Monetary and Image Influences on the Purchase Decision of Private Label Products in Malaysia

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Abstract—Private label is known as store brand which retailers name on products that can only be found in their stores. In Malaysia, the retail industry is dominated by international hypermarket retailers which focus on discount-oriented image. Due to high cost of living, the sales of private label products are expected to increase as they are priced comparatively lower compared to national brand goods. However, statistics show that the acceptance rates of private label among Malaysians are still relatively low compared to other countries in Asia. Thus, this study serves to examine the monetary and image influences on the purchase decision of a selected global hypermarket in Malaysia. 300 survey responses were gathered in this study via convenience sampling method. The result of this study empirically proves that brand image has full mediation effects on mediating price perceived and promotion to purchase decision of private label products in Malaysia. The result contributes in justifying the low acceptance rate of private label products among consumers in Malaysia.

Index Terms—brand image, price perceived, private label, promotion

I. INTRODUCTION

Private labels or store brands are brand names created by retailers for products which can only be found in their retail stores. In the past, retailers’ attention was not on private labels because they think that private labels were not competitive in comparison to national brands. Therefore, private labels were sold with profit orientation and packaged with non eye-catching packaging, poor branding strategies, and inferior images. As time passes by, private label is now offered in varies of product categories in the market, and it catches the attention of national brand’s manufacturers. Private label is not the “under-looked” competition in the industry anymore, as it has been developed from a basic product, competitive pricing and inferior quality positioning, to almost equal to good quality and competitive pricing in minds. According to author [1], private label has recorded significant market share growth in certain product categories in US and Europe market, especially in fast moving consumer goods (FMCG).

In Asia, modern supermarket trade was holding an average of 47% market share in retail industry and exceeded 50% of market share in the year of 2005. The situation proved that Asian shoppers are getting used to shop in supermarkets and hypermarkets for their groceries [1]. In Malaysia, the retail market is dominated by international hypermarket retailers with Tesco owning 30% of Malaysia market by sales, 24% by Giant and 15% by Carrefour [2]-[3]. With global finance crisis and high inflation pressure, the sky-high cost of living in Malaysia produces opportunities to these hypermarkets to further dominate the market with the low priced private label products.

However, most of the Asian shoppers are still unfamiliar and uncertain with private label products. In Japan and Malaysia, 65% of the shoppers disagree that private label can be a good replacement to national brand goods. It significantly shows the negative perception of Japanese and Malaysian towards private labels. In their eyes, private labels are inferior in quality, unappealing in look, and off-putting in comparative to national brand goods. It has been attached in the mindset of Asians that private label products are only for those in poor financial situation and could not afford for national brand goods [1]. However, the President of AC Nielson Asia Pacific, Niles, is confident that private label market in Asian is still in the early stage, and the acceptance of private labels in developing markets (such as Asia) will somehow on par with the growth of the modern trade in the developed markets (such as US and Europe). Author [4] quoted that “It is early days yet for private label in the Malaysia market, but we have seen a sharp spike in sales momentum over the last year”. In order to ensure the competitiveness of their store brands in retail industry, retailers are advised to understand the underlying factors that will lead consumer to accept private labels. These underlying factors will guide retailers in designing a suitable marketing programme for their private labels, which strategically benefits retailers in improving their store image, loyalty, and differentiation.
In marketing literature, considerable attention has been given in evaluating private label products. Extensive discussion and documentation are found in both academic and practitioner oriented literature, describing most economies in North America and Europe [5]. Due to the visible inter-dependencies, there is limited, if any, published research on the determinants of private label products from the perspective of Asia consumer market [6]. Key issue that arises here is the lack of extensive research on private labels from the viewpoint of Asia consumers, which most of them are living with different lifestyle, culture and economic values comparing to North America and Europe.

In addition, Malaysians are facing drastic economy pressures and Malaysians have started to change their shopping habits and be more price sensitive. Retailers in Malaysia adopted low pricing policies for private labels to suit the change of shopping habits among Malaysian [3] and it is proven that these strategies are found to be ineffective to them. It is further proven by [1] show that only 35% of Malaysians agreed that private labels are good substitutes to national brand goods and it is still too early for Malaysians to accept private labels [4]. Therefore, this study is designed to assist retailers in Malaysia to remain competitive through understanding their consumer and markets needs in private label product industry by examining monetary and image influences on the purchase decision of private label products in a selected international hypermarket in Malaysia.

II. DETERMINANTS OF PRIVATE LABEL PRODUCTS

Private label product is classified as consumer products that are manufactured on behalf of retailers, branded with retailers’ brand name or trademark, and sold through their own retail outlets [6]. Most private label products are not manufactured by the retailers. Manufacturers may choose to manufacture private labels for retailers in order to attain economy of scale in distribution and production, help in reducing surplus production, increase in sales with no marketing cost involved, and image differentiation results of price discrimination between private label and national brand goods [5]. Traditionally, manufacturers will only produce private labels on behalf of retailers when production capacity permitted it, but then gradually all production facilities are committed to the production of store brand products. Manufacturers behave like the entirely competitive firm of economy theory in minimizing the cost due to the fixed price and tight product specification given by retailers. This explains the focus of producers in minimizing the cost while producing private label products [5].

The most significant advantage of private labels to shoppers is lower prices. Lower self-priced private labels need a much lower supply price in comparative to national brand goods. Therefore, larger retailers have bargaining power in terms of getting the price that they want from manufacturers and set tight product specification. In addition, it is not a common practice for retailers to run extensive advertising campaign in promoting their private label products. This explains that retailers are able to set lower prices and make better profit margin through private labels. However, only small portion of Malaysia consumers agreed that private label brand is a good substitute to national or well-known brand. When consumers do not have complete information about a store or uncertain about the store’s private labels, they make assumption from available cues such as brand image before forming perceptions towards the store and its private labels. This can be explained through the confidence that consumers have in national brand goods but not private labels.

According to author [5], familiarity mirrors the perceived risk and the amount of information a consumer has about a private label. Familiarity towards products is often being related to the experiences accumulated by consumers through the consumption of the products and influences of marketing activities. Even with the absence of a well-formatted attitude, familiarity may be sufficient to make decision for inexpensive, frequently purchased items. Given the label of store brands as a “risky” alternative, lack of familiarity increases consumers’ dependence extrinsic cue effects such as brand image. This provides an advantage to national brands manufacturers as they offer a more secure alternative in the eyes of consumers. Through active advertising, strict control in quality and superior extrinsic cue effects [7], strong brand image has been created in national brand goods that signal quality reassurance to consumers. Therefore, consumers with special demands from a category of product are normally attached to manufacturer brand.

Purchase intention is widely studied in past literatures as the predictor to actual purchases. It is evidenced in most literatures that purchase intention and purchase behavior are strongly based on Theory of Planned Behavior [8], [9], [10] and Theory of Reasoned Action [11]. In addition, cognitive-affective model shows many perceptual variables in affecting consumers buying intention and behavior [12]. Under normal circumstances, private label purchase intention will lead directly to private label purchase [12]. However, purchase intention might be changed by price, perceived quality and perceived value [3], [12], [13]. Internal and external interruptions may occur during the purchasing process.

Monetary influences such as perceived price and sales promotion are found to have significant impacts on purchase intention. Price is often used by consumers as a comparison tool to judge the quality of a product, and consumers will only purchase products that they think the quality is on par with the price that they pay. Therefore, the purchase decision of a product is often depends on how consumer perceive the price to quality of the product. It is not unusual that consumers cannot recall the actual price that they paid. It is because prices have been encoded into terms that are meaningful to themselves. Consumers may sometimes judge the quality of product as according to the scale of price, in which highly-priced products normally come with better quality and normal-priced products are with lesser quality. It reveals the dependency of consumers on this "price-reliance
scheme’ that shows "you get what you pay for”. Most consumers believe that better quality products come with monetary sacrifices [14]. Thus, it can be say that the negative perception on private label quality is mainly caused by retailer’s low pricing strategies, and it is further being worsen its by poor packaging and unattractive shelf of display [3]. So, it is explainable that consumer attitudes towards private labels have always been negative since it was introduced [3].

It has been a common practice for retailers in Asia countries to use sales promotion as their main communication tool. Price discounts are often given to shoppers to enhance their repeat visitation and to generate extra sales revenues. However, retailers began to appreciate the significance of bonding relationships with their shoppers through non-monetary promotion. This can be seen in most Asia hypermarkets and supermarkets that start to introduce membership to their loyal shoppers. In most marketing literature, intention to purchase is influenced by the perceived monetary sacrifice. As private labels being labelled as risky alternative, retailers apply sales promotion to reduce the perceived monetary sacrifice of consumers [11]-[12]. Price discount is one of the common types of sales promotion used by retailers, and the use of monetary discount has gradually increased in recent years. Retailers also often use brand-nonspecific coupons that offer variety of wide discounts in their stores [15]-[16]. Normally the promoted items are the private label products that retailers are offering [17].

An reputable brand provides advantages to retailers in enhancing repeat purchases. Just like price, brand image plays its role in transferring product information and products positioning to shoppers. According to author [7], there is no difference between private labels and national brand goods in comparing both brands’ ingredients. This indicates that shoppers are relying more on brand image than product quality in their groceries purchases. Brand image serves as a reference stored in consumer’s memory as an connection to the brand attributes. Therefore, when consumer sees a private label brand, the quality of private labels will come across his mind. Brand image is heavily used by shoppers in product assessment, and it directly point out that the quality of private label products is presumed based on the image of the retailers. Consumers with insufficient information will normally make use of signals such as the brand in judging the product quality. In the context of private labels, brand image appears to be influential in conversing information and assumption to shoppers, and it is often linked to information generated by advertising as communications are used for differentiating products that with their store’s name on it.

However, influences of monetary factors to purchase decision have been denied by [18], which stated that pricing and promotion strategies determine the overall image of the retailers. Image is defined as how shoppers perceive a particular retailer and image is built based on how retailer positions and devises its marketing strategies. In a highly competitive retail industry, positioning of retailers play a very important role in assisting a retailer to be placed in a niche relative to competitors. Shoppers must be able to recall a retail store in seconds based on its name, product line, personality and even price position [18]. Without a distinct image, a retail business will not have the chance to be seen or heard. This can be seen on most chain retailers and franchisors which apply consistent price strategies to create a consistent image across all branches. As mentioned by authors [18], upper-middle-class shoppers feel uncomfortable shopping for clothes in discount-oriented retailers such as Tesco, but fine with retailers with at-the-market oriented retailers (average prices with good service and atmosphere) such as Aeon Jusco in Malaysia.

III. RESEARCH OBJECTIVE

The main objective of this study is to examine the monetary (perceived price and promotion) and image (brand image) influences on the purchase decision of private label products. Four specific objectives are further being derived from this main objective, stated in section A through D, which directly lead to the establishment of four research hypotheses.

A. To Examine the Relationship between Perceived Price and the Purchase Decision of Private Label Products in Malaysia

Price can be perceived in both positive and negative ways. When price is perceived positively, it represents worthiness to consumers. However, when price is perceived negatively, it is signaling pure economic sacrifice. Price symbolizes an extrinsic indicator and communicates important information to consumers for assessment before a purchasing decision is made [19]. In the context of private label, it is assumed that price is perceived positively due to its low price and considerable product quality. However, it is arguable in Malaysia due to its low acceptance rate. Based on the discussion above, the proposed hypothesis for this construct is:

H1: There is a relationship between price perceived and the purchase decision of private label products in Malaysia.

B. To Examine the Relationship between Promotion and the Purchase Decision of Private Label Products in Malaysia

Price promotions or sales promotions are projected to influence purchase decisions as price information. Promotion is greatly used by retailers today as an instrument to differentiate their private labels and to inform shoppers on what they are offering in their stores. Advertisement is used as the tool to increase awareness and familiarity while sales promotion is used to induce purchases. Under low familiarity, especially in the context of Malaysia shoppers in private labels, shoppers are more likely to apply heuristic processing, which result in using promotions as a heuristic in making purchase decisions [20]. Promotion serves to reduce the perceived monetary sacrifice of consumers towards private labels [11]-[12]. In order to justify the situations of extensive price promotion and low acceptance rate for private label, the following hypothesis is proposed as:
H. There is a relationship between promotion and the purchase decision of private label products in Malaysia.

C. To Examine the Relationship between Brand Image and the Purchase Decision of Private Label Products in Malaysia

Brand image is found to be prominent to purchase decision as brands communicate information and assumption to their potential buyers. This is often being related to information accumulated through advertising and past purchase experiences. As private labels being classified as new concept to consumers in Malaysia [1], it is believed that consumers will rely more heavily on the retail store's brand name in judging the product quality. Based on the discussion above, the proposed hypothesis for this construct is:

H. There is a relationship between brand image and the purchase decision of private label products in Malaysia.

D. To Analyze the Mediation Effects of Brand Image in Mediating Consumers’ Price Perceived and Promotion in Influencing Purchase Decision of Private Label Products in Malaysia

Mediation arises when the influence of a variable on another variable takes place through a third intervening variable. According to [21]-[22], mediation effects are said to be present if the three conditions below are met:

1) If the mediator variable is found not significant in regression, there is no mediation effect.
2) If the mediator and independent variables are significant in regression, there is partial mediation.
3) If the mediator variable is significant but the independent variables are not significant in regression, there is full mediation.

This study aims to investigate the present of mediating effects of brand image in purchase decision of private labels. Therefore, the proposed hypothesis is:

H. Brand image does mediate consumers' price perceived and promotion in influencing purchase decision of private label products in Malaysia.

IV. RESEARCH METHODOLOGY

Focus group was applied in this study to identify the potential variables and relationships that affect the purchase decision of private label products in Malaysia. With the guidance of relevant literature, two monetary and one image variables were identified. Postgraduate students and ten hypermarket shoppers were invited to obtain better understanding on how shoppers behave based on the three identified variables: price perceived, promotion and brand image. These three independent variables were being further discussed in the context of the selected international hypermarket in Malaysia.

Numerical data is gathered through quantitative approach in this study. Survey was chosen as the method of collecting primary data with questionnaires as the instrument. The questionnaire consists of two sections, with demographic information of the respondents in Section A and variables in the Section B. Measurement of 5-point Likert scale (strongly disagree to strongly agree) was applied for each item in Section B. Data collection was done in the selected international hypermarket in Melaka, Malaysia with a total of 300 respondents were intercepted based on non-probability sampling method (convenience sampling). The reason is to ensure that these respondents are able to represent the entire population of Malaysian on related characteristic to exact extent of information for this research. As for the data analysis, Multiple Linear Regression (MLR) was selected to answer the proposed hypotheses as reflected in Fig. 1:

V. DATA ANALYSIS

Data collected from selected 300 respondents has been screened through and keyed into PASW statistic analytical tool (formerly SPSS statistics) for the purpose of data analysis. The data was analyzed to answer the research objectives and to test the stated hypotheses.

A. Demographic Profiling

Three hundred (300) respondents participated in this study. Questionnaires collected had been carefully filtered to make sure that all questions were attempted and free from error. In this study, 118 respondents (39.3%) are reported as males and 182 are reported as females (60.7%). Majority of the respondents fall in the age group of 26 to 30 years old (27.0%), followed by 18 to 25 years old (24.7%), 31 to 40 years old (22.7%), 41 to 50 years old (14.3%), 51 to 60 years old (6.7%), 61 years old and above (4.0%). There are only 0.7% or 2 respondents are reported below 18 years old. In the context of highest educational level, 30 respondents have qualification lower than PMR/SRP/LCE, 105 respondents with SPM / SPVM / MCE / O-Level qualification, 35 respondents with STPM / HSC / A-Level qualification, 67 respondents with college diploma, 47 respondents with bachelor degree, and 16 respondents with qualification master degree and above. As for monthly household income, 29 respondents (9.6%) are reported with income below RM1000, 89 respondents (29.7%) income in the range of RM1000 to RM1999, 55 respondents (18.3%) in range RM2000 to RM2999, 63 respondents (21.0%) in range RM3000 to RM3999, 42 respondents (14.0%) in range RM4000 to RM4999, and 22 respondents (7.3%) with income more than RM5000. It is also reported that 40.3% of all participated respondents own the membership card of the selected retail hypermarket in Malaysia.
B. Descriptive Statistics

The variables were measured based on multi-item scales with each variable consists of more than five items. All the items then combined to measure the four variables in a consistent manner. Table I shows the means and standard deviations for all the three independent variables in this study. Variable with the highest value of means is promotion which is 3.35 (std. deviation = 0.706), followed by price perceived with 3.11 (std. deviation = 0.636) and brand image with 2.50 (std. deviation = 0.686). This results show that most of the respondents perceive positively on private label's price and promotion (means values are more than neutral point of 3) and perceive negatively on the brand image of selected hypermarket's private labels (means values are lower than neutral point of 3).

C. Hypothesis Testing

Regression analysis is applied in this study to answer the proposed hypotheses. The three independent variables: price perceived, promotion and brand image were found fulfilled the independence assumption which these variables were statistically independent and uncorrelated with one another. The probability level was set at p(0.01) to indicate 99% confidence in explaining the dependent variable. According to the result of linear regression analysis, R Square value was found at 0.223, which showed 22.3% of the total influences on purchase decision of private labels were explained by the three variables of this study: price perceived, promotion and brand image. The F value of this study (28.346) was found significant (p<0.01), which had clearly shown that the linear relationship exists. Therefore, the further regression analysis would not be abandoned.

Hypotheses H1 and H2 were found not supported with the result in Table I. The significant values for perceived price (p=0.028) and promotion (p=0.503) were found higher than the probability level which had been set at p(0.01). Hence, these explain that there is no relationship between the monetary variables (perceived price and promotion) and the purchase decision of private label products. However, H3 were found supported with variable brand image having significant value of 0.000 which was lower than the probability level of 0.01. This shows that there is a relationship between brand image and purchase decision of private label products. Brand image (β=0.390, p<0.01) appeared to be the most important determinant to purchase decision of private labels with the largest absolute value of standardized beta coefficient. Besides that, the correlation values showed that both perceived price (r=0.294) and promotion (r=0.229) are having positive but weak association with the dependent variable and brand image (r=0.455) with positive and moderate strength of association.

According to the conditions mentioned by Judd and Kenny (1981), the presence of mediation effect can be confirmed when the mediator variable (brand image) is found significant in regression. Therefore, further analysis would be carried out to examine the mediating effects of brand image. A new linear regression analysis was run in which the mediating variable, brand image was regressed on two monetary variables-price perceived and promotion. The R square value was found to be 0.235, which showed 23.5% of the total influences on brand image of private labels were explained by the two monetary variables of this study. The F value of the second linear regression analysis (45.548) was found significant (p<0.01), which had clearly shown that the linear relationship exists. Again, the further regression analysis would not be abandoned.

According to Table II, perceived price (p=0.000) and promotion (p=0.000) were found to have impact on the mediating variable, brand image. From the previous linear regression analysis, in which the result had failed to support H1 and H2 (independent variables are not significant) and influence of brand image (mediating variable) to purchase decision was found present, it is evidenced that brand image has full mediation effects on mediating price perceived and promotion to purchase decision of private label products in Malaysia. Therefore, H1 is found supported. Perceived price (β=0.307, p<0.01) appeared to be the most important predictor to brand image of private labels in Malaysia. According to the correlation values, perceived value (r=0.399) and promotion (r=0.289) are having positive and weak correlation with the mediating variable- brand image.

VI. Discussion and Conclusion

The result of this study contributes in justifying the low acceptance rate of private label products among consumers in Malaysia. Both monetary factors (price perceived and promotion) were found having no significant impact on the purchase decision of private label products. As discussed in most literature, high cost of living in Malaysia has drove consumers to change their shopping habit and tend to be more sensitive to price [3]. With the low price strategies implemented by hypermarket retailers on their private labels, it is expected...
that consumers in Malaysia will adopt private label products as they appear as a good substitute to national brand goods which are relatively priced higher. However, private labels are still not highly accepted among Malaysians although most of them are still living with tight economic budgets.

The results of this study show that the current pricing strategies of private labels are found to be ineffective in enhancing the purchase decision of consumers in Malaysia. Retailers in Malaysia are found to focus more on price wars among each and others. They always think that through offering the lowest price, they can gain better position in the retail industry in Malaysia. They launch aggressive promotion on the products sold, including their private label products just in order to increase their sales. However, Malaysians' attitudes towards private labels have always been negative since it was introduced in Malaysia with low prices. Due to price-quality perception, consumers in Malaysia have formed a perception that private labels are only for those in tight economic budgets or couldn't afford national brand goods. Besides that, author [14] described this situation as 'price-reliance schema' in which consumers will get what they pay for. It is thought that Malaysians believe monetary sacrifices are needed in order to obtain quality products. The result of this study is further being supported by author [3] that most of the Malaysians are value sensitive and they are willing to pay more when they perceive worth value from quality products.

This study empirically showed that brand image has full mediation effects on mediating price perceived and promotion to purchase decision of private label products in Malaysia. Monetary variables are found to have direct influence to the brand image of private labels but not purchase decision. As supported by [18] in literature, pricing strategies and promotion tools of retailers contribute in forming the overall image of a retailer. In addition, this study is done based on an international hypermarket in Malaysia which focuses on everyday-low-price (EDLP). Their pricing orientation has led consumers in Malaysia to perceive the image of this selected retailer as a discount-oriented in Malaysia. Therefore, it does make sense that shoppers in Malaysia are hesitate in purchasing private labels in this retail hypermarket due to price-quality perception.

This study has several limitations which provide possible improvements in future studies. Firstly, the two monetary variables represent only a small part of the entire monetary evaluation towards a product. Future studies may look into other monetary factors such as perceived value, perceived price fairness, price-quality perception, to name a few. Secondly, this study is done based on a hypermarket retailer in Malaysia which focuses on EDLP. This reason may limit the generalizability of result to the entire retail industry. Future studies may include opinions of shoppers from various price-orientation retailers (discounted, at-the-market, or upscale). Thirdly, more than 50% of the respondents of this study fall in the age range of 18 to 30 years old and this may also cause difficulties in generalizing the result to the entire Malaysia population. Lastly, this empirical study was carried out in one of the district/state of Malaysia, which may also limit the generalizability of result. Future studies are encouraged to overcome this limitation by undertaking cross-cultural studies.

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