OPPORTUNITIES OF PRIVATE LABEL BRANDS AT MALAYSIA

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Abstract
The retailing industry is one of the biggest sub-sectors for the Malaysia’s economy. Although national brand have its presence all along in Malaysia sectors, the existence of private label brand products have higher demand by customer since consumers’ loyalty towards private labels is higher than their loyalty to national brands. Hence, the purpose of this study was to examine the relationship between determinants and purchase intention of private label brands in Malaysia. This study looked at various perspectives that affecting the customers’ purchase intention of private label brands namely price, product quality, perceived value and brand image. Specifically, Alor Setar, Kedah was chosen as the study location. A total number of 142 respondents were surveyed using quota sampling technique. The research instrument utilized in this research was questionnaire and the results obtained were analysed using frequency analysis, reliability test and multiple regressions. The findings of this research found positive relationship between the determinants and purchase intention of private label brands.

Keywords: price; product quality; perceived value; brand image; purchase intention; private label brands

1. Introduction
Private label brands (PLB), categorise as store brands or own brands, are brands created and sold by a retailer under its own outlets. For past decades, PLB had grown in many countries (Jorge, 2003). This strategy is to differentiate their products and services from other retailers. Private label brands implement a low price strategy than national brands and increases the product choices for customers. Despite the private label brands in global has enhance its popularity, consumer relevance and overall profitability, but there are still not popular in Asian market. According to Nielsen (2014), no country in Asia has a private label brands share higher than 8%. Singapore reaches this number while countries like Hong Kong, Taiwan and South Korea have an estimated 3% of store brand share. Meanwhile, countries like China, Malaysia, Thailand and Philippines have 2% or lower of share for store brands.

In recent years, the emerging of international hypermarket is rising in Malaysian market. According to Planet Retail company websites, Tesco owned a 30% of market share among Malaysian hypermarket industry and do so followed by Giant (24%) and Jusco (22%)
(Jayaseelan, 2010). However, due to unfavourable economic condition which cause inflation pressure in Malaysia, this would increase demand of private label product in Malaysia. Customers tend to be price sensitive especially lower and middle income households. They prefer to purchase private label product than national product if the quality of private label product meet their expectation with lower price. According to Malaymailonline (2015), claiming that consumers bought more private-label brands than the previous year. This survey also showed that 25 percent of shoppers who felt that the quality of national brands and private label brands were the same, and 18 percent who bought private label brands despite the quality is slightly lower than national brands.

This study mainly is to examine the relationship between consumer determinants and purchase intention of private label brands. Every customer has their own perception towards purchase intention of private label brands. Therefore, marketers need to understand customer determinants that influence their purchase intention in order to capture and persuade more customers to stay with their own brands.

2. Literature Review
2.1 Purchase Intention

Based on Rizwan et.al. (2013), purchase intention can be explained in the way of buyers will stay with their knowledge, first option and external surroundings to collect information, and make buying option by assessing alternatives. Thus, purchase intention arises when the buyers create awareness towards the product, then they will start searching the product information through internet or their family or friends. Then they will make purchase after comparing and choosing among the best alternatives. Purchase intention can sum the probability of a buyer to purchase products, the larger the purchase intention is, the larger a buyer’s intention to purchase a product.

Besides that, Dodds, Monroe and Grewal (2014) explained that purchase intention comes when a customer is likely attempt to purchase certain product or service. For marketer, purchase intention is vast meaning as their forecasted consumer behaviour is highly dependent on this purchase intention of the customers. As such Stokburger Sauer (2010) found that consumers will have a higher purchase intention with a familiar brand. This means that the high awareness of a brand will in turn promote brand loyalty to consumers. The higher the brand awareness is, the higher the purchase intention of consumers.

In short, several studies claimed that purchase intention is a function of monetary deliberation and it is not only of behaviour. The affordability for customers to pay is an economic variable that can influence behavioural intention. Hence, the purchase intention can be arises if the customers have an ability to afford to pay for a product, no matter whether the customers attentive of the product as low priced.

2.2 Price

Kotler (2012) defined price as the amount of money charged for a product or service. Customers obtain a product or service by being exchange with the total amount of price. Some customers are price sensitive, they will actively seeking price information and make comparison based on their knowledge or past purchase experience.
Kinney, Ridgway and Monroe (2012) claimed that more higher the price, probability for consumers will purchase a product or service become lesser. Consumers are more likely to purchase private label product rather than branded product because private label brands provide a low price strategy to attract low or middle income household. Besides that, price perception has a stronger relationship on purchase intention of private label brands (Schiffman & Kanuk, 2012). Different customers have a different price perception towards a product. For instance, the price of an expensive product is can be low or normal or even expensive by each individual is not necessarily the same.

2.3 Product Quality

Kotler (2012) explained quality as the entire features and characteristics of a product or service that are able to satisfy the stated or implied needs of the product or service. However, every individual may perceive product differently. Customer who have high commitment and loyal towards private label products is because they satisfy with the product quality or service.

Some of the consumers are preferred to purchase national brands when compared with private label brands because national brands are famous and well-advertised (Besharat, 2010). Consumers think that quality of national brands is much better than private label brands and they willing to pay more for national brands. But some consumers perceived that the quality of private label brands is good, they may switch their behaviour to cheaper brands.

On the other hand, a product's quality has a significant relationship to customer's satisfaction (Kotler & Armstrong, 2010). If customers satisfy with private label brands in term of product quality, customer turnover towards private label brands tend to increase. But in contrary, customer dissatisfaction occurred if the product or service performance does not meet their expectation.

2.4 Perceived Value

Customer perceived value is the customer’s evaluation of all the benefits and the cost of an offering (Rini & Andradea, 2012). When customer feels that the value they perceived is worth than the cost they being paid, it will be able to make customer to purchase (Alex & Thomas, 2011).

Chi, Yeh and Tsai (2011) claimed that perceived value is the main factor in customer decision process and customer will purchase a product when they perceived high value. Some customers are really unconscious with the cost of the products they buy. Instead, they just simply buy the products which bring higher perceived value to them. Therefore, in order to charge a higher price of a product, retailers or producers need to create a higher value for their products.

Swait and Sweeney (2010) analysed that certain customers may claim that private label brands is not as cheap as what the retailers promised. They may think that it is not worth to spend money to purchase unfamiliar brands and rather to purchase national brands. On the other hand, some customer’s feel that the perceived value towards private label brands are worth because they can get a product with the lower price.
2.5 Brand Image

Keller, Parameswaran and Jacob (2011) defined brand image as the perception of brand had created in memory of consumer due to brand involvement. Customers form brand image based on their association towards a product. For example, Volvo is associated with safety and Toyota is associated with reliability. Therefore, customers use brand image to making their decision during purchasing private label brands.

As such, in the intense marketplace, a brand image is vital for retailers who offer private label brands. Based on the researchers Alamgir, Nasir, Shamsuddoha and Nedela (2010), brands with the strong images are able to influence customer decision making. Furthermore, a strong brand image can also bring profits to the retailers. This means that if the customers have a strong brand image towards private label brands, this may increase the sales growth and the brand reputation of private label, create great awareness, and increase the trust of the customer to use the product.

Based on Evanschitzky, Iyer, Plassmann and Meffert (2011), customer’s decisions to brand are based on their evaluation with a brand image. Brand image is an overall personality in the consumers mind. On the other hand, (Hammond, 2008) describes that a brand is an experience that is embedded in the mind of consumer. This means that through the consumer experience, consumer’s mind will automatically come up which is the best brand when they want to purchase goods or services.

3. Methodology

According to (Zikmud, Badin, Carr & Griffin, 2010), population is defined as a group of potential survey respondent to a specific topic. Customers who have purchase intention to buy private label brands are selected as the research target population. Meanwhile, sample size is the quantity of sample to be drawn from population. Lewis and Thornhill (1996) proposed that a larger quantity of sample size result in a more accurate population representation. Based on (Sekaran, 2003), the adequate sample size is within 30 to 500 respondents for research to get significant estimations. In this research, the sample size was 150 respondents.

In this research, the data collection method was primary data collection method. 180 questionnaires were distributed to consumers who purchase private label brands in hypermarkets to account for any lost, damage and incomplete form. The questionnaires are distributed at three hypermarkets in Alor Setar, Kedah. All the questionnaire forms are distributed by hand to ensure there is a higher return rate.

Quota sampling has been used in this research. Based on Sundram, Rajagopal and Bhatti (2013), quota sampling means by giving some predetermined number of respondents, and these respondents are randomly chosen from targeted group. The sample of this research was 50 target respondents from each three hypermarkets. Quota sampling method was used in this research which involves segmentation of population into sub-groups, and respondents are conveniently chosen from each group.
4. Results Analysis

4.1 Demographic of Respondents

The respondents were classified into two groups of gender: male and female. A total of 142 respondents were included in the final sample. Majority of them are female, which shows a percentage of 52.8% while the rest were found to be male which is 47.2%. The respondents were classified into four groups of age range from 18 years old to 29 years old, 30 years old to 39 years old, 40 years old to 49 years old, and 50 years old and above. The highest percentages of respondents aged between 30 years old to 39 years old, which is 48.6%. The second highest of age group is between 40 years old to 49 years old, which is 23.2 %, the third is the age between 18 years old to 29 years old, which is 16.9% and lastly age between 50 years old and above which shows only 11.3%. Malay ethnic group was the majority among total respondents with 44.4%, followed by Chinese ethnic group with of 29.6%, Indian ethnic group of 21.1% and the rest such as Sikh, European, Chindians of 4.9%.

Those with combined household income between RM1,001 to RM3,000 gives the highest percentage which is 66.9%, followed by those who earn between RM3,001 to RM5,000, which consists 18.3%. It is then followed by those who earn between RM1,000 or below, which consists of 11.3%. Target respondents who earned household income above RM5,000 show the lowest percentage which is only 3.5%. Employed respondents were the highest which is 64.80%, followed by self-employed/own business which consists of 25.40% and students consist of 9.90% and there is no any respondent in other category.

4.2 Reliability Analysis

The validity of each variable was evaluated by using the Cronbach’s Alpha (α). For this, an acceptable and preferable coefficient size is 0.70 and above, which means that the higher value, the reliable is the scale. The five variables are: purchase intention (α = 0.841), price (α = 0.803), product quality (α = 0.911), perceived value (α = 0.762) and brand image (α = 0.845). Hence, all the variables in this research meet the minimum requirement of 0.70 proposed by Hair et al. (2010).

4.3 Multiple Linear Regression Analysis

The R square value of the variation to the purchase intention is 0.589 (58.9%). The variables namely price, product quality, perceived value and brand image are having moderate relationship with purchase intention. In other words, 58.9% of the variance of purchase intention is affected by price, product quality, perceived value and brand image.

The results shows the significant level of all the variables (price, product quality, perceived value, and brand image) are lesser than 0.05, which are 0.000 (p = <0.05). Hence, all the variables (price, product quality, perceived value and brand image) have significant relationship with purchase intention.

Table 1 shows the summary of results for multiple regressions analysis. Standardized coefficients (Beta) are best when comparing variables measured in different units. Hence, the criteria of standardized beta values by Baloglu and McCleary (1999) was applied:
- 0.00 – 0.05 indicates weak support
- 0.051 – 0.30 indicates moderate support
- 0.301 – 1.00 indicates strong support

Table 1. Summary of results analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Price</td>
<td>0.377</td>
<td>0.324</td>
<td>5.480</td>
<td>0.000</td>
</tr>
<tr>
<td>2. Product Quality</td>
<td>0.454</td>
<td>0.508</td>
<td>8.872</td>
<td>0.000</td>
</tr>
<tr>
<td>3. Perceived Value</td>
<td>0.128</td>
<td>0.113</td>
<td>2.037</td>
<td>0.044</td>
</tr>
<tr>
<td>4. Brand Image</td>
<td>0.296</td>
<td>0.254</td>
<td>4.494</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R= 0.768, R²= 0.589, F= 49.169, *P= <0.05

As detailed in Table 1, it was found that the price showed B= 0.377 and its significance value is 0.000 (p= < 0.05). Therefore, the price does have significant relationship with purchase intention of private label brands. The Beta coefficient of 0.324 for price is positively and strongly impressing the purchase intention of private label brands. This provides evidence that most of the respondents are aware of the price of private label brands. This is because private label brands had adopted low pricing strategy in order to fulfil the demand of customers so that customers can obtain product with a cheaper price.

Besides that, the product quality is B= 0.454 and significance value is 0.000 (p= < 0.05) is indicated in Table 1. Therefore, the product quality does have significant relationship with purchase intention of private label brands. The Beta coefficient of 0.508 for product quality is positively and strongly impressing the purchase intention of private label brands. This may be due to good product quality of nation brands are not affordable by some consumers. Hence, if the product quality is good, this mean that customers will be able to obtain a good quality product with the cheaper price.

The perceived value is B= 0.128 and significance value is 0.044 (p= < 0.05). Therefore, the perceived value does have significant relationship with purchase intention of private label brands. The Beta coefficient of 0.113 for perceived value is moderately support the purchase intention of private label brands. This provides evidence that some respondents are value sensitive; they would ensure that they get the best worth when purchasing private label brands. Therefore, they will evaluate and compare to different prices before they make purchase.

It was found that the brand image showed B= 0.296 and significant at 0.000 (p= < 0.05) level. Therefore, the brand image does also have a significant relationship with purchase intention of private label brands. The Beta coefficient of 0.254 for brand image is considered moderately supports the purchase intention of private label brands. This provides evidence that customer’s perception towards brand image of private label brands is positive and thus this can help to increase the customer awareness.

It shows that the significant level of price, product quality, and brand image are p-value = 0.000 < α = 0.05. Even though the significant level of perceived value is p-value = 0.044, but there is still lesser than 0.05. Therefore, these variables (price, product quality, perceived value and brand image) are significant with purchase intention.
5. Discussion and Conclusions

All variables namely price, product quality, perceive value and brand image were proved to have a significant relationship with purchase intention on private label brands. Furthermore, there are two particular variables, which is price and product quality were also proved to have the highest relationship on purchasing private label brands. Customers are more concerns for both price and product quality when they purchasing private label brands.

According to Kotler, 2012, price is the amount of money charged for a product or service. Customers obtain a product or service by being exchange with the total amount of price. Besides that, customers often look for a lower prices or substitution product to purchase the best value of products (Kunal & Yoo, 2010). Thus, the research findings indicated that there is a positive relationship between price and purchase intention of private label brands. Customers usually would not remember the price of the product after they purchased yet they will compare the prices before purchase. So in order to increase the perceived price of private label products, retailers shall improve the quality and convenience to enhance customer perceived value.

Product quality is a main concern in purchase intention of private label brands. It is a continuous process of improvement in order to increase product performance. The research findings indicated that there is a positive relationship between product quality and purchase intention of private label brands. According to Malayaonline (2015) stated that survey solution provider SSI showed that 25% of Malaysia households bought private label products, customers felt that the quality of branded items and private label brands were the same, and 18% who bought private label brands despite the quality are slightly lower than national brands. Therefore, quality is an important factor affecting customer decision making on private label brands.

According to Burton, Netemeyer and Garretson (1998), product quality can influence customers purchase decision towards one product. High quality and less harm with greatest value can increase confidence of customers in purchasing. The research findings indicated that there is a positive relationship between perceived value and purchase intention of private label brands. The value customers received is considered worth for they get what they paid, which means they buy a products with lower price and acceptable quality. Thus, this value is consistent with the image of private label brands. Besides that, this finding shows majority of the respondents are value sensitive, they would ensure that they get the best worth when purchasing private label brands. Therefore, they will evaluate and compare to different prices before they make purchase.

Brand image can be captured in consumer’s mind due to brand involvement (Keller, Parameswaran & Jacob, 2011). Furthermore, Lin (2010) said that customers only will make purchase if the product is with higher brand image. The research findings indicated that there is a positive relationship between brand image and purchase intention of private label brands. Customer’s perception towards brand image of private label brands is crucial because it can impress the perception of products they purchase. According to Zimmer and Golden, (2011) realised that some customers show their negative perceptions towards the brand products. For instance, shoppers show their negative perceptions towards the store brands and this can cause bad impact of purchasing. In order to improve the customer perception towards the brand image of private label brands, retailers should restructure their strategies, creating new image to compete in the market.
6. Limitation and Recommendation for Future Studies

Geographic area is one of the limitations when conducting this study. This research was only applied in a smaller scope which is in Alor Setar, Kedah. Hypermarkets that offering private label brands in different areas might have a more diversified customer base regarding of their preferences which might also have impact in the entire population of the hypermarket.

Besides the sample sizes affect the reliability of the findings. Although (Sekaran, 2003) claimed that sample size that is larger than 30 and less than 500 are appropriate in conducting research, but it is still better to use larger sample size to measure. The higher the sample sizes, the better the reliability of result obtained.

7. References


