

THE RELATIONSHIP BETWEEN PRODUCT BRAND AND QUALITY  
PERCEPTION AMONG MELAKA CITY CONSUMER

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## DECLARATION

“I declared that this project is the result of my own research except as cited in the references. This research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

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Date : 16 JANUARI 2020

## DEDICATION

This paper is wholeheartedly dedicated to my beloved parents and families who have been my main source of inspiration and support throughout my whole life, I am very much thankful and blessed with the enernpurs love from my family.

I owe my deepest gratitude to my respected supervisor and panel for the continuous guidance, persistent help and immense motivation to me in completing my research.

And lastly, I would like to thank my lecturers, friends especially my housemate for costant guidance and advices that pushed me to my true potential throughout my degree journey.

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## ABSTRACT

This study is about the relationship between product brand and quality perception among Melaka city consumer. Local and global brand are the focus of this study related to consumer perception. The purpose of doing this research is to find out how consumer judge the product brand based on the quality and price. This study focused on three categories of customer which was Baby Boomers generation, Generation X and Generation Y in order to identify their perception of product brand. This was a descriptive research and using survey strategy to collect primary data. In this study, quantitative method was conducted to collect the relevance data from Melaka consumers. Furthermore, researcher will distribute 382 questionnaire surveys to the consumer who live in Melaka city. Data collection is analysed by using Statistical Package for the Social Science (SPSS). Multiple linear regression analysis used to examine the relationship between the independents variables and dependent variable.

Keywords: quality perception, price perception, local brand, global brand

## ABSTRAK

Kajian ini adalah mengenai hubungan antara jenama produk dengan persepsi kualiti di kalangan pengguna di bandaraya Melaka. Jenama tempatan dan global adalah tumpuan kajian ini berkaitan dengan persepsi pengguna. Tujuan menjalankan kajian ini adalah untuk mengetahui bagaimana persepsi pengguna mengenai jenama produk berdasarkan kualiti dan harga. Kajian ini memberi tumpuan kepada tiga kategori pengguna iaitu generasi Baby Boomers, Generasi X dan Generasi Y untuk mengenal pasti persepsi mereka terhadap jenama produk. Ini merupakan pencarian deskriptif dan menggunakan strategi tinjauan untuk mengumpul data primer. Dalam kajian ini, kaedah kuantitatif telah digunakan untuk mengumpul data relevan dari pengguna di Bandaraya Melaka. Selain itu, penyelidik telah mengedarkan 382 borang kaji selidik kepada pengguna yang tinggal di bandar Melaka. Pengumpulan data dianalisis menggunakan pakej Statistik untuk Sains Sosial (SPSS). Analisis regresi linier digunakan untuk mengkaji hubungan antara pembolehubah bebas dan pemboleh ubah bergantung.

Kata kunci: persepsi kualiti, persepsi harga, jenama tempatan, jenama global

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**LIST OF ABBREVIATIONS**

<b>SPSS</b>	Statistical Package for Social Science
<b>LCL</b>	Local Brand
<b>GBL</b>	Global Brand
<b>QPLCL</b>	Quality Perception of Local Brand
<b>QPGBL</b>	Quality Perception of Global Brand
<b>PPLCL</b>	Price Perception of Local Brand
<b>PPGBL</b>	Price Perception of Global Brand

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

According to the American Marketing Association (AMA), a brand is a name, term, sign, symbol, or design, or a combination of them, which separates a company or group from its rivals in the eyes of consumers. Brand obviously provide important benefits to both consumers and firms. Generally, brands are needed in the promotion, marketing, and advertising of an organization.

In Malaysia, consumers have a wide range of choices either from global brands and local brands. Consumers have a distinctive perception of the brand of a product when it first impressions and after using it. Different consumers perceive quality in different turns. Some consumers perceived that a high-priced product is better quality and some of them perceived that high-priced products are not necessarily good. Therefore, it is very difficult to determine which product is better quality from the consumer's perspective as they come from a variety of backgrounds and knowledge. Although some of the attributes of quality must be measured objectively, quality must be measured in terms of buyer perception (Kotler et al., 1999).

Nowadays, there are many global brands in all product categories enter Malaysian market. The demand for Malaysians on a product has caused global brands to penetrate the Malaysian market. Consumers interpret a global brand when it is available worldwide with the same feature features as the name, design, and materials used (Akram et al. 2011). A study conducted by Douglas et al. (2004) revealed that consumers around the world interpret products from global brands with three key

components before making a purchasing decision. The three components are global myth, quality signal, and social responsibility. This situation is a rival to local brands in advancing its business. However, the local brand has its own advantages, because the product features are in line with the local consumer culture and tradition (Cayla & Eckhardt, 2007).

This study is conducted to identify the perceptions of consumers about the price and quality of the product brand at Melaka City. Quality is a factor that affects the minds of consumers especially after they use a product which affects the consumer's satisfaction. Quality is defined as the consumer perception about a product's excellence or superiority (Zeithaml, 1988). The quality of a product will certainly influence consumer behaviour. Aaker (1991) states that quality is an important factor that can build on the unique features of a product. Price and product quality has been reviewed by literature in that there are main factors that make a consumer tend to buy a product, especially value conscious consumer (Parasuraman, 1997; Zeithaml, 1988). Nowadays, the price and quality of a product are key factors that influence the consumer in purchasing decisions



## 1.2 Problem Statement

This study will investigate the details of consumer perception related to quality and price of a product brand. Through this understanding gain further describe why consumer choose particular product brands. Usually, consumer seeking a product brands for specific reason whether is about quality and price.

Increasing competition with low product distinction distorted by consumers is of the view that all products have comparable standards. Nowadays many companies offer the same products in the major markets of global brand products. This will affect local branded products that are carefully replaced for each other. It may also not promote or enhance current improvements in branded brands because consumers see brands as low risk while receiving more generic and private label brands, where the mind of the consumer will prioritize the satisfaction of choosing a brand (Bennett & Rundle-Thiele, 2005).

There are currently many products on the market, and this is causing competition among firms. There are retailers that offer low quality products and some offer high quality products. This may make it difficult for consumers to make choices because they need to do more in-depth research. Consumers will typically compare prices and quality before making a purchase. Consumers will make a purchase when a product brand meets their needs such as the right features, quality, or emotional benefits. High quality product perceptions may lead consumers to notice a brand's distinctions of excellence and this will encourage consumers to choose one brand over another. (Yoo et al., 2000). Consumer perceptions of local brands and global brands are also a concern, as both products have their own advantages.

A study by Furrer, Liu & Sudharshan (2000) has states that in addition to cultural factors, ethnic or racial differences will also influence difference quality perceptions of a product. In an ever internationalizing global market, goods producers are put upon pressure to decide between standardization, which results in cost reductions through economies of scale based on their priorities like location, consumer target, history, and so on. The belief that products from developing countries are of high quality is related to the consumer's knowledge of the country status. Products

from industrialized nations were favoured based on the belief that these countries have an expertise in produce good product.

Price is an important factor affecting the mind of the consumer. Price influences will result in the purchase decision changing and will also depend on the product features offered to the consumer. Erickson and Johansson (1985) demonstrated the dual function of price cue in a single study and found that perceptions of price level had a direct negative impact on purchase intentions, while an indirect positive effect on purchasing intentions by perceptions of product quality. Strictly viewed in this sense, quality is the amount of money that needs to be given up, so higher prices have a negative impact on the probability of buying. A group of researchers noticed that price is a dynamic incentive, nevertheless, and many customers feel that price can decide a product's quality. For example, a previous study showed consumers were using the price cue as a signal indicating the quality of the product. Higher prices have a positive effect on buying probabilities (Erickson & Johansson 1985; Lichtenstein, Bloch, & Black 1988) in this positive role.

### **1.3 Research Objective**

- i. To determine the relationship between local brand and quality perception
- ii. To determine the relationship between local brand and price perception
- iii. To determine the relationship between global brand and quality perception
- iv. To determine the relationship between global brand and price perception

### **1.4 Research Question**

- i. What is the relationship between local brand and quality perception
- ii. What is the relationship between local brand and price perception
- iii. What is the relationship between global brand and quality perception
- iv. What is the relationship between global brand and price perception

### **1.5 Significant of Study**

The product brand is an identity that a firm holds in marketing its products. Consumers have their own perceptions, especially in terms of the quality and price of a product. Consumers also have a great selection of products ranging from local brands and global brands. Some Malaysian consumers prefer to use products from a global brand as it may be of high quality from local brands. However, it does not mean that local brands do not get a place for consumers in Melaka city, Malaysia.

Through this study, researchers are aware of how well local branded products and global branded products become consumer choice. The researcher can also reveal whether the quality and price of a product can influence the consumer's choice of a product brand. Through the discovery of consumer perceptions of this quality and price, local firms can plan to improve their brand awareness. Local firms can find out whether the source of their products is not welcome among consumers. This is because local firms may be challenging to compete with global brands that are often the consumer's choice. Local firms can reconcile the quality and price of their products to meet the needs of consumers.

### **1.6 Summary**

This chapter of this research starts with a brief introduction to the research topic and background. Generally, this research will enhance researcher understanding about perceived product quality and price. In this chapter, it expresses consumer understanding of local brands and global brands. The key topics to be presented in this chapter were the object of study and research concerns. This chapter will conclude with the significant research that explains this research's importance to the firms.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

As in the chapter 1, summary of consumer perception of quality towards product brand is briefly discussed. While in the chapter 2, it will have the deep explanation about consumer perception such quality and price related to product brand. In this research, the theoretical guidelines of reference books, journals, thesis, and other published material are used as references to support and enhance the meaning of the theoretical framework. To further understand the relationship between a brand and perception of quality, this chapter will explore any aspect of quality perception against local brand and global brand. This chapter also explained theoretical framework between product brand and quality perception. These theoretical frameworks are formed in terms of the knowledge gathered from secondary data such as book and journal on the perception of quality.

## 2.2 Local Brand

A local brand can be described as a brand originating from a specific country or geographical area (Wolfe, 1991). Schuiling et al. (2004) states that local brands can be owned by local firms, global firms, international, and there are also ties between the national economy and personal well-being. Typically, local brand product attributes are more likely to be local traditions and cultures. For example, local products such as food have local cultural characteristics that are the choices of Malaysians.

Local brands can be defined as brands that are only available in certain areas of a country (Dimofte, Johansson, & Ronkainen 2008), with its own strengths such as the authenticity, uniqueness, and pride of the local brand. Local brands have a long tradition and a high level of awareness for local consumers. As stated by Dimofte et al. (2008), local brands not only give advantage to local consumer perceptions but also become a symbol of the local market. Generally, local brands are related to the symbol of the local culture, country, and heritage (Ger, 1999).

Additionally, local brands are better at influencing local consumer purchasing behaviour, and it gives local firms the advantage of producing products that can meet the needs of consumers, especially in terms of size and packaging of a product. Referring to a theory of Zhang et al. (2005), consumers will give a good look at a product whether a local brand or a global brand, but it depends the attributes of a product. What is certain, local consumers will give a better reaction to local branded products rather than global brands, as the brand's products have a mix of local consumer tastes (Schuh, 2007).

Previous studies by (Dimofte et al., 2008; Kapferer, 2005), found that adapting products to local and cultural tastes is a feature characterized by local brands. Local brands generally feature distinctive features, authenticity, pride and level of awareness among locals. The uniqueness of local flavour in the domestic market provides firms with the ability to learn, understand, and adapt local consumer needs in order to produce a good brand of products in the market.

Generally, local brands are marketed domestically in one country, and they are only available in certain regions (Batra et al., 2000). Local brands are also a consumer choice when they are looking at the community around them who are familiar with local brand products and also adding product features that fit their culture. (Cayla & Eckhardt, 2007). Local brands are already known to consumers because of prior experience, advertisement, or word of mouth. Environmental factors, such as promotions everywhere, have influenced consumers to reach out to local brands.

Local brand products are produced for domestic use in a designated country area and are not available in other countries (Batra et al., 2000). This situation occurs when local firms may lack effective marketing activities or their products do not comply with international standards. A study suggests that local brands can be an alternative if buyers can recognize the characteristics they need, especially the local tastes that they choose (Cayla & Eckhardt, 2007). Local brands are now well established to surround the community due to factors such as familiarity, advertisement, and word of mouth.

### 2.3 Global Brand

From a consumer perspective, a global brand is described as a brand that is considered to be advertised and recognised in multiple countries (Steenkamp et al., 2003). Some analysts describe global brands as "a brand that is sold under the same label in multiple countries with organized marketing strategies close to and centrally located." Global brands also cater to universals of human beings and are bought to signify inclusion of market markets around the globe. This suggests that customers often see global brands as goods that, when ingested, express global citizenship (Dawar & Parker, 1994).

To describe global brand, Townsend et al. (2009) consider a regional view. A global brand serves as "an anchor for the portfolio in their setting, with coat-tail consequences for all relevant products, and is in the advanced stage of the process of globalization. Some analysts describe the global brand as a company that is being sold with the same brand name in several countries. In most nations, the global brand is often accessible and seeks to encourage more buyers to buy the product.

A research by Douglas et al. (2004) showed that consumer can respond with three key features to global brands and decide when they want to make a purchasing decision. The three attributes are signs of price, urban stereotypes, and social responsibility. Past studies have found a global brand to be a distinct brand quality that is perceived and weighted like other qualities in the brand evaluation process (Dimofte, Johansson, & Ronkainen, 2008; Steenkamp, Batra, & Alden, 2003). That is, global brand may add or subtract meaning as a brand association depending on country, product category, and market characteristics.

Based on previous studies (Dimofte et al., 2008; Holt, Quelch, & Taylor, 2004; Steenkamp, Batra, & Alden, 2003), the global brand has five characteristics: (1) broad distribution, regional scope, and recognition; (2) expectations for success, satisfaction, and excitement; (3) low risk and comfort, suggesting a perceived consistency association; (4) ethical responsibility and environment; and (5) standardization and uniformity. This last aspect is where local brand show different position. These five

features point out that global brands have the power to compete in any marketplace and able to attract consumers' attention.

As widely known, the global brand is easily recognizable and acceptable when many marketing activities such as advertisements are made and intended to deliver quality product information to the public. In addition, global brand products have been deemed as high-quality products especially those from developed countries (Bhardwaj, Kumar & Kim 2010). This is because the global brand is highly regarded by consumers and the premium price placed makes it more reliable quality. Other researchers such as Milberg and Sinn (2008) also support the high-quality global brand perception. The researcher observe that consumers are also attracted to global brands as it associated with high prestige, high quality, and high status.