

# BRAND LOYALTY OF CORN FARMERS TOWARDS THEIR AGRIBUSINESS

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## *Abstract*

*The primary purpose of this study was to measure brand loyalty in the agribusiness environment by applying a validated model that measures brand loyalty. Brand loyalty measurement in the agribusiness environment is based on an existing brand loyalty model originally developed for consumer products. The model was adapted and applied to the agribusiness environment and then used to measure the brand loyalty of farmers in the North-West Province (a corn-producing region) of South Africa. The twelve brand loyalty antecedents in the model are Customer satisfaction; Switching costs; Brand trust; Repeat purchase; Involvement; Perceived value; Commitment; Relationship proneness; Brand affect, Brand relevance, Brand performance, and Culture. Data were collected from 100 corn farmers in the region. The results concluded that the antecedents of brand loyalty are reliable, valid, and important to measure agribusiness brand loyalty. Therefore, the model can be used as a managerial tool to measure and manage agribusiness brand loyalty and improve its competitiveness. The study, thus, contributes to the strategic management of agribusinesses in the strategic management thereof.*

**Keywords:** *Brand loyalty, agribusinesses, Agri-environment, antecedents, strategy, competitiveness.*

## INTRODUCTION

The South African agriculture sector is an essential contributor to the economy, as primary agriculture contributes 2% of the economy, and agri-processing another 5% (Arnoldi, 2021). Regarding employment, 7% of labour is provided by primary agriculture, while another 3% is employed in agri-processing (Davids, 2021). Compared to ten years ago (in 2012), when agricultural product exports amount to \$6.7 billion (representing 6.5% of total South African exports) (Van Niekerk, 2012). The agricultural export value (\$9.6 billion) has grown 23% in 2021 compared to 2020, and some sectors showed astronomical growth (such as lemons and limes at 180% since 2011) (Arnoldi, 2021). Top exports remain citrus, corn, wine, apples, nuts, wool and fruit juices. It is noteworthy, however, that 2021 was an agricultural bumper year. In this regard, Chief Economist of the Agricultural Business Chamber, Wandile Silobo (2021) states that "*The year 2021 could be characterised as one of the rarest, yet possibly most beneficial one for South African farmers*".

South Africa's agriculture and agribusiness industry contribute to the country's attractiveness as both a trading partner and a viable investment destination. Several competitive advantages such as the favourable exchange rates to exports, cost of labour and relative cheap entry-level requirements (as a function of the exchange rate) contribute to the dynamic agricultural industry in South Africa. Likewise, the change in customer preferences, conditions, and purchasing habits, drives the need for adjusted approaches in agribusinesses (Smidt, 2020). Covid-19 further accelerated consumer changing behaviour in South Africa, not only in buying behaviour but also in product choice. Research on buying behaviour trends (Smidt, 2020) indicates that brand loyalty does not guarantee repeat purchase behaviour. Because of online shopping trends, buyers are now more willing to try out new brands and new suppliers. This is specifically noteworthy to agribusinesses who aim to manage to brand loyalty and thereby instil repeat purchase behaviour.

Agribusinesses in South Africa can be classified into primary and value-added businesses. Primary agribusinesses are formed to market the raw agricultural commodities. Value-added agribusinesses further process the raw agricultural commodities (Walton, 2021). There are many processing businesses, such as processing soybeans, sunflower and linseed into oil, corn into flour, canning agricultural products, exports, or those involved in fish-, chicken-, egg- and meat production. Usually, farmers geographically focus on specific commodities, and their

agribusinesses focus to service the needs of the specific crops suited for that area. Agribusinesses thus also specialise their products and services accordingly.

### **PROBLEM STATEMENT**

Agriculture is a highly competitive environment. Traditional cooperatives evolved into agribusinesses competing against other privately funded suppliers in the open market. As a result, there is strong competition in the agricultural supply- and produce markets. Agribusinesses compete to supply farmers with inputs, while they must also purchase the produce from farmers to supply the open market with produce. Ideally, an agribusiness supplies a farmer with farming inputs, financing, capital equipment (such as combines and tractors), and purchasing the farmers' maize, wheat, or fruits to distribute or export. However, stiff competition resulted in aggressively competing agribusinesses who developed strategies to attract new customers and maintain the current customer base (Walton, 2021). Resultantly, branding is important for agribusinesses. For an agribusiness to gain a competitive advantage, one of the objectives should be to reach brand loyal customers and implement strategies that will keep these customers loyal. Loyalty is not apparent and should therefore be measured.

### **OBJECTIVE**

The primary objective of this study is to measure the brand loyalty of corn farmers towards their agribusiness.

### **RESEARCH METHODOLOGY**

The validated brand loyalty measuring instrument by Moolla and Bisschoff (2010) was used to measure customer brand loyalty of agribusiness consumers quantitatively. Data were collected by means of a questionnaire from farmer study groups in the North-West Province (N=300, n=100) and the Free State Province (N=200; n=67) at their monthly meetings. They were requested to complete and return the questionnaires during the meeting. However, some farmers opted to complete and later email their responses. A total of 167 farmers completed the questionnaires in the two provinces.

### **BRAND LOYALTY**

Historically, one of the first brand loyalty definitions, developed by Jacoby and Kyner (1973), was: "*The biased behavioural response expressed over time by some decision-making unit with*

*respect with one or more alternative brands out of a set of such brands and is a function of psychological processes".*

Modern definitions of brand loyalty are: "*the tendency of some consumers to continue buying the same brand of goods rather than competing brands*" (Oxford Dictionary, 2022) or "*the consumers special attachment to a certain product*" (Gordon, 2021)

Traditional price, product, and placement strategies are no longer sufficient in the modern competitive environment, and augmented concepts such as service levels, e-commerce and loyalty are more important than ever. Likewise, brand loyalty can benefit a business in several ways, such as (Formation, 2022):

- Customer retention
- Increase the lifetime value of customers
- Increase overall sales per customer
- Discover powerful market research and
- Brand loyal customers become marketing agents

By realisation the benefits of brand loyalty, marketers should focus on strategies to build and maintain brand loyalty while managing the factors influencing brand loyalty. According to Kotler and Armstrong (2020), marketing activities for agricultural products was focused on increasing production efficiency, price competitiveness and product quality to develop a competitive advantage is no longer sufficient for agribusinesses. Therefore, it is suggested that agribusinesses adopt strategic planning models if they are to be successful in the future. These models will have to focus on a unique selling proposition, forming close relationships throughout the supply chain, developing market orientation, and strong brands.

## Brand loyalty in agriculture

Azpiral (2019), in support of Harbor, Martin and Akridge (2006) indicate several benefits of brand-loyal customers for agribusinesses:

- Increased and sustainable sales
- Higher visitor rates
- A growing customer basis
- Technological advancements
- Continued consolidation within the agribusiness industry
- High customer brand loyalty towards agribusinesses.

Interestingly, the study by Harbor et al. (2006:5-6) discovered that an increase in a farmer's income does not usually correspond with an increase in farmer brand loyalty. These authors found that more experienced and older farmers exhibit fewer brand preferences. However, irrespective of age, printed material, radio, and television tend to increase a farmer's awareness of brands, and therefore the loyalty towards the brands, but it is noteworthy that younger farmers are more active on social media, and as such, more influenced by modern media.

## Brand loyalty antecedents

Moolla and Bisschoff (2010:21) identified twelve antecedents of brand loyalty. A questionnaire was developed to measure each of these antecedents' effect on brand loyalty. The antecedents are defined in the table below.

**TABLE 1: BRAND LOYALTY ANTECEDENTS AND THEIR ORIGIN**

<b>ANTECEDENT</b>	<b>DEFINITION AND SOURCE</b>	<b>SOURCES</b>
Brand trust	Brand trust is a customer's willingness to rely on the ability of the brand to perform its stated function. It is a global measure of a customer's overall feeling towards the specific brand. Brand trust exists when a customer places confidence in a brand with respect to its performance competence.	Ami <i>et al.</i> (2018); Bowden et al. (2013). Punniyamoothy and Raj (2007); Musa (2005); Schijins (2003); Chaudhuri and Hoibrook (2001); Dick and Basu (1994); Jacoby and Chestnut (1978).

Brand affect	Brand affect is considered an important antecedent of building and maintaining loyalty. If the level of brand affect increases, so does brand loyalty. Agribusiness customers consist of farmers who respond positively when branding involves improving their farming qualities.	Ami et al. (2018); Musa (2005); Schijins (2003); Chaudhuri and Hoibrook (2001); Moorman, Zaltman and Deshpande (1992); Dick and Basu (1994); Jacoby and Chestnut (1978). Özcan, 2007:56).
Commitment	Brand commitment is defined as a customer's readiness and degree of attachment towards a preferred service or brand used, re-bought or re-patronised by the customer. Brand commitment has four underlying behavioural and emotional constructs, namely (1) Brand loyalty, (2) Satisfaction, (3) Involvement, and (4) Performance	Ong <i>et al.</i> , 2018. Kim <i>et al.</i> (2008); Bowden et al. (2013); Punniyamoothy and Raj (2007); Musa (2005); Schijins (2003); Chaudhuri and Hoibrook (2001); Dick and Basu (1994); Jacoby and Chestnut (1978). Delgado and Munuera-Aleman (2001); Fullerton (2005); McAlexander, Schouten and Koenig (2002); Fournier (1998).
Switching cost	Switching is a once-off cost portraying the sum of economic, psychological and physical cost. It is consumers' own preferences of brands and the intention to stick to the chosen products. Only if the consumer switches to another brand are certain costs involved.	Ong <i>et al.</i> (2018); Sahin et al. (2013); Moolla and Bisschoff (2013); Yasin, and Amjad Shamim (2013); Kim, Morris and Swait (2008); Maritz (2007); Schijins (2003); Dick and Basu (1994); Jacoby and Chestnut (1978).
Customer satisfaction	Customer satisfaction has a substantial impact on customer loyalty. Customer	Iskandar (2018); Bowden <i>et al.</i> (2013); Punniyamoothy

	<p>satisfaction is defined as a customer's overall positive evaluation of the performance of a product or service offering up to date. A customer's satisfaction towards products or services leads to brand loyalty.</p>	<p>and Raj (2007); Musa (2005); Schijins (2003); Delgado and Munuera-Aleman (2001); Dick and Basu (1994); Jacoby and Chestnut (1978); Kwak, McDaniel and Kim (2012:82),</p>
Culture	<p>Culture is a dynamic process in society that creates the cognitive map of beliefs, attitudes, meaning, and values, which drive interaction, reasoning, responses, perception, actions, and thoughts. It is also defined as a collective mind programming that distinguishes members of one group from that of another group.</p>	<p>Kotler and Armstrong (2015) Basson, (2014); Yasin, and Amjad Shamim (2013); Bowden et al. (2013); Moolla and Bisschoff (2013) Punniyamoothy and Raj (2007); Musa (2005); Schijins (2003); Chaudhuri and Hoibrook (2001); Leo, Bennett and Hartel (2005:4)</p>
Perceived value	<p>Agribusinesses must maintain or even increase market share in a highly competitive market. Because of technological innovations and globalisation, consumers have more access to products, purchase alternatives, and opportunities to be less brand loyal. Therefore, customers' perceived value is important to stay competitive.</p>	<p>Rather (2018). Ong <i>et al.</i> (2018); Van der Westhuizen (2018). Molinari <i>et al.</i> (2008); Punniyamoothy and Raj (2007); Musa (2005); Schijins (2003); Giddens (2001); Dick and Basu (1994); Jacoby and Chestnut (1978).</p>
Brand performance	<p>Brand performance is to achieve the believed outcome of the brand. It is the success of a brand in the market. Brand performance is evaluated using</p>	<p>Ong <i>et al.</i> (2018); Musa (2005); Schijins (2003); Chaudhuri and Hoibrook (2001); Endut (1999); Dick</p>

market share, relative price, price elasticity, price premium, cost structure and profitability as the main indices. and Basu (1994); Jacoby and Chestnut (1978).

Relationship proneness The tendency of a consumer to engage in relationships with a company forms the basis of relationship proneness. A chosen brand loyalty strategy, specifically to enhance relationships with customers, is important as it ultimately influences a consumer's loyal behaviour towards a product, brand, and business. There are three types of relationship proneness, namely: (1) Contextual, (2) Psychological (3) Psycho-contextual. Bouguerra and Mzoughi (2011:211); Van der Westhuizen (2018). Kim *et al.* (2008); Schijins (2003); Chaudhuri and Hoibrook (2001); Dick and Basu (1994); Jacoby and Chestnut (1978).

Brand relevance Brand relevance is a powerful notion and reflects the measurement of a brand's long-term success through its purpose or function. It is not to be confused with "resonance" which is how a customer relates to the brand. Sustaining brand relevance requires an increased focus on the customer, enhancing and enabling customer experience. Steyn, 2021, Ami *et al.* (2018); Kim *et al.* (2008); Tucker (2005); Musa (2005); Schijins (2003); Chaudhuri and Hoibrook (2001); Giddens (2001); Dick and Basu (1994); Jacoby and Chestnut (1978).

Repeat purchase Repeat purchase occurs when customers are encouraged to buy a product or service for the first time and then continue to do so in future; thus, repeat the transaction. Companies invest money to encourage a customer to buy for the first time using advertisements Ong *et al.*, 2018. Kim *et al.* (2008); Punniyamoothy and Raj (2007); Musa (2005); Schijins (2003); Fullerton (2005); Chaudhuri and Hoibrook (2001); Dick and

and other marketing activities. Loyal customers repeatedly buy from the agribusiness are profitable and easier to manage because the customer profile is known to the company

Involvement Because different people perceive a product differently, there are different levels of involvement for a product. More involved customers are likely to lead towards increased loyalty towards that brand. For agribusinesses, high involvement leads to extensive decision-making during the buying process, which in turn leads to (1) active search and use of information, (2) Careful processing of information, and (3) Weighing and evaluating many product attributes before forming beliefs.

Adapted from: Bisschoff (2022), Steyn (2021) and Wiese & Bisschoff (2016)

## RESULTS

### Validity of research instrument

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) yielded values ranging from 0.504 to 0.828 for agribusinesses. The average KMO measure for the agribusinesses yielded a satisfactory 0.702. Resultantly, the sample was statistically proven to be adequate. The data was suitable for factor analysis as a statistical tool to validate the twelve brand loyalty antecedents. The factor analysis identified that within two antecedents, *Perceived value* and *Relationship proneness*, two sub-factors existed; these sub-factors should be considered in managing agribusiness brand loyalty.

### Reliability of results

The reliability of the brand loyalty antecedents is measured and summarised in Table 2. The table shows the code of the antecedent, antecedents, and the Cronbach Alpha coefficients of the two samples.

**TABLE 2: RELIABILITY OF THE ANTECEDENTS AND THEIR FACTORS**

Code	Description	Cronbach's alpha	
		North-West	Free State
CUS	Customer Satisfaction	0.71	0.70
SCR	Switching Costs	0.70	0.73
BTS	Brand Trust	0.69	0.78
RPR	Repeat Purchase	0.65	0.73
INV	Involvement	0.73	0.63
PVL	Perceived Value	<b>0.45</b>	0.61
COM	Commitment	0.82	0.83
RPS	Relationship Proneness	0.71	0.62
BAF	Brand Affect	0.70	0.78
BRV	Brand Relevance	0.86	0.74
BPF	Brand Performance	<b>0.48</b>	<b>0.43</b>
CUL	Culture	0.87	0.63

The table shows most of the factors return acceptable reliability coefficients ( $\alpha \geq 0.58$ ) (Field, 2019). However, the two brand loyalty antecedents *Brand trust* and *Repeat purchase*, are deemed to be of lower order reliability because they have lower order reliability coefficients ( $0.58 < \alpha < 0.70$ ). The unreliable antecedents (with reliability coefficients below 0.58) are *Brand performance* and *Perceived value* (with coefficients ( $\alpha < 0.58$ )).

### Importance of antecedents

As measured on a 7-point Likert scale, the mean value as converted in a percentage is shown in Table 3.

**TABLE 3: MEAN SCORES – BRAND LOYALTY ANTECEDENTS**

DESCRIPTION	North-West	Free State
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Customer Satisfaction	70.2%	79.3%
Switching Costs	56.1%	62.7%
Brand Trust	68.8%	79.6%
Repeat Purchase	64.7%	73.7%
Involvement	62.8%	76.6%
Perceived Value	61.7%	69.7%
Commitment	54.7%	61.8%
Relationship Proneness	57.7%	56.7%
Brand Affect	59.0%	57.1%
Brand Relevance	64.0%	72.6%
Brand Performance	66.3%	68.5%
Culture	49.8%	54.8%

\*\*\* *Very important 75%+; Important 60-74%; Lower importance <60%*

Antecedents *Customer satisfaction, Brand trust, Repeat purchase, Involvement, Perceived value, Brand relevance* and *Brand performance* are above the 60% level and is regarded as important antecedents of agribusiness brand loyalty. *Customer satisfaction* is the most important antecedent for brand loyalty in agribusiness.

Antecedents *Switching Costs, Commitment, Relationship Proneness, Brand Affect* and *Culture* are all below the unsatisfactory level of 60%, and this means that all the questions need to be improved and further developed. *Culture* is the least important antecedent for brand loyalty in the agribusiness environment.

**FIGURE 1: IMPORTANCE OF THE BRAND LOYALTY ANTECEDENTS**

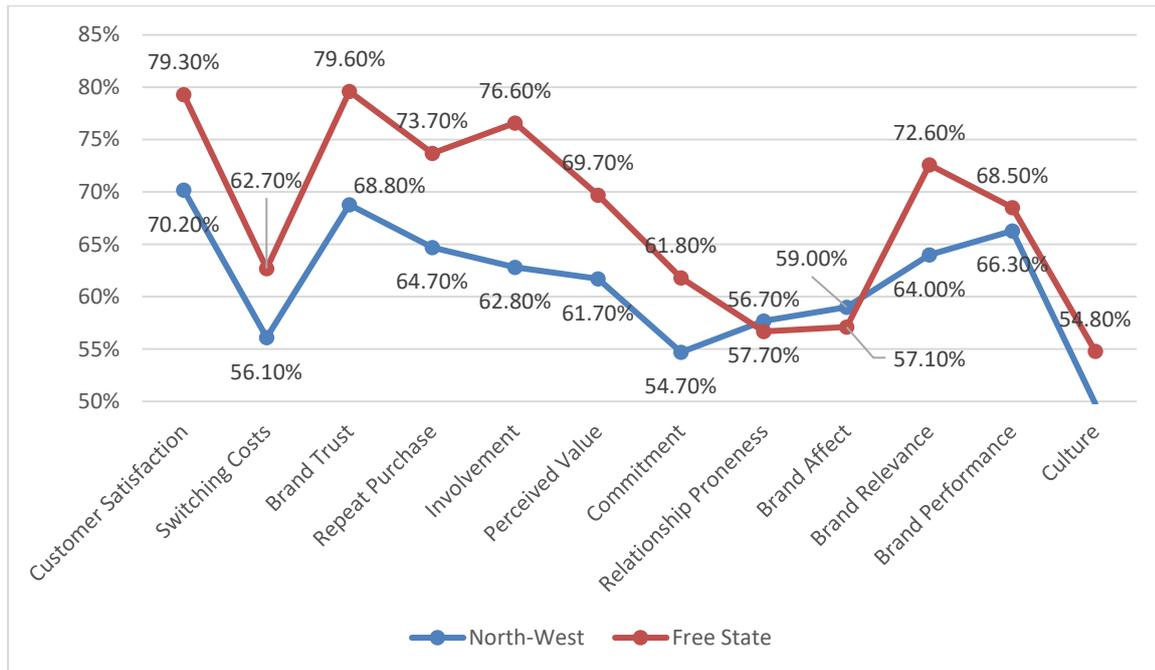


Figure 1 illustrates the means of the antecedents, showing how important farmers regard the brand loyalty antecedents to be. The antecedents Switching cost, Commitment, Relationship proneness, Brand affect, and Culture are marginally lower than the 60% importance level, with the means averaging between 49%- 59%. With special managerial effort and attention, these antecedents can be managed up to the important level of 60%.

## CONCLUSIONS

From the results, the following conclusions are drawn:

1. All the antecedents are represented by a single antecedent, except for *Perceived value* and *Relationship proneness*, which can be perceived as dualistic.
2. It can be concluded that the antecedents *Customer satisfaction*, *Brand trust*, *Repeat purchase*, *Involvement*, *Perceived value*, *Brand Relevance* and *Brand performance* are the most important antecedents of brand loyalty for agribusinesses since the means exceed the value of 60%. All the brand loyalty antecedents are important and have grand mean values above 49.8%. *Customer satisfaction* is the most important antecedent for brand loyalty in agribusiness.
3. The antecedents *Switching Costs*, *Commitment*, *Relationship Proneness*, *Brand Affect* and *Culture* are all below the importance level of 60, with *Culture* being the least important antecedent for brand loyalty in the agribusiness environment.

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