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Universidad del Zulia
Facultad Experimental de Ciencias
Departamento de Ciencias Humanas
Maracaibo - Venezuela

Purchase behavior of retailer own brand label products

Nor Azila Mohd Noor^{1*}, Tunku Nur Atikhah Tunku Abaidah²
^{1,2} Othman Yeop Abdullah Graduate School of Business, University
Utara Malaysia, 06010 Sintok, Kedah, Malaysia.

[*azila@uum.edu.my](mailto:azila@uum.edu.my), tatikhah@uum.edu.my

Abstract

This study was conducted to examine the influences of consumers' perceptions on perceived value, perceived quality, perceived low price and store image on purchase behavior of retailers' own-brand products. The study was conducted at three main retail stores involving 130 respondents. Mall intercept survey method was used as a data collection method. Using Smart PLS, data were analyzed. The results showed that perceived quality, perceived low price and store image were positively related to the purchase behavior of retailers' own brands. In conclusion, the perceived value was discovered to be non-significantly related to purchase behavior of retailers' own brands.

Keywords: Retail, Store, Branding, Image, Quality.

Comportamiento de compra de productos de etiqueta de marca propia del minorista

Resumen

Este estudio se realizó para examinar las influencias de las percepciones de los consumidores sobre el valor percibido, la calidad percibida, el bajo precio percibido y la imagen de la tienda en el comportamiento de compra de los productos de marca propia de los minoristas. El estudio se realizó en tres tiendas minoristas principales con 130 encuestados. El método de encuesta de intercepción de centro comercial se utilizó como método de

recolección de datos. Usando Smart PLS, se analizaron los datos. Los resultados mostraron que la calidad percibida, el bajo precio percibido y la imagen de la tienda estaban positivamente relacionados con el comportamiento de compra de las propias marcas de los minoristas. En conclusión, se descubrió que el valor percibido no está relacionado significativamente con el comportamiento de compra de las propias marcas de los minoristas.

Palabras clave: Retail, Tienda, Branding, Imagen, Calidad.

1. INTRODUCTION

According to Keller branding principles have been practiced in every setting involved consumers such as in services, retail stores, physical goods, people and community, places or ideas. Brands by retailers have taken place for quite sometimes and they used catchy logo to spark consumers' consciousness. Manufacturer owned brands and retailer-owned brands are two types of retail brands that substantially vary in many aspects such as organizing, managing, planning, and marketing. Kumar points out that retailer own brands do not tag along or similarly follow the strategy pattern as other brands do; retailer own brands and manufacturer brands are very dissimilar in many core elements of marketing mix such as branding, labeling, price, distribution and level of advertising. Wahab and Dong reported in Malaysia Retail Food Annual report, retailers such as Giant, Cold Storage, Tesco, Carrefour, and Aeon carry their own product brands, which may be priced at ten percent, or more lower than similar products to attract the price-conscious

customers from the lower-middle-income group. The crucial part for retailer own brands is to strategize on promoting the brand purchase of products range in the market, especially on the manufacturer brands that often act as benchmark to the retailer's own brands (BRAZAUSKAITE, AURUSKEVICIENE & GERBUTAVICIENE, 2014).

Due to the high pressure of living costs in Malaysia over the past few years, people start preferring low-cost products for their daily use. In fact, the scenario becomes the main reason for the growth of demand for private labels or also known as retailer own brands in Malaysia (BASHIR, TUMI, ABBAS, AHMAD & SABBAR, 2015). The situation also has dragged consumers to change their shopping trends to be more sensitive towards price. Along with this increased cost of living, however, there is a rising concern over the issue by Malaysian retailers. They have started to improve the retailer label sectors with the aim to attract more buyers particularly to help the low-income groups surviving with the high living cost in urban areas by reducing their burden of paying high prices for certain products. Therefore, giant retailers such as Tesco, Giant, Carrefour, and Aeon Big are actively promoting their own brands in line with the manufacture brands to capitalize more profits. With the low price strategies implemented by these retailers on their brands, it is expected that consumers in Malaysia will adopt buying retailers' own brands as they appear to

be a good substitute to manufacturer brand products which are relatively priced higher.

In addition, Malaysians are facing economic pressures and consumers have started to adjust their buying behavior and be more responsive towards price. Retailers in Malaysia adopt low price strategy to adapt to the changes in shopping behavior among Malaysians. However, it is proven that the strategy resulted to be ineffective to them. Unfortunately, only 35 percent of Malaysians agreed that retailer owns brands is the best alternative to manufacturer brands and retailer owns brands are still at the beginning phase for Malaysian. There have been limited studies about retailer own brands in Malaysia ABDULLAH, BIN, RAHMAN, SUHAIMIN & SAFIE (2012) suggested more empirical studies relating to retailer own brands should be conducted in the context of Malaysia.

In Malaysia for instance, few studies have been done focusing on retailer own brands, however, the investigations were on the intention to purchase rather than actual purchase of the brands. BAO, SHENG, BAO & STEWART (2011) recently conducted a study about retailers' own-brand products but barely focus at selected areas in Klang Valley. A future study has been suggested by AHMAD, NOOR, ANIZA & WEL (2014) to come out with more research and details about retailer own brands throughout Malaysia. BALTAS & ARGOUSLIDIS (2007) also

suggested to add opinions of consumer from various retailers, and should discuss more fiscal aspects such as perceived value, price-quality perception and perceived fair price in the upcoming study. Therefore, to fill the necessary gap, this study is conducted to highlight the purchase of retailer's own brands by focusing on the influences of perceived value, perceived low price, perceived quality and store image.

2. METHODOLOGY

The research design involves the steps that data will be gathered and analyzed to reach the research objectives. This study adopted a quantitative approach in order to test hypotheses and validate the proposed framework. The framework is to identify the factors influencing the consumer purchase behavior of retailer own brands. It involves the test of the relationships between store image, perceived low price, perceived value, and perceived quality to purchase behavior of retailer own brands. This study uses the cross-sectional method to answer the study's research questions in which data were gathered once. The survey method was employed because survey research is the best method to be adopted in order to acquire personal and social facts, beliefs and attitudes. The unit of analysis for this study comprised individual consumers who went shopping at selected stores where retailers own brands are available in northern region of Malaysia.

The sample size was determined by using the rule of thumb by Roscoe by multiplying the number of 10 with the variables in the study which are five variables. So, by following this rule, the minimum sample size required is 50. However, considering the possibility of in-complete questionnaire and non-response, we have distributed 150 questionnaires to customers who shopped at the selected stores. Respondents were recruited based on systematic sampling with every fifth customer who entered the stores and was intercepted to get their answers to the questionnaire (HOOMANFARD ET AL, 2018).

This is a similar method used in other studies conducted in purchase behavior and retailer own brands. The main variables in this study were measured using multiple items drawn from previous research. All the variables were assessed using 5-point Likert-type scales (1= strongly disagree, 5= strongly agree). The items to measure purchase behavior of retailer own brands were derived from (AAKER, 1996; BOUTSOUKI, ZOTOS & MASOUTI, 2009). There were four items relating to consumers' experience and feeling toward retailer own brands. Perceived value was measured by three items adapted from (BERBEGAL-MIRABENT, MAS-MACHUCA, & MARIMON, 2016). Six items were used to measure perceived low price and perceived quality, which were adapted from respectively (KURTOĞLU, 2018; OLIVEIRA ET AL, 2019).

3. ANALYSIS AND FINDINGS

Out of 150 questionnaires distributed, 130 were completed and can be considered for further analysis. This brings a response rate of 87%. This study comprised of 75.4% female respondents and 24.6% male respondents. The majority of the respondents are between 20 years old to 30 years old. The majority of the respondents are private-sector employees, which is about 30.8%, followed by government employees 18.5%, and self-employed/business 1.5%. The demographic distribution of marital status in this study shows that more than half of the respondents are married.

Since this study aims to investigate the influences of variables using the path modeling method, Smart PLS is deemed fit to test the hypotheses. Hypotheses testing procedure was conducted by PLS-SEM. It is a statistical test applies to measure the relationship between one endogenous/dependent variable and one or more than one exogenous/independent variables. To predict the extent to which independent variables can explain the dependent variable, R^2 is considered the statistic that can be applied for this measurement.

In general, SEM applied over two-steps of the measurement model and structural model in one statistical test.

Within the measurement model, we conducted a validation of the measurement model by employing (CFA). We also test the construct validity by testing the following: construct uni-dimensional, reliability, convergent validity, discriminate validity and predictive validity. Once the measurement model is validated, second step, which is estimating the structural relation between latent variables, is carried out; in other words, the estimation of the model fit is conducted.

The measurement model of the purchase behavior of retailers' own brands is illustrated in Figure 2 and the descriptive statistics and reliability of the constructs are tabulated in Table 1. 130 usable data were analyzed and the results show that the items loading are all above 0.5. There were items deleted as the loadings below 0.5. The average variance extracted (AVE) for all the variables in this study are exceeded 0.5 and eligible to proceed for the structural analysis. There are 7 deleted items in achieving the AVE score (SI1, PQ1, PQ2, PQ3, PP1, PP2, PP3). The construct reliability (CR) for all the variables are above 0.8 value.

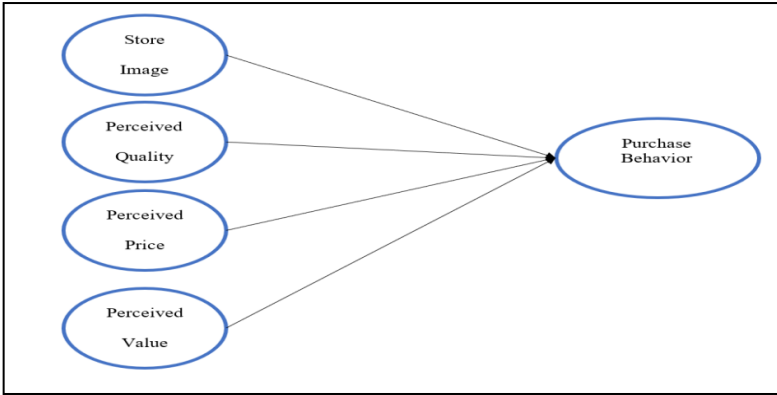


Figure 1: Measurement Model of Purchase Behavior of Retailer Own Brands

Table 1: Descriptive Statistic and Reliability of Constructs (n=130)

	Items	Loading	AVE	CR	Deleted Item
Store Image	SI2	0.576	0.562	0.834	SI1
	SI3	0.805			
	SI4	0.783			
	SI5	0.808			
Perceived Quality	PQ4	0.884	0.688	0.868	PQ1
	PQ5	0.861			PQ2
	PQ6	0.735			PQ3
Perceived Price	PP4	0.514	0.636	0.832	PP1
	PP5	0.917			PP2
	PP6	0.897			PP3
Perceived Value	PV1	0.802	0.737	0.893	
	PV2	0.893			
	PV3	0.877			
Purchase Behavior	PB1	0.790	0.646	0.879	
	PB2	0.818			
	PB3	0.753			
	PB4	0.851			

The discriminant validity of the latent variables in this study is shown in Table 2. All the bold diagonal elements exceed the off-diagonal inter-construct correlations. Perceived Price at 0.798, Perceived Quality at 0.830, Perceived Value at 0.858, Purchase Behavior at 0.804 and Store Image at 0.749.

Table 2: Discriminant Validity of Latent Variables-Correlation Vs AVE

	Perceived Price	Perceived Quality	Perceived Value	Purchase Behavior	Store Image
Perceived Price	0.798				
Perceived Quality	0.566	0.830			
Perceived Value	0.528	0.620	0.858		
Purchase Behavior	0.683	0.603	0.536	0.804	
Store Image	0.505	0.561	0.472	0.547	0.749

**Bold diagonal elements are the square root of AVE (Average Variance Extracted) which should exceed the off-diagonal inter-construct correlations for adequate discriminant validity.

Meanwhile, the result heteroit-monoteroit of the model is shown in Table 3.

Table 3: Heteroit-Monoteroit

	Perceive d Price	Perceived Quality	Perceive d Value	Purchase Behavior	Store Image
Perceived Price					
Perceived Quality	0.717				
Perceived Value	0.692	0.771			
Purchase Behavior	0.848	0.743	0.627		
Store Image	0.670	0.716	0.626	0.638	

The multicollinearity test as shown in Table 4. The inner variance inflation factor of this model shows that all the variables are below 3.3.

Table 4:

	Perceiv ed Price	Perceive d Quality	Perceive d Value	Purchase Behavior	Store Image
Perceived Price				1.683	
Perceived Quality				2.053	
Perceived Value				1.785	
Purchase Behavior					
Store Image				1.604	

Criteria: $VIF < 3.3$, $VIF < 5.0$ Table 4. Collinearity (Inner VIF)

Next is the assessment of the structural model through the bootstrapping analysis. In this study, 1000 subsamples through bootstrapping were done and the result of the structural model is as illustrated as in Figure 3.

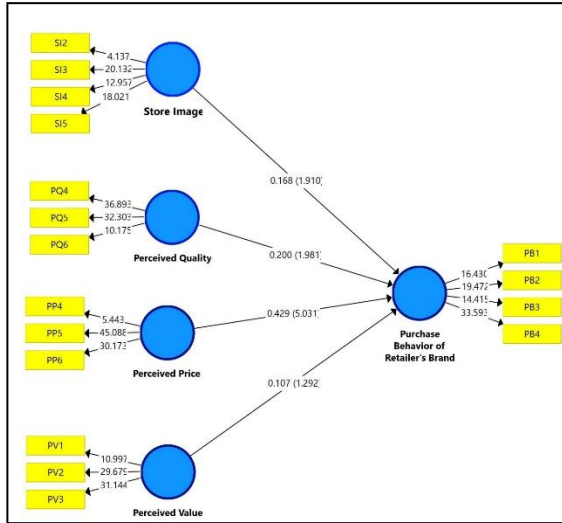


Figure 2: Structural Model of Purchase Behavior of Retailer's Own Brands

Findings postulate three hypotheses (H2, H3, H4) in this study showed supported results except for the H1 which indicated a non-significant relationship between perceived value and purchase behavior of retailer's own brands. The result is as shown in Table 5.

Table 5: Direct Hypotheses Result of Structural Model

Hypothesis	Direct Hypothesis	Beta coefficient	t-value	p-value	Decision
H2	Store Image → Purchase Behavior	0.168	1.910*	0.056	Supported
H3	Perceived Quality → Purchase Behavior	0.200	1.981*	0.048	Supported
H4	Perceived Price → Purchase Behavior	0.429	5.031*	0.000	Supported
H1	Perceived Value → Purchase Behavior	0.107	1.292	0.197	Not Supported

*Correlation is significant at the 0.1 level (1-tailed) N=130, Significance level at t-values > 1.645 (p<0.1)

4. DISCUSSION

This study examines consumers' purchase behavior toward retailer own brands in selected retail stores in Malaysia. As hypothesized, the present research demonstrates that perceived product quality has a positive significant influence on the propensity to purchase retailers' own brands as perceived by consumers. Consumers have a propensity for purchase retailer's

brand or other PLBs because their perception towards product quality is high. The reason why perceived product quality becomes important is that consumers are looking for good quality products at a reasonable price. Retailers have their own strategy to attract consumers, therefore providing a high quality of product and diversification able to increase purchase propensity. Hence, if the retailer's brandable to give good product quality to consumers, they will be opted to retailer own brands.

The current study shows a significant association between retailer store image and purchase of retailer own brands, confirming that there is a positive significant relationship between retailer store image and propensity to purchase retailer own brands as hypothesized in this study. The resulting implication is that retailers with good images such as services, performance, privileges offered and store environment will drive consumers to visit their store as well as buying their home brands.

The possible reason for this is due to the conducive and how convenient are the stores to the consumers. In relation to that, retailers play major roles in attracting consumers to purchase their own labels. Therefore, retailers must ensure that the image of their store meets the expectation of the consumers. When retailers have good and strong image, blend together with high level of product value, it would probably result in purchases of retailer own brands by consumers. The more positive a store image is, the higher the

consumer's willingness to would be, especially on the retailer's own brands.

On the other hand, the results also revealed that perceived low price has a positive influence on consumers' purchase behavior toward retailer own brands. This is coherent with the fact that the lower the perceived price of the product, the higher the tendency of consumers to purchase retailer own brand label products (ABDULLAH ET AL., 2012). The price of retailer own-brand products is normally cheaper than national or manufacturer brands and this will help the consumers to pay lower prices to get retailer own brands at the respective retail stores. Nowadays, low and affordable price continues to be the primary benefit and main attribute that consumers seek in retailer's own brand label products. It is expected that consumers will buy retailer's private brands as they appear as good substitutes to manufacturer or national brands which are relatively priced higher.

The result also revealed that there is no significant relationship between purchase behavior and perceived value. This result is contradicted with past study done by BENEKE, GREENE, LOK & MALLETT (2013) who found a significant relationship between purchase behavior of private brand and perceived product value. This finding is also inconsistent with CHAN & WANG, (2011) who emphasized that perceived value is arguably one of the most critical determinants of purchase intention and the most

important concepts for understanding consumers' minds. It shows that consumers' willingness to purchase retailers' own brands is not related to the perceived worth value at a low price and high-quality level for similar products.

5. CONCLUSIONS

In conclusion, the study provides an understanding of consumers' perceptions of retailers' own brands. Uneven growth of retailer own brands sales has existed among different product categories, despite the growth of overall sales. Little research exists that would help retailers identify appropriate product categories for their own private brands. Our findings suggest that consumer acceptance of retailer own brands depend on the consumers' perception of perceived quality, perceived low price, and store image of the retailers.

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