

BRAND ELEMENTS ON SMALL MEDIUM  
ENTERPRISES (SMEs) FOOD PRODUCTS AND  
THEIR IMPACT TOWARDS CONSUMER PURCHASE  
INTENTION

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A project report submitted in fulfillment of the requirement for the award of  
Bachelor Degree of Management Technology (High Technology Marketing) with  
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## DECLARATION

“I declared that thesis entitle Brand Elements on Small Medium Enterprises (SMEs) Food Products and Their Impact towards Consumer Purchase Intention is the result of my own research except as cited in the references”

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## DEDICATION

I dedicate this thesis to my beloved mother Mrs. Romah Binti Muhamad and to the memory of my late father Mr. Din Bin Haji Hassan with much love, respect and admiration. I also dedicate this thesis to my family especially my brothers and sisters Mohd Zabidi Bin Din, Nur Asmat Binti Ghazali, Ariffin Bin Ghazali; Lecturers at UTeM especially for my supervisor Ir. Budiono Hardjono, friends and those people who have guided and inspired me throughout my journey of education.

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## ABSTRACT

Brand elements such as brand name, packaging, logo or symbol and brand slogan play vital role towards small medium enterprises (SMEs) food products in order to get consumer purchase intention. However, many of small medium enterprises (SMEs) food products entrepreneurs do not care about brand elements and most of them only selling their food products without considering the importance of the brand elements. The purpose of this research is to study about brand elements on small medium enterprises (SMEs) food products and their impact towards consumer purchase intention. Methodological choice of this research is quantitative research using survey of 111 respondents which focusing on around Bandar Hilir, Melaka Tengah. The result from this research found that brand elements such as brand name, packaging and logo or symbol only that there is a positive relationship between small medium enterprises (SMEs) food products brand elements and consumer purchase intention. Meanwhile, brand slogan is not a positive relationship between small medium enterprises (SMEs) food products brand element and consumer purchase intention. In conclusion, brand name is most positive relationship towards consumer purchase intention, followed by packaging and logo or symbol. Therefore, this can be proven that brand elements such as brand name, packaging and logo or symbol played an important role to small medium enterprises (SMEs) food products business.

**Keywords:** Brand Elements, Small Medium Enterprises (SMEs), Consumer Purchase Intention

## **ABSTRAK**

*Elemen – elemen jenama seperti jenama, pembungkusan, logo atau simbol dan slogan memainkan peranan penting terhadap produk – produk makanan industri kecil dan sederhana (IKS) dalam mendapatkan hasrat pembelian pengguna. Walaubagaimanapun, ramai daripada usahawan – usahawan produk makanan industri kecil dan sederhana (IKS) tidak ambil peduli tentang elemen – elemen jenama dan kebanyakan daripada mereka hanya menjual produk – produk mereka tanpa mempertimbangkan kepentingan elemen – elemen jenama. Tujuan kajian ini adalah untuk mengkaji tentang elemen – elemen jenama pada produk – produk makanan industri kecil dan sederhana (IKS) dan kesannya terhadap hasrat pembelian pengguna. Kaedah methodologi kajian ini adalah kajian kuantitatif menggunakan kaji selidik terhadap 111 responden yang mana memfokuskan pada sekitar Bandar Hilir, Melaka Tengah. Hasil daripada kajian ini mendapati bahawa hanya elemen – elemen jenama seperti jenama, pembungkusan dan logo atau simbol sahaja yang mempunyai hubungan positif antara elemen – elemen jenama produk – produk makanan industri kecil dan sederhana (IKS) dengan hasrat pembelian pengguna. Sementara itu, slogan tidak mempunyai hubungan positif dengan hasrat pembelian pengguna. Kesimpulannya, jenama adalah mempunyai hubungan paling positif dengan hasrat pembelian pengguna, diikuti dengan pembungkusan dan logo atau simbol. Oleh yang demikian, ini dapat dibuktikan bahawa jenama, pembungkusan dan logo atau simbol memainkan suatu peranan penting terhadap perniagaan produk – produk makanan industri kecil dan sederhana (IKS).*

**Kata Kunci:** *Elemen – Elemen Jenama, Industri Kecil Dan Sederhana (IKS), Hasrat Pembelian Pengguna*



## TABLE OF CONTAINS

CHAPTER	TITLE	PAGES
	<b>Declaration</b>	<b>i</b>
	<b>Dedication</b>	<b>iv</b>
	<b>Acknowledgement</b>	<b>v</b>
	<b>Abstract</b>	<b>vi</b>
	<b>Abstrak</b>	<b>vii</b>
	<b>Table of Contains</b>	<b>viii</b>
	<b>List of Tables</b>	<b>xii</b>
	<b>List of Figures</b>	<b>xiii</b>
	<b>List of Abbreviations</b>	<b>xiv</b>
	<b>List of Appendices</b>	<b>xv</b>
 <b>CHAPTER 1</b>	 <b>INTRODUCTION</b>	
	1.1 Background of study	1
	1.2 Problem Statements	6
	1.3 Research Questions	8
	1.4 Research Objectives	8
	1.5 Scope, Limitations and Key Assumptions	9
	1.5.1 Scope	9
	1.5.2 Limitations	10
	1.5.3 Key Assumptions	11

<b>CHAPTER</b>	<b>TITLE</b>	<b>PAGES</b>
<b>CHAPTER 2</b>	<b>LITERATURER RIVIEW</b>	
2.1	Introduction	12
2.2	Small Medium Enterprises (SMEs) in Malaysia	13
2.3	Brand Elements on Small Medium Enterprises (SMEs) Food Products	15
	2.3.1 Brand Name	16
	2.3.2 Packaging	16
	2.3.3 Logo or Symbol	17
	2.3.4 Brand Slogan	18
2.4	Consumer Purchase Intention and Its Importance	19
2.5	Theoretical Framework	20
2.6	Hypothesis	22
<b>CHAPTER 3</b>	<b>RESEARCH METHODOLOGY</b>	
3.1	Introduction	23
3.2	Research Design	24
3.3	Methodological Choice	25
3.4	Data Collection	25
	3.4.1 Primary Data	26
	3.4.2 Secondary Data	27
3.5	Analytical Tools (Data Analysis)	28
	3.5.1 Descriptive Statistical Analysis	29
	3.5.2 Pearson's Correlation Analysis	29
	3.5.3 Multiple Linear Regression	30
3.6	Time and Place of Study	30
3.7	Research Strategy	31

<b>CHAPTER</b>	<b>TITTLE</b>	<b>PAGES</b>
	3.7.1 Survey	32
	3.7.2 Research Time Horizon	32
	3.8 Operational Variable Definition	33
	3.9 Pilot Test	35
	3.10 Validity and Reliability	36
 <b>CHAPTER 4</b>	 <b>RESULT AND DATA ANALYSIS</b>	
	4.1 Introduction	37
	4.2 Descriptive Analysis	37
	4.2.1 Gender	39
	4.2.2 Who is respondent	40
	4.2.3 Age	42
	4.2.4 Academic Level	44
	4.2.5 Income	46
	4.3 Cross Tabulation Analysis	48
	4.3.1 Brand Name Cross Tabulation Analysis	48
	4.3.2 Packaging Cross Tabulation Analysis	50
	4.3.3 Logo or Symbol Cross Tabulation Analysis	52
	4.3.4 Slogan Cross Tabulation Analysis	54
	4.4 Reliability Test and Correlation Analysis	56
	4.4.1 Reliability Test	56
	4.4.2 Correlation Analysis	58
	4.5 Hypothesis Testing	61
	4.5.1 Multiple Regression Analysis	62

<b>CHAPTER</b>	<b>TITTLE</b>	<b>PAGES</b>
<b>CHAPTER 5</b>	<b>CONCLUSION AND RECOMMENDATION</b>	
5.1	Introduction	70
5.2	Conclusion	70
5.3	Recommendation	73
5.4	Recommendation for the Future Research	74
	<b>REFERENCES</b>	75
	<b>APPENDICES</b>	84

## LIST OF TABLES

TABLE	TITLE	PAGES
1.1	The definition by size of operation of SMEs	3
1.2	The distribution SMEs by sector and by state	4
3.8	Operational Variable Definition	33
4.1	Summary Total of Respondents	38
4.2	Respondent by Gender	39
4.3	Type of Respondent	40
4.4	Age	42
4.5	Academic Level	44
4.6	Income	46
4.7	Gender versus Brand Name	48
4.8	Gender versus Packaging	50
4.9	Gender versus Logo or Symbol	52
4.10	Gender versus Slogan	54
4.11	Cronbach's Alpha Coefficient Range and Its Strength of Association	57
4.12	Result of Cronbach's Alpha	57
4.13	The Rules Of Thumb for Interpreting Correlations	59
4.14	Result of Pearson Correlation Coefficient of All Variables	60
4.15	Result of Multiple Linear Regression	62
4.16	Result of Multiple Linear Regression	63
4.17	Result of Multiple Linear Regression	64
4.18	Result of Hypothesis Test	64

**LIST OF FIGURES**

<b>TABLE</b>	<b>TITTLE</b>	<b>PAGES</b>
2.1	Theoretical Framework	21
4.1	Gender	39
4.2	Type of respondent	41
4.3	Age	43
4.4	Academic Level	45
4.5	Income	47
4.6	Gender versus Brand Name	49
4.7	Gender versus Packaging	51
4.8	Gender versus Logo or Symbol	53
4.9	Gender versus Slogan	55

## LIST OF ABBREVIATIONS

<b>ABBREVIATIONS</b>	<b>DETAILS</b>
CEO	Chief Executive Officer
DV	Dependent Variable
EU	European Union
GDP	Gross Domestic Product
ICT	Information and Communications Technology
INSKEN	Institut Keusahawanan Negara
IV	Independent Variables
MARA	Majlis Amanah Rakyat
MATRADE	Malaysia External Trade Development Corporation
MIDA	Malaysian Investment Development Authority
MITI	Ministry of International Trade and Industry
MOA	Ministry of Agriculture of Malaysia
NSDC	National SME Development Council
PUNB	Perbadanan Usahawan Nasional Berhad
R&D	Research and Development
SME Corp.	SME Corporation Malaysia
URLs	Uniform Resources Locator
USA	United States of America
SAS	Statistical Analysis System
SMEs	Small Medium Enterprises
SPSS	Statistical Package for the Social Science

**LIST OF APPENDICES**

<b>TITTLE</b>	<b>PAGES</b>
Questionnaire	84
Gantt Chart for PSM 1	92
Gantt Chart for PSM 2	93



## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

Small and medium enterprises (SMEs) play a vital role in the country's economic development. The current trend of economic growth and the rapid industrial development has made Malaysia as one of the most open economies in the world (Muhammad, Kamal, Rushdan, and Hassan, 2009). In order for vision 2020 to be fully developed and become an industrialized nation by the year 2020, the future progress seems to depend greatly upon development of small and medium enterprises (SMEs). In the year 2020, the country will develop to become an industrialize nation by capitalizing on the country's strengths and able to overcome weaknesses. In response to the drastic changes, small and medium enterprises (SMEs) play an important role in developing country to a higher level (Sarah, Arokiasamy, and Ismail, 2009). Besides that, as mentioned by Clavesillas (2007) that small and medium enterprises (SMEs) play a major role in economic development through their contribution in rural industrialization, rural development and decentralization of industries, creation of employment opportunities and more equitable income distribution, use of indigenous resources, earning of foreign exchange resources, creation of backward and forward linkages with existing industries, and entrepreneurial development.

Definition of small medium enterprises (SMEs) is different according to the countries. As stated by The Organization for Economic Co-operation and Development (2005), small medium enterprises (SMEs) definition is non-subsiary, independent firms which employ less than a given number of employees and this number varies across countries. The most frequent upper limit designating a small medium enterprises (SMEs) is 250 employees as in the European Union (EU) and some countries set the limit at 200 employees but the United States of America (USA) considers small medium enterprises (SMEs) as to include firms with fewer than 500 employees. These firms are generally those with fewer than 50 employees and micro enterprises have at most 10 or in some cases 5 workers.

In Malaysia since 2005, a common definition for small medium enterprises (SMEs) endorsed by the National SME Development Council (NSDC) has been adopted across ministries and agencies, financial institutions and regulators involved in small medium enterprises (SMEs) development programs. The National SME Development Council (NSDC) was established in 2004 to set strategic direction for government policies on small medium enterprises (SMEs) development and to ensure coordination and effectiveness of government programs. SME Corporation Malaysia (2013) mentioned that small medium enterprises (SMEs) defined as in manufacturing that its sales turnover not exceeding RM50 million or full-time employees not exceeding 200 workers while in services and other sectors is its sales turnover not exceeding RM20 million or full-time employees not exceeding 75 workers. It is also defined a business will be deemed as an small medium enterprises (SMEs) if it meets either one of the two specified qualifying criteria, namely sales turnover or full-time employees, whichever is lower. However, for definition by size of operation, category of micro enterprise is across all sectors which sales turnover of less than RM300,000 or less than 5 full-time employees. But for small and medium enterprise is shown in the table 1.1 below:

Table 1.1: The definition by size of operation of small medium enterprises (SMEs) (Source: SME Corp, 2015)

**Table 1: Definition by Size of Operation**

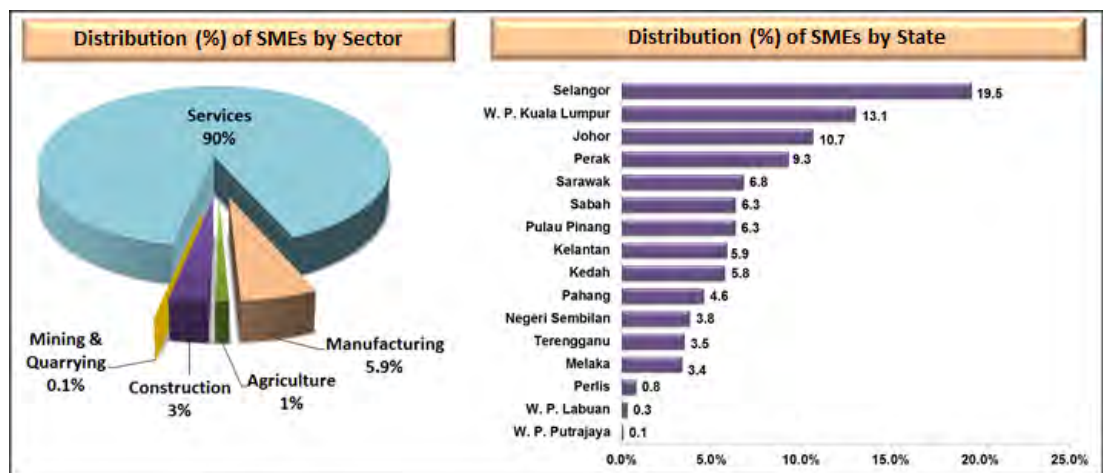
<b>Category</b>	<b>Small</b>	<b>Medium</b>
Manufacturing	Sales turnover from <b>RM300,000 to less than RM15 million</b> <u>OR</u> full-time employees from <b>5 to less than 75</b>	Sales turnover from <b>RM15 million to not exceeding RM50 million</b> <u>OR</u> full-time employees from <b>75 to not exceeding 200</b>
Services & Other Sectors	Sales turnover from <b>RM300,000 to less than RM3 million</b> <u>OR</u> full-time employees from <b>5 to less than 30</b>	Sales turnover from <b>RM3 million to not exceeding RM20 million</b> <u>OR</u> full-time employees from <b>30 to not exceeding 75</b>

Small medium enterprises (SMEs) in Malaysia are classification by three sectors. First is manufacturing refers to physical or chemical transformation of materials or components into new products. Second is services refer to all services including distributive trade, hotels and restaurants, business, professional and information and communications technology (ICT) services, private education and health, entertainment, financial intermediation and manufacturing is related services such as research and development (R&D), logistics, warehouse, engineering and others. Last sector is others that refer to the remaining three key economic activities, namely for first is primary agriculture such as aquaculture, forestry and logging, marine fishing and others. Second is construction such as infrastructure, residential and non-residential and special trade. Last key economic activities of small medium enterprises (SMEs) are mining and quarrying (SME Corporation Malaysia, 2013).

In aspect of small medium enterprises (SMEs) contribution to the country, according to Minister of Ministry International Trade and Industry (MITI), Datuk Seri

Mustapha bin Mohamed (2011) said that small medium enterprises (SMEs) represent about 97% of the company's business in the country and contributed 32.5% to the gross domestic product (GDP) and also employ 59% of Malaysia's workforce and is expected to increase 62% by 2020. Meanwhile, Chief Executive Officer (CEO) of SME Corporation Malaysia, Datuk Seri Hafsa Hashim (2015) mentioned on a conference that small medium enterprises (SMEs) are an important contributor to the development in Malaysia. As much as 97.3% or 645,136 business establishments in the country are small medium enterprises (SMEs) which is small as much as 20%, medium as much as 3% and micro as much as 77%. She also stated that small medium enterprises (SMEs) contribution to the Malaysia economy which as much as 33.1% for gross domestic product (GDP), 57.5% for employment and 19% for exports. The table 1.2 below showed the distribution small medium enterprises (SMEs) by sector and the distribution small medium enterprises (SMEs) by state.

Table 1.2: The distribution SMEs by sector and the distribution SMEs by state  
(Source: SME Corp, 2015)



Brand elements are playing important role to small medium enterprises (SMEs) food products. Czinkota and Ronkainen (2010) said that brand is important because they shape customer decisions ultimately create economic value. Branding has been around for centuries as a means to distinguish the goods of one producer from those of another (Keller, 2013). According to the Keller (2013) said from American Marketing Associations (AMA) definition that a brand can be defined as a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors. Within this view, Keller (2013) referred that whenever a marketer creates a new name, logo, or symbol for a new product, this means a brand is created.

Brand elements are an important part of the success in small medium enterprises (SMEs) food products towards consumer purchase intention. As mentioned by Banerjee and Dasgupta (2015), branding has major role to play to increase the competitive edge of small medium enterprises (SMEs) for long run profitable survival. Keller (2013) stated that to consumer, brand provides important functions. Brand identity the source or maker of a product and allow consumers to assign responsibility to a particular manufacturer or distributor. He also added that to the extent that consumers realize advantages and benefits from purchasing the brand and as long as they derive satisfaction from product consumption, they are likely to continue to buy it. This indicates that brand elements are in close contact with consumer purchase intention.

As stated by Whitlark, Geurts and Swenson (1993) defined purchase intention as a purchase probability associated with an intention category at the percentage of individuals that will actually buy product. Additionally, purchase intention evaluates consumer purchase possibility to a product (Dodds, Monroe, and Grewal, 1991; Schiffman and Kanuk, 2000). Purchase intention comes into deliberation when a customer is most likely attempting to purchase some product or service (Dodds, Monroe

and Grewal, 1991). Thus a well-known brand will have a higher purchase intention than a less well-known brand (Hsu, 2000). According to Kamins and Marks (1991) also said that consumers will have a higher purchase intention with a familiar brand. Based on above statements, these indicate that brand elements on small medium enterprises (SMEs) food products and consumer purchase intention is related each other and it is very important to business especially to small medium enterprises (SMEs) food products entrepreneurs.

In order to strengthen small and medium enterprises (SMEs) in Malaysia especially in food products, brand elements play an important role towards small medium enterprises (SMEs) food products to improve their business in aspect consumer purchase intention to build brand awareness.

## **1.2 Problem Statements**

As stated by Anarnkaporn (2007) that branding is an important competitive tool available to small medium enterprises (SMEs). However, Norshafinaz (2001) found that branding, although very important in the marketing of services and goods, but it was not given attention by local entrepreneurs, especially small and medium enterprises (SMEs). She added that besides do not want to bear the high cost, there is also the small medium enterprises (SMEs) thought that their products still be sold to the consumer without the use of that marketing methods. Sheikh Salman (2014) found that marketing and branding goes hand in hand, many companies focus only on marketing but not branding. Small medium enterprises (SMEs) consider that branding is only for big companies and small companies have nothing to do with it. Abimbola and Vallaster (2007) stipulated that brand strategy is not a preserve of large organizations alone and outlines practical

suggestions on branding for smaller firms. Hashim and Wafa (2002) identified that the main problems faced by small medium enterprises (SMEs) in Malaysia are the lack of knowledge regarding marketing techniques, branding, customer loyalty and also lack of good contacts with others local and international enterprises. According to Minister of Ministry International Trade and Industry (MITI), Datuk Seri Mustapha bin Mohamed (2011) said that small medium enterprises (SMEs) should emphasize on the branding of their products to ensure that it can to penetrate a wider market including the international level. He added that knowledge of most of Malaysian small medium enterprises (SMEs) towards branding aspect is still lower than compared external small medium enterprises (SMEs). Za'Faran Hassan (2007) mentioned that one of problems that faced by small medium enterprises (SMES) in Malaysia is about packaging and branding which some entrepreneurs produce goods packed in low-quality packaging material with an unattractive packaging design. During the opening of the showcase entrepreneurs, former Prime Minister of Malaysia, Tun Abdullah bin Ahmad Badawi (2013) said that he saw many small medium enterprises (SMEs), particularly in rural area, which produce high quality of goods. However, the output is not wrapped right or labeled clearly. So, customers do not interest to buy it or have doubts of hygiene and safety. These all prove that small medium enterprises (SMEs) in Malaysia are still not aware about importance of brand elements towards their product or service especially in food products. The consequence of this problem is many consumers do not realize about the brand of small medium enterprises (SMEs) food products and this affecting to consumer purchase intention.

From the problems statement stated above, this research comes out with a research topic on “brand elements on small medium enterprises (SMEs) food products and their impact towards consumer purchase intention” which is the research will focus on brand elements on small medium enterprises (SMEs) food products and their effect towards consumer purchase intention.

### **1.3 Research Questions**

Brand is important aspect in selection of products or services. As mentioned by Keller (2013) that brand can also play a significant role in signaling certain product characteristics to consumer. Therefore, there are several research questions to be answered throughout the research study such as follow:

- i. What is the effect of brand name on small medium enterprises (SMEs) food products towards consumer purchase intention?
- ii. What is the effect of packaging on small medium enterprises (SMEs) food products towards consumer purchase intention?
- iii. What is the effect of brand logo or symbol on small medium enterprises (SMEs) food products towards consumer purchase intention?
- iv. What is the effect of brand slogan on small medium enterprises (SMEs) food products towards consumer purchase intention?

### **1.4 Research Objectives**

Malaysia through its agency, Malaysia External Trade Development Corporation (MATRADE) or National Trade Promotion Agency of Malaysia that responsible towards promoting Malaysian small medium enterprises (SMEs) products and services has a vision which is to positioning Malaysia as a globally competitive trading nation and its mission is promoting Malaysia's enterprises to the world. Therefore, this research aims to achieve research objectives such follow: