the South African agricultural sector.
- Secondly, when more profound insights are required, and questions are formulated to seek insights, concepts, and ultimately to answer the question “will it work?”, which is the approach for testing Persson's model in this new context.
- Thirdly, when the interview process seeks non-verbal and less conscious feedback from the respondents, as in this study where the researcher sought to gain a more profound understanding of consumer behaviour rather than a broader, shallower set of data which a quantitative methodology would have provided.

Finally, this method allows for the researcher’s preconceptions to be ignored as the respondents’ answers are what is important, which again is relevant in this study where information is limited on the subject and the researcher sought to gain a deeper understanding of the brand image elements affecting price premium in this context (Saunders & Lewis (2012)).

### 4.3 Population

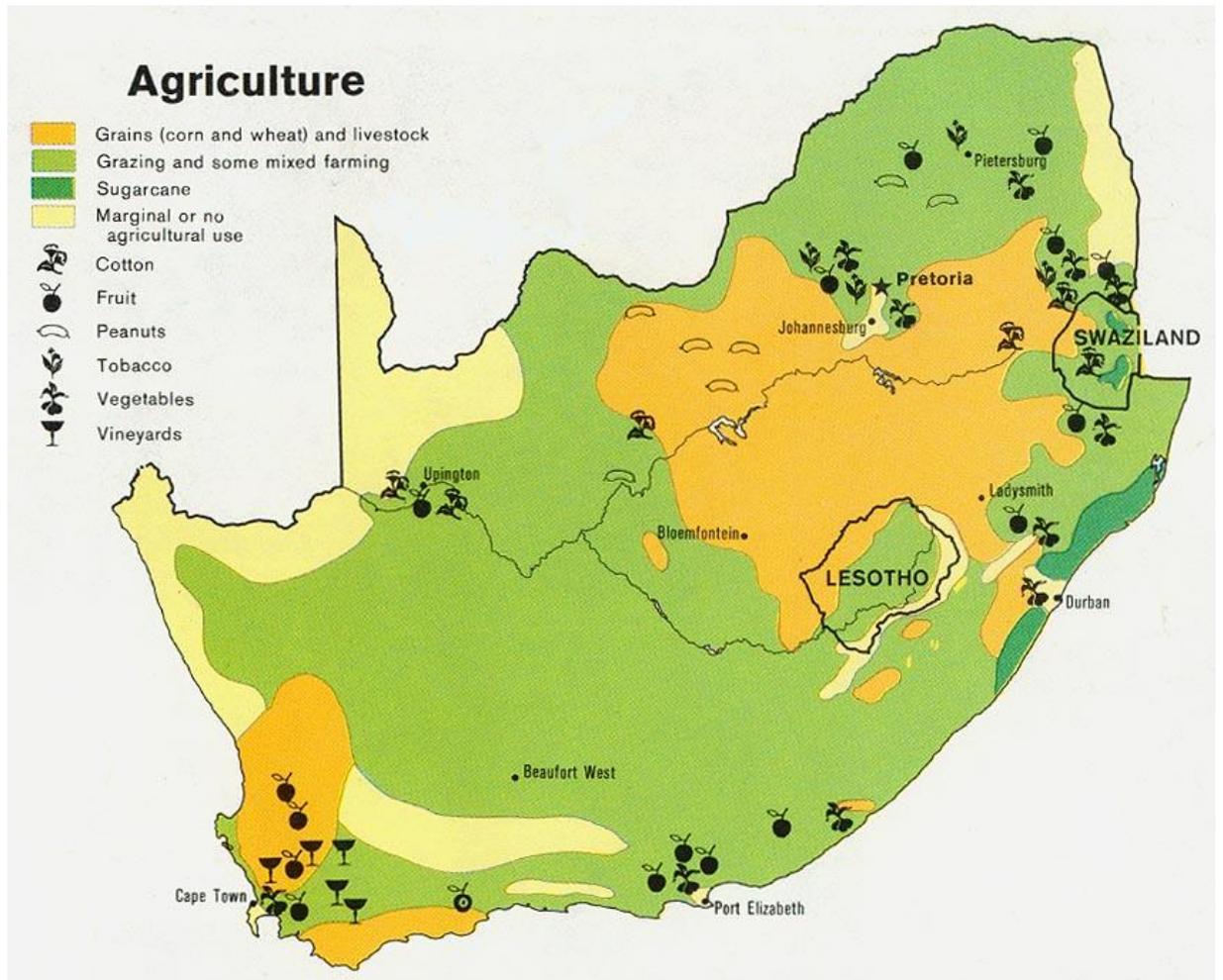
The population can be described as a complete set of group members to be studied (Saunders & Lewis, 2012). This study focused on the South African Agricultural sector. South Africa is divided into nine provinces and includes the following agricultural activities throughout the country:

- i. Field crops (includes cereals, oil seeds, legumes, sugar-cane and fodder crops),
- ii. Horticulture (includes vegetables, fruits and nuts),
- iii. Animals (includes livestock, poultry, game, aquaculture and all other animals),
- iv. Animal products (includes milk, eggs, hides and skins, wool and feathers) and
- v. Other farming activities (income generated from the sale of forestry and bee farming products and any form of income generated from primary farming, excluding income from crops, animals and animal products and aquaculture) in South Africa.

The respondents to this qualitative study were required to be active producers, who use physical capital in their operations to ensure that the responses were based on personal experience and limited bias based on perceptions.

The agricultural activities differ from region to region and are heavily dependent on the local climate conditions. Figure 8 below indicates the kinds of agricultural activity that are evident in each region.

**Figure 8 - Agricultural Map of SA**



Source: World Map (2014)

#### 4.4 Sampling

Sampling can be defined as a sub-group of the whole population. The sampling frame consists of the complete list of all members of the total population (Saunders & Lewis, 2012). As a staff member of a big commercial Bank in South Africa, the researcher had access to a list of active agricultural producing business entities in South Africa who have a relationship, and an account with the bank.

Saturation occurred once seventeen respondents were interviewed, thereby providing the sample size. Saturation is the point where information is repeating itself and to continue is redundant as the purpose of the research is to find variations and context of participants' experiences. Kuper, Lingard and Levinson (2008:687) stated that

*“researchers consider samples to be saturated when encounters (interviews, observations, etc.) with new participants no longer elicit trends or themes not already raised by previous participants”.*

Semi-structured interviews were conducted in this qualitative study in four different provinces of South Africa which included Limpopo, Mpumalanga, Kwa-Zulu Natal and the Free State. The sample was limited to these four provinces due to the large geographical region in which agriculture is practiced in South Africa, and also due to budget constraints. The author used judgemental sampling with the ambition to include respondents from different agricultural sectors in order to include most of the different agricultural activities in the data. In the search for respondents, the author focussed on the following farming activities:

- Field crops, where the primary focus was on maize farming in Mpumalanga and Free State regions and sugar-cane farming in Kwa-Zulu Natal.
- Horticulture, which primary focused on sub-tropical fruit in the upper Limpopo region.
- Animal products, where the primary focus was on milk producing farms in Kwa-Zulu Natal.
- Other farming activities, which included forestry in Kwa-Zulu Natal.

Some of the respondents were not only limited to one activity and it was not uncommon to find that farmers (respondents) had a combination of activities on their farms. For example, sub-tropical fruit, nuts and some field crops are produced on farms in the lower Limpopo and upper Mpumalanga regions. The Free State, however, is more focussed on field crops.

As this research relates to B2B in the agricultural sector, the respondents were part of a business entity like a company, close corporation, trust, sole owner or partnership, and the individual respondent was the final decision maker in the acquisition of physical assets.

The author used non-probability sampling, which can be defined as a variety of sampling techniques for selecting a sample when a complete list of the population is not available (Saunders & Lewis, 2012:134). The author did not have a complete list of the entire population of producing farmers; the author therefore could not select a sample from this population at random. The author did not know the chance or probability of each member

of the population being selected. Due to this factor purposive sampling method was employed. Saunders and Lewis (2012:138) defined purposive sampling as “... a type of non-probability sampling in which the researcher’s judgement is used to select the sample members based on a range of possible reasons and premises.”

A homogeneous sampling variety was used that focussed specifically on the sub-groups as identified in Section 4.3. This allowed the author to explore the characteristics in greater depth and minor differences became more apparent.

## **4.5 Unit of Analysis**

In the basis study conducted by Persson (2010), the researcher questioned respondents and then analysed conversations around the number of mentions each determinant received. The same approach was followed in this study as the researcher also used the induction research approach, which involves the development of theory on the grounds of the results of the analysed data (Saunders & Lewis, 2012).

A pre-test or pilot session was conducted with at least six respondents to ensure that questions were clear and to ascertain whether any changes or clarification were required. Changes were effected and tested again to ensure that the questions were correctly interpreted without further explanation.

The consistency matrix (Annexure 1) was used during the research project to ensure that the structure of the research was maintained and that feedback was based on the questions that needed to be answered from the outset. This ensured that the research was structured and systematic.

## **4.6 Data Collection of Primary Data**

Saunders and Lewis (2012) defined semi-structured interviews as a method of data collection in which the interviewer asks questions regarding a certain themes using some structured / predetermined questions. The questions varied in the order in which the themes were covered. By conducting semi-structured in-depth interviews the author gained a more profound understanding of the consumer behaviour and the determinants that really affect consumer decision-making concerning brand image in the South African agricultural industry. The study attempted to identify a hierarchal order of these brand

image determinants when buyers are willing to pay a premium for one brand rather than another.

By using the Persson (2010) study as a base, the results clarified the theory in this research and explained the relationships between the variables of the brand image dimensions, or the lack thereof. The concepts were operationalised to ensure that facts were established by following a clearly structured methodology to facilitate the replication. This method is referred to as the deduction research approach (Saunders & Lewis, 2012).

Face-to-face interviews were conducted with 17 individual representatives from the agricultural industry, on the farmers' premises to ensure that respondents were at ease in their own space and not intimidated when responding to questions, thereby attempting to reduce any possible response bias. Interviews took approximately an average of 35 minutes to complete, depending on the respondents' willingness to share the reasons for the answers. Some interviews were cryptic, with short responses and some interviews took longer than the average time. Permission was obtained upfront from the respondents to mechanically record the interviews and the interviews were then transcribed, which was a condition for retrieving the interviews for analysis. Respondents were ensured that the interviews would be treated with confidentiality and that they would not be directly implicated. This ensured honest and open feedback from the respondents. The interview approach used was based on Persson's (2010) recommendations on how to identify relevant brand image dimensions. This was done by aggregating and eliciting brand associations from the consumers' memories.

The interview commenced with some demographic questions, and the reason for this was twofold (the full interview questionnaire can be found as Annexure 1, at the end of the document):

- It ensured that the respondents were at ease, as he/she reflected on their current situation without any pressure of response bias, and
- To gain some background information pertaining to the entity and the respondent.

The next step in the interview process was to ask the respondent to think of any brand for which they would be willing to pay more for, compared to any other brand in the same product category. This step enabled the respondent to identify a strong B2B brand that is associated with a price premium. To assist the author in identifying relevant brand

associations, the respondents were asked open-ended questions about why they were willing to pay a premium price for that specific supplier. This line of open-ended free association questioning continued throughout the interview.

Examples of these questions are:

- *Tell me what comes to mind when you think of this supplier (x)?*
- *Why is your company willing to pay more for this supplier than for other suppliers?*

The same principle and procedure was also followed to establish a weak brand focus. Respondents were asked to think of any brand for which they would not be willing to pay a premium price for, when compared to any other brand in the same product category. The interviews were concluded with a summary question on why they would pay more for any product compared to another product.

## **4.7 Data Analysis of Primary Data**

Computer aided qualitative data analysis software (ATLAS<sub>t</sub>i) was used in the analysis of the primary data. *“ATLAS<sub>t</sub>i is a personal-computer program for the support of text interpretation that is being developed in the context of the interdisciplinary research project ATLAS (Archive for Technology, the Lifeworld, and Everyday Language) at the Technical University of Berlin, Germany”* according to (Muhr, 1991). The programme is designed to offer qualitative oriented social researchers assistance in their activities involving the interpretation of text and text documents. It has *“the capacity to deal with large amounts of text, as well as the management of annotations, concepts, and complex structures including conceptual relationships that emerge in the process of interpretation. One very early and important design decision was to leave creative, intellectual tasks with the human interpreter”* (Muhr, 1991).

The analysis commenced with a classification of the demographic information of the different respondents. This step assisted in dividing the respondents into the different categories. The next step was to measure the respondents' preferences against the six primary questions that this research was based upon. This was done by grouping and sorting the respondents' quotes into different brand image dimensions, according to the existing brand image elements and the conceptual model. This was used as “sensitising constructs” (Persson, 2010). Questions were asked about a specific brand that is considered by the respondents to be a weak or a strong brand. The researcher was less

interested in the respondents' brand preference as the interest was rather focussed on the attributes or elements which the respondent indicated regarding the specific brand being classified the way they perceived it.

Analysis was done using the conjoint analysis. Cobb-Walgren, Ruble and Donthu (1995:32) defined conjoint analysis as "*a multivariate technique which determines the relative importance of a product's multidimensional attributes*". Conjoint analysis allowed the author to measure the importance of the brand dimensions against the brand attributes and was done fairly deductively. The aim was to find which previously addressed brand image elements within each dimension were closely related to the willingness to pay a price premium of a product and how these were grouped together.

## **4.8 Research Limitations**

Qualitative, exploratory research is by nature preliminary or used to explore new ideas. It has to be followed up with a more detailed research method. This can include quantitative analysis, descriptive and causal research in order to provide more dependable results (Saunders & Lewis, 2012).

Fundamental limitations in this research are:

- The use of non-probability sampling means that the results may not be generalised to the population as a whole, due to the fact that the sample may not represent the population statistically (Saunders & Lewis, 2012).
- The researcher conducted 17 interviews. This is judgmental sampling and the small sample may negatively affect the validity of the data (Saunders & Lewis, 2012).
- Exploratory research is very subjective and reflects the perspectives of the researcher; essentially the researcher must be very careful not to show bias (Saunders & Lewis, 2012).
  - The author ensured that the respondents were never lead towards a specific brand, but rather exploratory questions were asked based on the respondents' current activities to identify strong or weak brands in the

respondents' current operations. This was required when respondents stated that they did not have a favourite brand.

- Interviewees may be affected by the testing process (response bias). They might want to appear in a positive light or provide the answers they think the researcher wants to hear, which could result in skewed answers, which could affect the validity of the research.
- The results may represent industry-specific, and regional-specific factors that are not representative in all B2B sectors that constitute the entire agricultural sector.

# CHAPTER 5: RESULTS

## 5.1 Introduction

As outlined in Section 4.6 of the Chapter 4's description of the research methodology and design, this small scale explorative and qualitative investigation included 17 interviews that were conducted with farmers who were geographically spread across four provinces of South Africa (Kwa-Zulu Natal, Free State, Limpopo and Mpumalanga). All the respondents were the final decision-maker with regard to the acquiring of physical assets. The interview approach employed was based on Persson's (2010) recommendations for identifying relevant brand image dimensions. This was done by aggregating and eliciting brand associations from the consumers' memories.

The interviews commenced with demographic questions. The next step in the interview process entailed questioning the respondents about brands for which they would be willing to pay more for compared to any other brand in the same product category. This step enabled the respondents to identify a strong B2B brand that is associated with a price premium.

To assist the author in identifying relevant brand associations, the respondents were asked semi-structured open-ended questions about why they were willing to pay a premium for that specific supplier. This line of open-ended free association questioning continued throughout the interview. Examples of these questions are:

- *Tell me what comes to mind when you think of this supplier (x)?*
- *Why is your company willing to pay more for this supplier than for other suppliers?*

The same principle and procedure was also followed to establish a weak brand focus. Respondents were asked to think of any brand for which they were not willing to pay more for compared to any other brand in the same product category. The interviews were concluded with a summary question about why they would pay more for any product compared to another product.

Table 3 reveals the basic demographic information of the respondents who were interviewed, with specific focus on the province in which they are situated, the business entity they are trading in, their designation in the business entity, the total number of

employees employed on the farms, the size of their land and the farming activity associated to the specific respondent. The data is discussed more comprehensively.

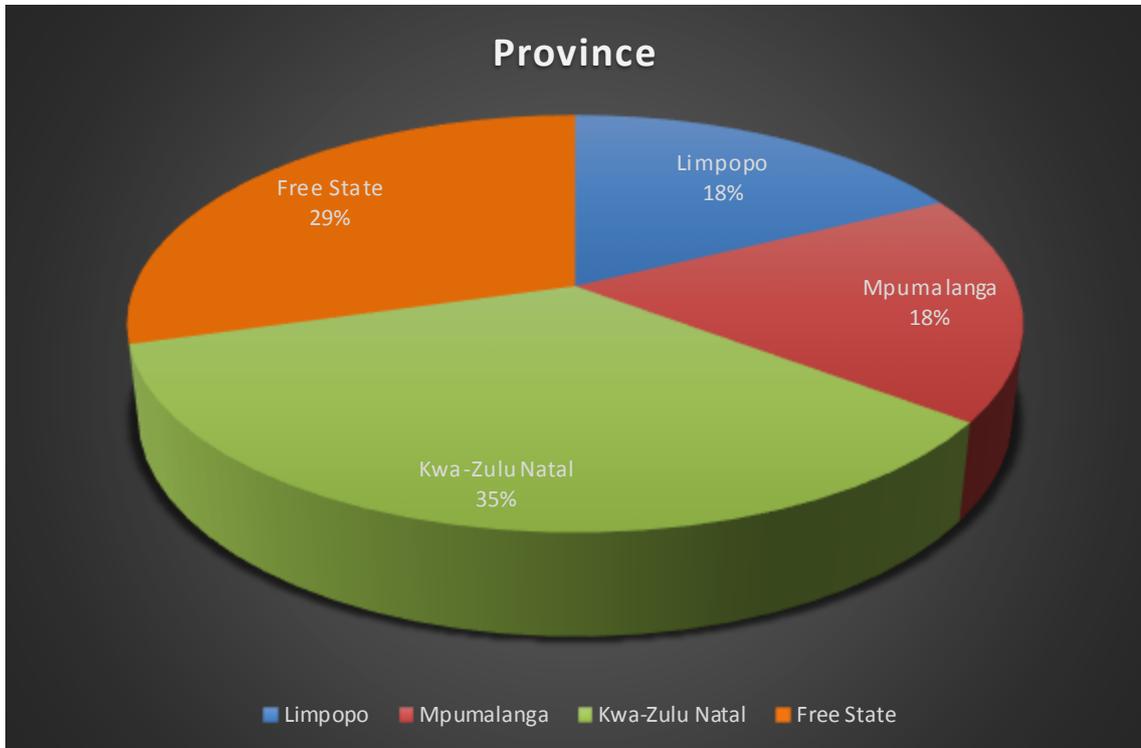
**Table 3 – Respondents’ basic demographic information**

Respondent	Province	Business Entity	Designation	Total Employees	Size of land Hectors	Farming Activity
R1	Limpopo	Partnership	Partner & Financial Manager	18	36	Horticulture
R2	Limpopo	Partnership	Partner	400	700	Horticulture
R3	Mpumalanga	Company	Director & Shareholder	600	20,000	Horticulture and Animals
R4	Mpumalanga	Company	Director	170	6,000	Field crops & Horticulture
R5	Kwa-Zulu Natal	Company	Director & Shareholder	51	3,901	Field crops
R6	Kwa-Zulu Natal	Trust	Trustee & Manager	35	500	Animal Products
R7	Kwa-Zulu Natal	Partnership	Partner	60	1,000	Animal Products
R8	Kwa-Zulu Natal	Company	Farm Manager	450	3,500	Field crops, Animals & Other
R9	Kwa-Zulu Natal	Company	Director & Shareholder	45	950	Animal Products
R10	Kwa-Zulu Natal	Close Corporation	Member	860	27,000	Other - Timber
R11	Free State	Sole Propriety	Owner	8	1,400	Field crops
R12	Free State	Company	Managing Director	103	3,350	Field crops
R13	Free State	Close Corporation	Member	27	3,100	Field crops
R14	Free State	Close Corporation	Member	81	1,400	Field crops
R15	Free State	Close Corporation	Member	14	1,500	Field crops
R16	Limpopo	Company	Director & Shareholder	130	150	Field crops
R17	Mpumalanga	Sole Propriety	Owner	200	480	Field crops & Horticulture

## 5.2 Demographic Information

### 5.2.1 Geographical spread of respondents

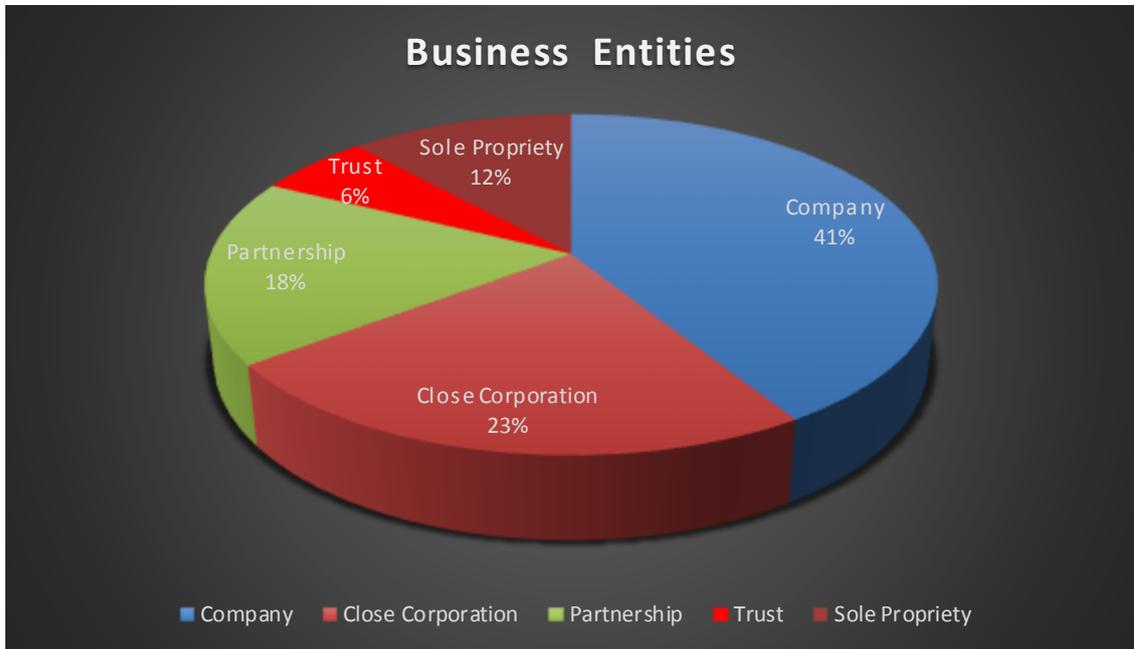
Figure 9 – Respondents' geographical spread



As Figure 9 displays, the respondents residence in the following provinces as follows: 35% of the interviews were conducted in Kwa-Zulu Natal, 29% in the Free State, with 18% representing those who were based in Limpopo and Mpumalanga respectively.

## 5.2.2 Business entities interviewed

Figure 10 - Business entities interviewed

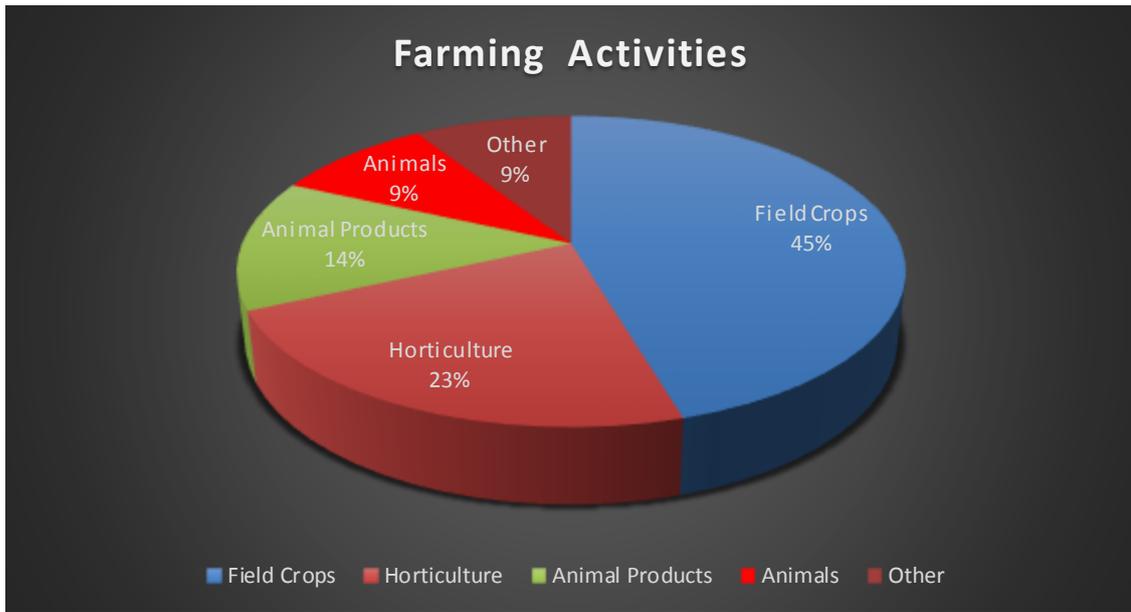


According to Figure 10, the seventeen interviews that were conducted with respondents constituted the following involvement in their respective entities: 41% of the respondents traded in a Company, 23% were part of a Close Corporation, 18% were actively involved in a Partnership, and 12% were operating as a Sole Propriety while 6% were part of Trusts.

## 5.2.3 Farming activities

As mentioned previously, some farms are proficient several farming activities. Figure 11 shows that 45% of these activities were related to field crops, 23% did horticulture, 14% animal products, 9% for animals and 9% for other farming activities like timber.

**Figure 11 - Farming activities of respondents**



#### 5.2.4 Size of land and employment figures

**Table 4 - Size of land and employees**

Number of respondents	Size of respondents land	Number of staff employed seasonally and permanently
3	0 – 499 hectares	348
3	500 – 999 hectares	480
4	1000 – 1999 hectares	163
4	2000 – 3999 hectares	631
3	Bigger than 4000 hectares	<b>1630</b>

As evidenced from the information provided in Table 4, the respondents represented a diverse collection of farmers – from those with large commercial farmers to those farmers who produce on relatively small pieces of land. Interestingly, these 17 entities cumulatively provide work for 1,630 seasonal and permanent employees.

### 5.3 Indications on the Relative Impact of the Brand Image Dimensions on Price Premium

The relative importance of the different brand image dimensions can be raised by counting the number of times associations within each dimension were mentioned by the respondents, even though this is an explorative and qualitative research method. Table 5 depicts how the Product Solution seems to be the one dimension most strongly associated with price premium brands, as it was mentioned 61 times.

**Table 5 - Frequency of mention for the six brand image dimensions in relation to price premium**

Brand Image dimension	Mentioned in relation to strong price premium brands		Mentioned in relation to weak non-price premium brands		Total Frequency of mention	Example of quotes
	Frequency	Rank	Frequency	Rank	Frequency	
Familiarity	19	3	0	4	19	"Associate the colour of the machine with quality" R4 "For me the "X" brand is quality." & "Brand "X" is good quality stuff"
Product Solution	36	1	25	1	61	"Correct equipment for the application", "Brand "X" is ahead with GPS Technology" & "They(the brand product) are reliable"
Service Association	29	2	16	2	45	"Supplier render a full service", "Quick response time when needed", "Spares are more available"
Distribution	19	3	3	3	22	"The big advantage is the they (the brand supplier) are located all over the country", "Dealership footprint throughout the region", "Close proximity of the dealership"
Relationship	8	4	0	4	8	"You build a relationship on all levels", "Relationship with the workshop", "If you have a difficult situation, they are willing to come to the farm on the same day"
Company	5	5	3	3	8	"The supplier has been in the industry or in this region for long". "The brand name and what it presents".
<b>Total</b>	116		47		163	

Service association also shows the importance of the solution (29 times) but was also mentioned 16 times by referring to a lack of service and the effect on price premium. Company and relationship appear to have less evident mental connections to price premium in this particular study.

### 5.4 P1: Brand familiarity has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital

The results related to this question can basically be categorised in two different responses:

- Respondents' awareness of the supplying company.
- Respondents' awareness of the quality of the product of the specific supplier that creates brand loyalty towards the brand supplier.

In Figure 12, a network view of Atlas.ti is presented to indicate the network that was obtained from the coding for brand awareness.

#### 5.4.1 Respondents' awareness of the supplying company

The results showed that the consumers are aware of the suppliers and the brands that they represent locally in the specific region in which they operate, and this influences their willingness to pay a price-premium during the purchase of physical capital.

Two respondents mentioned the name of the brand that they deal with, whilst two other respondents focussed on the time the suppliers have been in the industry and that they are well-known in the community. Three respondents mentioned that they tend to remain with a brand and will not switch suppliers easily. The way the brand is perceived by the consumer also plays a role, as mentioned by R15 (see quote below).

*"It's a status thing. You pay for the brand" and "It is a company (the supplying company) that grows and I want to put my business in that sector. I go with the best brand as I want to be associated with a brand that does not stagnate, and it must be affordable." – R 15*

*"I think first of all this supplier has been in the industry or in this region for over 20 – 30 years and during the time period he was the only supplier in the region for a long period of time, and he is also one of the guys that has one of the best networks." - R 1*

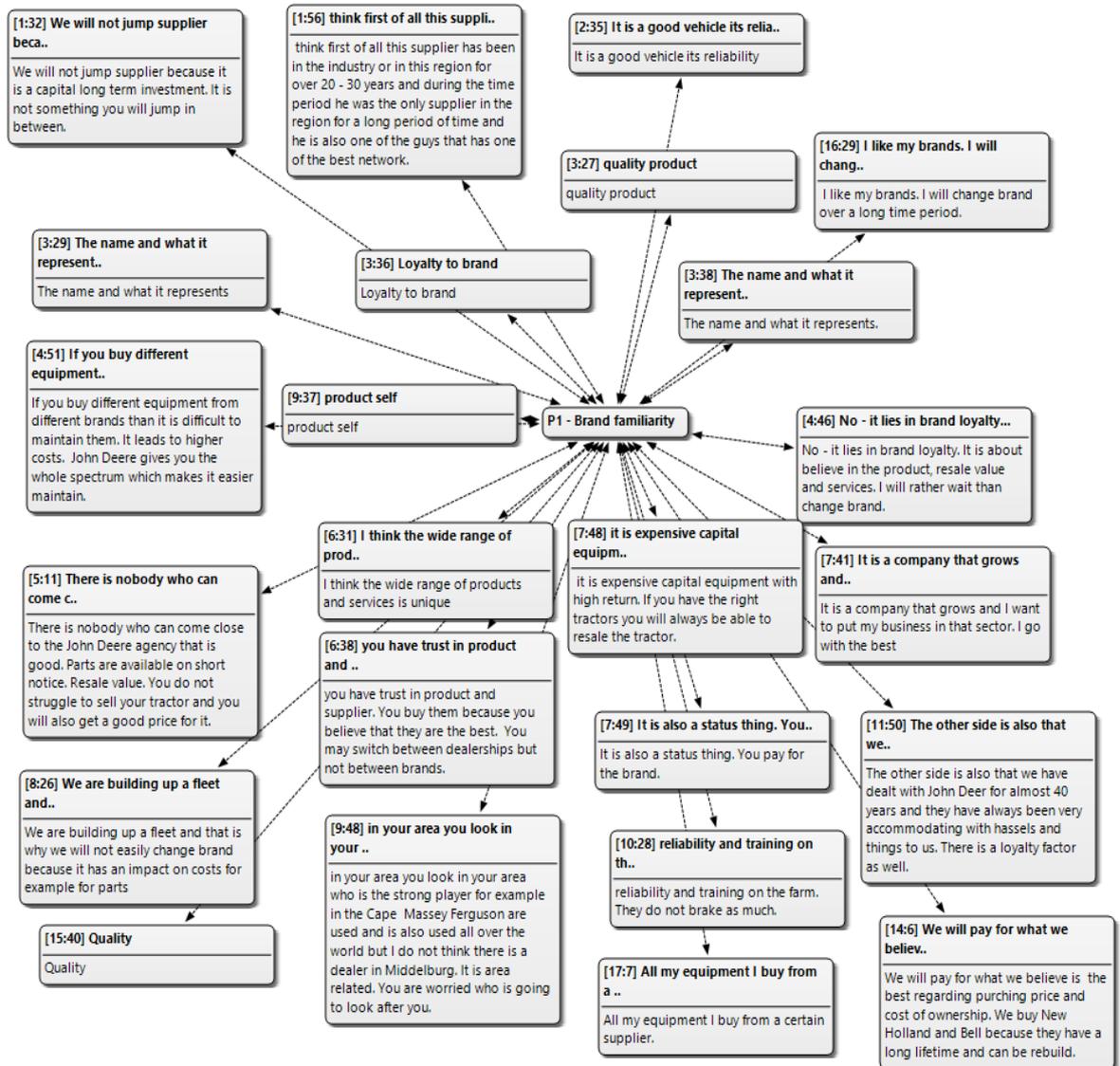
*"I like my brands." – R 16*

*"The name and what it presents..." – R 11*

*"You look in your area, who is the strong player..." – R 3*

*"We shall pay for what we believe is the best regarding purchasing price and cost of ownership" – R 8*

**Figure 12 – Atlas.ti network result for P1 - Brand familiarity**



### 5.4.2 Respondents’ awareness of the quality of the product of the specific supplier

The quality of the product as well as the reliability of the product plays an important role in the brand awareness as this creates trust and ultimately loyalty within the brand, which supports the notion of charging a price premium. Three respondents mentioned that they are loyal towards their brands, but qualified their statements with the fact that it could be

expensive not to be brand loyal. This relates to the fact that spares and after-sales service are requested from one entry point (supplier), which provides some leverage for the consumer to obtain more efficient service delivery. Below are some of the responses from the respondents:

*"You have trust in product and supplier. You buy them because you believe that they are the best." - R 14*

*"It lies in brand loyalty. It is about belief in the product, resale value and services." – R 12*

*"I believe you need to build a good relationship with the brand in order to receive a good service. Change is not always a good thing." – R 15*

*"We will not jump supplier because it is a capital long term investment." & "Currently we are looking first of all at the history and experience we have with the supplier and secondly two things that go hand and hand is price and assistance, they must be able to assist you and must not have difficulty to bring you parts and stuff like that." – R 1*

The interviews, as mentioned above, exhibited that well-known brands evoke positive associations when the respondents described the brand for which they were willing to pay a premium. Conversely the respondents expressed uncertainty about lesser known brands and the services these brands can offer. Some respondents (seven out of the seventeen) solely focused on the colour of the product and did not even consider the price.

*"The paint is blue – that is all" – R 1*

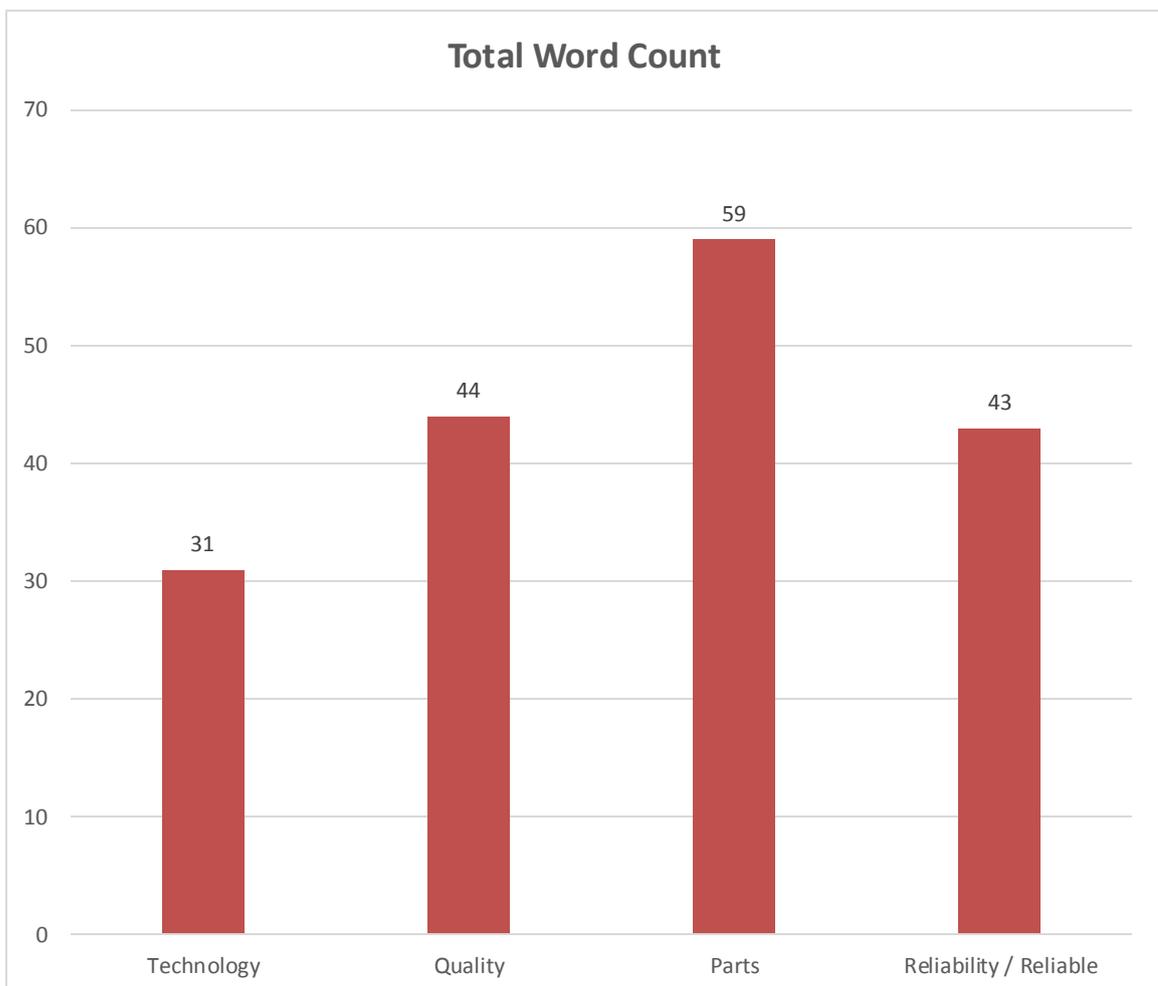
*"They are red in colour" – R 12*

*"Not even the colour is appealing" – R 15*

## 5.5 P2 : Product solutions have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.

Product solutions were emphasised as a very important aspect that determined the consumers' willingness to pay a price premium for a product during the purchase process. The strong brand provides benefits to consumers by differentiating their products and services from the competition. Beneficial aspects were identified by using a word count in Atlas.ti for the following terms: Parts, quality, reliability and technology. These aspects are shown in Figure 13.

**Figure 13 - Top five aspects that provide benefits to consumers by using Atlas.ti's total word count**



The ability of a supplier to provide effective product solutions is important and was a consistent theme that was evident during the interviews with all the respondents. Parts availability, especially in peak times, is non-negotiable and is important to ensure very limited down time for the respondents, hence the high word count of parts in this section (58 mentions of parts). Connected to parts, are the quality and reliability of the product, which was mentioned 44 and 43 times respectively by the respondents. By effectively delivering on these attributes, a brand can charge a price premium on their products. To illustrate this, below are some of the remarks made by the respondents with regard to product solution.

*“The competitive edge; what the brand offers on wide range of products and services.”*  
– R 14

*“Services is important. This includes spares. They have a wide range of spares (that are available. If something breaks it does not take a couple of days to get here.”* – R 6

*“Equipment is user friendly and does not break easily. The supplier’s assistance with getting the parts in the event of a break down is imperative and can be a deal breaker.”*  
– R 4

*“For me reliability, proximity of dealership, and service – back up services, parts availability, relationship with the workshop and the service they provide for us.”* – R 10

*“The mechanic comes out to the farm but it is like employing a lawyer. Because he comes at a very expensive rate. Like R700 an hour. They are good. They have the parts that are needed. We never sit weeks without parts. Other companies who did not deliver - we walked away from.”* – R 10

The quality of the product as well as the reliability of the product plays an important role in the willingness to pay a premium for the product. It has been mentioned 87 times by the respondents in this specific category.

*“Good Quality stuff. They are reliable because you have less break downs.”* – R 7

*“Reliability and the longevity of the equipment. You do not have to replace your equipment regularly and this ensures that you sweat your assets more and over a longer period.” – R 8*

*“Quality. I will pay more for quality.” – R 8*

*“Quality and price, in terms of trade in. If you can get quality you will be prepare to pay more.” – R 13*

Technology was mentioned 31 times by the respondents, and it was evident that the product solution must be technologically advanced or at least maintain the latest trends. Related to technology is also the innovative thinking of the supplier and future prospects that should be available soon, as this was emphasised by the respondents during the interviews.

*“I am led by the new models and technology that is available. “ – R 14*

*“Crops side: we try to simplify to run the business so that you reduce people so you go for high technology, bigger and better equipment, like tractors to reduce drivers.” – R 3*

*“They have a better integrated satellite services. Everything is already in and you don’t have to struggle to get all the wiring in. It is easy to install.” – R 16*

*“I am willing to pay more for reliability and technology in my specific area of specialisation. I shall pay more for technology.” – R 2*

## 5.6 P3: Service associations have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.

The ability of a supplier to provide all round services was the factor that was most mentioned (88 words counted by Atlas.ti) by the respondents. Services are associated with pre-sales, during sales and after-sales services, and encompass activities associated with the supplier and as well as the availability of technical support in times of need. Training was also delineated as an important aspect of service association, not only for the end-user, also for the brand representative, as this was perceived as a strong attribute of any employee of a strong brand.

The respondents were clear in their feedback that these attributes are non-negotiable, which provides the brand supplier with a leverage to charge a premium on their product if they can incorporate these attributes in their service promise and then continue to consistently deliver on these promises.

*"I need after-sale service." "Back-up service is not only on spares, but after-sales service, call out assistance, availability of mechanics and the effectiveness of the work shop of the agent." – R 3*

*"We will change (brand) for service more than anything else. If they look after us we will support them." "Services are important." – R 6*

*"Assistance towards gaining knowledge on the product itself and they must continuously be available for support. Their knowledge is also very important." – R 6*

*"Service delivery. At the end of the day the equipment is only as good as the company that supply and service it. It is easy to sell machines, but difficult to service that machine. Good service will sell the next machine." – R 5*

Some of the more important attributes that were mentioned by the respondents that relate to service associations were the following (and are presented in Figure 14): Product knowledge of the supplier's representatives (43 times), the representative's

ability to understand the agricultural needs and ability to answer questions (42 times), the ability of the mechanics of the supplier to repair the equipment (19 times) and must act professionally in the dealings with the respondents (nine times).

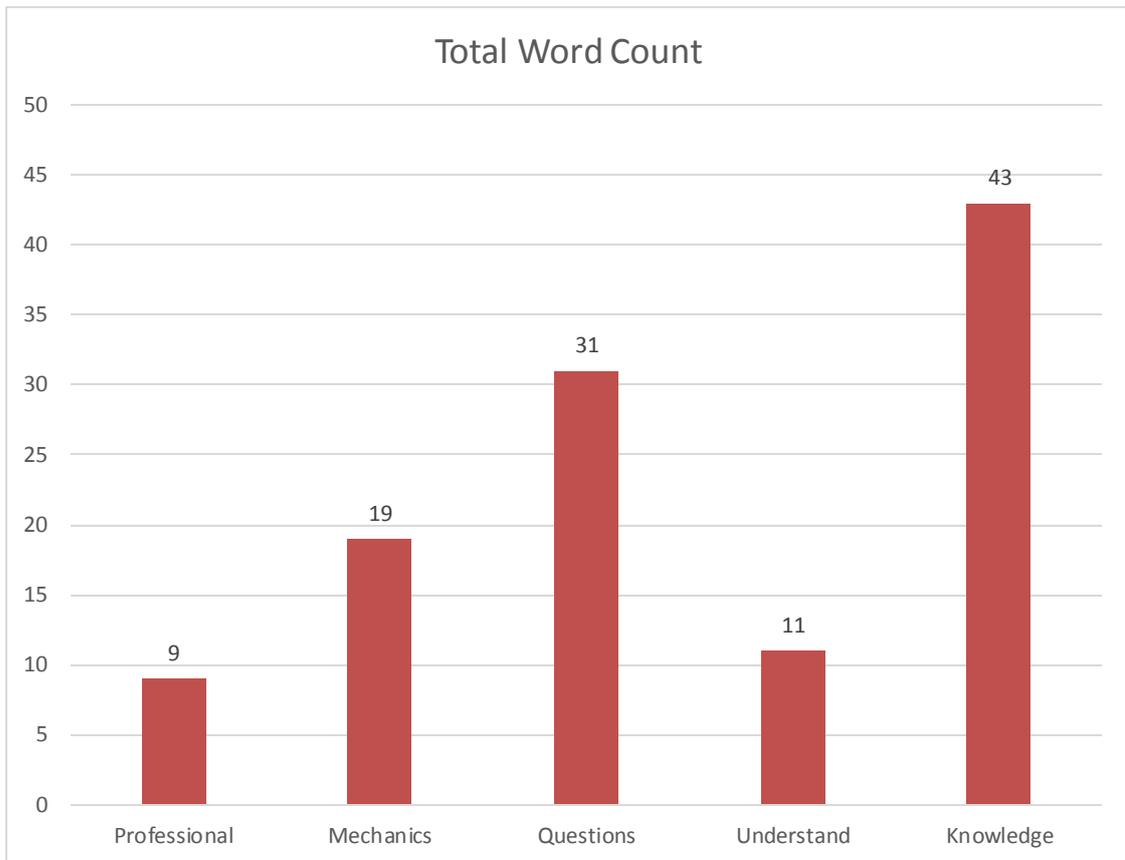
*“The (sales representative) person needs to build relationships and they need to have the knowledge to give advice to the client. The person needs to be professional and must not make promises that he cannot keep.” – R 4*

*“They (sales representative) are well trained and have a good knowledge of the product and technology. They are very neat and wear supplier branded clothes. They are always professional in their dealings.” – R 13*

*“They are professional, which includes they are willing and prepared to work long hours and solve problems. They are courteous and friendly and overall they are trustworthy. They can say that they do not know and they will find it out.” – R 12*

*“They are also specialists in their field.” – R 7*

**Figure 14 - Top 5 themes by using Atlas.ti's total word count for service association attributes**



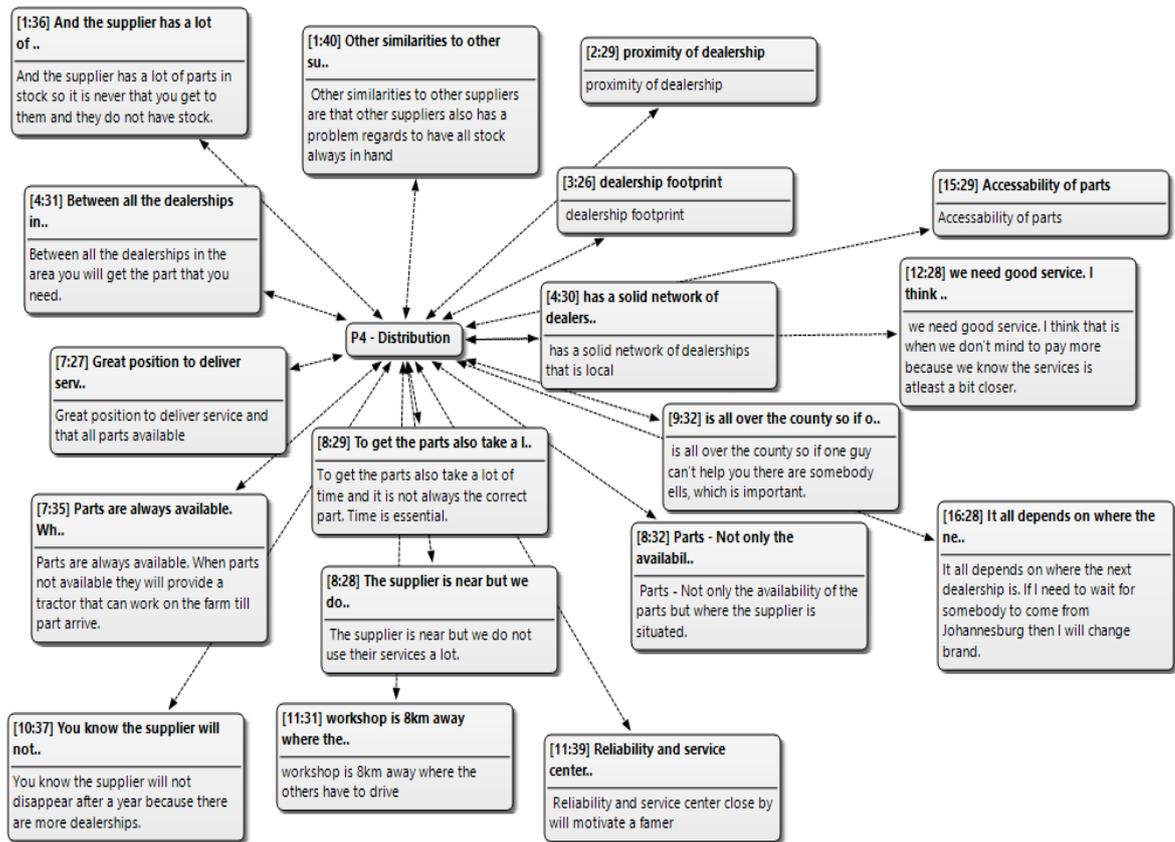
### **5.7 P4: Distribution attributes have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

The most important distribution attribute that was emphasised by the respondents (ten out of the seventeen respondents, or 59%) that stood out from all aspects of distribution was the footprint of the brand in the specific region. If a brand was not in a close proximity to the consumer, the consumer would reconsider doing business with the specific brand, as quick turnaround time on parts' availability and services are imperative in the farming community, especially during peak-times.

This was reiterated when further attributes of distribution were mentioned by eleven of the seventeen respondents (65%) and included all aspects of distribution, stretching from availability and reliability, to delivery speed, ease of ordering, and lead times. Distribution reliability is a critical element for consumers in the agricultural B2B market as it relates

directly to the supplier's ability to minimise costly disruptions in the agricultural market. Figure 15 illustrates the network view of Atlas.ti on the comments made by the respondents.

**Figure 15 – Atlas.ti network view on the importance of distribution**



*“It all depends on where the next dealership is. If I need to wait for somebody to come from Johannesburg (city) then I will change brand.” – R 16*

*“The big advantage of John Deere (Brand) is that Afgri (supplier) is all over the county so if one guy can't help you there is somebody else, which is very important. That has been a very attractive thing of John Deere is that they all over the country. You are always able to source a part somewhere.” – R 13*

*“...dealership footprint and it is a quality product even though it is not the cheapest product” – R 11*

*“We know there are certain equipment that are more expensive - like the John Deere tractors that are more expensive, but we get the service in Greytown (locally).” “I think that is when we don’t mind to pay more because we know the services is at least a bit closer.” – R 6*

## **5.8 Relationship between B2B and supplier has a strong impact on B2B consumers’ willingness to pay a premium during the purchase of physical capital.**

Relationship elements regarding the customer’s view on how a supplier will behave as a business partner, can only be evaluated in the long-term and not immediately, but this factor plays an important role in the decision-making process. What was interesting to note is that nine out of the seventeen respondents (53%) indicated that the relationships are not only formed by the representative, but are formed between the consumer and the brand, as explained by R4, R5 and R15 (see quotes below).

The positive relationship between the consumer and the supplier ensures quality after-sales service for the consumer. This shows that the relationships are driven by the vested interest between the supplier and the consumer. Only three out of the seventeen respondents (18%) indicated that a personal relationship must be formed to ensure quality after-sales service. Five respondents indicated that they have bought a weaker brand before but did not return to the brand due to service delivery failures and lower re-sale value of the equipment. This shows that the respondents entered into the transaction phase but never evolved into the expansion phase.

All of the respondents positioned themselves in the consultative and enterprise phase with regard to the strong brand as increased levels of commitment and resources were evident in the feedback they had provided.

*“The (suppliers representative) person needs to build relationship and they need to have the knowledge to give advice to the client. The person needs to be professional and must not make promises that he cannot keep.” “I will not change supplier but rather dealership. Relationship is very important. Their marketer is very good, because he will let you feel special and if he is not sure he will find out. In general their knowledge regarding their products is very good.” - R 4*

*"...he (the supplier representative) is almost like family to me. We became friends over the years and that is also something I like about this supplier. - R 1*

*"If I stay loyal to certain machine I can influence certain pressure on suppliers. I did my part and they need to do theirs. The suppliers will see that I am a loyal client and the supplier will then go the extra mile for me, the client." – R 5*

*"We build a relationship with the suppliers and hope that when you have a breakdown they will go the extra mile to service you." – R 8*

*"I believe you need to build a good relationship with the brand in order to receive a good service." – R 15*

*"If you have a good relationship with a supplier, then they will render a very good service to you as the customer." – R 17*

## **5.9 The company association that is behind the product has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

Feedback received from respondents showed that 47% of the respondents indicated that they associate with the company that owns the brand. The reputation and experience of the supplier in the region has a large responsibility in the decision to pay a premium during purchase in the B2B context. The question that can be raised by these results is; what is the effect on a positive relationship on the company association? In the feedback from the Atlas.ti network view, as presented below, the undercurrent of current relationship of the brand cannot be ignored or discounted.

Figure 16 indicates the network view of Atlas.ti, and reveals the pertinent themes that were evident in the feedback, namely: Reputation and history of the brand and supplier, success of the supplier, the brand image, experience of the brand, social responsibility and industrial leadership.

“Green star rating on sustainability gives them a better edge on other brands.” – R 14

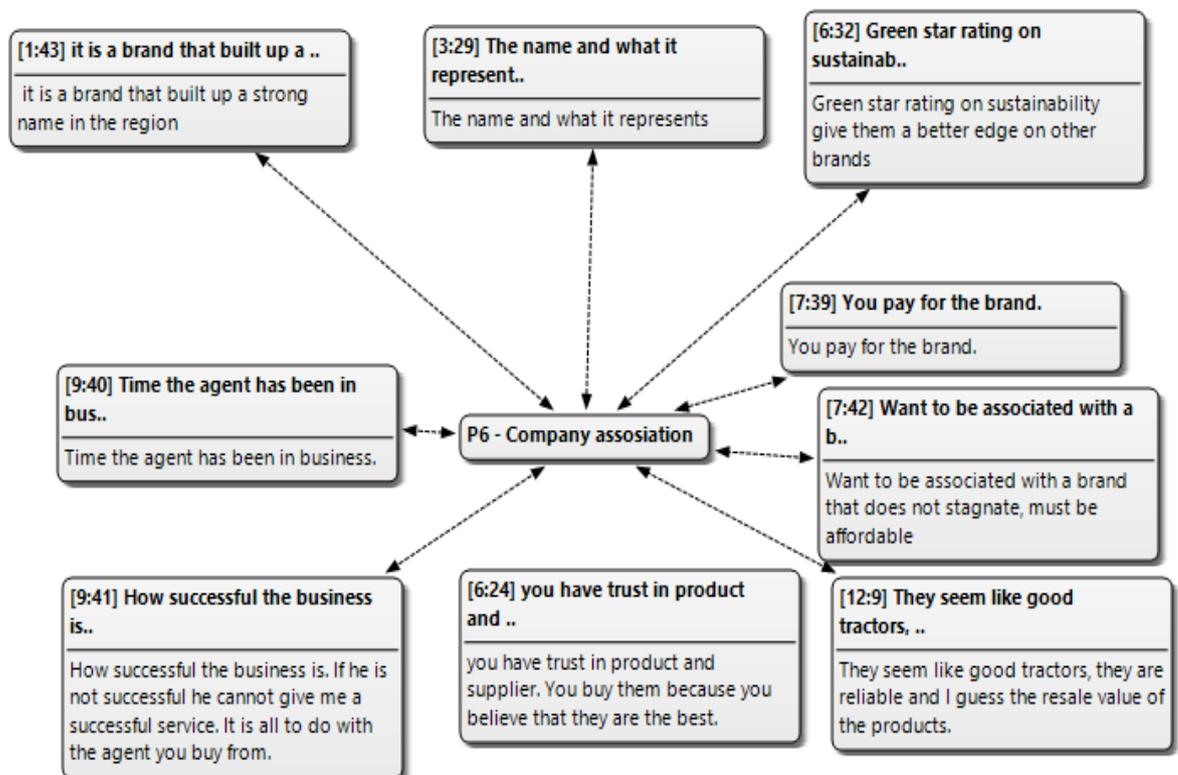
“I go with the best brand as I want to be associated with; a brand that does not stagnate and it must be affordable.” – R 15

“(The supplier) have a small edge due to their size in the area. Small edges in a competitive world can be a huge gap.” – R 3

“If the brand is good to me I will never drop the brand if the dealership is not good.” – R 8

“The name and what it represents. I think the only place that (the supplier) is ahead is their GPS technology. Their Green star technology.” – R 11

Figure 16 – Atlas.ti network view on the importance of company association



All the respondents (100%) in this study mentioned one aspect that is not covered by the current literature but plays a very important role in the decision-making process; and that is resale value of the physical equipment, and they relate it directly to the brand/company with which they transact.

The agricultural sector is highly capital intensive and physical equipment is perceived as an investment and this emphasises the importance of a good resale value. Of the respondents, 65% indicated that they sell their equipment on average very five years. Some respondents have a different strategy for tractors and harvesters and these are delineated in Table 6. It is interesting to note that the feedback is consistent throughout the different farming activities.

**Table 6 - Respondents physical equipment replacement policy**

Respondents	Number of respondents: Replace within 4 years	Number of respondents: Replace every 5 years	Number of respondents: Replace older than 5 years	Number of respondents: Replace when needed / can afford
R6,R11,R12,R15,R17	5			
R4,R7,R10,R12,R13, R15,R16,R9		8		
R4,R5,R8,R14,			4	
R2,R3,R7				3

## 5.10 Summary

This research was conducted in four different provinces with farmers across the different farming activities to ensure that the findings are pertinent to the farming sector as a whole (saturation occurred), irrespective of the farming activity that is actually being practiced on the farm. The primary research questions were positioned to decision-makers on the farm to create an understanding of the consumer behaviour in the agricultural industry.

The most prominent brand image dimensions that were emphasised by the respondents were product solutions and service associations. It was found that company and brand familiarity had less evident mental connections to price premium.

It was found that brand familiarity can be categorised in two different categories, namely: awareness of the brand of the supplying company and the awareness of the respondents with regard to the quality and reliability of the product. As mentioned, this does build brand loyalty in the long-term for the respondents with regard to the brand and positively influences brand awareness. Unfamiliar brands have a distinct disadvantage in the consumer's decision-making process, which makes the charge of a price premium challenging.

Product solutions were emphasised by the respondents as an important aspect that determines the consumer's willingness to pay a price premium for the product. Aspects that were included by the respondents in their feedback that can be seen as the building blocks of product solutions were: Parts availability, reliability and quality of the product and technological advancement of the brand.

Service associations were correlated to the brand representatives and their ability to find solutions for the consumer's needs, by directing referring to the representative's product knowledge levels. Distribution attributes showed a clear tendency to support the local *resident* brand that has both a regional and a national footprint. Attributes that were emphasised includes the availability of services, short lead times and quick delivery speed.

Relationship elements have an important role in the decision-making process. It was found that the relationships are not only formed by the representative, but formed between the consumer and the brand.

Company association (reputation and history of the brand and supplier, success of the supplier, the brand image, experience of the brand, social responsibility and industrial leadership) were confirmed as aspects that influence a consumer's willingness to pay a price premium for a product. The results demonstrated that the current relationship with the brand is also a factor that needs to be taken into consideration when evaluating company association as a price premium determiner, as well as a possible new element, namely the resale value of the equipment.

## CHAPTER 6: DISCUSSION OF RESULTS

In this chapter the results that were presented in Chapter 5 are analysed in terms of the research questions, as stated in Chapter 2 and Chapter 3 of this research paper. The explorative interviews discussed brand image elements within the six brand image dimensions. Insights are reflective of the current thoughts and actions of respondents in the South African agricultural sector.

### 6.1 P1: Brand familiarity has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital

Ghodeswar (2008) mentioned that brand identity is a unique set of brand associations with a core identity and an extended identity, which implies a promise to customers that resonate with them. Broyles *et al.* (2009) emphasised that the buyer must be aware of the brand and that their perceived risk is mitigated.

Figure 17 - Elements of brand familiarity



This study affirms Ghodeswar's and Broyles's notion regarding brand association and familiarity, as the results indicated that consumers basically categorised brand identity, namely:

- ✓ Respondents' awareness of the supplying company.
- ✓ Respondents' awareness of the quality of the product of the specific supplier that creates brand loyalty towards the brand supplier.

### **6.1.1 Respondents' awareness of the supplying company**

The results, as explained in Section 5.4, revealed that the consumers are aware of the suppliers and the brands that they represent locally in the specific region in which they operate and this influences their willingness to pay a price-premium during the purchase of physical capital. The respondents would not even consider a brand that does not have a sufficient footprint in their specific region. The reason for this, as mentioned previously in this research paper, is that the respondents have peak times in their production, and down time could cost the respondents an enormous amount of money.

The respondents mentioned that well-known brands evoke positive associations when describing the brand for which they are willing to pay a price premium. Conversely, the respondents expressed uncertainty about less well-known brands and the services these brands can perpetually offer; while still some respondents simply focus on the colour of the product and do not even consider the price. This response then begs the question: "Is a regional, well-established footprint enough to ensure that the brand will be successful?"

The author of this research paper is of the opinion that this could be a competitive factor for a new brand to establish a solid footprint, however, this will not ensure success. Service is an important aspect of the brand elements, but if there is no trust relationship between the brand and the consumer, the consumer will not engage with the product. Some respondents mentioned that they only know the colour of the machine, nothing else, as they do not even bother to really understand what a weaker brand product solution would offer. The trust relationship is discussed more comprehensively in the following section.

### **6.1.2 Respondents' awareness of the quality of the product of the specific supplier that creates brand loyalty towards the brand supplier.**

The quality of the product as well as the reliability of the product plays an important role in establishing and maintaining brand awareness, as these factors create trust and ultimately loyalty within the brand over time, which supports the notion of charging a price-premium. The primary reason is that these factors emphasise the fact that spares and after-sales service are requested from one entry point (supplier), which provides some leverage for the consumer to obtain more efficient service delivery, and ultimately it causes a smaller window of down time.

Kuhn *et al.* (2008) and Malaval (2001) shared the view that a consumer chooses a well-known supplier above a lesser-known supplier, as the reputation of the brand is more important to the buyer than price. The author shares this view based on the feedback received from the interviews with respondents. It can therefore be concluded that unfamiliar brands had a huge disadvantage in the consumers' decision-making processes, and are definitely not able to charge a price premium on their products.

It can therefore be stated that favourable brand familiarity associations, as well as awareness of the supplying company and the quality of the product being supplied have a positive impact on the consumers' willingness to pay a price premium for the brand.

## **6.2 P2 : Product solutions have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

Persson (2010:1270) stated that "... in B2B brand equity literature, the product dimension is most commonly conceptualized as the core of a firms offering, or the "thing" a firm produces". As discussed in Chapter 2 (Section 2.2.2.2), Persson, (2010) and Kuhn *et al.* (2008) classified seven components that can be categorized as product solution. In this research study, however, the following four components were confirmed, as evidenced in Chapter 5 (Section 5.5):

- Proven consistency, quality and value of the product;
- Innovation;

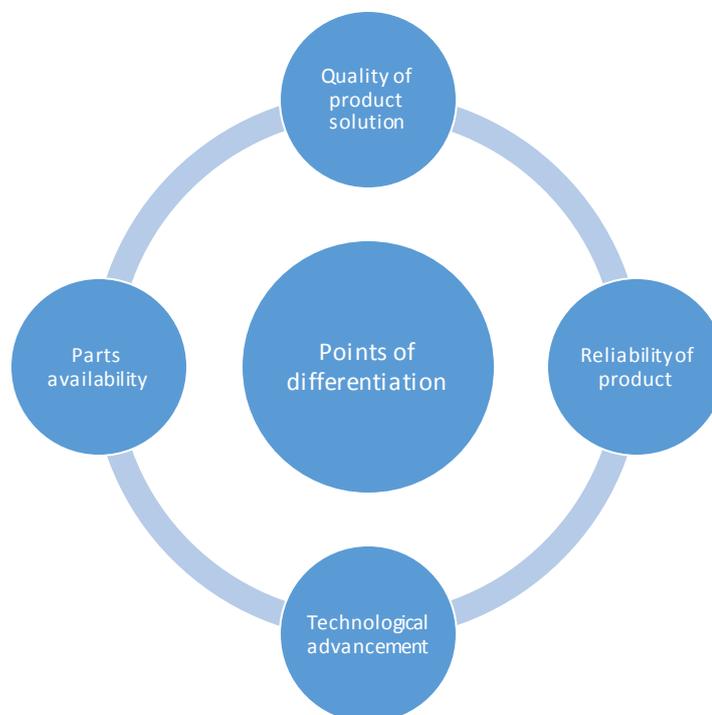
- Total solution;
- Value-in-use.

Even though the following components were not as evident in the feedback, the author is of the opinion that these still play a role in the agricultural market's decision-making process. These aspects are regarded as being "business as usual" for the specific market, hence the lower response with regard to these elements:

- Performance and customization of the product;
- Ease of installation and upgrade capabilities, and
- Assortment and features of the product.

Lee (2011) mentioned that consumers make use of perceived or objective views to judge quality. The study found that objective quality judgment is applied in the agricultural market, as the respondents focused on the technical and verifiable nature of the products and the brand's full range of product solutions and thus the consumers are able to differentiate between the strong brand and the weaker brand. The most important aspects emphasised by the respondents are shown in Figure 18.

**Figure 18 - Aspects of strong brand differentiation**



The ability of a supplier to provide effective product solutions is important and proved to be a consistent theme that was evident during the interviews with all the respondents.

Parts' availability, especially in peak times, is non-negotiable and is important to ensure very limited down time for the farmers.

Related to parts are the quality and reliability of the product, which is related to durability and dependable delivery within the South African agricultural industry. Inasmuch, the respondents determined that the brand product must be durable and able to handle the harsh South African conditions, and secondly, that the products has the ability to deliver towards the promise of the brand.

If a specific piece of equipment is marketed for a specific use and point of differentiation, the consumer will not accept anything less, for example, diesel consumption (running cost per hectare) or high quality harvesting with low spillage. These are some of the aspects regarding to quality and reliability within the agricultural sector, and are very important aspects to consider when calculating price-premium differentiation.

The importance of technology was emphasised by the respondents, and it is evident that the product solution must be technologically advanced or at least maintain the latest trends. Related to technology is the innovative thinking of the supplier and future prospects that should be available soon, as this was delineated by the respondents during the interviews. To illustrate the respondents' perspectives (R2, R3, R14 & R16), the example of the latest Global Positioning Systems (GPS) that are being launched in tractors and harvesters is taken into account. The GPS tracks the exact position of the tractor and uses precision technology to plant seeds at the correct depth and width in the fields. This takes contours and elevation of the field into consideration to ensure maximum yields of the crop. The GPS technology is also used during crop spraying and even harvesting. The harvester's computer is connected to the GPS and the farmer can precisely determine the yield at any given point in his land and he uses this data when the next season arrives. This is called precision farming, because this method is the most detailed when considering the full farming operations in the fields.

Han and Sung (2008) stated that it is important to note the manner in which consumers' product issues are solved by the product producers, as this will have an even stronger influence (than product benefits alone) on consumer's decision-making during the sales process. The current research paper concurs with Hun and Sung, as the respondents were very much focused on the service aspect of the brand, which is discussed next.

It can therefore be stated that a favourable product's associations to proven consistency, quality and value of the product, as well as innovation, total solution offered and value-in-use have a positive impact on the consumers' willingness to pay a price premium for the brand.

### **6.3 P3: Service associations have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

Folkes and Patrick (2003) stated that service reliability is a more important aspect of satisfaction within service products than for physical products. When a consumer has a good service experience with a sales representative or any employee of the brand, the consumer assumes that others in the firm will also provide good service. This also results in brand loyalty, as the consumer will still do business with the supplier even if the individual service provider quits his job and moves to a new supplier.

Cao and Gruca (2004) stated that suppliers generally provide three types of service: pre-purchase, at-purchase and after-sales. At-purchase service emphasises satisfying consumers' needs when consumers buy the product. However, after-sales service can also be a source of profit and competitive advantage, according to Kuo and Wang (2012).

The ability of a supplier to provide inclusive service was most mentioned by the respondents and this finding concurs with Kuo and Wang, as can be seen in Chapter 5 (Section 5.6). Services are associated with pre-sales, during sales and after-sales services, from the supplier and the availability of technical support in times of need. Training was also stressed as an important aspect of service association, not only for the end-user, but also for the brand representative, as this was seen as a strong attribute of any employee of a strong brand.

The respondents were clear in their feedback that these attributes are non-negotiable. These aspects provide the brand supplier with leverage to charge a price premium on their product if they are able to incorporate these attributes in their service promise and consistently delivers on these promises.

Services are described by most B2B equity writers as an augmented offering that supports the core offering, however specific service offerings that appear in the literature

are technical support, design, training, financial services, staff training, development support, information services, after-sales services, expertise and advice (Persson, 2010; Kuhn *et al.*, 2008). By analysing the feedback received by the respondents regarding their expectations of a brand representative, the following aspects were emphasised and are represented in Figure 19, as important attributes of a representative of a strong brand:

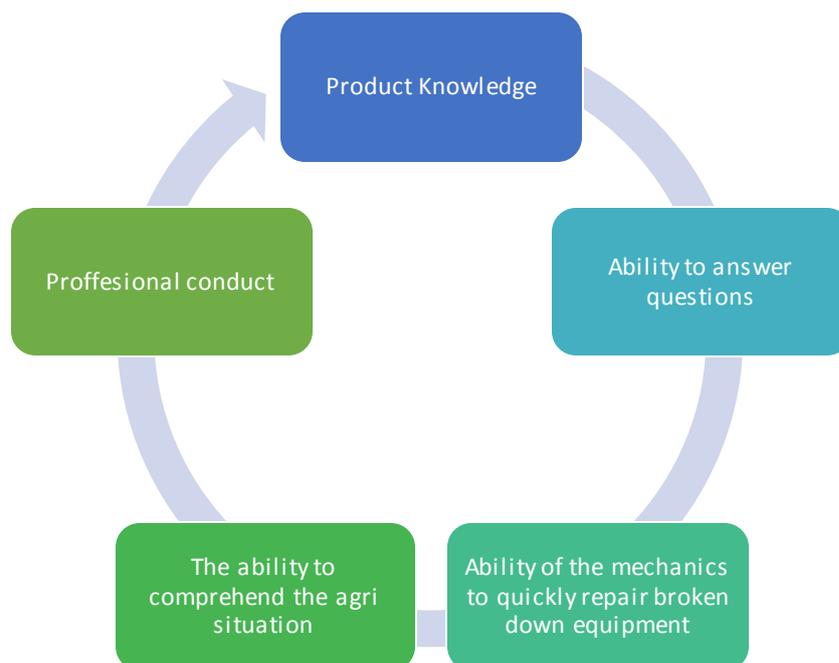
- Product knowledge and the ability to answer questions

The respondents indicated that it is extremely important for a sales representative to have the ability to relate and compare different product solutions to different product applications. There must be an ability to comprehend the current agricultural developments and provide practical solutions to issues. The interviewees also indicated that they do not expect a representative to “know it all”, but they expect that if the sales representative is in doubt, he/she will make sure of the facts by doing research and communicating these to the respondents.

- Ability of mechanics

The respondents explained that the skill levels and manner of professionalism was an important factor when sales representatives deal with the consumers. These individuals are seen as highly trained and experienced people, who always act professionally.

**Figure 19 – Attributes of a strong brand representative**



- Professionalism

It was proven from the discussions with the respondents that all representatives must always look and act professionally in their dealings. The respondents mentioned that when a mechanic arrives on the farm, he must be neatly dressed, and can then change into his/her working gear. Some respondents mentioned that they do not expect the representatives to become house friends, but all respondents definitely expect professional conduct at all times.

This study found that prior to purchasing services; expertise and quality advice with sound after sales-service (from workshop repairs to parts availability) plays an important role in the consumer decision-making process and includes the willingness to pay a price premium.

It can therefore be stated that a favourable service association to augmented service offerings (prior to purchasing services, expertise and quality advice with sound after sales service; from workshop repairs to parts availability) have a positive impact on the consumers' willingness to pay a price premium for the brand.

#### **6.4 P4: Distribution attributes have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

Distribution breadth, or the intensity of distribution (the percentage of distribution that carries a brand) can affect brand performance and it can be expected that increases in the breadth of distribution lead to higher base sales because the wider availability facilitates consumers' ability to find the brand (Ataman et al., 2010). Ataman's notion was confirmed by the respondents, as distribution breadth plays a critical part in the decision-making process, as was discussed in Chapter 5.7. The availability of distribution hubs or service centres in the region assists the consumers in their ability to find the brand for pre-sales information, at-sale and post-sale services.

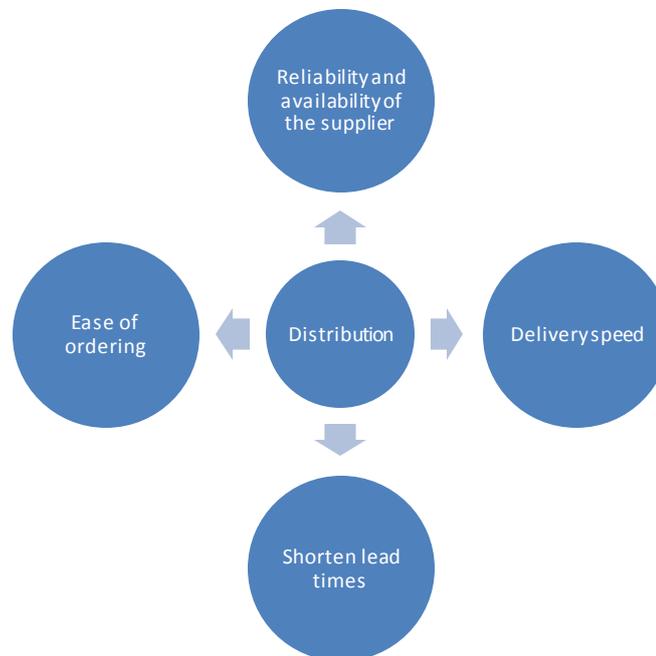
Distribution associations include all aspects of distribution, from availability and reliability, to delivery speed, ease of ordering, lead times and payment terms (Han & Sung, 2008). Persson (2010) and Kuhn *et al.* (2008) concluded that distribution reliability is a critical element for consumers in the B2B market as it relates directly to the supplier's ability to

minimise costly disruptions in the customers' production line or in this research case, the agricultural market.

The most important distribution attribute that was mentioned by the respondents, and in fact stood out from all aspects of distribution, was the footprint of the brand in the specific region. If a brand is not in a close vicinity to the consumer, the consumer will reconsider doing business with the specific brand. The quick turnaround time on parts availability and services are imperative in the farming community, especially during peak-times.

As discussed, these critical window periods are prevalent in the agricultural industry where down time could adversely affect the potential income for the farm. Distribution attributes such as reliability and availability of the supplier, speed of delivery when in stock and shorter lead times when stock needs to be ordered and ease-of-ordering are therefore likely to influence the consumers' willingness to pay a price premium. Distribution reliability is a critical element for consumers in the agricultural B2B market as it relates directly to the supplier's ability to minimise costly disruptions in the agricultural market.

**Figure 20 - Distribution attributes**



It can therefore be stated that favourable distribution associations with regard to reliability and availability of the supplier, speed of delivery when in stock and shorter lead times

when stock needs to be ordered and ease-of-ordering have a positive impact on the consumers' willingness to pay a price premium for the brand.

## **6.5 P5: Relationship between B2B and supplier has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

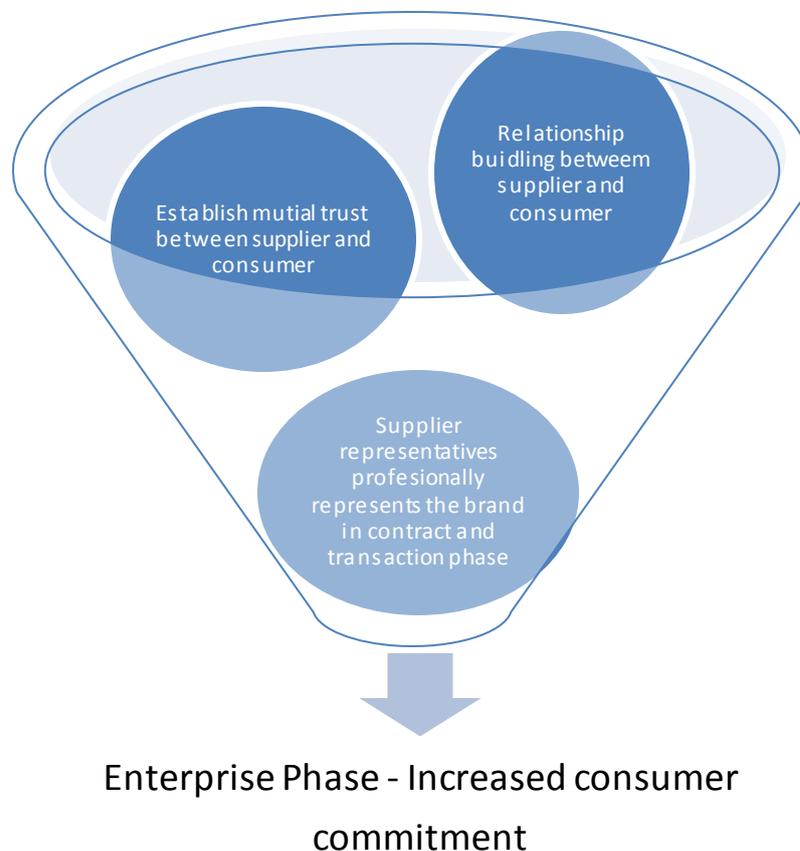
Relationship elements, according to Hun and Sung (2008), regarding the customers' view on how a supplier will behave as a business partner, can only be evaluated in the long-term and not immediately. However, the relationship element plays an important role in the customers' decision-making process. The results showed an interesting deviation and this discussion notes that the relationship is not only formed by the representative, but rather that it is formed between the consumer and the brand.

Kuhn *et al.* (2008) stated that respondents in their study primarily identified with the company brands, but referred to their relationships with the company representatives rather than the product brand. A personal relationship is formed and assists in determining a price-premium. The results of this study, as can be seen in Chapter 5 (5.8), however, contradicts this notion. The relationship with the local representatives are driven by a vested interest, as this is related to efficient and more effective service delivery and therefore cannot be considered as the primary relationship attribute that influences the consumers' willingness to pay a price premium during the purchase process.

The respondents in this study emphasised their position in the B2B customer-seller relationship, as identified by Muylle *et al.* (2012) to be in the consultative and/or enterprise phase, where the supplier delivers on the promises and the consumers show increased levels of commitment by being brand loyal. Some respondents made mention of transaction in the transaction phase, to test the product solution of the weaker brand, however, almost all the respondents did not even enter the expansion phase due to, for example, service failure or the inability to resell the product. Trust has been built with the existing strong brands in the agricultural industry and the author of this research paper is of the opinion that new entrants in this market will need to focus on building the trust element, before moving into the next phase.

This research paper further supports Gromark and Melina (2011), who opined that every employee must represent the brand of the company. The statements made by the respondents regarding the mechanics and the workshop personnel support this notion. Thus, relationship must be formed to ensure that the consumer moves between the contact, transaction, expansion, consultative and enterprises phases. Figure 21 shows the basic elements that are needed within the relationship aspect to ensure consumer commitment.

**Figure 21 - Relationship elements**



It can therefore be stated that favourable relationship associations are related to the trustworthiness of the supplier and the brand, and extends to the conduct of all the representatives of the brand, and includes knowledge and quick responsiveness that all have a positive impact on the consumers' willingness to pay a premium for the brand.

## **6.6 P6: The company association that is behind the product has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.**

The company brand name assures customer/buyers that the supplier is a responsible party. The higher the brand investment by the supplier, the less likely the supplier is to under-deliver on expected quality (Biong & Silkoset, 2014). This allows for greater customer satisfaction as expected quality would then at least meet or exceed quality expectations. As consumers become more aware of a supplier's reputation, a level of trust is developed in the consumer's mind that the supplier will maintain certain quality standards to maintain their reputation of a high quality product (Jai-Beom Kim & Choi, 2003). Lee (2011) identified an additional aspect that needs to be considered, namely trustworthiness.

This study confirmed, (see results in Section 5.9 of Chapter 5), that the consumers experience and determine strong brands product solutions as high quality when the company consistently exceeds their quality expectations, as the consumers mentioned that they will pay more for the brand, as they have trust in the brand. The trust relationship, as discussed previously, is strong in all aspects with strong brand association. The strong brands that were mentioned by the respondents, irrespective of which farming activity the respondents engaged in, are the brands that have a high brand investment in SA and the consumers associated themselves with the brand that does not stagnate.

A unique finding in relation to company association was the perceived resale value of the physical product in the market. This was mentioned by all the respondents as a critical factor when they consider purchasing a specific brand. This is important in the South African agricultural sector in SA, because all respondents indicated that they do replace their physical equipment on average every five years. The respondents confirmed that the capital outlay that is required during the purchasing process is vast, therefore the resale value provides some kind of return on the initial investment. The way the brands are perceived by the market, are directly related to the resale value of the equipment, and it is imperative the brands convey this image.

Persson (2010) stated that the customers in a B2B context associate more with the company that is behind the product or service offered, rather than with the association to specific products or services offered by the company. This study confirmed this notion, as the consumers indicated a very strong association with the brand and mentioned several times that if service delivery fails with one supplier; the respondents will still deal with the same brand, but with a different supplier.

These associations that were identified in this study, as can be seen in Figure 22 include: reputation and history of the brand and supplier, success of the supplier, the brand image, experience of the brand, social responsibility and industrial leadership.

**Figure 22 - Elements of company association**

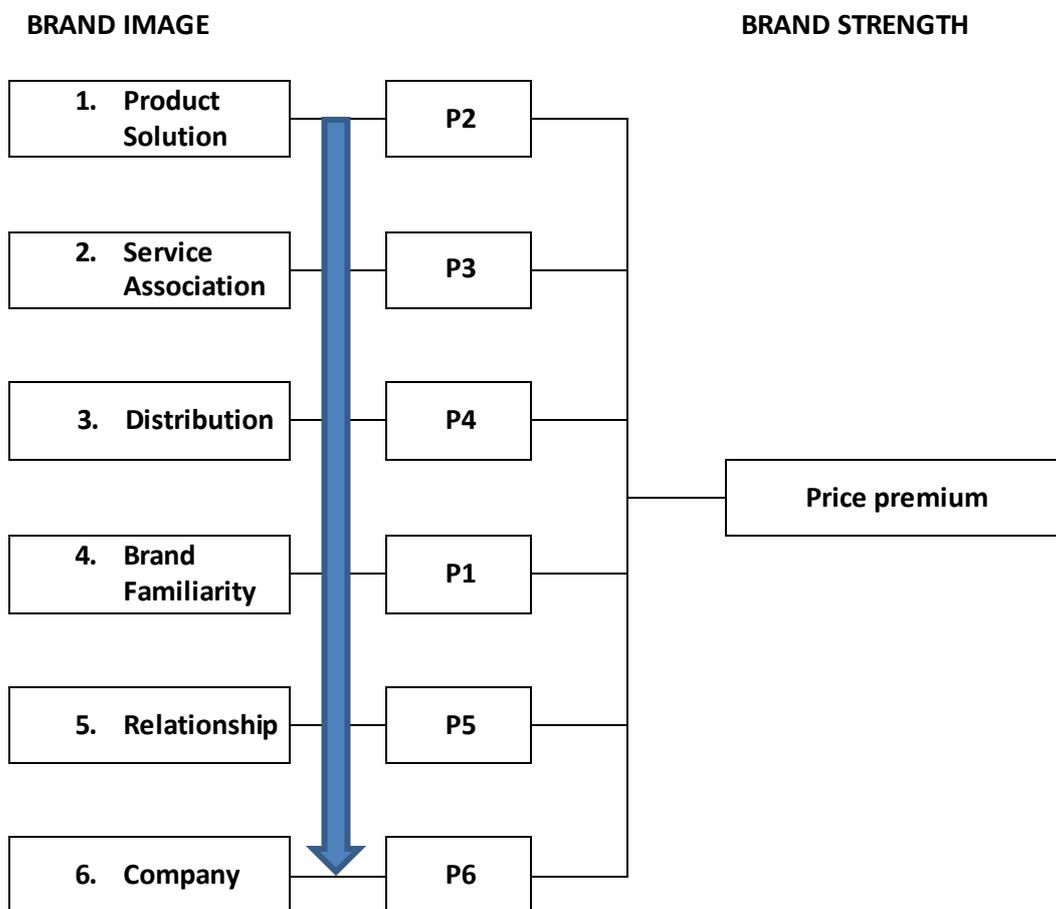


It can therefore be stated that favourable associations with reputation and history of the brand and supplier, as well as the success of the supplier, the brand image, the experience of the brand, social responsibility and industrial leadership, all have a positive impact on the consumers' willingness to pay a price premium for the brand.

## 6.7 Indications on the relative impact of the brand image dimensions on price premium

The results as revealed in Chapter 5 (Section 5.3) and more specifically, in Table 5, indicate and confirm the existence of the brand image dimensions as suggested by Persson (2010), in the South African agricultural sector. However, the hierarchical view of the elements changed from the one proposed by Persson, based on the feedback from the respondents, as can be seen in Figure 23 below.

Figure 23 – Brand image elements for the agricultural sector in SA



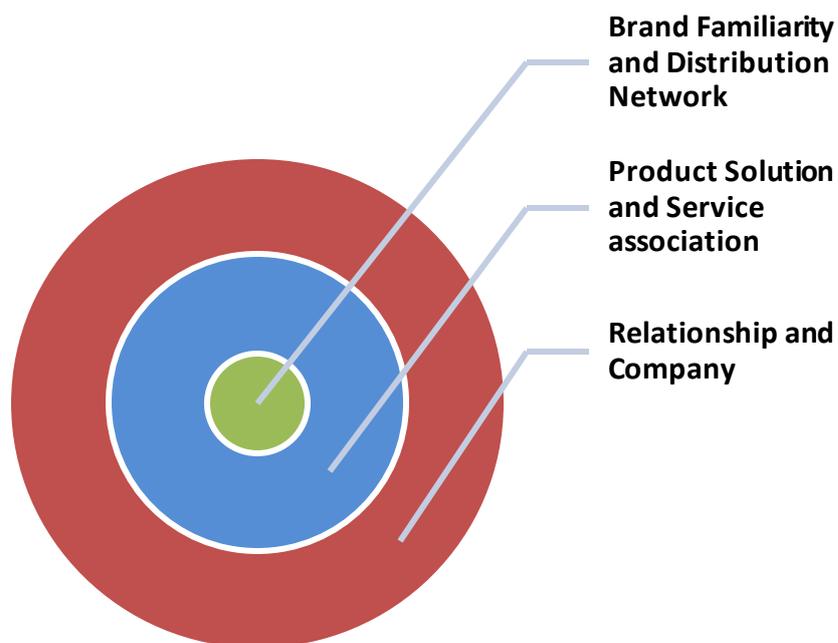
This begs the question: Does product solution play the most important role in the dimensions or are there other influences that can contribute to this general outcome? By using the induction method, the author proposes that brand owners follow the proposed approach, as can be seen in Figure 24, known as the **Onion model**, to explain the role of the brand image elements in the agricultural sector and to position themselves

accordingly to extract maximum value from the current market and to charge a price premium.

- Layer 1: Build brand familiarity and well-represented distribution network
- Layer 2: Provide product and service solution to the consumer
- Layer 3: Build on relationship and company perception

It is important to note that these elements are integrated and part of the total solution that brand owners must establish in the market. The proposed approach is based on the feedback received from the respondents and should provide some guidance on the priority of the elements, but as mentioned before, it is not necessarily the exact approach that must be followed.

**Figure 24 – Onion Model: Proposed approach for brand owners in the agricultural sector of SA, in order to charge a price premium**



### **6.7.1 Layer 1 – Build brand familiarity and well-represented distribution network**

The feedback that was consistently received from the respondents was that the most important factor for them in their decision-making is to consider the brand with which they transact. While this specific factor was mentioned only a few times in the qualitative research it is the undercurrent of this position must not be ignored. The feedback on weak brands clearly indicated that if the brand is not well-known, the consumer will not

engage with this product solution that the brand offers. The assumption is made by the respondents that product solutions are available for the specific weak brand and they have identified certain areas as points of differentiation (POD). It is therefore imperative for a weak brand's owner to establish a positive rapport with the client base, by emphasising these points of differentiation to ensure engagement with the consumer market.

A development concerning this aspect of establishing brand familiarity is the connection towards a comprehensive distribution network. All the respondents indicated that they want to be close to a supplier of the product and that is why product solutions and service associations were mentioned the most. The establishment of a well-represented distribution network is crucial and must be seen as the first layer in the process of the brand owners engaging towards being able to charge a price premium.

### **6.7.2 Layer 2: Provide product and service solution to the consumer**

As discussed, these aspects were highlighted by the respondents as the most important aspect of the brand image elements. The reason these aspects fit neatly into the middle section of the onion, is that the author is of the opinion that the strong brand owners who supply physical equipment to the South African agricultural sector have effectively implemented the first layer, and that the respondents view the brand familiarity and distribution network as a the foundation on which the current market has been developed. The brand owners must be able to innovate and be able to technologically advance the machinery to ensure that they are competitive in the market, to further develop their products' current POD's.

Each brand offers different product solutions. However, the basic principles remain the same when considering product solutions. To explain this statement, tractors are classified by kilowatt (kW), and tractors, for example purposes, up to 89.5 kW are available in any brand. The POD on that series is what makes the difference for consumers during the pre-purchasing phase.

Service association and the ability to service during critical peak times is a deal-maker, where the contrary is effectively a deal-breaker. A high level of service association is related to the professional conduct of the representative, knowledge levels that are enhanced through constant training and the ability to understand and to provide effective solutions to the consumer. Effective and comprehensive training must be available for

brand representatives before they engage with consumers, as this will assist with the building of the trust relationship between the brand and the consumer.

### **6.7.3 Layer 3: Build on relationship and company perception**

As discussed previously, relationship seems to be formed at brand level and there is a mutually vested interest in the relationship between the representative of the brand and the consumer, which is built on the current brand promise. As with brand familiarity, the times that this facet was mentioned during the interviews was limited, but it can be explained through the notion that the respondents see the relationship as the norm of conducting business on a daily basis. Therefore the importance of a personal relationship that must be formed between the representative and the consumer must not be underestimated. A strong relationship, which evolves into a personal relationship, can ensure easier conflict handling in challenging situations where the brand promise cannot be kept.

The perception of the company in the market is important and brand owners need to constantly position themselves through effective marketing campaigns. The companies' conduct and ability to effectively communicate their points of differentiation is an imperative, and if successfully driven, could enable a brand owner to charge a price premium. In this study it was found that some of the respondents associated with the "Green star rating" (a measurement on how friendly the product is to the environment), and this indicate that brand owners can use this facet as a POD.

## **6.8 Summary**

This chapter analysed the results as indicated in Chapter 5 by relating the research questions with the literature review presented in Chapter 2, and found the following with regard to the South African agricultural sector:

Brand familiarity consists of two mayor elements, namely company awareness (the ability to identify a brand) and quality of the brand (quality and reliability of the product). It was confirmed by this study that consumers would rather chose a well-known supplier than a less well-known supplier. This enables strong brand owners to charge a price premium.

Product solutions were identified by the consumers as the most important element and are driven by the following POD aspects: Quality of the product solution, reliability of the product, technological advancement and parts availability. It was confirmed by this study that consumers base their decision-making on the POD and the value this can add to the farming activity.

Service association and service reliability is an important aspect in establishing brand loyalty. It was confirmed by this study that consumers base their decision-making on how efficiently and easily issues are resolved by the brand owner. The interaction between the brand representative and the consumer plays a pivotal role in the decision making process for consumers. The study emphasised the following attributes a brand representative must display during the engagements with consumers: Product knowledge, the an ability to comprehend the agri-situation and the ability to answer questions, sales representatives must maintain professional conduct at all times, and that mechanics must be able to effectively repair broken equipment.

Distribution breadth is an extremely important component in the supply of physical equipment in the agricultural sector, with specific focus on the regional footprint of the brand. In situations where there is a lack of footprint, the consumers indicated that they would have very limited engagement with these brand suppliers. This study found that favourable distribution associations with regard to reliability and availability of the supplier, speed of delivery when in stock and shorter lead times when stock needs to be ordered and ease-of-ordering have a positive impact on the consumer's willingness to pay a price premium for the brand.

Relationship is built on the way the brand representative conducts himself/herself during the engagement with the consumer. This study found that the relationship between the brand and the consumer is built on a vested interest. A relationship that evolves into a personal relationship can assist during conflict situations but is not an imperative to charge a price premium.

Company brand names and the companies' investment in the brand, assures customers and provides a basis to build consumer loyalty. This study found that the resale value of the physical equipment is directly related to the company association of the market, and the consumers indicated that they would rather change from supplier than from the brand.

This study proposed a three layer approach (Onion model) for brand owners to establish a competitive edge in a market that is dominated by a few strong brands:

Layer 1: Build brand familiarity and well-represented distribution network,

Layer 2: Provide product and service solution to the consumer and

Layer 3: Build on relationship and company perception.

## **CHAPTER 7: CONCLUSION**

The South African agricultural sector boasted an annual income in 2010 of R122.550.225.000, with expenditure in the physical capital totalling R6.964 billion. Population growth is directly related to the growth in the demand for food and fibre, and as Asia and Africa expect a growth in population of 2,2 billion people over the next 37 years, the pressure will be on the agricultural sector to ensure enough food and fibre for the world's population. The agricultural sector accounts for almost 10% of total employment in South Africa, even though agriculture contributes a small share of the national gross domestic product (1.9%) in the overall economy. It is noted that about one-third of total production is exported.

Agriculture experienced a higher rise in input costs than output prices in the last three decades. To counter this negative cash effect, farmers need to become more productive by yielding higher production levels whilst curbing the rise of costs through efficiency and economies of scale. Adoptions of new technologies, combined with economies of scale, are non-negotiable.

### **7.1 Research Problem**

This paper endeavoured to understand the determiners of the brand image components that will enable brands owners of physical capital equipment, to market their products with a price premium.

Six research questions were posed to determine the relevance and importance of the brand image dimensions. The results were discussed in Chapter 5 and 6. The elements were identified and correlate to previous studies in this field, with some unique factors that were identified, for example the resale value of a used physical capital as an influencer for the company.

### **7.2 Main Findings**

As discussed in Chapters 5 and 6, the six determinants of brand image to determine the consumers' willingness to pay a price premium for physical capital were investigated and

the study found that all six elements play a role in the consumers' willingness to pay a price premium. The study found the following results:

*P1: Brand familiarity has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

The study found, as can be seen in Figure 17, that favourable brand familiarity associations to awareness of the supplying company and quality of the product being supplied has a positive impact on the consumers' willingness to pay a price premium for the brand.

*P2: Product Solutions have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

The study found, as can be seen in Figure 18, that favourable product associations to proven consistency, quality and value of the product, innovation, total solution offered and value-in-use have a positive impact on the consumers' willingness to pay a price premium for the brand.

*P3: Service associations have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

The study found, as can be seen in Figure 19, that a favourable service association to augmented service offerings (prior to purchasing services, expertise and quality advice with sound after-sales service, from workshop repairs to parts' availability) have a positive impact on the consumers' willingness to pay a price premium for the brand.

*P4: Distribution attributes have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

The study found, as can be seen in Figure 20, that favourable distribution associations with regard to reliability and availability of the supplier, speed of delivery when in stock and shorter lead times when stock needs to be ordered and ease-of-ordering have a positive impact on the consumers' willingness to pay a price premium for the brand.

*P5: Relationship between B2B and supplier has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

The study found, as can be seen in Figure 21, favourable relationship associations regarding the trustworthiness of the supplier and the brand, the conduct of all the representatives of the brand, as well as knowledge and efficient responsiveness have a positive impact on the consumers' willingness to pay a premium for the brand.

*P6: The company association that is behind the product has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.*

The study found, as can be seen in Figure 22, that favourable associations with reputation and history of the brand and supplier, success of the supplier, the brand image, experience of the brand, social responsibility and industrial leadership, all have a positive impact on the consumers' willingness to pay a price premium for the brand.

*Hierarchical view of the brand elements in the agricultural sector:*

The study confirmed the six determinants as discussed above, however, if ranked in order in terms of the number of mentions, the hierarchical view differs from the model proposed by Persson (2010), see Figure 23. The feedback suggests the following hierarchical view:

- \* Product solution
- \* Service association
- \* Distribution
- \* Brand familiarity
- \* Relationship
- \* Company.

### **7.3 Recommendations**

By using the induction method, the author proposed that brand owners follow the following Onion model, as can be seen in Figure 24, to explain the role of the brand image elements in the agricultural sector and to position themselves accordingly to extract maximum value from the current market in order to charge a price premium.

*Layer 1: Build brand familiarity and well-represented distribution network*

The respondents indicated that the most important factor for them in their decision-making process is the brand with which they transact. While this factor was not

mentioned extensively in the qualitative research, the undercurrent of this position must not be ignored. The feedback on weak brands clearly indicated that if the brand is not well-known, the consumer will not engage with this product solution that the brand offers. It is therefore imperative for a weak brand's owners to establish a positive rapport with the client base, by emphasising these points of differentiation that will ensure engagement with the consumer market.

Building on this aspect of establishing brand familiarity is the connection towards a comprehensive distribution network. Close proximity of a supplier of the product is very important in the agricultural sector, and that explains the importance of product solution and service association, in terms of being mentioned the most. The establishment of a well-represented distribution network is crucial and must be seen as the first layer in the process of brand owners being able to charge a price premium.

*Layer 2: Provide product and service solution to the consumer*

The strong brand owners that supply physical equipment to the South African agricultural sector have effectively implemented the first layer, and it is important that weaker brand owners establish their network on the same basis as soon as possible. The brand owners must be able to innovate and be able to technologically advance to ensure that they are competitive in the market that will build on their products current POD's.

Service association and the ability to service during critical peak times is a deal-maker, where the contrary is effectively a deal-breaker. A high level of service association is related to the professional conduct of the representative, his/her knowledge levels that are enhanced through constant training and the ability of the representative to understand and provide solutions to the consumer. Effective and comprehensive training must be available for brand representatives before they engage with consumers, as this will assist with the building of the trust relationship between the brand and the consumer.

*Layer 3: Build on relationship and company perception*

Relationship seems to be formed at brand level and the relationship between the representative of the brand and the consumer has a vested interest, built on the current brand promise. The importance of a personal relationship which must be formed between the representative and the consumer must not be underestimated. A strong relationship, which evolves into a personal relationship, can ensure easier conflict handling in difficult situations where the brand promise cannot be kept.

The perception of the company in the market is important and brand owners need to constantly position themselves through effective marketing campaigns. The companies' conduct and ability to effectively communicate their points of differentiation is an imperative, and if successfully driven, could enable brand owners to charge a price premium.

## **7.4 Recommendations for Future Research**

This small scale explorative and qualitative investigation identified the following aspects that could be further investigated as future research projects:

- \* The effectiveness of the proposed Onion Model, as well as the weighting associated with these elements in the expensive (new) physical equipment market.
- \* This research focused on the upper end of the agricultural market acquiring new physical capital, and future research can be done on the smaller scale farmer who acquires second hand equipment.
- \* The impact or development of the relationship model between the brand, the consumer and the brand representative, and to ascertain the factors that determine changes in this relationship.
- \* The impact of the equipment's resale value on the perception of the brand by the consumer, and the factors that drive the resale value of equipment in the agricultural environment.

## **7.5 Concluding Statement**

Findings from this small-scale explorative and qualitative investigation, based on interviews with final decision-makers (consumers) in the South African agricultural sector were used to illustrate relation of the brand image determinants of price premium model to consumers' willingness to pay a price premium for physical capital. This paper also proposed a model that brand owners can use to position their brand in the South African agricultural sector to ensure that they obtain traction in a strong brand dominated market.

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## ANNEXURE 1 – CONSISTENCY MATRIX

**TITLE: Determinants of B2B brand image elements and the relationship to price premium in the agricultural sector of South Africa.**

<b>PROPOSITIONS</b> Do they match the title?	<b>LITERATURE REVIEW</b> Complete sections of literature you expect to be covered in the main body of the report	<b>DATA COLLECTION TOOL</b> Where is it on the questionnaire	<b>ANALYSIS</b> Is this data analysable?
<b>1. Brand familiarity has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.</b>	Aaker, 1996 Broyles <i>et al.</i> , 2009 Godeswar, 2008 Han & Sung, 2008 Keller, 1993 Kuhn <i>et al.</i> , 2008 Persson, 2010	Part 1 – Uncovering brand associations Part 2 – Summary of brand associations. Questions 1(a&b) P 1 in document	“Content analysis of verbal data to explore the issues through finding patterns in the data”.
<b>2. Product Solutions have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.</b>	Ataman <i>et al.</i> , 2010 Biong & Silkoset, 2014 Das <i>et al.</i> , 2009 Han & Sung, 2008 Kuhn <i>et al.</i> , 2008 Lee, 2011 Persson, 2010	Part 1 – Uncovering brand associations Part 2 – Summary of brand associations. Questions 1(a&b) P 2 in document	“Content analysis of verbal data to explore the issues through finding patterns in the data”.

<p><b>3. Service associations have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.</b></p>	<p>Folkes &amp; Patrick, 2003 Kwon &amp; Jung, 2013 Kuhn et al., 2008 Persson, 2010</p>	<p>Part 1 – Uncovering brand associations Part 2 – Summary of brand associations. Questions 1(a&amp;b) P 3 in document</p>	<p>“Content analysis of verbal data to explore the issues through finding patterns in the data”.</p>
<p><b>4. Distribution attributes have a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.</b></p>	<p>Ataman et al., 2010 Han &amp; Sung, 2008 Kuhn et al., 2008 Persson, 2010</p>	<p>Part 1 – Uncovering brand associations Part 2 – Summary of brand associations. Questions 1(a&amp;b) P 4 in document</p>	<p>“Content analysis of verbal data to explore the issues through finding patterns in the data”.</p>
<p><b>5. Relationship between B2B and supplier has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.</b></p>	<p>Gromark &amp; Melina, 2011 Han &amp; Sung, 2008 Kuhn et al., 2008 Persson, 2010</p>	<p>Part 1 – Uncovering brand associations Part 2 – Summary of brand associations. Questions 1(a&amp;b) P 5 in document</p>	<p>“Content analysis of verbal data to explore the issues through finding patterns in the data”.</p>
<p><b>6. The company association that is behind the product has a strong impact on B2B consumers' willingness to pay a premium during the purchase of physical capital.</b></p>	<p>Biong &amp; Silkoset, 2014 Lee, 2011 Persson, 2010</p>	<p>Part 1 – Uncovering brand associations Part 2 – Summary of brand associations. Questions 1(a&amp;b) P 6 in document</p>	<p>“Content analysis of verbal data to explore the issues through finding patterns in the data”.</p>

## **ANNEXURE 2 – INTERVIEW GUIDE**

### *PART 1. Background questions*

**Q1.1** *Respondent number*

**Q1.2:** *Position*

**Q1.3:** *Please provide some background of the business*

**Q1.4:** *How regularly do you replace your capital equipment?*

### **Q2. Company**

**Q2.1:** *Company name*

**Q2.2:** *Number of employees*

**Q2.3:** *Size of land currently being planted*

**Q2.4:** *Which types of products are produced?*

- *Field crops*
- *Horticulture*
- *Animals*
- *Animal products*
- *Other farming activities, or Other*

**Q2.5:** Describe major physical capital (capital equipment) being used on the farm.

**Q2.6:** Influence of choice of equipment supplier in peak and non-peak season?

PART 2. Uncovering brand associations

**Question 3 (Strong brand).**

**Q3.1:** Can you think of (don't need to mention) an equipment supplier whose product, services or solution your company is willing to pay more for, compared to (similar) products, services or solutions from other suppliers?

**Q3.2:** Tell me what comes to mind when you think of this supplier (x)?

**Q3.3:** Why is your company willing to pay more for this supplier than for other suppliers?

**Q3.4:** What do you like best about x in order of importance? Name at least three if possible.

**Q3.5:** What do you dislike about x in order of importance? Name at least three if possible.

**Q3.6:** What do you find unique about x in order of importance, and how are they different from other suppliers? Name at least three if possible.

**Q3.7:** In what ways are they similar to other suppliers?

**Q3.8:** What type of companies typically choose this supplier, and why?

**Q3.9:** If this supplier (x) was a car, which one would it be? Why?

**Q3.10:** Imagine a typical employee/representative working for this supplier, and describe the person.

**Question 4 (Weak brand).**

**Q4.1:** *Can you think of (don't need to mention) an equipment supplier whose products, services or solutions your company definitely NOT is willing to pay more for, compared to (similar) products, services or solutions from other suppliers?*

**Q4.2:** *Tell me what comes to mind when you think of this supplier (x)?*

**Q4.3:** *Why is your company NOT willing to pay more for this supplier than for other suppliers in order of importance?*

**Q4.4:** *What do you like best about x in order of importance? Name at least three if possible.*

**Q4.5:** *What do you dislike about x in order of importance? Name at least three if possible.*

**Q4.6:** *What do you find unique about x, how are they different from other suppliers? Name at least three if possible.*

**Q4.7:** *In what ways are they similar to other suppliers?*

**Q4.8:** *What type of companies typically choose this supplier, and why?*

**Q4.9:** *Imagine a typical employee/representative working for this supplier, and describe the person.*

### PART 3. Summary of important brand associations

**Q5.1:** *In summary, what is the main difference between an equipment supplier that your company is willing to pay more for and a supplier your company definitely NOT is willing to pay more for?*

**Q5.2:** *Would you change from dealership if unhappy with the service or would you change brand?*

*Yes / No - Why?*

**Q5.3:** *Would you easily switch between brands?*