

**PREMIUMIZATION FOR COMMODITY PRODUCT:
VALUE CREATION FOR PACKAGED JASMINE RICE**



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VALUE CREATION FOR PACKAGED JASMINE RICE**

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ABSTRACT

Every consumer goods product is looking for its differentiation point to earn the prestige and able to attract customer at the first. Being attractive is believed to motivate and persuade customer for buying decision which increase to its sales performance. Apparently, the product that contains the premium perception in its character considered as attractive attribute which earn more willingness to buy at consumer's mind. The study of attractiveness and willingness is an interesting viewpoint that we would like to take this opportunity to discuss in this research topic. Therefore, we have taking leap to discuss about being premium product will add value to consumer goods product especially in commodity product, packaged jasmine rice. There is some useful information about theory and model that we can consider for product packaging. Begin the journey and enjoy the element of marketing strategy to make product sellable.

KEY WORDS: Value creation / Packaged jasmine rice / Branding / Packaging

21 pages

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CHAPTER I

INTRODUCTION

Thailand is an agricultural based society, the country enrich with land fertilize and irrigation which makes Thailand become major rice growers in the global market. Thailand is ranked as the world's second largest rice producer and exporter (Department of Foreign Trade [MOC] 2013). Rice field become common workplace for Thai population in countryside, 35% of agricultural land is occupied by rice filed. The common outputs are from these crops are white rice, jasmine rice and sticky rice. Jasmine rice is considered as the main competitiveness for Thailand rice market as it contains unique characters such as its softness and tenderness, natural fragrance and its shapes. These characters make jasmine rice become popular and widely consumed among local and international consumers. The popularity of jasmine rice consumption would be perceived to be key indicator for upward price level and reward to the farmers. Jasmine rice is one of top three agriculture products that drive Thai economy. The growth of jasmine rice represents the growth of Thailand's GDP.

However, jasmine rice is considered as a commodity product where the growth of its value has been restrained by fierce competition on price and cost of production. Moreover, consumer's perception towards commodity product is perceived as product with competitive price, low price at common quality, which is a major issue for commodity product to overcome this perception.

To understand what influential factors are those consumers is willing to pay more for purchasing commodity item especially for packaged jasmine rice. The research study will seeks to develop a framework for understanding what attributes or factors that consumers perceived to create premium perception on Thai jasmine rice. The study should be able to determine factors that beyond scope of product quality and hygiene, product variety and functional attributes. The research result will generate idea concept of what are motivation or attractions for consumer to be able to pay additional price on commodity product. In meantime, the evaluation of impact on

intrinsic and emotional attributes is necessary for consumers to feel more confident in their skills of purchasing the product.

There are many dimensions of marketing strategy mix which includes product strategy, pricing strategy, distribution strategy and marketing communication strategy. The key element that we will focus is in the part of marketing communication strategy, where the area of product development, pricing and distribution channel are remain to be explored and discussed further.

During the discussion, we found the importance of marketing communication especially emotional branding is associated with consumer's perception towards value in the product. Therefore, we have explored to understanding emotional branding with sensory branding landscape. With our scope of sensory branding, this paper would like to explore about consumers are attracted by packaging of product. The meaning of attractive packaging is believed to earn additional value for product and motivate customer to take a look and lead to buying decision process. The last part of this paper has provided the recommendation of using theory and model in application with marketing communication technique for exercising into packaging of product.

CHAPTER II

LITERATURE REVIEW

Understanding consumer's mind begins with the common background on definition of premium price. Premium pricing is the strategy of consistently pricing at, or near, the high end of the possible price range to help attract status-conscious consumers. By this definition means premium price is the price that consumer perceived premium is additional value that they willing to pay for which attracted by some attributes. Literally, we have explored value composition and found 'Value Model' (LaSalle et al. 2003) explained four main compositions for mankind in perceiving value; Physical, Emotional, Intellectual and Spiritual, each attribute in value model considered tangible and intangible values.

Table 2.1 Value Model

Physical	Emotional	Intellectual	Spiritual
Exhilaration	Well-being	Learning	Fulfillment
Pleasure	Personal growth	Knowledge	Peace
Comfort	Recognition	Appreciation	Freedom
Independence	Nurturing	Rarity	Trust
Security	Caring	Excellence	Integrity
Survival	Relationships	Control	Spiritual growth
	Status	Quality	Spiritual expression
	Self-expression	Choice	Creative expression
	Self-esteem	Reliability	Aesthetic connection
	Belonging	Consistency	Social conscience
	Happiness	Satisfaction	
	Harmony	Performance	
	Personal identity	Efficiency	

The attributes listed on the model were compiled from the works of noted experts in psychology, human sciences, and axiology such as Abraham Maslow, Mihaly Csikszentmihalyi, Morris Holbrook, Marsha L. Richins, and Bernd H. Schmitt. The value model shows the involvement of premium value in consumer's mind in which area that consumer think that they are willing to pay or to trade off for better or higher value or consumer intend to pay less if the value they perceived is less than expectation or outcome. Based on this value model, there are some attributes that associated with packaged jasmine rice. By physical, jasmine rice offer pleasure to consumer with its softness and fragrance. By intellectual, jasmine rice affirm its quality and reliability which lead to satisfaction. By spiritual, jasmine rice give trust on its standard consistency. By emotional, there are many areas that create emotional between packaged jasmine rice and consumer.

Another study of value creation is called 'Eight Major Denomination of Value' (LaSalle et al. 2003) which show the structure of denominations of value in eight dimensions. The elaboration of these eight denominations and its context to packaged jasmine rice are follow;

- 1) Economic. Most of consumer refers value in economic way which considered as the most tangible value that consumer can be aware of. In this research, price of package jasmine rice is the real economic value.
- 2) Time. Consumer in major city has concerned about time as their value when everything is in a rush mode and time play major value in life.
- 3) Quality. Product value is totally reflected through its quality. Consumer evaluate their satisfaction based on quality of product that being offered. In this research, quality of jasmine rice is superior and meet up to its standard.
- 4) Guidance or Advice. Alongside with product benefit, guidance and advice of product can be considered as value attributes. Some application can highlight an outstanding of product feature.
- 5) Political or Image. This attribute is external value that product offered to consumer. Some product offered privilege status and give satisfactory outcome to consumer.
- 6) Relational. The relevancy of product and consumer in any dimension will be able to create better satisfaction.

- 7) Simplicity. Packaged jasmine rice is offering simplicity as its feature on cooking. There is also multiple function or application of jasmine rice that able to create higher value.
- 8) Emotional. People buy thing on emotional basis, even they try to use logic to select product but in the subliminal mind, emotional play important role of decision making.



Figure 2.1 The Eight Major Denominations of Value

In the stage of product development where we would like to create value through premium price positioning, we aware that there are many attributes that we can play with consumer's mind to create a better or higher perceived value. From these two literature reviews, we found the common area in perceiving value is emotional. Therefore, our theoretical framework will be involved about emotional built that associated with product and service. Creating emotional value is easily become a tool to gain attention from consumers where the fundamental of product development strategy that related to Quality and Features, Services and Warranties are kept to be discussed later.

CHAPTER III

METHODOLOGY

The paper reviews empirical studies made within the area of consumer's construct on value creation for jasmine rice product. Our research objective is to find out attribute of premium perception that associate to value creation on packaged jasmine rice. In this paper we will use explorative and qualitative field of study where we design methodology to be direct, in-depth, ongoing contact with the organizational participants, focused on experiences, real tasks and processes, employed and evolving research design and produced data reflecting organizational contexts and practices. The qualitative method chosen is one-on-one in-depth interviews, to understand attitudes and affective responses such as perceptions of premium quality, the influences of packaging design. We select to work with our case study on a person who related in branding and marketing working experience. Therefore, this research will be conducted with head of marketing from premium food retailer in Thailand, as well as an expert in retail industry from Thai Retailers Association. We have studied supply chain of packaged jasmine rice and identify retailer as a key part. Retailer has experienced to interact with manufacturer of packaged jasmine rice which able to review all brands of packaged jasmine rice in the market.

The analysis of results from an explorative and qualitative field study with previous research on product development, marketing strategy management, value creation, brand equity and packaging influences on commodity product will be applied to packaged jasmine rice. The creation of interview protocol consists of two parts: the open-ended axial interview designed to provide rich description of attributes by the respondents; and the structured theoretical interview designed to identify relationship between attributes (Northcutt and McCoy, 2004).

In the research, data collection methods employed are semi-structured interview, critical incident technique and documents analysis. Easter-Smith, Thorpe and Lowe (1991) suggest that unstructured or semi-structured interviews are an

appropriate method when one aim of the interview is to develop an understanding of the respondent's world so that the researcher might influence it, either independently or collaboratively as is the case with qualitative research.

The interview sessions conducted with top executives whose background in rich of marketing and brand development as well as understanding the consumer insight related on buying packaged jasmine rice. During the interview sessions, note-taking technique will be employed to record observations and responses to interview questions immediately (Hussey & Hussey, 1997).

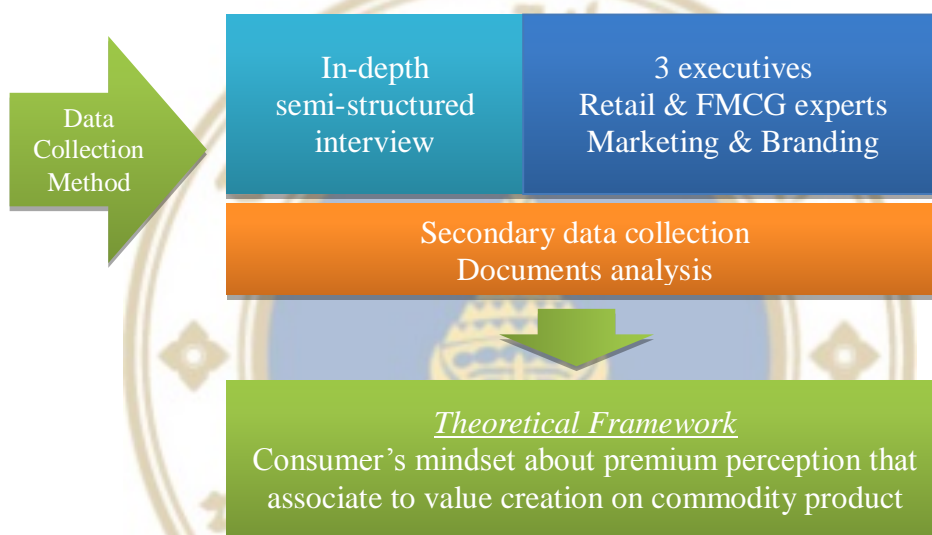


Figure 3.1 Flow of Research Methodology

A primary data analysis methods is based on Kolb's learning cycle (Maylor and Blackmon, 2005 p.348), the cycle starts with concrete experience which subject to be varied depends on personal experiences such as series of feeling or memories. The second stage involve with three activities; familiarization with data, spending time considering the issues raised, and summarizing data. Next step is to extract key concepts from discussion. And the last stage is to check for occurrence of concepts, look for emergence of patterns, and review the pattern that fit with the data.

During discussion with interviewees, we have gathered and learned about secondary data, then we produced our theoretical framework is about consumer's mindset about premium perception that associate with value creation on commodity

product. The discussion will be noted under the framework and related on value attributes that is really matter to consumer towards premium perception.



CHAPTER IV

ANALYSIS AND RESULTS

There are several evidences showing that consumer thinks that they value of product depends on what product are offering. It is true that the customer's proposed remedy is almost always "lower the price." But is that the only way this equation can be brought into balance? Another way to balance the trade is to increase the value on our side of the equation. But we should always remember that it is not the actual value of what we sell, but the customer's perceived value, that really matters (LaSalle et al., 2003). To balance the equation and answer our research question, from our in-depth discussion with our experts, the key findings show that top three attributes to create premium image for packaged jasmine rice are Quality, Variety and Branding.

With strong competition and non-differentiation from quality of product, commodity product such as packaged jasmine rice want to differentiate themselves by offering the consumer a better experience. Premium status can be earned by added value, ownership of a key emotional territory (Julien, 2014). The interviewees give us the headline of companies should be realizing the importance of creating strong brands that provide real customer benefits so they can avoid the practice of continual price slashing and cost reduction due to the downward pressure that exists in commodity markets. As marketer, the respondent support us that branding commodity products is a way to escape from competing on volume and price alone. The challenge is to create competitive advantage or added value for the brand. It is easier said than done in a low-profile such as commodities and involves strong marketing communication in order to educate the market.

The first finding from our discussion with the experts show that the organic values in commodity product are Quality, Variety and Branding, which are the first mentioning in during the discussion. The key finding about branding has taken us to bridge into our framework whereas attributes of value associated with consumer's

perception about premium. If the interviewees believe that branding is one of the key factors that consumer will think about when we discuss about premium perception, this is a very good lead for the paper to explore into the next level. We found that to build brand or communicate with the brand, the product itself must identify its unique selling point. The product's unique selling point must be able to represent the product feature that once consumer has tried or aware of product, this unique selling point must be registered into consumer's mind.

Later, we found that identifying unique selling point is the starting of branding. Our expert interviewees have given us another step by extending this unique selling point and leverage into augmented product. From the study of level of product and service, we learned that product consists of three levels; core benefit, actual product, and augmented product. We can't avoid that commodity product always commit itself to provide core benefit and actual product level. When consumer think about commodity product especially packaged jasmine rice, they always come up with thinking that rice is just rice it offer good grain, softness, or even make people fulfill their hunger needs.

Our experts told that if we can leverage the unique selling point and bring to augmented product, we can elaborate so much of good things about our product. We will be able to find key message to exercise marketing communication and branding campaign to gain awareness from customer. Therefore, earning product prestige, it must come from product itself and leverage into different angle of point.

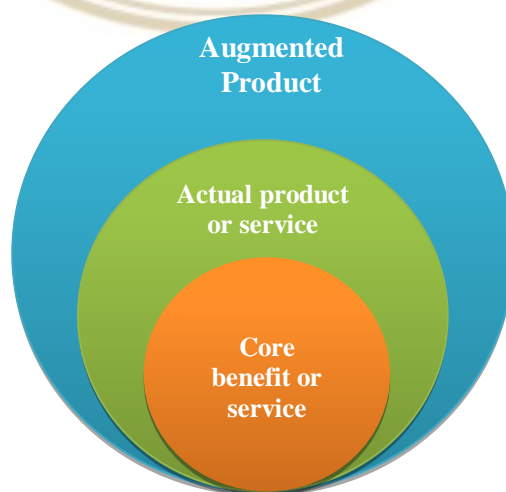


Figure 4.1 Level of Product

The finding also discussed about having brand and product positioning where you can hold this identification and own it for the asset of your product brand. We have experienced from discussion that product positioning for packaged jasmine rice must be extracted from its origins of product.

The brand building will move from a two-sensory approach to a multisensory approach. Brands started with the unique selling proposition, where no two products are alike. In the future, succeeding stages included emotional selling proposition, where products were perceived as different primarily because of an emotional attachment. Another area is organizational selling proposition, where the organization or corporation behind the brand in fact became the brand. Or the brand building can be brand selling proposition where the brand was stronger than the physical dimensions of the product (Lindstorm, 2005). These are a very good lead that build confirmation that brand building is related to emotional and become essential to product to be differentiated. Branding is the means of establishing in the consumer's mind a distinct personality by which the consumer will recognize and remember a product.

As we mentioned earlier that our scope of study will mainly discussed about marketing communication elements, we therefore keep other tangible attributes (quality & hygiene, and variety) not to be discussed as factor of value for this research. We then explore within the framework of branding that related to customer's perceived value. We found the study of sensory branding where discussed about the importance of human senses react with brand. The findings on sensory branding show us five dimensional brand which are sight, sound, taste, smell, and touch.



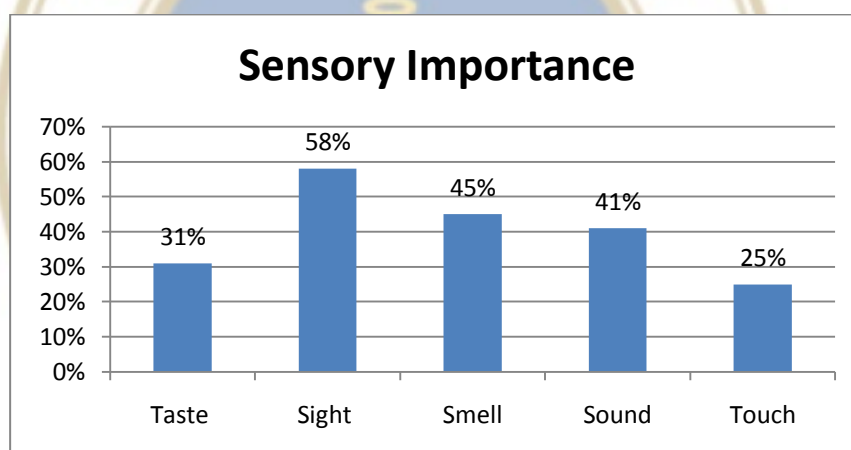
The Five-Dimensional (5-D) Brand

- **Sight**
- **Sound / Hearing**
- **Taste**
- **Smell**
- **Touch**

Figure 4.2 The Five Dimensional Brand

The discussion with our interviewee support that this sensory branding can be created emotional branding to consumers. Another record shows that it is often your emotions that make purchasing decision for you. Many of the products that you buy and use every day were not bought only for their functional benefit but because something grabbed you from inside and said you would like it (Meyers and Gerstman, 2004). We then explore our discussion into the area of impact of emotional branding especially sensory branding that concerned to consumer's buying process.

Within these five senses, the study by Millward Brown and Martin Lindstrom showing that sight is the most seductive sense of all. It often overrules the other senses, and has the power to persuade us against all logic (Lindstrom, 2005). Vision is the most powerful of our five senses. The study shows that among five senses, sight gained the highest percentage of sensory importance.



Source: Millward Brown and Martin Lindstrom

Figure 4.3 Sensory Importance

From interview with experts and secondary data, it has proven that sight sensory or implies that product packaging can serve as a strong differentiator and help become a part of the brand. Product packaging become key attributes to gain attention from consumers. Innovative, unique, and appealing packaging can alone be the only point of differentiation that needs to start building a powerful brand (Dolak, 2015). Our expert agreed that product that has outstanding packaging is well presentation to attract customer and gain their attention which can be differentiate the product from the numbers of products in the shelf of supermarket.

Over the years, a number of products that at one time were seen as essentially commodities have become highly differentiated as strong brand have emerged in the category. Packaging is Branding, packaging identified the brand. It spotlight the brand. It creates an association with brand's products. It promotes confidence in the brand's products It is often that package that creates emotion and the package that reminds you of something special you want to remember. Packaging can communicate this personality through a variety of visual cues (Meyers and Gerstman, 2004). The discussion mentioned that packaging is a very useful marketing tool to communicate the product benefit and its unique selling point to the potential customer. Packaging communicates the product at it all.

Another point of discussion is when we build emotional branding, it always create relationship with consumer and the product itself. As marketers, to have a positive relationship and good feeling towards brand is one of priority for marketing to perform this task to win consumer's heart. We understand that emotional branding will benefit to brand and product. David Sandler observed that people make buying decision emotionally. The University of Southern California argues that emotion is a necessary ingredient to almost all decisions. When we are confronted with a decision, emotions from previous, related experiences affix values to the options we are considering. These emotions create preferences which lead to our decision. This is another support and built to emotional and branding can lead to buying decision.

CHAPTER V

CONCLUSION AND RECOMMENDATION

A commodity is a product so basic that it cannot be physically differentiated in the minds of consumer. We have explored that there is opportunity for commodity product to be differentiated and able to create premium value through the exercise of branding campaign. The branding campaign must be originated from its unique selling point or proposition where it leverages from core benefit, actual product benefit or augmented product benefit. Throughout the study, we found that emotional branding is one of key essential to create relationship between consumer and the brand, hence we suggest the branding campaign should be registered with emotional selling proposition.

Our recommendation to this research which it can be taken on to the further experiment is applying value model into emotional selling proposition. We have stimulated the attributes that can be key message to be used on package and communicate to customer. According to denomination value model, we select some emotional dimensions. For example, time value, the packaged jasmine rice can build on their original of harvest season which affect to the quality of its grain. The first harvest season always give the best grains of the season that come with full rich aroma of jasmine fragrance. For quality value, the package can tailored message about their rule of origins that specific on geometrical identification which elaborate about the fertilization of soil, the unique character of specific area of jasmine rice. For guidance and advice value, package jasmine rice may contribute the cooking tips or recipe menu that well fit to cook jasmine rice. For relational value, the package may communicate about the relationship of farmers and their heritage of growing rice. This community ritual can earn the brand trustworthy, belief in expertise, or even empathy to support the growers. For emotional value, the brand can use the fact of its product to associate with other sensory branding such as fragrance of jasmine rice with smell sense, softness with touch and taste sense.

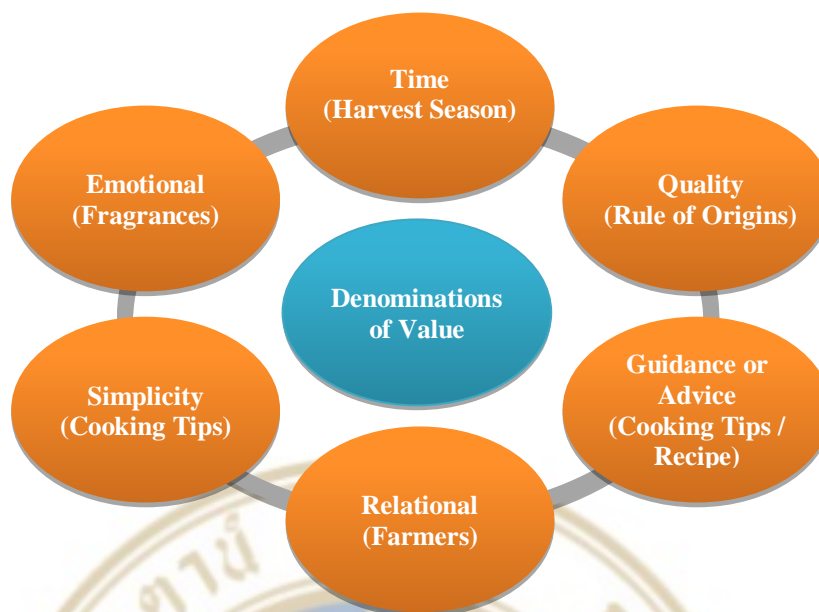


Figure 5.1 Application of Denominations Value to Emotional Selling Proposition

We understand that packaging and branding is costly exercise and has an impact on product margin and pricing strategy. But it is definitely the right investment in the longer term. We know that consumers made buying decision based on emotional which is very good opportunity for product to find hot spot or trigger point to gain advantage from emotional buying decision.

The last conclusion is what they determined is that value is based on a variety of criteria, the final value of an offering is determined by the consumers. Value is in the eye of the beholder (Meyers and Gerstman, 2004).

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