CONSUMERS' PERCEPTIONS TOWARDS INTERNATIONAL SUPERMARKET PRIVATE BRAND PRODUCTS

May Chen Yap
Faculty of Business & Law, Multimedia University

David Yoon Kin Tong
Faculty of Business & Law, Multimedia University
E-mail: yktong@mmu.edu.my

Kim Piew Lai
Faculty of Business & Law, Multimedia University
E-mail: kplai@mmu.edu.my

─Abstract ─

In recent year, we observed the rapid growth of international supermarkets chains like Tesco, Carrefour, Jusco, and Giant in Malaysia. These international supermarkets are capitalizing on local manufacturers to produce products of their own brand. No doubt this private brand product price could be as low as other local produce but pricing is not the only factor influencing local consumers purchase intention. In this paper, we set to investigate consumers' perceptions on perceived price, perceived quality, confidence, social influence, and brand image towards international supermarket private brand products. Using Multiple Regressions, we found all factors significantly influence consumers purchase intention and price is the key factor that trigger purchase. These factors would provide international supermarkets to cater for local consumers' demand.

Key Words: *Private brand, International supermarkets, product positioning*

JEL Classification: L81 - Retail and Wholesale Trade; e-Commerce

1. INTRODUCTION

Supermarket nowadays becomes a necessity to consumers to shop and purchase basic goods. The increasing supply and demand on supermarket over the past ten

years literally has encouraged the adoption of its in-house products or private brands. Private brand embraces retailers' confidence and beliefs in capitalising its own household market. To consumers, it favours budget-constraint and price-sensitive individuals especially over economic downturn. This notion suggests that there are two parties involved in a successful transaction, the retailers and individuals. Although both have the equal influences on the transaction, the ultimate buying decision is rested on individual consumers.

The definition of private brand is analogous to private label, retailer brand, store brand, and in-house brand (Anchor & Kourivola, 2009). Private brand sold under the same category are cheaper than other competing brands (Besharat, 2010). Nowadays, consumers rely less on established and well-known brands in supermarket, instead they are sensitive toward value-for-money products. To them, fairer price, more value for a cheaper price, more for same, and less for more are the winning strategies. Through cheaper price, private brand products may elevate consumers' perception and purchase intention (Gunert & Juhl et al., 2009). This trend of private brands is actually matured in advanced countries like Northern America and Europe and actively in promoting the use of private brand (Liljander et al., 2009). However, in Malaysia, anecdotal observations of the international supermarkets like Tesco, Jaya Jusco, Giant and others do promote their private bands products. Private brand products promote in Malaysia is fairly new and but its demand by local shoppers is increasing. We therefore raised a research question of, '*What purchasing factors would local shoppers consider to purchasing private brand product*?' This leads us to exploring shoppers' perceptions on private brand purchase that answer the research question.

2. LITERATURE REVIEW

Consumer purchasing behaviour is changing over time (Besharat, 2010) in particular in modern supermarkets. Consumers have wider options in terms of products selection. This includes branded products and supermarket's private brands. In advanced countries, some consumers chose to purchase supermarket's own brand due to price (Oh, 2003). In US, own brands hold nearly every four items sold in the supermarket and promotion of these items remains active (Liljander et al., 2009). In Malaysia, the consumptions of own brand have also shown significantly increasing since 2009 (Ganesah, 2010). Based on past studies on branded products, the factors of perceived price (Veale & Quester, 2009), quality (Banovic et al., 2010), confidence (Anchor & Kourilova, 2009), social

influence (Kulviwat et al., 2009), and brand image (Chowdhury & Andaleeh, 2007) are proven predictors for purchase intention. In this study, we proceed to explore using these factors to elicit local consumers' purchase intention on supermarket own brands. Knowing the locals' perceptions and purchase intention, this study contributes to marketing literature and supermarket strategy.

2.1 Perceived Price (PP)

Consumers' perception on pricing is unique (Ramirez & Goldsmith, 2009). According to Veale et al. (2009), information and details about the product cost, transaction cost and its accessibility through mass media influence consumers' evaluations and reactions to price. If the price is set too low, it may lead to a negative perception on quality (Chandrashkaran & Grewal, 2006). The perception toward price tag reflects the quality embedded. Low price may reflect low quality while high price with high quality (Roberta & Quester, 2009). Thus, it may conclude that perceived price may lead to positive buying preferences and we hypothesize that: *H1: There is a significant relationship between perceived price and purchase intention.*

2.2 Perceived Quality (PQ)

Perceived quality refers to consumer's evaluation of a products or a brand that meet an individual's expectations. Such evaluation by individuals is their experience between two firms' brands products (BusinessDisctionary.com). According to Chowdhury & Andaleen (2007), product quality enhances competitive advantage. In comparison between national and private brands consumers tend to favour national brands because they are more familiar, reputable and better coverage on media (Besharat, 2010; Chen et al., 2007). Due to the differences in consumers' preferences, we hypothesized that: *H2: There is a significant relationship between perceived quality and purchase intention.*

2.3 Confidence (C)

Confidence is the level of safety perceived toward a brand (Jonge et al., 2008). In the study of Anchor & Kourilova (2009), the success of private brands in Czech and Britain is found to be related to high level of confidence. This suggests that high confidence may lead to positive purchase intention toward private brand. Jonge et al., (2008) suggest five distinct dimensions to measure consumer's confidence i.e. recall, perceived product safety, concerns about production, trust in

the community and individuals' differences. Similarly, Vermier & Verbeke's (2007) found that lower label information contributes to low consumer confidence. Therefore, knowledge about the product promotes better understanding the customer to make better purchase decision and we posit it as: *H3: There is a significant relationship between confidence and purchase intention.*

2.4 Social Influence (SI)

Social influence refers to actions, feelings, thoughts, attitudes or behaviours of individual change through interaction with other individuals or groups. It can be seen in socialization, peer and family pressures. In social psychology, it is often related to the impact of social norms toward the changing of individual behaviour and attitudes (White et al., 2009). Buying decision is related to having social values that derived from a need to be respected and to acquire desirable social status (Delre et al., 2008). Based on our observations, most consumers do not shop alone. For this reason, we hypothesized that: *H4: There is a significant relationship between social influence and purchase intention.*

2.5 Brand Image (BI)

Hsieh & Liljander (2009) describe brand image as the mental perception based on its associations toward a brand. Brand image is determined by prior experience, brand familiarity, and awareness. The origin of product such as country produced and manufacturer affect consumers' brand image perception (Koubaa, 2007). This suggests that the process of recalling is prior experience on the company, brand reputation and product attributes that may exert some influences on consumers' reaction and purchasing behaviour (Chowdhury & Andaleeh, 2007) and we proposed the hypothesis as: *H5: There is a significant relationship between brand image and purchase intention.*

The above variables are used as predictors to purchasing intention among consumers. It plays a significant predictor in consumers' purchasing behaviour and decision and positive buying intention occurs if only actual outcome exceeds expected outcome (Besharat, 2010).

3. RESEARCH METHOD

In this study, convenience sampling method was adopted. We solicit respondents to voluntarily complete a two-page questionnaire with 33 items. All items were

measured using 5-point Likert type scale. The scales that indicate respondents' perceptions on private brand is ranged from "1 = strongly disagree" to "5 = strongly agree." Out of the 150 replied questionnaires, 40 percent responded were from emails and 60 percent answered spontaneously and returned by hands.

3.1 Results

Reliability Analysis

The data were analyzed using Predictive Analytics Software. The results indicate independent and dependent variables are reliable with Cronbach's Alpha of 0.7 (lowest 0.73; highest 0.86). In **Table I**, the highest intercorrelation shown in the matrix is 0.595, between the "perceived price" and "purchase intention" and significant < 0.001. The lowest value found related to "purchase intention" is "brand image" with 0.193. There are two negative values (confidence-brand image and social influence-brand image") indicate opposite relationship between variables but positive toward purchase intention. In addition, the moderate intercorrelation shown in the matrix is 0.436, between the "perceived quality" and "social influence".

Multiple linear regression analysis was used to predict which factors would influence purchase intention. The results depict all five variables significantly contributing to the prediction with $F(5,124) = 38.63$, $p<0.001$, and R^2 value of 0.605 indicating that 60.5% of the variance in purchase intention was explained by the model (see **Table III** on Model Summary and R^2 value). Thus, H1 to H5 are supported. The results indicate perceived price (*β=0.351, p-value 0.000*) and social influence (*β=0.330, p-value 0.000*) are the most influential factors in explaining consumer purchase intention.

4. DISCUSSION AND IMPLICATIONS

The results attest and support all five hypotheses. It is shown that the factors of perceived price, perceived quality, confidence, social influence, and brand image influence purchase intention of private brand products.

Perceived price affects the consumers' purchase intention. The result is consistent with past research findings that price judgment may determine consumer purchasing behaviour and decisions (Ramirez & Goldsmith, 2009). This study implies higher perception toward fair price may lead to a higher level of purchase intention.

Perceived quality is related to purchase intention and is consistent with Lijander et al., (2009) study. Similarly, confidence also poses as a possible factor affecting purchase intention and is consistent with Bergkvist (2009) and Anchor & Kourilova (2009). Social influence promotes purchase intention. The finding is consistent with Paridon's (2008) and the effects of social influence toward consumers' purchase intention showed similar outcomes (Chin et al., 2009). Lastly, brand image has been hypothesized to affect purchase intention. Based on the result, this study is consistent with previous research that brand image has a significant relationship with purchase intention (Homer, 2007; Koubaa, 2007).

4.1 Limitation

There are two limitations identified in this study. First, the data collection by conveniences sampling and small sample size of 150 respondents affects the generalization of the findings. Second, the usage of a single language questionnaire in English could only capture English speaking respondents.

4.2 Future Study

Future study should use the same set of the questionnaire as it serves for further validity of the questionnaire by test and re-tests. In Malaysia, the questionnaire should include three languages: Malay, English and Chinese to capture wider scope of consumers' perceptions. Future study is also recommended collaborating with the international supermarkets to distribute the questionnaires to shoppers by intercept technique. This serves as a powerful unobtrusive method for external validity and the results will be generalized.

5. CONCLUSION AND RECOMMENDATIONS

All five factors tested affect consumers' purchase intention toward private brand products. In this competitive industry, international supermarket providers should consider these factors to products innovation to capitalise market share as this effort may determine their sustainability. To differentiate private brand products with national brand products, pricing and product quality play an important role in achieving this objective. Consumers tend to look for products that meet their end needs, with fairer price and better quality. This suggests that good quality shall not be compromised with high cost. Good quality to consumers' point of view is fairer and cheaper price. Confidence will be another issue for the company to take note. This is because customers are always looking for something trustable and hassle-free. Stronger influence of social and brand image lead to higher purchase

intention based on this study. The international supermarket providers should continuously enhance and build respectable reputation image in order to sustain the market share. In sum, this study has successfully ranked the order of importance the predictors to private brand purchase.

Table I – Correlation Matrix

	P Price	P Quality	Confidence	S Influence	B Image
P Price					
P Quality	0.284				
Confidence	0.441	0.409			
S Influence	0.247	0.229	0.541		
B Image	0.151	0.086	-0.151	-0.109	

Table II – Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.908	.307		-2.962	.004
Perceived Price	.337	.062	.351	5.414	.000
Perceived Quality	.179	.069	.163	2.598	.010
Confidence	.167	.064	.200	2.587	.011
Social Influence	.328	.067	.330	4.932	.000
Brand Image	.183	.056	.192	3.238	.002

Note:1) Dependent Variable: Purchase Intention; R = 0.78, R2=0.609; Adjusted R2=0.593

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