



Consumer Perception and Intention to Purchase Store Brand Products

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Abstract

The study examines the relative impact of perceived price and perceived quality on purchase intention of store brand products. A survey was administered using a set of questionnaire, involving 240 shoppers. The collected data was analysed using descriptive and inferential statistics. Findings revealed that perceived quality gives more significant influence to the consumers than perceived price, when making decision to purchase the store brand products. Surprisingly, perceived price was not related to purchase intention when the relationship was tested. These findings contrasted with the earlier research findings where price was the most important reason for store brand purchases. These positive indications could provide some insights as how to help the retailers implement the most rational ways to attract consumers to purchase their store brand products, hence helping them to build a more profitable business.

INTRODUCTION

The current unstable economic conditions and the high cost of living have now become a problem of concern amongst the middle and lower income residents in Malaysia. This situation occurs due to the global recession and the beginning of serious inflation. There is a noticeable imbalance between income level and the rising living costs due to the present economic downturn, resulting in many of the consumers in Malaysia changing their purchase habits and becoming more sensitive to the pricing of goods in the market.

Currently, the number of international market retailers entering the Malaysian market is rising. Seelan (2010) stated that the Malaysian market share industry sales are as follows; Tesco owns a 30%, followed by Giant (24%), Jusco (22%), and Carrefour (15%). With the world financial crisis dramatically impacting the world economy, the rising of living costs, and the inflation pressure, this could lead to the increasing demand of the store brand products in Malaysia (Chen, 2009). The store brand products are normally given the lowest price so that they could not only

meet the consumer needs but also attract them make continuous purchases of the products (Nielsen, 2008). Their strategy is to provide an alternative product that is lower in price but equal in quality with the well-known products. Therefore, in order to be at par with the well-known products, retailers must be able to provide lower cost products but having the same quality.

Large-scale retailers have now adopted a popular strategy in developing their own store brands to increase their competitiveness. According to Richardson *et al.* (1994), retailers are creating brands by using their own store names or separate names for the brands. Retailers began improving the quality of their products and later offering products at cheaper prices to consumers (Kumar and Steenkamp, 2007). Thus, retailers are now able to attract more consumers to buy local brand products and at the same time, decreasing the entry of foreign goods into Malaysia.

A strong brand name that afforded brand equity will provide value to the retailers, manufacturers, and consumers (Cobb-Walgren *et al.*, 1995). Kristof *et al.* (2001) stated that the store brands are now playing a range of roles for the retailers and manufacturers but with different implications. Store brands are fast becoming major brands, encouraged by the quality and the identities of the store brand images. Furthermore, Narasimham and Wilcox (1998) stated that all retailers can bargain their power over manufacturers and producers of major national brands as they can create their own lower-prices images, and increase their control over shelf space when they are collaborating with the store brands.

Fitzell (1992) stated that the popular wholesalers such as Tesco and Carrefour are creating and producing their own products that are relatively cheap; lowest price of the basic products but high in quality. However, store brands cannot compete with national brands as the products are at lower quality in the consumers' mind (Defeng, 2012). This affects their buying decision of the goods.

Meanwhile, there are several reasons why consumers decided to purchase the store brand products. For instance, economic factor, income level, and high living costs. Consumers purchase cheap store brands not only because of the price, but they also consider other factors such as the quality of the products itself (Binninger, 2008). This study, therefore, aims to investigate the factors that influence the consumer perceptions and purchasing intention towards the store brand products and hypothesizes that:

H1: The quality of store brand product has a significant relationship with consumer purchase intention

H2: The price of a store brand product has a significant relationship with consumer purchase intention

RESEARCH METHODOLOGY

This study used descriptive and correlational analysis. By adopting a quantitative approach, a set of questionnaire was used to obtain feedbacks from the respondents. The acquired data were subsequently analysed statistically by using descriptive and correlation analysis to test the research hypotheses. The study was conducted in retail stores and hypermarkets in the Penang area. The sample was the customers who visit the retail stores and hypermarkets. Purposive sampling was chosen as researchers believed that it was the best approach in getting the information from a specific target group and thus, provided reliable data.

240 set of questionnaires were used for this study. The questionnaires consist of three sections. Part I contained seven questions using nominal scales focusing on demographic profile while Part II was aimed to measure the consumers' perception of store brand products in which Section A measures dealt with perceived price and Section B with perceived quality pertaining to 8 items adapted from Siohong *et al.* (2013). The questionnaires used the five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Finally, in Part III the respondents were requested to evaluate their intention in choosing the store brand products on a five-point Likert scale agreement. A pilot test was undertaken for each part separately. The results showed that the instrument and items used were reliable and had achieved the coefficient alpha value of 0.80.

ANALYSIS AND RESULTS

The descriptive analysis is used to analyze the respondents' demographic profiles and their perception towards store brands' products.

Respondents' Profile

Out of 240 respondents who answered the questionnaires, the majority of them were female (57.1%) while the remaining 42.9% were male. Malays constituted almost 66.7% of the sample, besides Chinese and Indian. Results indicated that majority of the respondents' age ranges from 18 years old to 24 years old (30.4%) and a quarter of

them have an income between RM 2001 to RM3000 per month. The results also showed that almost half of the respondents were employed, with 35% of the total respondents were degree holders.

Reliability Test

Reliability test was performed to check the scale's internal consistency using reliability analysis in IBM SPSS Statistics. The results from reliability analysis show that the Cronbach's alpha values for variables were above 0.7. The Perceived Price subscale consisted of 2 items with $\alpha = .827$, the Perceived Quality consisted of 6 items with $\alpha = .846$ and the Purchase Intention consisted of 3 items with $\alpha = .919$. Therefore, all variables were considered as reliable and appropriate for this study.

RESULT OF RELIABILITY TEST		
Variables	Number of items	Cronbach's Alpha
Perceived Price	2	.827
Perceived Quality	6	.846
Purchase Intention	3	.919

Data analysis

Correlation analysis was conducted to test the relationship between perceived price and perceived quality dimensions towards consumers' purchase intention. The results signified that the relationship between perceived quality and consumers' purchase intention was 0.622; while that of the perceived price was -0.234. This shows that the perceived quality dimension is positively correlated and has highly influenced the consumers to purchase the store brand products while the perceived price is negatively correlated, which means that the consumers have the tendency to purchase the product when the price is low.

CORRELATION ANALYSIS BETWEEN INDEPENDENT VARIABLES AND DEPENDENT VARIABLE			
	PP	PQ	PI
Perceived Price	-	-	-.234
Perceived Quality		-	.622
Purchased Intention			1

** Correlation is significant at the 0.01 level (2-tailed)

DISCUSSION

The primary objective of this study is to examine the relative impact of perceived price and perceived quality on purchase intention of store brand products. The results show that perceived quality gives more significant influence to consumers than perceived price when making decision to purchase store brand products. Surprisingly, perceived price was not related to purchase intention when the relationship was tested. This finding contrasted with some of the earlier research findings where price was the most important reason for store brand purchases (Baltas, 1997; Baltas & Argouslidis, 2007; Zielke & Dobbelstein, 2007). Apart from that, if consumers associate the store brand with a lower price, the possibility of purchase was reduced. Thus, retailers should be careful when implementing lower price strategies.

High perception of the store brands quality leads to a higher tendency to purchase store brand products regardless of the retail outlet. This finding is consistent with Levy and Gendel-Guterman's (2012) study. They found that an important predictor of store brand purchase intention was perceived quality. Similarly, Jin and Suh's (2005) study indicated that a lower price strategy could not overcome the quality of the store brand in determining the store brands' market share for home appliances. Other supporting literatures include Batra and Sinha (2000) as well as Glynn and Chen (2009).

In summary, the two hypotheses used and tested in this study are:

H1: The quality of store brand products has relationship with the consumers purchase intention.

The findings of this study show that there is a positive relationship between perceived quality and consumers' purchase intention. This finding was supported by Jin and Yong (2005), which states that perceived quality is an important factor for consumers' decision making by comparing the quality with regard pricing within a category while Armstrong and Kotler (2003) concluded that perceived quality has direct effect on buying intention.

H2: The price of store brand products has relationship with the consumers purchase intention.

The findings of this study show that there is a negative relationship between perceived price and consumers' purchase intention. Therefore, this finding contradicts with Munusamy and Wong (2008), whose study found a significant positive relationship between price and consumers' motives towards purchasing of private label products.

CONCLUSION

It is hoped that this research could help retailers to implement the most effective ways to attract consumers to purchase their store brand products in order to increase the company revenues. Although this study focuses more on the store brand products, it can serve as guidance to any kinds of product such as national brand products to meet customers' needs and demands. Retailers may also know which factor that could highly influence the consumers to make a purchase decision. According to Hoch (1996), quality is more important than price in term of private label brands.

The limitation of this study is that the sample was restricted to a single geographic area in Malaysia. It is advisable to conduct the survey at different locations with a wider number of respondents so that the results will be more varied and accurate. Apart from that, it is highly recommended to add more independent variables to the study such as perceived risks, brand awareness, perceived value for the money, product image, and others. With more variables analyzed, retailers could design better strategies and make better decisions to improve their products based on the numerous studies in this field of interest. Retailers would also come up with various methods to ensure their store brand products are accepted and purchased frequently by the consumers.

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