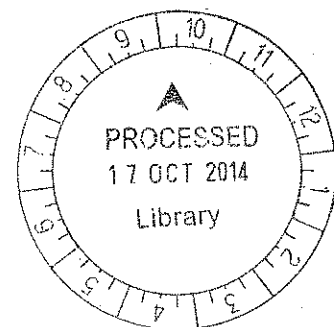


INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Private brand purchase intention: An analysis in Malaysia

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Abstract

Previous research has found that the price of the private brand and the understanding of private brand was the factor that influence on private brand purchase intention. However, this has no research has examine the factor influence on private brand purchase intention from consumers' attitude towards retailers.

In order to fulfill this gap, this study wants to examine the private brand purchase intention from the consumers' attitude towards retailers. This research used the theory of reasoned action (TRA) and theory of planned behavior (TPB). The respondents of this research are sought from retail store in Klang Valley area of Malaysia. And a questionnaire will be used to collect data.

This research will use the SPSS statistical software version 20 to test the hypotheses. The result of this research has shown that the consumers' attitude toward retailers like retailer awareness, retailer association, retailer loyalty and retailer perceived quality are all significant influence on private brand purchase intention of Malaysian customers.

The discussion explains the empirical evidence. Practical and theoretical implications are further highlighted. Recommendations for future research are also provided.

Key Terms: private brand, purchase intention, consumers' attitude

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To my parents, Mr. Dou and Mdm. Mu, as well as my brother and sister-in-law for their endless love, unconditional care and for being an absolute inspiration through my entire life.

DECLARATION BY CANDIDATE

I hereby declare that this thesis is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been duly acknowledged.

Name: DOU YE

Signature:

Dou Ye

Date: 27th August 2014

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LIST OF ABBREVIATIONS

TRA – Theory of Reasoned Action

TPB – Theory of Planed Behavior

PI – Purchase Intention

RA – Retailer Awareness

RAS – Retailer Association

RL – Retailer Loyalty

RPQ – Retailer Perceived Quality

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Chapter One

Introduction

1.1 Chapter overview

The opening chapter outlines the background of research, the problem statement and research objectives. The study delves in to provide the significance and scope of the research, highlighting the limitations of the research. The chapter concludes with the structure of the dissertation and summary of the salient areas of the chapter.

1.2 Background of the study

In recent years, with the globalization development, the international retail giants have entered Malaysia market that lead to the retail market has a fierce competition. In order to increase the core competition, more and more retailers are aware of provide the private brand will enhance the competitive advantage (Xiao, 2010). Since the higher living cost in Malaysia, consumers are preferred to consume the value-for-money products. Retailers' thinks to provide the low price products will attract more consumers, however, retailer cannot control the costs of the national brand, thus, and they decided to provide the private brand in lower price.

Contrary to the concept of national brands, which refers to the brands created by manufacturers, the concept of private brands refers to the brands created by retailers, and is also known as store brands or private labels. The past ten years have witnessed a high speed development for private brands, which now are powerful competitors with national brands (Ailawadi, et al., 2008). In 2012, the market share of private brands throughout the world had taken up for 17%, whereas in the market of America, the sales sum of private brands has amounted

to \$74.2 billion (Nielsen, 2012). Private brands have strong competitive advantages, as their prices and marketing costs are all lower than those of national brands (Aaker, et al., 2009). In addition, from a global perspective, the average price of private brands is lower than that of the national brands by around 31%. (Nielsen, 2012).

Private brands have developed rapidly in recent years. In the year of 2008, Nielsen Company carried out an investigation in Malaysia, and the result showed that the hypermarkets and supermarkets in local areas were demanding more products of private brands than before, because the number of shoppers willing to spend their money in them had increased (Kam & Rachael, 2008). According to the statistics from February to September in 2008, the value for the market of Malaysian private brands had reached RM240 million, which is illustrated in Figure 1-1 (Kam & Rachael, 2008). This shows that when compared with the same time period of 2007, the value has increased by 32%. In contrast, during the same period, branded goods or brands from manufacturers just increased by 15%. Accordingly, during the same period in 2008, the sales sum of brands from manufacturers accounted for RM5.3 billion. Therefore, from the sales sum of 2008, it can be concluded that there is much potential for the development of private brands.

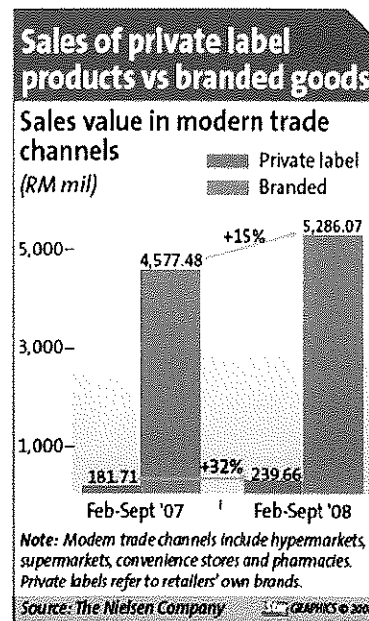


Figure 1 1 Sales of private brand products vs. Branded goods in Malaysia

Source: "Consumers switching to private-label products" by Rachael Kam

The Star, 11 December 2008. p. B7

Previous research findings show that retailers are faced with a predicament of lower prices demanded by consumers and the retailers need to increase profit margins through reducing the selling price (Chin, 2009). Private brands are a strategy used by retailers to improve on their profit margins. Figure 1-2 shows a comparison between store brand and manufacturer brand pricing model. While the contract manufacturers of store brands may charge the hypermarket higher costs, the contract manufacturers also earn lower margins themselves as they have no cost additives such as advertising and promotional expenditures to cover as compared to the brand manufacturers.

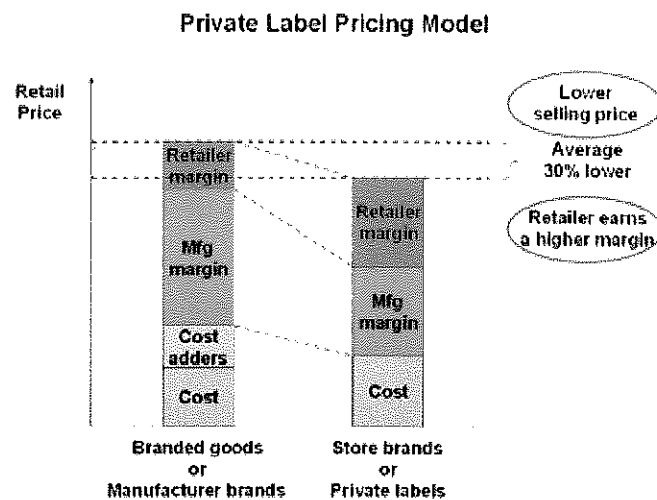


Figure 1 2 Private label pricing model in Malaysia

Source: "The rise of store brands among hypermarkets in Malaysia" by Andrew Chin

Amrjournal. Blogspot. com

1.3 Problem statement

As stated by Richardson (1996), from the perspective of retailers, there are many advantages of private brands in marketing strategies. First of all, they are beneficial in strengthening the consumer traffic and store loyalty for retailers (Chong & Yvonne, 2009). Second, they are able to increase retailer's profits, and enhance their competition power when compared with national brand manufacturers (Ailawadi, et al., 2008). Third, retailers may have more chances to establish their competitive strategies (Damodaran & Rupa, 2009), and also are more flexible in setting prices and marketing promotions (Williams, 2009). Forth, private brands may make it easier for retailers to set up a brand image with high value, as the

reports from consumers show that the cheaper products of private brands from retailers provide a wider range of choices, and plays a more important factor in deciding the improper of consumers on which store is more cost effective (Garolera, 2001). Fifth, private brands can let retailers to have more competitive advantages for the part of consumers who are sensitive in prices (Laverie & Ada, 2003). Therefore, private brands are believed to be a key factor in the competition among varied retail industries, and bring distinctive source of competition (Keller, 2004). Therefore, private brands are believed to be a key factor in the competition among varied retail industries, and bring distinctive source of competition (Keller, 2004).

In 2012, the Symphony IRI Group research concluded that private brands share is rising across Europe with its value share up 0.5 percent at 35.6 percent and unit share also up 0.5 percent at 45.1 percent. Moreover, all Europe countries have seen value sales growth with sales typically growing 3% to 4%. In figure 1-3 it shows that in Spain and the Netherlands more than 50% of this growth have been driven by private brands. In France the private brands' value share of sales increased marginally from 29.7% to 30%. Nonetheless, shoppers are adding more private brands into their shopping basket than they perhaps would do in boom times and this is having an effect on loyalty (Group, 2012).