In international macroeconomics, there is a specific concept explaining deviations in international trade relations showing that countries have a bias and a strong preference for the consumption of their home-country goods. This article presents an application of the concept on brand preferences in West and East Germany, where a home-bias-in-consumption has been observed for the East of Germany. It is the first application of the concept on the territory of brand preference that explains the strong rootedness of the Eastern German consumers to their regionally known and familiar brands. The goal of the article is to elaborate more deeply the differences in attitudes towards brands between Eastern and Western German consumers. The main research method is secondary analysis of the data collected in two large research studies: (1) “West-East brand study”, and (2) “Consumer Analysis”. The results of the presented study have interesting managerial implications in brand management, showing that brands should utilize their local rootedness.

JEL classification: M31

Keywords: Home-bias-in-consumption; local brand preference; brand heritage and nostalgia.
reunification of West and East Germany, consumers were excited and preferred West German products and brands (Veenis, 2011). In recent years, the preferences have changed and East German consumers tend to buy the older East German brands, namely because of so-called “(N)Ostalgie” (Berdahl 1999). But in order to prove if this development is still true, valid data has thus far been missing.

Methodology

The main research method is secondary analysis. Two prestigious studies were used as a source of valid and reliable information.

(1) The paper will refer to a study that has been conducted yearly since 2010: The “West-East brand study” (West-Ost-Markenstudie) of the MDR (Mitteldeutscher Rundfunk), the East German broadcasting station of Saxony, and Saxony-Anhalt and Thuringia.

Description of the research methodology of the “West-East brand study”:

West-East brand study 2010

The study in 2010 is the first survey of the annually conducted “West-East brand study”. It is based on a qualitative preliminary study with one-on-one interviews in November 2009, followed by a quantitative survey with 1,500 telephone interviews (CATI) from January to March 2010. The nationwide representative sample consists of individuals aged 14 to 75 years.

West-East brand study 2011

For the West-East brand study 2011, the basis is a qualitative preliminary study in 2010, and a telephone survey (CATI) in the period April to July 2011. For this survey 2,000 people were interviewed nationwide. The representative sample consists of individuals aged 14 to 75 years.

For both surveys, the conducting institute is IMK – Institute for Marketing and Communication Research GmbH, Erfurt.

(2) Due to the fact that there is only limited access to the study in 2012 and 2013, the author of the article will prove the different preferences in buying certain product brands using the data provided by the public survey of the “Consumer Analysis” (Verbraucher-Analyse) released by the Axel Springer AG and the Bauer Media Group for certain product segments.

The “Consumer Analysis” is a regular survey about the consumption of products in various categories among the German population. It is a representative study with more than 30,000 respondents, conducted annually since 1982.

Description of the research methodology of the “Consumer Analysis”:

Basic population: German-speaking population above 14 years, in private households, in the Federal Republic of Germany (70,213 million). Sample and survey: 32,218 cases collected from October 2010 to March 2012 by the institutes Enigma, Ipsos, Ifak, Marplan.

Differences in the product brand preferences between Eastern and Western Germany

After 2010, 2011, 2012 also the most recent “West-East brand study 2013” indicates a strong preference of the consumers in the so-called “New federal states” (Neue Bundesländer) for the product brands from East Germany as they have known them from the years of the former GDR. Examples are the local Cola drink “Vita Cola”, the skin care brand “Florena”, the sweets brand “Halloren”, the laundry detergent brand “Spee” or beer brands like “Hasseröder”, “Köstritzer” and “Wernesgrüner” among others.
Already in 2010, in the first “West- East brand study”, more than 50% of the respondents of East Germany declared that product brands from the East are more attractive to them compared to product brands from the West (see figure 1).

The strengths of the product brands from the East are seen in their attributes, that they are more strongly regionally enrooted (77.4%), likable (61.2%), of high quality (60.3%), more credible (55.3%), honest (52.2%) and less expensive (48.4%) (see figure 2).

It is interesting to see that lower price is apparently not the most significant attribute of the product brands from the East. The strongest characteristic is the regional rootedness that shows strong local ties of the consumers in East Germany as a possible explanation for their preference to East German product brands.

Also, the results from the survey in 2011 show a clear preference towards the product brands from the East with 34.2% of the consumers in East Germany. On the other hand, consumers of West Germany do not have a certain preference for the product brands from West Germany – only 9.2% (see figure 3).

In addition, more than 40% of the consumers from the East of Germany consider the “origin of the product brand” as important for the brand preference, compared to only 4.4% from the West (see figure 4).

Evidently, there is still a big preference of the consumers in the East of Germany for their local brands, which they have known from the times of the former GDR. On the other hand, there are indicators that this is particularly true for the consumers older than 40 years. Overall, the preference is lower with younger consumers in the East of Germany.
But there are also indicators in the study of 2013 that the “East brands” are becoming more and more known and popular in Western Germany as well, due to the fact that they are considered as “traditional”, “iconic”, “likable” and “honest” (von Haken, 2013). It is stated that product brands from the East which survived their struggling years right after the political changes, have become attractive for consumers in the West now. Brands like Halloren sweets, Spee laundry detergent, Florena and the beer brands Radeberger as well as Köstritzer are known and popular in West Germany. But that is the case only for a few of the East German brands and some of them are owned by Western German companies, such as Spee by Henkel, Radeberger by the Oetker group and Florena by Beiersdorf which also produces Nivea.

Check with current data of the “Consumer Analysis”

The data of the most recent survey from 2012 about the consumption in certain product categories (for which data is compiled) shows a clear preference of the consumers in Eastern Germany towards product brands from East Germany.

Table 1 Consumption index of East brands vs. West brands in Eastern Germany

<table>
<thead>
<tr>
<th>East brand</th>
<th>Consumption index</th>
<th>West brand</th>
<th>Consumption index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vita-Cola</td>
<td>412</td>
<td>Coca-Cola</td>
<td>72</td>
</tr>
<tr>
<td>Hasseröder</td>
<td>344</td>
<td>Beck’s</td>
<td>89</td>
</tr>
<tr>
<td>Rotkäppchen</td>
<td>250</td>
<td>Deinhard</td>
<td>82</td>
</tr>
<tr>
<td>Spreequell</td>
<td>284</td>
<td>Apollinaris</td>
<td>76</td>
</tr>
<tr>
<td>Halloren</td>
<td>330</td>
<td>Ferrero</td>
<td>94</td>
</tr>
<tr>
<td>Spee</td>
<td>250</td>
<td>Persil</td>
<td>97</td>
</tr>
<tr>
<td>Florena</td>
<td>310</td>
<td>Nivea</td>
<td>116</td>
</tr>
</tbody>
</table>

Source: Consumer Analysis 2012 (n=32,218)
For example, there is a strong preference for the \textit{Vita Cola} with a consumption index of 412. That means there is a significant over proportional consumption of \textit{Vita Cola} in East Germany compared to \textit{Coca-Cola} with an index of only 72 (based on the overall consumption in the German population – index = 100).

Similar is the preference for \textit{Hasseröder}, an East German beer brand, with an index of 344 compared to \textit{Beck’s} with an index in East Germany of only 89, or the consumption of \textit{Rotkäppchen}, the East German sparkling wine brand, compared to \textit{Deinhard} the Western German brand (250 vs. 82). The same is found for \textit{Spreequell}, an East German mineral water brand, with an index of 284 compared to the traditional Western mineral water brand \textit{Apollinaris} with an index of only 76 in the consumption in East Germany. A strong consumption index in the East is also stated for the sweet brand \textit{Halloren} with index 330 in East Germany and an average index of \textit{Ferrero} with 94. Similar are the consumption indices for the detergent brand \textit{Spee} with a strong index of 250 but also an average consumption index of 97 for the Western brand \textit{Persil}.

It means that the consumption of these Western brands achieved average consumption in East Germany. This is also the case for the skin care brands \textit{Florena} and \textit{Nivea}. Though there is a strong preference towards \textit{Florena} (index of 310) there is also a quite strong index of \textit{Nivea} (116). That means that the consumption of this skin care brand, formerly only available in the West of Germany, has also become popular among consumers in the East of Germany.

\section*{Conclusion}

As the data shows, there is (still) home-bias-in-consumption in the East of Germany because of a strong preference of the consumers for East German product brands. The reason for this is, above all, the strong rootedness of Eastern German consumers to their regionally known and familiar brands: A feeling of nostalgia that increases brand preferences (Orth and Gal, 2012; Kessous and Roux, 2010).

But there are indications that, in the future, the home bias and the difference in brand preference could become less because of demographic change (rather the older consumers in the East prefer East brands) but also because some East product brands have become similarly popular for the consumers in the West of Germany. The reasons for this phenomenon are seen in the values the brands stand for, like tradition, credibility, likability as well as authenticity and originality. These values create an emotional bond of the consumers with the brands, which is important in brand management in order to create brand preference.

The upcoming surveys in the “West-East brand study” will show if the differences in the product brand preference and the consumption patterns of the East and West in Germany will become less in the future.

\section*{Managerial implications and brand recommendation}

\textbf{For the East German product brands:}

The East German product brands have to become more attractive as well for the younger consumers in East Germany. For this, they should communicate their product value and difference besides the fact that they are from the East.

In addition, they should increase their awareness in the Western part of Germany on order to become relevant and sustainable in the whole country. As the recent data shows, the East brands can be attractive for West German consumer by communicating the values they stand for. Values like tradition, authenticity and honesty are more and more relevant for consumers in West Germany (Mackat, 2007).

For the long-term, they should not stand for “East brands” in particular anymore. They should stand for regionally rooted, traditional brands that offer good product quality and representing relevant and attractive brand values (like credibility, honesty and originality).

\textbf{For the West German product brands:}

In order to increase brand preference in the Eastern part of Germany, West German product brands should address the consumers in East Germany more specifically, so that they achieve a higher emotional bond and connection with the East German consumers.

Only “\textit{to be from the West}” is not a relevant or convincing argument anymore. It is more important to communicate an actual and reasonable argument for the brand to the people in the East (Mackat, 2007).

Through these adjustments in brand positioning and brand communication all the product brands – from the East and from the West – can become relevant in both parts of Germany and could be attractive nationwide. The preference for product brands could be more similar in both parts and the distinction between so-called “\textit{East brands}” and “\textit{West brands}” could become lower in the future.
References


Author

Diplom-Kaufmann Michael Bahles
Assistant Professor
Department of International Trade
Faculty of International Relations
University of Economics, Prague
Nám. W. Churchilla 4, 130 67 Prague 3, Czech Republic
michaelbahles@hotmail.com