

Factors affecting consumer purchase behavior of local products

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Abstract

Tanzanians are now enjoying a myriad of products to buy at their purchasing power disposal compared to the years prior to trade liberalization in the 1980s. This article identifies and examines key factors affecting consumer purchase behavior of local products for enhancing Small and Medium-sized Enterprises (SMEs) development in Tanzania. It also explores the influence of social, psychological, and marketing factors for local products purchase. Non-probability sampling technique with purposive (judgment) sample was used for the study with a sample size of 150 respondents. The study was limited to the respondents within 'working age', that is, 15 to 64 years old in Nyamagana district, Mwanza, Tanzania, specifically on local garments consumption. Descriptive statistics was used to analyze the data. The study reveals that marketing factors are significant for consumer purchase decision of local products, and that the reference groups to which individuals belong affect their product choices and preferences as far as local products are concerned.

Keywords: Local products, consumer behavior, working age, reference groups, SMEs development

Introduction

Tanzanian Small and Medium-sized Enterprises (SMEs) are pivotal in helping the country to achieve some of its development objectives such as reducing poverty, assisting those the disadvantaged, providing linkages with suppliers and consumers, promoting a more flexible and innovative market (Olomi, 2003). SMEs have reached out to export market and are continuing to discover opportunities available for sale of local products overseas thereby bringing in foreign currency. According to the informal sector survey of 1991, micro

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enterprises operating in the informal sector alone consisted of more than 1.7 million businesses engaging about 3 million people, that is, about 20% of the Tanzanian labor force. It is estimated that about a third of the GDP of Tanzania originates from the SME sector.

Despite the aforementioned crucial role and contribution of SMEs in the country, empirical research has shown that SMEs are overwhelmed by numerous impediments. For instance Kuzilwa and Mushi (1997) conducted a study on credit needs for small businesses in Tanzania. The study was conducted with a sample of 120 SMEs. The study findings revealed that many of the problems faced by the entrepreneurs are not related to capital, but rather arise as a result of macroeconomic and institutional constraints. On the other hand, according to Keregero (2016) from 1980-1985, Tanzania experienced a shortage of goods including clothes resulting in local initiatives of producing local clothes (batik, tie and dye) but with a poor quality and unaffordable for many. Thereafter, importation of cheaper garments became rampant thus affecting negatively the growth of garments locally made (Kinabo, 2004).

What is a local product?

It is not uncommon to hear people refer to ‘local’ products, but the definition of ‘local’ can be complicated. There are a number of definitions for ‘local’ that either define ‘local’ in terms of distance from the production to the consumption point or refer to the country of origin of the product in which one resides. Generally, a local product is a product produced (grown or manufactured) and sold within one’s place (village/district/region/country/state) of residence. In Tanzania, local brands such as textile fabrics, detergents products, dairy products, honey products, furniture, Maasai shoes and Makonde carvings constitute some successful stories of local entrepreneurs competing in the global markets.

Statement of the problem

It is an interesting paradox observing that the majority of studies on challenges faced by SMEs suggests that inter alia the major constraint SMEs encounter is of a financial kind. Interests to buy local products is not evident and there is limited literature which examines how commitment of local citizens to consume or not to consume ‘Tanzanian made’ affect the development of SMEs in the country. Marketing entails that consumers should be the focal point for the

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success of the organizations and benefit to the consumers (Kotler and Armstrong, 2001). This study therefore, looks at the consumer behavior and their attitude towards consumption of local products (garments locally made).

The rationale for drawing the sample from the 'working age' population (15-64) is that they belong to a large productive part of the Tanzanian population estimated to account for the 52% of the total population in the 2012 national census. In addition, the working age is presumed to have the purchasing power necessary to drive sales volumes of the local products, thus enabling to achieve the Tanzania Development Vision 2025 that envisions the country to become soon industrialized and a thriving middle income nation. Consumer behavior is governed by different and varied influences such as individuals' and society beliefs, attitude, past learning, experience, perception and expectations. These form the consumer's taste choice and product preference. There is therefore a need to examine these factors with a view to uncovering reasons behind the working age consumers' purchase behavior towards local products.

The general objective of this study is to explore the key factors affecting consumer purchase behavior of local products for developing SMEs in Tanzania. Specific objectives are outlined as follows:

- a) To ascertain social factors influencing purchases of local products
- b) To examine psychological factors affecting purchases of local products
- c) To establish the impact of marketing factors affecting purchases of local products

Literature review

Consumer behavior

Consumer behavior is defined as the actions and decision-making processes of buyers as they recognize their desire for a product or service, and engage in the search, evaluation, purchase, use, and disposal of that particular commodity (Rath et al., 2008). The study of consumer behavior is an interdisciplinary field of study that focuses on what goods and services people buy, and how and why they buy them. The objective of studying consumer behavior is to understand, explain, and predict consumer action under given circumstances. Furthermore, Solomon et al. (2006) assert that consumer behavior is a process and as such it involves many different actors: purchaser, user, and influencer of a product who may not be the same person.

Theories of consumer behavior

At the heart of the scientific study of marketing are key insights about consumer behavior, i.e. why consumers buy and act the way they do. Theories of consumer behavior address important issues, such as how consumers purchase as individuals versus how they purchase in groups, the role of emotions in purchasing decisions, post-purchase attitudes, and the role of object utility. Understanding these issues enhances a marketing campaign's effectiveness and its impact on consumers. A number of theories have been used to examine consumer behavior, for instance, the theory of planned behavior (Ajzen, 1991) and the theory of reasoned action (Fishbein, 1980). According to Kotler and Keller (2013), there is a traditional theoretical framework for the consumer purchase decision making. This model is the most recognized model for consumer decision making process since the 1960s. This model contains five stages: problem recognition, information search, alternative evaluation, purchase decision and post-purchase behavior.

Factors influencing local product purchase

According to Al-Jeraisy (2008), three factors affect the consumers when purchasing local products: social factors, psychological factors and marketing factors. Kotler and Armstrong (2001) also suggest the same factors to affect purchase intention.

Social factors affecting local products purchase

A consumer is prone to be affected by his surrounding environment as well as demographic factors. Common social factors affecting local products purchase decisions are: culture, social class, reference group, age, educational level and gender. Marsiglia (2010) argues that consumer behavior is largely dependent on cultural factors consisting of mutually shared operating procedures, unstated assumptions, tools, norms, values, standards for perceiving, believing, evaluating, and communicating. Durmatz (2014) argues that consumers interact mostly with people of their own social class so that each class has about the same values and patterns of behaviour. Assael (2004: 106) states: "Involved consumers are more likely to be influenced by reference groups because a high-involvement product is likely to reflect the norms and values of the group".

Also, Khaniwale (2015) points out that wants and preferences change as the person's age change.

At every stage in life the needs and desires are different. The educational level or educational field also determine the behavior of the consumers. Generally, an educated person tends to make wise decisions as compared to an uneducated person. It is because they differ in the ability of collecting, processing and analyzing information. Livette (2007) also mentions that males and females may take different purchasing decisions.

Psychological factors affecting local products purchase

Human behavior is believed to be molded by internal factors. The internal influences that have effect on consumer behavior consist of an individual's perception, learning, memory, motives, personality, emotions and attitudes (Hawkins and Mothersbaugh, 2010). Rand (2011) found in his study that local agricultural produce are purchased because consumers have favorable attitudes towards supporting local economies, and because of personal connections with local farmers.

Marketing factors affecting local purchase decisions

Needs and wants are satisfied through the core marketing concepts of identifying them and anticipating their future demand. According to Phill (2010), promotion activities play a vital role to inform, differentiate, remind, inform, and persuade about the products that are offered. According to Al-Jeraisy (2008), marketing factors affecting local purchase decisions include: influence of salespersons, advertisements, product, and price. On the other hand, Buy-Local Campaigns have also been practiced by different organizations and nations. The study by the Institute for Local Self Reliance (ILSR), executed nationwide in the U.S., surveys consumer oriented independent businesses to track their year-to-year changes in sales. Respondents to the 2014 survey reported a strong annual sales increase of 5.3%, but the increase varied hugely based on one key factor, that is, a "buy independent/buy local" campaign run by an Independent Business Alliance. Similarly modeled organizations reported a 7.0% sales increase compared to just 2.3% in the areas without such a campaign.

Proudly Tanzanian Campaign

The Proudly Tanzanian Campaign is the 'buy local' campaign coordinated by TPSF, Tanzania Bureau of Standards (TBS), Tanzania Trade Development Authority (TANTRADE), Confederation of Tanzania Industries (CTI) and GS1. It aims at addressing the issues of job creation, boosting local consumption and stimulating our economy, through local investment in local products, services and exports. The aim of the Proudly Tanzanian Campaign is to educate local and international consumers to buy local goods when doing their shopping. They also want to get businesses to procure locally and in so doing, they will be injecting money back into the country and the economy. By buying Tanzanian products, both consumers and businesses are making a personal contribution to nation-building.

Purchase intention

Consumers' buying decision is very complex. Usually, purchasing intention is related with consumers' behavior, perception and attitude. Purchase behavior is an important key point for consumers when considering and evaluating a certain product (Keller, 2001). Ghosh (1990) stated that purchase intention is an effective tool used in predicting purchasing process. Once the consumers decide to purchase the product in a certain store, they will be driven by their intention. However, purchase intention might be altered by the influence of price, quality perception and value perception (Zeithaml, 1988).

Local production and SME development in Tanzania.

Local production is showing improvement as the Census of Industrial Production (CIP) 2013 unveiled recently. The census also showed that there were 49,243 industries in the country, most of which are small-scale establishments. Findings of the census showed further that among the existing factories, 47,921 were small-scale industries (representing 97.3% of the total) whilst 1,322 were large-scale factories (2.7%). It states further that the number of industries surged to 50,656 by the year 2014. Tanzania earned Sh5.5 trillion from exports of industrial products in 2013 while products sold locally earned Sh10 trillion during the same year. The sector generated 264,223 jobs in 2013, led largely by the manufacturing subsector which created 166,888 jobs. Mining and quarrying followed with a total of 19, 159 jobs.

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Methodology

Nyamagana district in Mwanza was used as case study. A case study generally aims to provide insights into a particular situation and often stresses the experiences and interpretations of those involved. It may generate new understandings, explanations or hypotheses (Coe, 2002). Both qualitative and quantitative research strategies were used. Both primary and secondary data were collected. Primary data were obtained with a survey. Secondary information from published and unpublished documents and reports from SIDO, National Bureau of Statistics (NBS), Ministry of Trade, Industry and Investment and other relevant organizations were gathered to supplement primary data. Questionnaires were administered by mail, telephone, and personal interviews. The questionnaires covered all the variables under the study. These variables were captured on a 5-Point Likert scale ranging from 'strongly disagree' to 'strongly agree'.

The sample size comprised of 150 individuals from the working age population in Nyamagana district, Mwanza, Tanzania. The geographical area was chosen because of its highly heterogeneous characteristics in terms of demographic, economical, social, cultural aspects. Non-probability sampling technique with purposive (judgment) sample was used to save time and money where investigator's personal judgment is used to choose cases that help answer research questions or achieve research objectives. The sampling frame comes from the total number of the working age living and working in Nyamagana, district. According to the 2012 National Census, Tanzania recorded a working age population of 23,466,616 (52.2% of the total country population of 44,928,923) with Nyamagana district recording a working age population of 212,453 (58.5% of the total district population of 363,452 people).

Data were analyzed using the Statistical Package for Social Scientists (SPSS). Frequency tables computed in terms of percentage were used. The analysis of research questions were done using Kendall's tau Correlation test to establish associations between the variables in each question. Other methods employed during data analysis were percentages, summaries of data and information, and explanation building.

Findings and discussion

Of 150 participants, 56% were males and 44% female. It was revealed that majority (80%) of respondents admitted that reference groups play a vital role in

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their purchase intentions. Similar results were revealed by Hoonsopon and Puriwat (2016) who investigated the impact of reference group on purchase intention. However, this study found that there are no correlations between the personal demographic attributes such as gender, age, marital status, number of children, income, and occupation to the purchase intention of local products. This goes contrary to some other studies, for instance Madahi and Sukati (2012) who investigated the effects of demographic factors on purchase intention.

Only the level of education was found to have a negative correlation with the purchase intention of local products. That is, as one's education increases his/her purchase intention of local products decreases and vice versa. This is contrary to some other studies, for example, by Srinivasan, Srivastava, Bhanot and Sandeep (2014) who investigated the impact of education on purchase behavior of luxury brands. Above all, social factors analyzed portrayed a very weak or no statistical significant correlation between purchase intention and customer loyalty to local products, unlike findings by Marsiglia (2010). Psychological factors revealed to have a weak statistical significant negative correlation with purchase intention. Similar results were obtained by Rand (2011) who investigated purchase intention toward local agricultural produce.

The study revealed that marketing factors have fairly strong statistical significant correlation with purchase intention. Majority of respondents (80.7%) are finding personal selling playing a vital role in deciding to buy local products than other promotion tools. Furthermore, 71.3% of the respondents admitted to have knowledge of the 'Proudly Tanzanian' Buy Local Campaigns and that they had purchased local products due to such initiatives. These findings on the impact of marketing factors support what was found by Al-Jeraisy (2008) and the ILSR consumer survey on the 'Buy-Local' campaign as described above.

Table 1: Correlation

			Social Factor s	Psychologic al Factors	Marketin g Factors	Purch. Intention
Kendall's tau_b	Social Factors	Correlation Coefficient	1.000	.038	.114	.142
		Sig. (2- tailed)	.	.605	.115	.055
		N	150	150	150	150
	Psychological Factors	Correlation Coefficient	.038	1.000	-.011	-.137
		Sig. (2- tailed)	.605	.	.882	.067
		N	150	150	150	150
	Marketing Factors	Correlation Coefficient	.114	-.011	1.000	.436**
		Sig. (2- tailed)	.115	.882	.	.000
		N	150	150	150	150
	Purchase Intention	Correlation Coefficient	.142	-.137	.436**	1.000
		Sig. (2- tailed)	.055	.067	.000	.
		N	150	150	150	150
** . Correlation is significant at the 0.01 level (2-tailed).						

Conclusion and recommendations

It emerges from the analysis that marketing factors are significant in consumer decision to purchase local products, and that the way in which individuals are associated in their respective reference groups affects their product choice and preferences as far as local products are concerned. Remarkably, factors which affect the purchase intentions are unique towards consumption of local products and may apply differently to other products.

In light of the above, the following recommendations are put forward to enhance the consumption of local products particularly local garments: SMEs should plan their marketing strategies to avail the forces that are posed by reference groups and enhance salesmanship skills to drive sales volume of local products and consumer satisfaction through personal selling. Also, SMEs need to take the lead to address the issue of poor quality, standards improvement, and inadequate promotion of products which deny them the capacity to exploit the vast regional and internal markets.

If the government was to achieve its industrialization goals, promotion of SME's is vital. The government through Small Industries Development Organization (SIDO) and the Tanzania Private Sector Foundation (TPSF) should build strong human capital with skills in different fields, including science, technology and innovation, given that these skill are inseparable from industrialization. The TPSF, the umbrella for business in Tanzania, should work hand in hand with SMEs and sensitize them to initiate 'Proudly Tanzanian' Buy-Local campaigns. These initiatives should not only be TPSF's burden. The government should enforce laws intended to develop SMEs in Tanzania. SMEs should constantly undertake marketing research to identify the most important sociological and psychological factors which affect consumers' taste and preference so as to develop a target marketing strategy for effective market exploitation. Marketing strategies should be employed, such as pricing strategy, brand strategy, promotional strategy, and advertising among others. Finally, the government should restrict the importation of goods that can be manufactured locally in sufficient quantities.

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