

## **A study on the consumers' willingness to pay (WTP) premium for food brands**

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### **ABSTRACT**

The objective of the present study was to understand consumers' willingness to pay a premium price for the food brands. Pre-tested interview schedule was used to collect information from the selected 60 sample consumers and the data collected were analysed using percentage analysis. It was found that majority of the respondents (61.66%) were males; 35.00 and 31.66 per cent of the sample respondents were between the age of 31-40 and 21-30 years; majority (78.33%) were undergraduates; 60.00 per cent were salaried; 46.67 per cent had the monthly income of Rs 30,001-45,000. Most (50.00 to 85.00%) of the respondents had been using the selected brands [India Gate (rice), Aashirvaad (flour) and Fortune (oil)] for more than 2 years. Majority of the customers (43.33%) were willing to pay 6-10 per cent more for the brand India Gate as compared to 36.67 and 35.00 per cent respondents for Aashirvaad and Fortune. Out of the total respondents 16.67, 16.66 and 21.66 per cent were not willing to pay more for India Gate, Aashirvaad and Fortune respectively.

**Keywords:** Consumer; willingness to pay; food brands; premium; market

### **INTRODUCTION**

In several consumer product markets traditional manufacturer brands are facing intense price competition. One such market is packaged food in which a major reason behind the price competition has been that retailers with increasing power have developed and marketed their own store brands or private labels (Verhoef et al 2002). Social image appears as a price premium determinant for food brands and drives price premium for other consumer markets (Sethuraman 2000). One-third of the customers are not willing to pay more for organic fruits and vegetables (Balaji 2016). In grocery retailing the competition for customers, margins and price premiums between manufacturer and private labels is fierce (Anselmsson et al 2014). The customers' willingness to pay for food brands is determined by five dimensions: awareness, perceived quality, loyalty, uniqueness and non-product-related brand associations including associations to corporate social responsibility (CSR) and social image and origin (Anselmsson et al 2007). The food brands may use the outcome of the research for better understanding of the customer targetable

segments, promotion and price in creating marketing plan. The objective of the present study was to find out the demographic features of the respondents who were involved in the purchase of the selected food brands and also to study the consumers' willingness to pay more for the food brands.

### **METHODOLOGY**

The primary data were collected with the help of structured close-ended questionnaire through face to face interview by adopting mall intercept survey. Total 60 respondents were selected using purposive sampling. The data were analysed using the percentage analysis.

### **RESULTS and DISCUSSION**

Data given in Table 1 show that majority of the respondents (61.66%) were males and the rest were females (38.64%); 35.00 and 31.66 per cent of the sample respondents were between the age of 31-40 and 21-30 years and only 6.67 per cent were above the age of 50 years. Majority (78.33%) of the

Table 1. Demographic features of the sample respondents (n= 60)

Component	Category	Number of respondents
Gender	Male	37 (61.66)
	Female	23 (38.64)
Age (years)	21-30	19 (31.66)
	31-40	21 (35.00)
	41-50	16 (26.67)
	>50	4 (6.67)
Educational status	SSLC/HSC	3 (5.00)
	Undergraduate	47 (78.33)
	Postgraduate	10 (16.67)
Occupation	Salaried	36 (60.00)
	Business	16 (26.67)
	Others	8 (13.33)
Average monthly income (Rs)	<15000	2 (3.33)
	15,001-30,000	17 (28.33)
	30,001-45,000	28 (46.67)
	45,001-60,000	7 (11.67)
	>60,001	6 (10.00)

Figures in parentheses indicate per cent values

respondents were undergraduates and 60.00 per cent were salaried. Among the sample respondents 46.67 per cent had the monthly income of Rs 30,001-45,000.

Among the groceries the products which occupied major share in the customer's basket of purchase were rice, flour and oil. The food brands selected for the study were India Gate, Aashirvaad

and Fortune as these possessed major share in the products of rice, wheat flour and oil respectively.

It can be inferred from Table 2 that majority (50.00 to 85.00%) of the respondents had been using the selected brands (India Gate, Aashirvaad and Fortune) for more than 2 years; 46.67 cent and 41.67 per cent of the sample respondents had 1-2 years of

Table 2. Experience of respondents in buying of food brands (n= 60)

Period (years)	Respondents		
	India Gate	Aashirvaad	Fortune
<1	2 (3.33)	3 (5.00)	2 (3.33)
1-2	25 (41.67)	6 (10.00)	28 (46.67)
>2	33 (55.00)	51 (85.00)	30 (50.00)

Figures in parentheses indicate per cent values

Table 3. Willingness of the respondents to pay more for the brands (n= 60)

Willingness	Respondents		
	India Gate	Aashirvaad	Fortune
Not willing	10 (16.67)	10 (16.66)	13 (21.66)
1-5%	19 (31.67)	25 (41.67)	25 (41.67)
6-10%	26 (43.33)	22 (36.67)	21 (35.00)
11-15%	5 (8.33)	3 (5.00)	1 (1.67)

Figures in parentheses indicate per cent values

experience in buying the selected brands Fortune and India Gate respectively.

The data given in Table 3 depict that majority of the customers (43.33%) were willing to pay 6-10 per cent more for the brand India Gate as compared to 36.67 and 35.00 per cent respondents for Aashirvaad and Fortune. It denotes that the customers were willing to pay highest for the rice brand as compared to flour and oil. On the other hand 41.67 per cent of the sample respondents each were willing to pay 1-5 per cent more for both Aashirvaad (flour) and Fortune (oil) than for India Gate (rice). Out of the total respondents 16.67, 16.66 and 21.66 per cent were not willing to pay more for India Gate (rice), Aashirvaad (flour) and Fortune (oil) respectively.

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