

**FACTORS INFLUENCING CONSUMER'S WILLINGNESS TO PURCHASE
PRIVATE LABEL BRANDS**

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APPROVAL

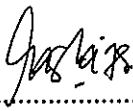
I hereby declare that have read this thesis and in our research is sufficient in terms of scope and quality. This project is submitted to Universiti Teknikal Malaysia Melaka as a requirement for completion and reward Bachelor Degree of Technology Management

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DECLARATION OF ORIGINAL WORK

I declare that this project entitled “Factors Influencing Consumer’s Willingness to Purchase Private Label Brand” is the result of my own research except as cited in the references. The project paper has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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DEDICATION

I dedicate this research to

My mother, Mrs Rahmah Bt Hj Ibrahim

And my father, Mr Rosli bin Mohammad

Thank you for raising and support me until now

My beloved siblings Mohd Najmi Najib, Nabila Huda,

Nur Fadhliyana

My greatest supporter. You are truly blessing from Allah

My brother and sister in laws, Noor Shariana, Solleh and Jamal

Thank you for having faith in me.

My roommates, housemate, teammates and also all my friends especially 4 BTMM

Thank You guys.

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ABSTRACT

The growth of Private Label Brands (PLBs) has been moderate in spite of the fact that they have been accessible in Asia for the past 25 years. There are many variables that affect the readiness of the consumer to buy PLBs. This dissertation investigates Malaysian consumers and why some of them are willing to purchase PLBs, while others do not. The purpose of this dissertation is to identify the factors that influence consumer's willingness to purchase Private Label Brands (PLBs) in Melaka City, Malaysia. In this research, there are five factors to be examined: perceived price, perceived quality, perceived risk, perceived value, and store image. This research study was completed by using quantitative method. Quantitative studies were conducted in this study and 384 questionnaires were distributed to consumers in the supermarket in Melaka City using simple sampling. Questionnaire is the main research tool for data collection. The analysis method used were descriptive statistic and multiple linear regression for the purpose of the hypothesis through the Statistical Package for Social Science (SPSS). The findings show that there has a significant relationship between perceived price, perceived quality, perceived risk and perceived value in consumer's willingness to purchase private label brands.

Keywords: Private Label Brands, Consumer's Willingness.

ABSTRAK

Pertumbuhan Jenama Label Persendirian (PLB) telah lambat walaupun ia telah tersedia di Asia sejak suku abad lalu. Terdapat banyak faktor yang mempengaruhi kesediaan pengguna untuk membeli PLB. Kajian ini adalah untuk menyiasat pengguna Malaysia mengapa sebahagian daripada mereka sanggup membeli PLB, sementara yang lain tidak. Tujuan kajian ini adalah untuk mengenal pasti faktor-faktor yang mempengaruhi kesediaan pengguna untuk membeli Jenama Label Swasta (PLB) di Bandar Melaka, Malaysia. Terdapat lima pemboleh ubah yang akan diukur dalam kajian ini iaitu harga, kualiti, risiko, nilai, dan imej kedai. Kajian kuantitatif telah dijalankan dalam kajian penyelidikan ini dan sebanyak 384 soal selidik diedarkan kepada pengguna di pasaraya Besar di Bandar Melaka menggunakan persampelan mudah. Soal selidik adalah alat penyelidikan utama untuk pengumpulan data. Kaedah analisis yang digunakan adalah statistik deskriptif dan regresi linear berganda untuk ujian hipotesis melalui Pakej Statistik untuk Sains Sosial (SPSS). Hasil dapatan kajian menunjukkan hubungan yang signifikan antara dimensi harga, kualiti, risiko dan nilai bagi kesediaan pengguna dalam membeli jenama label persendirian.

Kata Kunci : Jenama Label Persendirian, Kesediaan Pengguna

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LIST OF ABBREVIATIONS

PLBs	- Private Label Brands
SPSS	- Statistical Package for Social Science
C	- Respondents Demographics
A	- General Question
W	- Willingness to purchase
PP	- Perceived Price
PQ	- Perceived Quality
PR	- Perceived Risk
PV	- Perceived Value
S	- Store Image

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CHAPTER 1

INTRODUCTION

1.0 Introduction

The investigator will set the basis of the research in this section that would offer an understanding of the entire research. The researcher will conduct a study about Factor Influencing Consumer's Willingness to Purchase Private Label Brands.

Brands as an identification of a specific product and its significance. Marketing brand today is an instrument that was seen to have a major impact on the conscience of consumers. The brand was described by Kotler and Keller (2007) as ' the title, word, mark, symbol, layout or mixture thereof, designed to define the products or facilities of one vendor or group of salespeople and to distinguish they belong to those of rivals. Brand has evolved into two classifications of brand and personal label brand produced.

Private Label goods or typically, utilities are those produced or offered under the name of another business by one business. Products and goods of private labels accessible in a broad variety of sectors. Often positioned as lower-cost alternatives to national brands, some national private label brands have recently been put as "premium" goods to compete with present "name" goods.

In this research also discuss about the consumer's readiness to pay for goods or services represents their buying motives. Consumer readiness to pay is one of the highest indices of brand allegiance and can be the most sensible summarized metric of general brand ownership (Netemeyer, et al., (2004).

This section therefore, begins with the context of Private Label Brands, Statement of the issue, study issues and study goals. It would also have further addressed research constraints in the range of the research. Furthermore, researcher also discuss about significance of study, in this part is divide into two part which is contribution to knowledge and contribution to practices. Last is about the conceptual and operational definition whereas the researcher will look into the concept that others researcher used.

1.1 Background of study

In the 1970s, PLB started its story, with more than 30 years' development, PLB is now gradually becoming a phenomenon. For years, the market is occupied by the leading brands until retailers started to realize it is applicable to build their own brands. Advertising is the primary variable in the development of products (Kumar & Steenkamp, 2007). The leading brands are using creative advertisements and making competitive promotion and price strategies to attract the consumers.

The implementation of PLBs has resulted in a change in the policies and connection between supplier and retailer of the product. More specifically, the competition between manufacturers and retailers is becoming intensified. Retailers become a direct rival to battle for customer choice and business share (Pauwels & Srinivasan, 2002) .

PLBs existed in developed countries much earlier than in developing countries. PLBs started to be popular in United Kingdom in the 1970s (Vi-Jon, 2005). However, there was no exact data about when PLBs started to invade into Malaysia retail market. PLBs assumed to emerge in Malaysia around 2000. In 2003, Tesco launched its own brand which is called Tesco Value (Tesco Malaysia, 2010).

Furthermore, in developing countries, like Malaysia the growth of hypermarket retailers is rising. Tesco occupied 30% of the markets share by sales, followed by Giant which was 24% and Jusco 22% in Malaysia (Seelan, 2010). Since, 1970 national brands in Malaysia have been threatened by the increasing number of retailers. Products label branded this product can satisfy consumer needs of purchasing lower price products (Nielsen, 2014). They constructed their own products to increase earnings with the same quality as other leader brands, which is a serious stimulation to the national brands in Malaysia. Moreover, Malaysian consumers are switching to various brands by comparing the price and quality of the products. The demand of private label branded products is increasing because of consumers intend to purchase more valuable products with cheaper prices.

Based on the Nielsen report 2012 its showed that personal label products have a proportion of the complete industry Korea, Hong Kong, Taiwan and some Southeast Asian countries. Indonesia grew dramatically in private label while Malaysia still fluctuated around 7%. The progress of PLB sales in Malaysia is still slow compared to developed countries and other developing countries in Asia.

Private label mark is a product manufactured or manufactured for purchase by one company under the name of another company. Retailers are the firms that sell and regulate these goods. Also regarded as label products, house brands, shop brands, or the product of distributors are private label products. Furthermore, its commonly known as "own products" or "shop brands" consists of goods manufactured and marketed by a particular distributor or retail chain. (Steenkamp & Kumar, 2007). More personal brand branding techniques are available to the most effective distributor and the distributor is usually the bigger company. There

will be stronger economic outcomes for retailers with powerful personal label products.

There are few hypermarkets in Malaysia that sell their personal label item like Giant, Tesco, Econsave and others. These are hypermarkets provide their private label brands in many types of products. Tesco, for instance, provides Tesco Finest as its personal label products include the non-alcoholic beverage brand category. Morris (2002) said the powerful personal label brand in Tesco has become the main components of the achievement of Tesco. Private label products from Tesco produce 55% of overall revenues in 2004.

According to the Private Label Manufacturers Association (2010), after the economic downturn, 91% of respondents will still purchase private label products and They believe that personal label products are just lovely and that brand output is often similar with branded products (Putsis Dhar, 2001). Eventually, making PLBs profitable is not going to be simple or fast, and It is up to the retailers to decide when correct moment to invest completely and boost customer recognition. Hence, this research investigates the factors that influence consumer's willingness to buy PLBs and help retailer in taking appropriate action to increase brand awareness as well as attract more consumers in purchasing PLBs.

1.2 Problem Statement

The World Monetary Fund published its worldwide development prediction in October 2015, stating that the worldwide economy is slowing down once again (Mui, 2015). Malaysia is not immune to the economic downturn globally and the economy of Malaysia has endured on several fronts. Malaysia's Ringgit near a four-dollar exchange level not seen in approximately two centuries, Malaysia's overseas investment dropped by approximately 50 percent annually through the first quarter of 2015, partially owing to national political unrest, and Malaysia's small worldwide petroleum cost also harmed one of the main petroleum and gas exporters (Kurlantzick,

2015 Free Malaysia Today). Based on a joint research carried out in October 2014 by IPSOS and Global Market Research survey solutions provider SSI, inflation may be pushing Malaysia consumers should find cheaper PLBs to handle their reduced expenditure authority and reduced spending on non-essentials (Malay Mail 2015). In addition, the study also revealed that willingness of to stay faithful to Malaysian shoppers to branded goods Can decrease if PLBs can close the performance divide (The Malay Mail,2015).

Furthermore, Private Label Brands entered in Malaysia about the decade ago. The growth and sales of PLBs in Malaysia are slower compared to other countries. (The Nielson Company, 2008). This would boost demand for personal label item in Malaysia due to the unfavourable financial situation that causes inflation stress in Malaysia. Customers tend to be particularly low- and middle-income families price-sensitive. They tend to buy a personal label item rather than a domestic product if their expectations are met by the value of the personal label item at a reduced cost. According to Malay mail online (2015), claiming customers purchased more products of personal labels than in the past year. This study also found that 25% of shoppers thought the same value as domestic products and personal label products, and 18 percent who bought private label brands despite the quality is slightly lower than national brands.

However, PLBs enjoys positive and strong growth from time to time especially during the economic recession in 2009. From the success of PLBs in other countries, it has now become essential for retailers to make strategies. With the entry level and slow growth in Malaysia, it will be interesting to study and explore how the factors selected in this research such as perceived price, perceived quality, perceived risk, perceived value and store image will influence on consumer's willingness to purchase PLBs. Thus the analysis of these main factors benefits both retailers and name brands owners. First, providing retailers with better knowledge of how expand their higher margin private label brands sales. And grant the manufacturers of name brands with a better understanding of how to fight the increasing growth of private labels across different categories.

Name brands holders and suppliers therefore see personal label products as a increasing competitive risk on the market and therefore it is essential that businesses know their clients ' requirements and behaviour. To making a consumers' decision when choosing one brand over another there are many influences behind that. In order for products to remain competitive on the market, both distributors and producers need to comprehend the main variables influencing customers ' choice to buy one or another product.

To date there has been little, if any, evaluation of factors influence consumer willingness to purchase PLBs such as perceived price, quality, risk, value and store image that influence consumers to purchase PLBs in Malaysia. This research aims at further understanding and studying comprehend and study the connection between the five variables and consumer's willingness to purchase PLBs. The study issue is to examine whether there will be factors an important effect on the readiness of customers to buy PLBs

There are three steps will be taken to study on the research problem. First and foremost, consumer's need to understand the willingness to buy carefully. Then, the factors will be tested by using quantitative method to obtain feedback from the respondents. Lastly, measurement analysis will be used to explain the connection in this research between each variable.

1.3 Research Question

Research issues are intended to acquire the appropriate data necessary to achieve the goals. This study is aimed at investigating the factors influencing consumer's willingness to purchase private label brands. The research questions the following are in this study venture:

- a) What are the level factors influencing (perceived price, price quality, perceived risk, perceived value and store image)?
- b) What is the level of consumer's willingness to purchase Private Label Brands?
- c) What are the relationship between factors influencing towards consumer's willingness to purchase private label brands?

1.4 Research Objective

The general goal of this study is to discover and analyse the perceived price, perceived quality, perceived risk, perceived value and store image will influence consumer's willingness to purchase PLBs. Three objective set up to achieve the objective and better identify the purpose of this studies. They are:

- a) To identify the level of factors influencing consumer's (perceived price, perceived quality, perceived risk, perceived value and store image)
- b) To identify the level of consumer's willingness to purchase private label brands.
- c) To study the relationship between factors influencing towards consumer's willingness to purchase private label brands?

1.5 Scope of Study

This research is the analysis of factors influencing consumer's willingness to purchase private label brands. In this studies, there are two factors that are independent variable and dependent variable. For the independent variable is perceived price, perceived quality, perceived risk, perceived value and store image while dependent variable is consumer's willingness to purchase private label brands. This study range is covered in Melaka only. A set of questionnaire will distribute among people at Melaka for achieving the desired objectives.

1.6 Organization of Thesis

This study's buildings are organized in three sections;

Chapter 1: Introduction

In this part, the presentation presents foundation of research considers. It plots the issue articulation, explore question just as vital inquiry. In addition, the reason for existing is likewise clarified in this area so as to express the unmistakable target for leading this exploration. It also includes the limitation, scope and significance of study. Lastly, is contains the operational definition from dependent and independent variables.

Chapter 2: Literature Review

In this section its provision of prior research in the region of personal label products. The writers addressed the literature and evaluated it. These literatures address variables influencing consumer's willingness to purchase private label brands. For instance, perceived price, perceived quality, perceived risk, perceived value and store image. Furthermore, this chapter also discussed the hypothesis and the conceptual framework.

Chapter 3: Methodology

Chapter three is includes detailed description and measurement of the factors. Research design, research method, data collection, research location that researcher want to do a research, research subject, research instruments and techniques for analysing information will be addressed in this section