

## Effects of Consumer Preferences for Local vs. Imported Products on the Competitiveness of Small and Medium Enterprises in Zambia, A Case Study of Mtendere Compound

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### Abstract

This study evaluates the effects of consumer preferences for local versus imported products on the competitiveness of Small and Medium Enterprises (SMEs) in Zambia, using Mtendere Compound as a case study. Recognizing SMEs as vital to Zambia's economy, the research evaluated the effects of consumer preferences influence the market dynamics faced by local businesses, especially in the face of globalization, which increases the availability and appeal of imported goods. A mixed-methods approach was employed, incorporating quantitative surveys and qualitative interviews targeting both consumers and SME owners. The study explores key factors affecting consumer choices, revealing that while Zambian consumers may favour local products for items like fresh produce, imported goods often attract consumers through perceived superior quality and variety in categories like electronics and luxury goods. Through regression and ANOVA analyses, the study assesses how consumer inclinations towards imported products challenge local SMEs in terms of market share, profitability, and overall competitive positioning. Findings indicate that availability and brand recognition are significant hurdles for SMEs, with local goods often needing enhancements in perceived value to match the appeal of imported alternatives. The research highlights strategies for SMEs to enhance competitiveness, such as improving product quality, emphasizing brand authenticity, and leveraging national pride in marketing. It also underscores the role of supportive government policies and local campaigns to strengthen the market position of local SMEs. Recommendations include fostering stronger brand identities, adopting cost-effective production techniques, and tailoring marketing efforts to align with consumer preferences. This study provides valuable insights for SME strategy and policy making to promote local industry resilience in Zambia's evolving market.

**Keywords:** Competitiveness; Consumer preferences; Small and Medium Enterprises; Market dynamics; and Brand recognition.

### 1. Introduction

Consumer preference on goods was considered a pre-purchase activity that precedes the buying of goods (Kumar and Joseph, 2014). Studies showed a number of factors that influences consumer preferences on local vs imported goods. (Mweemba & Mweshi, 2022) stressed that factors affecting consumers' preferences are personal factors, psychological factors, social factors and economic factors.

With the vast array of opportunities to the whole world, companies had taken strides to move across the boundaries to take advantage of wider customer base. While exploring benefits of globalization and moving across boundaries, these giant multinational companies often posed a serious threat to the local companies of the host country by intensifying

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the competition for SMEs of less developed countries remain vulnerable because of their limited investment, already insufficient to remain competitive in the market (Nida Masroor et al., 2019).

In Zambia the effects of the consumer preferences on the local vs imported products on competitiveness of small and medium enterprises remained a crucial topic to be understood further. Zambia's government has implemented a range of trade policies aimed at regulating the type and quantity of imported goods to protect local industries and foster economic growth. The government-imposed import duties and tariffs on specific categories of goods to promote local production, particularly in sectors like agriculture, manufacturing, and textiles (Ministry of Commerce, Trade and Industry, 2020). In addition, Zambia had implemented the National Trade Policy in 2018, which focused on reducing the importation of products that can be produced locally, with the aim of supporting local SMEs. The government also restricted the importation of certain products like poultry, meat, and dairy to protect local producers from competition with lower-cost imports (World Bank, 2020). These policies were designed to strike a balance between ensuring the availability of essential goods and promoting the competitiveness of local industries, particularly SMEs.

Zambian consumers' preferences for local versus imported products vary based on several factors, including quality, price, and availability. Studies revealed that for everyday consumer goods, such as fresh produce and locally manufactured food products, Zambians tend to prefer local products due to their perceived freshness and lower price (Mumba et al., 2021). A good example of fresh products produced in Zambia are maize, vegetables, sugar cane, ground nuts, meat, eggs, etc. Local SMEs that were major producers of local products included Zambeef, Mika Meats, Kachema Mealing and Butchery, Termites Butchery etc. Yalelo and Lake harvest were also the major producer of local Fish. Retail and wholesale shops played a major role in distributing both local and imported goods. Manufactured food products included peanut butter, soya pieces, dried mango, honey, jumbo combo etc all these were manufactured by COMACO and other manufacturing companies.

However, Zambia remained a major importer of fish, baby foods, dairy, edible oils, horticulture and processed poultry products. For items like electronics, clothing, and luxury goods, consumers often favour imported products due to perceptions of superior quality and greater variety (Harrison & Lervik, 2019). The rise of global brands and their aggressive marketing strategies has also contributed to a shift in consumer preference toward imported products, especially among the middle and upper classes (Akinwale & Afolabi, 2022).

The distributors ensure availability of a wide array of imported products, from consumer goods to industrial and medical supplies, across the country. The influx of imported products had intensified competition to the mentioned SMEs in Zambia especially those dealing with similar products. Nevertheless, the local "Buy Zambian" campaign encouraged more consumers to support local businesses by raising awareness of the benefits of purchasing locally produced goods (Zambia Association of Manufacturers, 2020).

SMEs played a crucial role in ensuring the availability of both local and imported goods in Zambia, acting as key intermediaries in the supply chain. Many SMEs operate as retailers and wholesalers, providing consumers with access to a wide range of products, from locally sourced agricultural produce to imported electronics and household items (Chanda & Mulenga, 2023). SMEs were particularly important in rural areas, where they often act as the primary distributors of goods that may not be available through larger retail chains (Mumba et al., 2021). Additionally, SMEs contributed to local manufacturing and processing sectors, adding value to raw materials and ensuring that locally produced goods were competitive in the market (Akinwale, 2020). By connecting local producers with consumers, SMEs helped to drive economic growth and provided employment, which was critical for Zambia's development (Zambia Development Agency, 2021). However, their competitiveness was often challenged by the influx of cheaper imported goods, which could have made it difficult for them to maintain market share.

### *Research Objectives*

The objectives of the study were;

- To analyze the factors that influence Zambian consumers' preferences for local versus imported products.
- To evaluate how consumer preferences for imported products affect the competitiveness of local SMEs.

## 2. Literature review

### 2.1. Factors Influencing Consumer Preferences

Consumer preferences for local versus imported products were shaped by several factors, including quality, price, and brand loyalty. According to a study by (Harrison & Lervik, 2019), consumers often perceive local products as superior in terms of quality and authenticity, which drove a preference for those goods. Conversely, imported products were frequently associated with lower prices and greater variety, which appealed to price-sensitive consumers (Dunning, 2020). This dichotomy was critical for understanding how SMEs compete in a globalized market.

In Africa, consumer preferences were influenced by a combination of economic, cultural, and social factors. (Akinwale & Afolabi, 2022) noted that cultural affinity and national pride played a significant role in driving support for local products. However, economic constraints often led consumers to favour cheaper imported alternatives, which were perceived as more affordable (Kanyenze, 2021). This interplay of cultural and economic factors created a complex environment for local SMEs striving to capture market share.

In Zambia, consumer preferences for local versus imported products were shaped by similar factors as in other regions but with distinct local nuances. (Mumba et al, 2021) indicated that Zambian consumers were increasingly inclined to support local products due to a growing awareness of the economic benefits of local purchasing. However, that preference was often challenged by the competitive pricing and wider availability of imported products (Chanda & Mulenga, 2023). This tension impacted how SMEs position themselves in the market and develop their competitive strategies.

The competitive landscape for SMEs in Zambia was heavily influenced by the presence of imported goods. According to the (World Bank, 2020), local SMEs face significant challenges due to the lower prices of imports and the larger scale of international competitors. (Mumba et al., 2021), suggested that SMEs could enhance their competitiveness by focusing on product differentiation, quality improvement, and targeted marketing strategies that emphasize the unique attributes of local products. Policy measures, such as subsidies for local production and tariffs on imported goods, also played a crucial role in supporting local SMEs and improved their competitive position (UNCTAD, 2021).

Consumer perceptions of quality played a critical role in shaping preferences for local versus imported products. Research by (Smith & Jones, 2022) highlighted that local products are often viewed as more authentic and higher in quality, which drove consumer loyalty. Conversely, imported goods were perceived as offering greater variety and, in some cases, superior quality due to advanced production technologies (Harrison & Lervik, 2019). That perception affected how consumers made purchasing decisions and influences the competitive strategies of SMEs.

Price sensitivity was another crucial factor that influenced consumer preferences. According to (Dunning, 2020), price played a significant role in consumer decision-making, particularly in price-sensitive markets. Imported products often benefited from lower production costs and economies of scale, which allowed them to offer competitive prices. That pressured local SMEs to adopt cost-saving measures and improved operational efficiencies to remain competitive (Kanyenze, 2021).

Brand loyalty and national pride also affected consumer preferences. (Akinwale & Afolabi, 2022) argued that consumers were more likely to support local products when they perceived them to be contributors to national economic growth and reflecting local values. This sentiment can be leveraged by SMEs to build a strong brand identity and foster customer loyalty. However, the challenge remained in balancing it with the competitive pressures from imported goods (Chanda & Mulenga, 2023).

### 2.2. Consumer preferences

A study conducted by (Akinwale & Afolabi, 2022) investigated consumer preferences for local versus imported products and their impact on SME competitiveness in Kenya. The researchers employed a mixed-methods approach, utilizing both surveys and in-depth interviews with 150 SMEs across various sectors, including retail and manufacturing. The quantitative data was analysed using regression analysis to identify correlations between consumer preferences and SME performance.

The study found that consumer preferences in Kenya were significantly influenced by price, quality, and perceived local value. Local SMEs faced substantial competition from imported goods, which were often perceived as cheaper and more diverse. However, local products were favoured for their perceived superior quality and cultural relevance. The

research concluded that SMEs could improve their competitiveness by focusing on product quality, branding, and leveraging local consumer preferences (Akinwale & Afolabi, 2022).

That study provided valuable insights into how consumer preferences impacted SME competitiveness in a similar African context. It highlighted the importance of product differentiation and quality improvement, which are also relevant for SMEs in Zambia.

Recently, Chanda & Mulenga (2023) conducted research on the effects of consumer preferences for local versus imported goods on SMEs in South Africa. The study used a quantitative approach with a sample of 200 SMEs in the retail and food sectors. Data was collected through structured questionnaires and analysed using statistical techniques to examine the relationship between consumer preferences and competitive performance.

The study found that Zambian consumers exhibited a strong preference for local products due to their perceived quality and support for the local economy. However, the competitive pressure from imported goods, which offered lower prices and greater variety, posed significant challenges for local SMEs. The research recommended that SMEs should adopt strategies to enhance product quality, build brand loyalty, and leverage local consumer support to improve their competitiveness (Mumba et al., 2021).

That study provided direct insights into the Zambian context, making it highly relevant for understanding the specific dynamics affected SMEs in Zambia. It highlighted the challenges and opportunities for local businesses and suggests strategies to improve their competitive position.

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### 3. Methodology

This study employed a mixed-methods research methodology to investigate the effects of consumer preferences for local versus imported products on the competitiveness of Small and Medium Enterprises (SMEs) in Zambia. The approach combined both qualitative and quantitative data, allowing for a comprehensive understanding of the complex interplay between consumer behavior and SME performance. A pragmatic research philosophy guided the study, enabling the integration of diverse data collection techniques and acknowledging the multifaceted nature of the research problem. The deductive approach grounded in existing theories, such as the Resource-Based View, facilitated the formulation of hypotheses that were empirically tested through systematic data collection and analysis. The target population included consumers and SMEs in sectors where competition between local and imported products is pronounced, utilizing stratified random sampling to ensure representation across various demographics.

Data collection involved structured surveys targeting consumer preferences and in-depth interviews with SME owners to gather qualitative insights. The sample size was determined using Cochran's formula, resulting in a minimum sample of 384 participants to achieve a 95% confidence level. Quantitative data were analyzed using descriptive and inferential statistics via SPSS, while qualitative data underwent thematic analysis to identify patterns and insights relevant to the study's objectives. Ethical considerations were prioritized throughout the research process, ensuring that participants' rights and confidentiality were respected. Measures of reliability and validity were implemented, including pre-testing research instruments and consulting experts to ensure the accuracy of findings. This rigorous methodology aimed to provide actionable conclusions that contribute to understanding the dynamics of consumer preferences and SME competitiveness in Zambia.

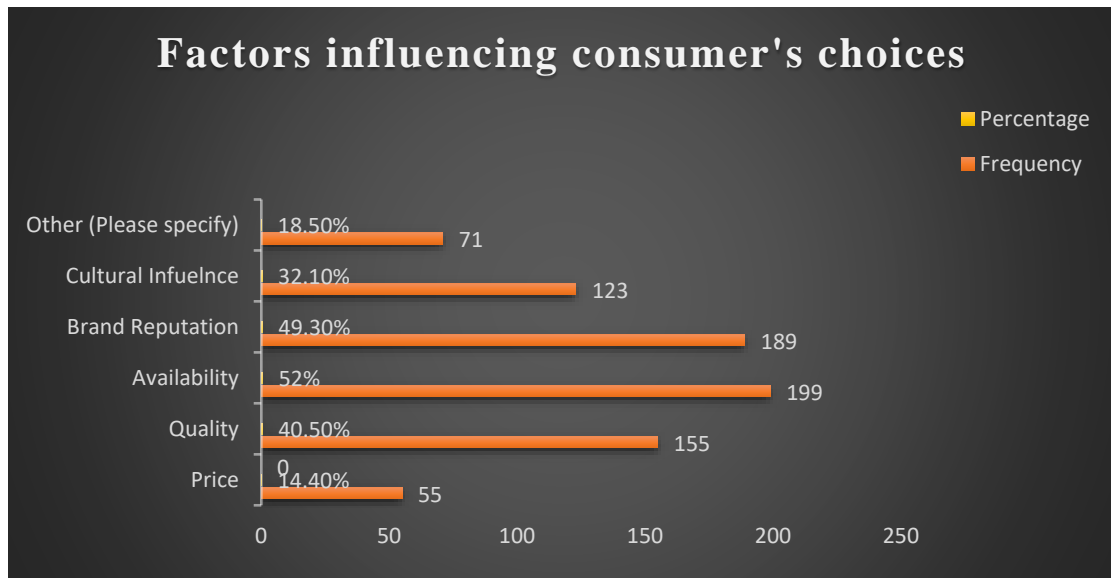
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### 4. Empirical result

#### 4.1. Quantitative Data.

##### 4.1.1. *Factors Influencing Consumer Preferences for local vs imported products.*

Respondent were asked to state the factors influencing their purchase decision between local vs imported products and the following results were obtained.



**Figure 1** Factors influencing consumer choice  
(Source: Survey results)

It was noted from the figure above that 14.4 percent of the respondent are influenced by the price of the product while 40.5 percent were influenced by the quality of the product. 52 percent of the respondent reported that their purchase choices were influenced by availability of the products and 49.3 percent indicated that their purchase choices were influenced by brand reputation. Further, culture influenced some consumers by 32.1 percent while 18.5 percent were influenced by other factors

#### 4.1.2. Impact of imported products on the competitiveness of local SMEs in Zambia.

Respondents were asked how does consumer preferences for imported products impact the market share, profitability, and overall competitiveness of local SMEs in Zambia? To measure this, independent variables (Promotion, Quality, Reliability, Price, Willingness, National Pride, Support) collectively were used to explain how significant amount of variance in the dependent variable (Competition).

**Table 1** Regression analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.417	7	2.488	2.997	.005b
	Residual	303.898	366	.830		
	Total	321.316	373			

The ANOVA table provided an overall assessment of the regression model's fit. It tested whether the independent variables (Promotion, Quality, Reliability, Price, Willingness, National Pride, Support) collectively explain a significant amount of variance in the dependent variable (Competition). The ANOVA results indicate that the model was statistically significant, meaning that the predictors, taken together, significantly explained variation in *Competition* ( $p = .005$ ).

**Table 2** Predictor Variables

5. Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B
	B	Std. Error	Beta			Lower Bound Upper Bound

1	(Constant)	1.518	.301		5.039	.000	.926	2.111
	Quality	-.034	.053	-.037	-.644	.520	-.137	.069
	Support	.181	.052	.191	3.471	.001	.078	.283
	Willingness	.139	.070	.107	1.998	.046	.002	.276
	Reliability	-.062	.038	-.085	-1.609	.109	-.137	.014
	Price	-.005	.039	-.007	-.137	.891	-.083	.072
	National Pride	-.003	.037	-.004	-.070	.944	-.076	.071
	Promotion	-.011	.036	-.016	-.308	.758	-.082	.059

a. Dependent Variable: Mean Competition

In this SPSS regression output, we examined the relationship between various independent variables (such as *Quality*, *Support*, *Willingness*, *Reliability*, *Price*, *National Pride*, and *Promotion*) and the dependent variable *Competition*.

**Quality:** Quality has an unstandardized coefficient of -0.034 and a standardized coefficient (Beta) of -0.037. With a t-value of -0.644 and a significance level (Sig.) of 0.520, this predictor is not statistically significant at the 0.05 level. This suggests that changes in quality do not have a statistically significant impact on competition within this model, and the effect size appears to be minimal.

**Support:** Support has an unstandardized coefficient of 0.181 and a standardized coefficient (Beta) of 0.191, with a t-value of 3.471 and a significance level of 0.001. Since the p-value is well below 0.05, this result is statistically significant. The positive coefficient indicates that increased support is associated with an increase in mean competition, implying that as support increases, competition tends to rise.

**Willingness:** Willingness has an unstandardized coefficient of 0.139 and a standardized coefficient (Beta) of 0.107. With a t-value of 1.998 and a significance level of 0.046, this predictor is statistically significant at the 0.05 level. This suggests that willingness positively impacts competition, though the effect size is modest.

**Reliability:** Reliability has an unstandardized coefficient of -0.062 and a standardized coefficient (Beta) of -0.085. It has a t-value of -1.609 and a significance level of 0.109. This result is not statistically significant at the 0.05 level, suggesting that reliability does not significantly impact mean competition in this model. The direction of the coefficient indicates a weak negative association between reliability and competition.

**Price:** Price has an unstandardized coefficient of -0.005 and a standardized coefficient (Beta) of -0.007, with a t-value of -0.137 and a significance level of 0.891. This result is highly insignificant, indicating that price does not have a meaningful impact on mean competition in this model.

**National Pride:** National pride has an unstandardized coefficient of -0.003 and a standardized coefficient (Beta) of -0.004. With a t-value of -0.070 and a significance level of 0.944, it is also highly insignificant. This indicates that national pride does not significantly influence competition in this context.

**Promotion:** Promotion has an unstandardized coefficient of -0.011 and a standardized coefficient (Beta) of -0.016. With a t-value of -0.308 and a significance level of 0.758, this predictor is not statistically significant, suggesting that promotional activities do not meaningfully affect competition.

Among the predictor variables, Support and Willingness are statistically significant and positively associated with competition, implying that they play a meaningful role in influencing competition. Other factors, including Quality, Reliability, Price, National Pride, and Promotion, do not show significant effects on competition within this model.

**Table 3** R squared

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.233 <sup>a</sup>	.054	.036	.91122

### 5.1. Qualitative data for Local SMEs

The previous section presented the quantitative findings of this study. This section presents the qualitative findings of this study. The themes that are presented in this section emerged from the data collected from open ended questions.

To begin with, participants (Local SMEs) were asked to provide their general views on consumers' preferences for local vs imported goods on competition. Three of the them had this to say;

*SME 1: "Consumers' strong preference for imported goods can create significant challenges for local businesses. When consumers perceive imported products as superior in quality or brand reputation, local companies struggle to compete, often losing market share. This preference limits the growth potential of local SMEs, as they face lower sales and profits. Additionally, the emphasis on imported goods can slow down innovation in local businesses, as they lack the resources and market support to improve their products. For local SMEs to thrive, changing consumer perceptions through quality improvements and branding is essential."*

*SME 2: "When consumers prefer local goods, it creates a supportive environment for SMEs, boosting their competitiveness. By choosing local products, consumers encourage growth and job creation within their own economy, which strengthens the business ecosystem. Local preferences drive demand, allowing SMEs to scale up and invest in quality improvements. This helps level the playing field, as local companies gain the resources to compete more effectively with imported goods. Consumer loyalty to local products also pushes businesses to innovate and align with cultural values, further enhancing their market position."*

*SME 3: "A balanced consumer preference for both local and imported goods can lead to healthy competition. While imported products push local businesses to improve quality and innovation, local goods meet cultural and economic preferences. When consumers appreciate both options, SMEs benefit from competitive motivation, while imported brands bring diversity to the market. This balance can encourage local companies to adopt best practices from global brands, resulting in higher standards across the board. In such an environment, both local and foreign businesses contribute to consumer satisfaction and economic growth."*

#### 5.1.1. Factors influencing consumers' preferences.

The following are some of the responses that the respondents produced when asked "What factors do you consider when choosing between local and imported products, and why do those factors matter to you?"

Quality Perception: On quality perception, two respondents had this to say;

*Repondent1: "I often go for imported products because I believe they have a higher quality compared to local options. Quality matters to me because I want to get the best value for my money, especially when buying electronics or household items. I feel that imported goods go through more rigorous testing and have established brand reputations, which gives me confidence in their durability and reliability. For items that I use daily, quality is my top priority, and I am willing to spend a little more if it means getting something that lasts."*

Also, respondent 2 said that *"I usually prioritize quality, which often leads me to imported products. In my experience, local products can sometimes fall short, particularly with items like clothes or appliances. Quality is essential because I don't want to keep replacing products. When I buy something, I want it to last, so I feel that imported goods are a safer choice. However, I am open to local products if they can match or exceed this quality. If a local product has the same standards, I'd prefer supporting local businesses."*

Price Sensitivity: this is one of the factors that is prominent in our respondents and they had this to say;

*Respondent 3: "Price is a big factor for me when choosing between local and imported products. I often find local products to be more affordable, which makes them an attractive option, especially for daily-use items. I think about my budget and*

*tend to pick products that won't strain my finances. Imported products can be expensive due to taxes and shipping, so I usually buy them only if there's a big quality difference. I like that local products are budget-friendly and still meet my basic needs most of the time."*

#### Support for Local Economy

Respondent 4 said that *"I try to buy local products whenever I can because I believe it helps boost the Zambian economy. Supporting local businesses feels like I'm contributing to job creation and growth within the community. I think it's important to keep our money circulating within the country, and I feel a sense of pride in using locally made goods. I know it might not make a huge difference individually, but collectively, if more people did this, it could strengthen our economy and help local businesses thrive."*

Respondent 5 also said that *"I prefer local products because I believe in supporting Zambian businesses and promoting economic growth. Buying locally-made products means more jobs and opportunities for people within the country, which is something I care about. It gives me a sense of pride to support local entrepreneurs and see their products in the market. I feel that if we don't support our own, we might limit our economic progress. I know that every purchase counts, so I always check for local options before considering imported ones."*

#### Brand Reputation and Trust

*"For me, trust in a brand plays a big role in my purchasing decisions. Many imported brands have been around for years, and I trust their reputation and consistency in quality. I feel more confident buying a product from a well-known international brand because they have a proven track record. With local brands, I sometimes worry about quality control and reliability, so I tend to stick with what I know. If local brands can establish a similar level of trust, I would definitely consider them more often."* Said respondent 6.

#### Cultural and Environmental Impact

*"I choose local products because I care about reducing my environmental impact. Buying locally means products don't travel as far, so there's less pollution involved in transportation. I think supporting local products is a small way to promote sustainability. It's important to me to be environmentally conscious, and I believe that every small action counts. Local products help me feel like I'm doing my part to reduce my carbon footprint, and I think that's worth prioritizing even if it costs a little more."*

Another respondent stressed that *"For me, culture is important, and I like to buy local products as a way of embracing Zambian heritage. I think it's special to use products that reflect our culture and values. It feels more meaningful to use items made by local artisans or companies because it's a reminder of who we are. I feel proud when I buy something locally made, especially if it showcases our traditions or uses local materials. Supporting local products feels like a way to preserve our culture and celebrate our identity."*

#### Product Availability and Accessibility

Other consumer believed that product availability and accessibility is the major factor. *"I often choose products based on what's easily available. Sometimes, imported products aren't in stock, or they take longer to get here. Local products are usually more accessible, so I go for them out of convenience. I don't like waiting or having to order items online, so the accessibility of local products is a big plus. I also find that it's easier to get customer support or replacements for local items, which makes my shopping experience more convenient overall."*

Finally, the other respondent said that *"Availability is a key factor for me. When I need something urgently, I look for what's easily accessible, which usually means local products. Imported items sometimes take a while to reach the market or are only available in certain stores, which can be inconvenient. I like that local products are widely available, making it easier to find what I need without much hassle. I also think that local businesses are more responsive to consumer needs, which means products are more tailored to what we need here."*

#### 5.1.2. Consumer preferences for imported products affect the market share

When asked "In your opinion, how does the preference for imported products over local goods affect the market share, profitability, and overall competitiveness of local SMEs in Zambia?" the responses were as follows;



### Reduced Market Share for Local SMEs

On the market share, the first respondent said that *"The preference for imported products limits the market share for local SMEs, as consumers often choose international brands over local ones. This shift in preference reduces the potential customer base for Zambian businesses, leaving them with a smaller share of the market. When local companies can't compete on brand perception or quality, they lose out on critical sales opportunities, making it difficult to expand. This reduced market share hinders the growth potential of local SMEs, as they lack the revenue to reinvest in better production and marketing."*

Another one said that *"Local SMEs lose market share to imported products as consumers perceive imports to be of higher quality. This perception often makes local products less appealing, even if they are competitively priced. The reduced market share limits SMEs' revenue, which affects their ability to scale and improve operations. The preference for imports means local businesses face more challenges in retaining customers, especially in sectors like electronics or cosmetics. Losing market share on a large scale can lead to the closure of local businesses, impacting the economy and reducing local employment."*

### Impact on Profitability

*"When consumers favour imported goods, local SMEs struggle with profitability because they often need to reduce prices to stay competitive. This price reduction lowers profit margins, making it difficult to cover operational costs. Without a sufficient profit margin, SMEs find it challenging to reinvest in product improvement or expand their business. This preference for imported products restricts local businesses' ability to grow sustainably. Lower profitability also discourages investors from supporting local SMEs, creating a vicious cycle of limited resources and constrained growth."* Said one of the respondents.

Also, another respondent stressed that *"The preference for imports negatively affects the profitability of local SMEs, as they often must invest heavily in marketing to attract customers who view imported products as superior. With limited budgets, SMEs cannot sustain these marketing costs, leading to lower profit margins. Additionally, consumers' willingness to pay more for imported goods puts SMEs in a difficult position, where they either lower their prices or lose sales. This profit squeeze affects their cash flow, making it challenging to pay employees, improve quality, and compete effectively in the market."*

### Decreased Competitiveness and Innovation

On decreased competition and innovation, this responded stressed that *"The strong consumer preference for imported goods discourages local SMEs from innovating. When consumers don't show interest in local products, SMEs may not see the value in investing in product development or quality improvements. This lack of innovation weakens their competitiveness in the market, as they fail to keep up with global standards. Without consumer support, local businesses may remain stagnant, losing their ability to offer unique products or improvements. Over time, this lack of innovation makes them less competitive and less appealing to potential customers."*

### Economic Impact and Employment

*"The preference for imported goods affects the economy by reducing the potential growth of local SMEs, which in turn limits job creation in Zambia. When local SMEs struggle to gain a foothold in the market, they miss opportunities to expand their workforce and stimulate the local economy. Choosing imported goods means the revenue flows outside the country, rather than staying within the local economy. This loss impacts not only the SMEs but also the community, as fewer jobs are created, and local suppliers lose business partnerships."*

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## 6. Discussion of findings

### 6.1. Factors that influence Zambian consumers' preferences for local versus imported products.

The findings indicated that several factors impact consumer preferences in choosing between local and imported products. Availability ensures that consumers can access preferred products when needed while familiarity with Brands also influenced the purchasing decision. The high influence of availability and brand reputation observed in this study reflects findings by (Smith & Jones, 2022), who assert that accessibility and brand trust are significant in competitive markets. This suggests that local SMEs could enhance competitiveness by focusing on consistent availability and brand strength, echoing (Chanda & Mulenga, 2023), who found similar results in South Africa. Imported products, which may face stock shortages or longer delivery times, create opportunities for local SMEs to position themselves as more accessible and responsive to consumer needs. Timely distribution and ensuring product availability can enhance the

competitiveness of local SMEs. Leveraging local supply chains to maintain steady stock levels and providing efficient customer support can strengthen the appeal of local products, as noted by Smith and Jones (2022). Ensuring that consumers can quickly find and purchase products when needed can differentiate local SMEs from their international competitors.

Respondents consistently highlighted quality perception as a significant determinant of their purchasing choices. They associated imported products with higher quality and reliability, particularly for items like electronics, household goods, and clothing. This observation aligns with studies by (Harrison & Lervik, 2019), which found that consumers often perceive imported products as having superior quality due to more rigorous quality control and established brand trust. The willingness of consumers to pay a premium for quality supports findings by (Kotler & Keller, 2012), who argue that perceived product quality plays a pivotal role in consumer decision-making and brand loyalty. Research consistently emphasizes quality as a critical factor for consumers who seek durable, reliable products.

However, some respondents expressed openness to buying local products if they matched the quality of imported ones. This presents an opportunity for local SMEs to invest in quality improvement initiatives. Research by (Chanda & Mulenga, 2023) emphasizes that SMEs can shift consumer perceptions by ensuring consistent product quality and adopting international production standards. By improving quality, local SMEs could better compete with imports and retain consumers who prioritize durability and reliability.

Price sensitivity emerged as another prominent factor influencing consumer preferences. Respondents noted that they often chose local products due to their affordability, which aligns with Dunning's (2020) findings that price is a critical determinant, especially in price-sensitive markets. Local products' price advantage appeals to consumers managing tight budgets, a sentiment supported by studies that highlight price as a competitive differentiator for SMEs (Kanyenze, 2021). However, consumers are willing to opt for more expensive imported goods if they perceive a significant quality advantage. For SMEs, adopting strategic pricing is essential to compete effectively. Offering competitive prices without compromising on quality can attract cost-conscious consumers. As highlighted by Mumba et al. (2021), SMEs must focus on operational efficiency to reduce production costs and offer products at more competitive prices.

Furthermore, cultural values play a significant role in shaping consumer preferences, especially in regions with strong local identities. (Akinwale & Afolabi, 2022) found that consumers are more likely to purchase products that resonate with their cultural heritage, supporting local products that reflect community values. In the Zambian context, aligning products with local cultural values could strengthen consumer loyalty, as national pride often influences purchasing decisions (Mumba et al., 2021). This cultural alignment allows local SMEs to differentiate themselves from imported goods, which may lack cultural relevance. Therefore, enhancing both quality and cultural alignment can offer a competitive advantage, helping local SMEs attract consumers who value these attributes over lower-cost imports.

Many respondents expressed a strong desire to support local businesses as a means of contributing to the Zambian economy, job creation, and community growth. This reflects findings from Akinwale and Afolabi (2022), who observed that consumers motivated by national pride prefer local products because of their positive impact on local economic development. This sentiment of patriotism and economic responsibility aligns with theories of economic patriotism, which posit that consumers will support local businesses if they perceive their actions as beneficial to the community (Smith & Jones, 2022).

Local SMEs can capitalize on this by emphasizing the economic and social benefits of purchasing locally made products in their marketing strategies. Effective storytelling and community engagement can foster stronger emotional connections with consumers, as noted by Chanda and Mulenga (2023). SMEs should highlight their role in job creation and local development to strengthen consumer loyalty.

## **6.2. Consumer preferences for imported products**

Respondents highlighted that consumer preference for imported products diminishes the market share of local SMEs, as international brands are often favoured for their perceived superior quality. This perception aligns with research by Harrison and Lervik (2019), who noted that imported goods are frequently associated with better quality and reliability, resulting in consumer bias towards these products over local ones. This situation leaves local SMEs with a reduced customer base, limiting their potential for growth and reinvestment.

UNCTAD (2021) emphasizes that in developing economies, the influx of imported goods intensifies competition, making it difficult for local firms to compete on aspects such as brand recognition and quality perception. Ghosh (2021) adds

that this competition is more pronounced in sectors where product differentiation is less significant, such as consumer electronics and cosmetics, aligning with the respondents' examples of sectors impacted in Zambia.

The findings show that local SMEs often need to lower their prices to stay competitive, which compresses their profit margins. Dunning (2020) supports this, stating that SMEs facing strong competition from imports often resort to price cuts, which leads to lower profitability and limits their capacity to cover operational costs. This is compounded by the additional marketing expenses SMEs must undertake to counteract the dominant reputation of imported brands, further squeezing their financial resources.

Lower profit margins not only hinder reinvestment in product improvements but also deter potential investors. Kanyenze (2021) highlights that profitability is essential for sustaining business operations and fostering growth, and when SMEs are unable to achieve healthy profit margins, their long-term viability is compromised. This cycle of reduced profitability can lead to an inability to compete effectively, as discussed by respondents who mentioned the cash flow issues faced by SMEs.

The preference for imported products negatively impacts the incentive for local SMEs to innovate. When consumer interest in local products wanes, SMEs may lack motivation to invest in product development or quality improvements. Dunning (2020) emphasizes the role of consumer demand in driving innovation; when demand is lacking, businesses often deprioritize innovative strategies. This stagnation can be detrimental, as Porter (1980) notes that a failure to innovate and differentiate can lead to a decline in competitive positioning.

The respondents' views are reinforced by Akinwale and Afolabi (2022), who found that SMEs in African countries often struggle to compete due to limited financial resources and insufficient incentives to innovate. Without consumer support, the ability of local SMEs to offer unique products or incorporate new features diminishes, making them less appealing to customers.

The respondents stressed that consumer preferences for imports have broader implications for the Zambian economy, including reduced job creation and economic stagnation. When local SMEs lose market share and struggle to maintain profitability, their capacity to expand and create employment is severely impacted. World Bank (2020) notes that SMEs are critical for job creation and economic growth in many developing countries; thus, their decline directly affects the overall economic health and employment levels.

Furthermore, Smith and Jones (2022) explain that the revenue generated from local purchases tends to circulate within the domestic economy, supporting local suppliers and fostering economic development. In contrast, revenue from imported goods flows out of the country, reducing the potential for reinvestment in local industries. This aligns with the respondents' concerns about reduced local business partnerships and missed opportunities for economic stimulation.

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## 7. Conclusion

This study examines the factors influencing Zambian consumers' preferences for local versus imported products and their implications for the competitiveness of local SMEs. Key determinants identified include availability, brand reputation, and community support, which local SMEs can leverage to strengthen their market position against imported goods. The findings reveal that while consumers prioritize accessibility and trusted brands, quality and cultural alignment also matter. Regression analysis indicates that consumer support and willingness to pay for local products significantly predict competitiveness, whereas quality and reliability do not show a strong impact, likely due to a focus on brand familiarity. Additionally, the influence of promotion and national pride appears limited, suggesting that current marketing strategies may not effectively resonate with consumers. The model's low R-squared value (0.054) indicates that further research is needed to explore additional factors affecting consumer choices and SME competitiveness in Zambia. Implementing the recommended strategies could enhance local SMEs' competitiveness and contribute to sustainable economic growth in the country.

### 7.1. Recommendations

To enhance the competitiveness of local SMEs in Zambia, several recommendations are proposed based on the study's findings. First, local SMEs should optimize their supply chains to ensure consistent product availability and build consumer trust. Second, investing in brand-building activities, including transparent marketing and partnerships with established brands, can improve consumer perception and loyalty. Emphasizing quality assurance through high standards and obtaining certifications is also crucial, even if quality did not significantly impact competitiveness in the regression model. Additionally, community engagement initiatives can foster support for local businesses, while

targeted promotions and refined advertising strategies should resonate better with consumers. Incorporating cultural values into marketing can strengthen community connections, and leveraging government support can provide vital resources for local SMEs. Future research should consider a broader sample, explore additional variables affecting competitiveness, and examine the impact of digital transformation and longitudinal changes in consumer preferences.

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## Compliance with ethical standards

### *Disclosure of conflict of interest*

No conflict of interest to be disclosed.

### *Statement of informed consent*

Informed consent was obtained from all individual participants included in the study

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