

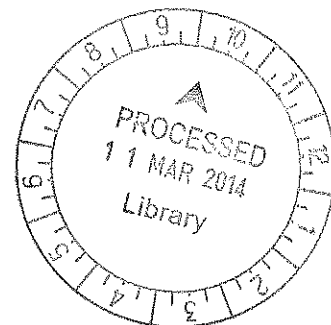
INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Factors influencing consumer purchase intention and consumer choice on private label brand in Malaysia

FOR REFERENCE ONLY

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Abstract

Private label brand is playing a vital role in the success of retail business. The trend of consumer purchasing private label brands is apparently creating new and exciting opportunities for retailers to win their businesses. Especially in European market, there are products of almost all categories sold by private label brands (World Private Label, 2013). The objective of this study is to examine factors that determine the consumer purchase intention and choices on private label brands. The research is conducted in a developing country, Malaysia, where private label brand is a emerging trend in retail industry. Data are collected from quantitative research by analyzing 300 questionnaires. Factor analysis, correlation analysis, regression analysis and other statistical methods will be applied in this study. One of the main reason the researcher conducted this research is to find out the variable and factor influencing Malaysian consumers' purchase intention towards PLB. This research studies on a few factors influencing consumers' purchase intention towards PLB. Statistics show that Malaysian consumers have a positive overall purchase intention towards PLB. The results show that the most important factor influence consumer purchase intention is not the price anymore, whereas consumers start to pay more attention on brand image. The advertising and packaging of PLB can be considered important for consumers. Product quality has no influence on consumer purchase intention on PLB, which means when consumers purchase PLB, the first thing comes into their minds is the brand awareness and the perceived risks.

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Yang Ying

10th November 2013

Declaration By Candidate

I hereby declare that the content of this research project from my own effort except something information has been used from various authors that have been cited accordingly and ethically.

Yang Ying

10th November 2013

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Chapter 1 INTRODUCTION

1.0 Chapter Summary

Private label brands, also known as PLBs or retail brands, differentiated from normal national brands, are owned by the distributors of which products are sold in a particular store (Kotler and Armstrong, 1996).

This chapter starts with the introduction and background of private label brands associated with the emergence of PLB in Malaysian market. It also gives a brief introduction on the PLB consumption in the world. There are also statistics and data of PLB consumption in Malaysia. It also includes problem statement, research questions, research objectives, significance of research, research assumptions, limitations of research, scope of research, operational definitions and outline of the research.

1.1 Introduction and Background of Private Label Brands (PLB)

In the 1970s, PLB started its story. With more than 30 years' development, PLB is now gradually becoming a phenomenon. For years, the market is occupied by the leading brands until retailers started to realize it is applicable to build their own brands. Advertising is the main factor to develop manufacture brands (Kumar and Steenkamp, 2007). The leading brands are using creative advertisements and making competitive promotion and price strategies to attract the consumers (Corstjens, 1995).

Nowadays, the situation has changed considerably. In Europe, the retailers have achieved a dominant position over manufacturers. The process of consolidation of the European retail system has reinforced their competitive position. This evolution has been driven by a number of benefits for retailers: increases bargaining power over manufacturers (Farris and Ailawadi, 1992; Pauwels and Srinivasan, 2002); reactivates and expands stagnant categories (Hausser and Shugan, 1983; Scott and Zettelmeyer, 2004); increases revenues, as PLB delivers superior margins to those delivered by manufacturer brands (Hoch and Banerji, 1993; Ailawadi and Harlam, 2002, 2004); and delivers strategic benefits, such as improvement of store image, loyalty and differentiation (Corstjens and Lal, 2000; Ailawadi et al., 2008).

The introduction of PLB has led to a shift in manufacturers' strategies and the relationship between manufacturers and retailers. More specifically, the competition between manufacturers and retailers is becoming intensified. The retailer becomes a direct competitor with whom to fight for consumer preference and market share (Pauwels and Srinivasan, 2002).

To the contrary, there is evidence that PLB should be a great concern to manufacturer brands as they do pose a competitive threat at every level of the market. For instance, when compared to second tier brands, consumers show proneness to switch to PLB (Hoch and Lodish, 1998). Moreover, most international retailers have started to develop portfolios of PLB using multi-tier strategies to access either new segments of consumers or new territories of legitimacy, such as premium or specialist. Interestingly, this development challenges a wide range of manufacturer brands, not only those selling mainstream products but also those targeting specific segments. PLB development represents an important threat for manufacturers, especially if PLB are capable of building brand equity at different tiers. If this is the case, retailers have to embrace a brand management approach.

1.2 Emergency and Significance of Private Label Brands in Malaysian Market

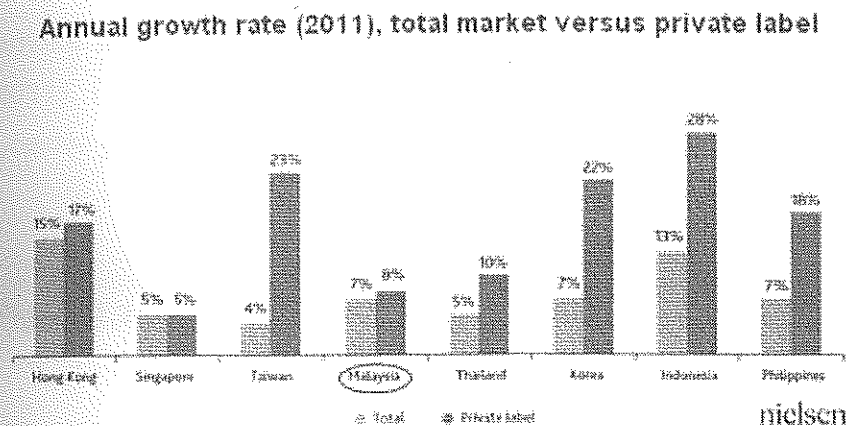
PLB existed in developed countries much earlier than in developing countries. PLB started to be popular in United Kingdom in the 1970s (Vi-Jon, 2005). However there was no exact data about when PLB started to invade into Malaysian retail market. PLB is assumed to emerge in Malaysia around 2000. In 2003, Tesco launched its own brand which is called Tesco Value (Tesco Malaysia, 2010).

In developing countries, like Malaysia, the growth of hypermarket retailers is rising. Tesco occupied 30% of the market share by sales, followed by Giant which was 24% and Jusco 22% in Malaysia (Seelan, 2010). Economic downturn had dramatically affected the economy in 2007 and living expenses in Malaysia is rising, which creates a favorable chance to build private label brands in Malaysia (Chen, 2009). Since 1970, national brands in Malaysia have been threatened by the increasing number of retailers (Strategist team, 2007). Private label branded products can satisfy consumer needs of purchasing lower price products (Nielsen, 2008). In order to raise the profits, they built their own brands with the same quality as other leader brands, which is a serious stimulation to the national brands in Malaysia. Furthermore, Malaysian consumers are switching to various brands by comparing the price and quality of the products. The demand of private label branded products is increasing because of consumers intend to purchase more valuable products with cheaper prices.

The Nielsen report 2012 showed the percentage of private label brands in the total market of Korea, Hong Kong, Taiwan and some Southeast Asian countries. Indonesia grew dramatically in private labels, while Malaysia still fluctuated around 7%. The progress of PLB sales in Malaysia is still slow compared to

developed countries and other developing countries in Asia. Figure 1.1 shows annual growth rate of private labels in total market in some Asian countries.

Figure 1.1



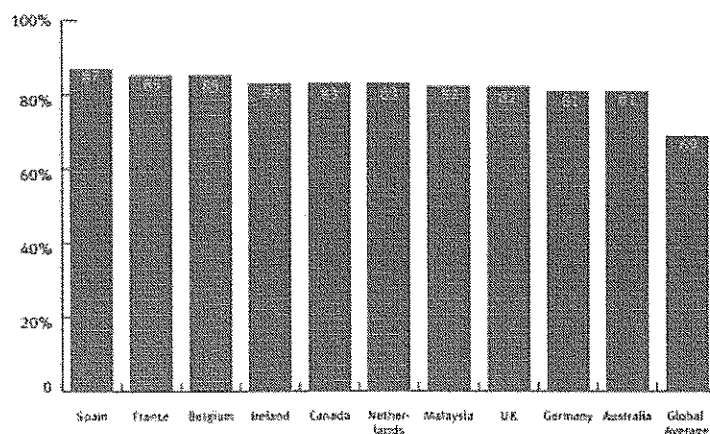
Derived from: The Nielson Company

From Figure 1.1, PLB shares in Malaysia is relatively low, only 8% of the total market. PLB companies need to market more often to convince Malaysian shoppers the quality and value of private label products (The Nielson Company, 2011). Although Malaysia PLB market is still in the infancy stage, PLB always shows a positive growth in the industry. Currently, PLB has the strongest growth in commodities such as bottled waters, paper rolls, cooking oil and so on (Marketing Charts, 2011). PLB managed to show a stronger growth in Malaysia during the economic recession period when prices of most commodities increase. Therefore, consumers are willing to spend on PLB that cost lower compared to other leading brands in the market.

PLB can expect favorable growth in Malaysian market in the coming years. Figure 1.2 shows Malaysia ranked 7th in the Top 10 countries who agree that 'Supermarket own brands are extremely good value for money' in an ACNielson global study survey (2005). Malaysian shoppers start to realize that PLB are good and value for money. Based on the latest 2011 ACNielson global private label report, 63% of 7053 local respondents in Malaysia switched to PLB during recession. 84% said that they would remain loyal and continue to purchase private label products regardless of any economic situations (Deborah Joy, 2011). From the results, it can be described that PLB will continue to enjoy positive growth whereby there will be more consumers buying PLB in Malaysia.

Figure 1.2

Top 10 ranked countries who agree that
"Supermarket own brands are usually extremely good value for money"



Base: all respondents

Derived from: ACNielson, 2005

Table 1.1 Private Label Branded Products in Local hypermarkets

Retailers	PLB	Products/Category
Giant	Giant, First Choice, Frills	Mineral water, toilet rolls, tissues, cotton buds, cooking oil, coffee, detergent, floor cleaner, evaporate creamer, bakery
Tesco	Tesco Value, Tesco Choice, Tesco Finest	Mineral water, toilet rolls, tissues, cotton buds, cooking oil, cola, toothpaste, concentrated drinks, mouthwash, evaporate creamer, soap, liquid soap, bakery
Jusco	Jusco Selection	Mineral water, toilet rolls, tissues, clothing, instant noodles, cereals, coffee bakery

Source: Personal Observation (30th September 2013)

1.3 The Importance of Understanding Purchase Intention of PLB in Malaysia

PLB brands entered in Malaysia about a decade ago. The growth and sales of PLB in Malaysia are slower compared to other countries (The Nielson Company, 2008). However, PLB enjoys positive and strong growth from time to time especially during the economic recession in 2009. From the success of PLB in other countries, it has now become essential for retailers to make strategies. With the entry level and slow growth in Malaysia, it will be interesting to study and explore how the factors selected in this research such as shelf space allocation, brand image, product quality, perceived risk, price consciousness will influence on Malaysian purchase intentions in buying PLBs.

Generally, most Malaysian consumers are not really into PLB because of the quality. However, there is no exact research done and it cannot be conclusive where quality is the factor that causes the slow growth of PLB in Malaysia. The results from this research will give a better picture and understanding about each factor in influencing consumer purchase intention towards PLB. Besides that, more retailers in Malaysia are creating and expanding their PLB product range. Therefore this research helps to identify the significant factors in influencing consumer purchase intention and creates opportunities for retailers to use factors as a strong point to increase PLB sales. This research gives opportunities to retailers and is also beneficial for PLB to develop faster in Malaysia.

After the global recession in 2007, average income started to go down and since then consumption level has dropped, which caused the distributors' intention to build their own brands aiming to increase sales and profits (Quelch and Harding, 1996). The retail industry of private label brand is growing rapidly, with a tremendous increasing market share, especially in Europe. Private label